Banca Comercială Română S.A.

Consolidated and Separate Financial Statements

(The Group and the Parent Bank)

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

31 December 2020

Contents of the consolidated and separated financial statements

Independent Auditor's Report

To the Shareholders of Banca Comercială Română SA

Report on the audit of the financial statements

Our opinion

In our opinion, the consolidated and separate financial statements give a true and fair view of the consolidated and separate financial position of Banca Comercială Română SA (the "Bank" or "BCR") and its subsidiaries (together the "Group") as at 31 December 2020, and the Group's consolidated and Bank's separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and the National Bank of Romania ("NBR") Order no. 27/2010 for approving accounting Regulations in accordance with International Financial Reporting Standards, applicable to credit institutions and subsequent amendments (the "NBR Order 27/2010").

Our opinion is consistent with our additional report to the Audit Committee dated 19 March 2021.

What we have audited

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

- the consolidated and separate statements of profit or loss for the year ended 31 December 2020;
- the consolidated and separate statements of other comprehensive income for the year then ended;
- the consolidated and separate statements of financial position as at 31 December 2020;
- the consolidated and separate statements of changes in equity for the year then ended;
- the consolidated and separate statements of cash flows for the year then ended; and
- the notes to the financial statements, which include significant accounting policies and other explanatory information.

The consolidated and separate financial statements as at 31 December 2020 are identified as follows:

- Total consolidated equity: RON 9,344,921 thousand;
- Consolidated net profit for the year: RON 814,108 thousand.
- Total separate equity: RON 9,151,366 thousand;
- Separate net profit for the year: RON 779,958 thousand.

The Bank's registered office is in Bucharest, no.159, Business Garden, Calea Plevnei, Building A, Floor 6 and the Bank's unique fiscal registration code is RO361757.

This version of our report/the accompanying documents is a translation from the original, which was prepared in Romanian language. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our report takes precedence over this translation.

Basis for opinion

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

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

Independence

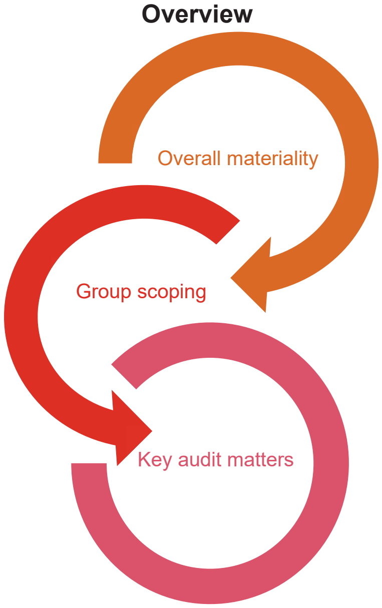
We are independent of the Group and the Bank in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code) and the ethical requirements of the Regulation 537/2014 and the Law 162/2017 that are relevant to our audit of the consolidated and separate financial statements in Romania. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code and the ethical requirements of the Regulation 537/2014 and the Law 162/2017.

To the best of our knowledge and belief, we declare that non-audit services that we have provided to the Group and the Bank are in accordance with the applicable law and regulations in Romania and that we have not provided non-audit services that are prohibited under Article 5(1) of the Regulation 537/2014.

The non-audit services that we have provided to the Group and the Bank in the period from 1 January 2020 to 31 December 2020, are disclosed in Note 43 “Audit fees and tax consultancy fees” to the consolidated and separate financial statements.

Our audit approach

Overview



Overall materiality:

RON 50,855 thousand, for both consolidated and separate financial statements, which represents 5% of profit before tax

Group scoping:
We planned and scoped our audit for 2020 reflecting the Group’s current structure whereby the Bank represents a very significant part of the Group’s assets, liabilities and profit before tax. Hence, we defined the Bank as the sole significant component within the Group and so it was subject to a full scope audit of its financial information.

Key audit matters:

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

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

Materiality

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

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

Overall Group and Bank materiality	RON 50,855 thousand
How we determined it	5% of profit before tax per the separate statement of profit or loss for the year ended 31 December 2020.
Rationale for the materiality benchmark applied	We chose profit before tax as the benchmark because, in our view, it is the benchmark against which the performance of the Group and Bank is most commonly measured by its stakeholders, and it is a generally accepted benchmark. We chose 5%, which in our experience is an acceptable quantitative materiality threshold for this benchmark.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above RON 2,542 thousand as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Key audit matters

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

Key audit matters	How our audit addressed the key audit matters
Application of IFRS 9 in the calculation of expected credit losses of loans and advances to customers We focused on this area because the management makes complex and subjective judgements over both the timing of recognition of expected credit losses ('ECL') and the estimation of the ECL amount, which is a complex area of accounting. IFRS 9 requires ECL allowances for all exposures from the time a loan is originated, based on the deterioration of credit risk since initial recognition. If the credit risk has not increased significantly (Stage 1), IFRS 9 requires allowances based on 12-month expected credit losses. If the credit risk has increased significantly since initial recognition (Stage 2) or if the loan is 'credit impaired' (Stage 3), the standard requires allowances based on lifetime expected credit losses. ECL allowance for Stage 1, Stage 2 and non-significant Stage 3 loans and advances to customers is performed collectively; the key assumptions being the probability of an account falling into arrears and subsequently entering into default ("PD"), definition of significant increase in credit risk, exposure at the moment of default ("EAD") and the estimated losses from defaulted loans ("LGD"). Statistical models are used for determination of the key assumptions including different future macroeconomic scenarios. For significant loans and advances in Stage 3, the ECL are assessed individually based on probability weighted scenarios of cash flow forecasts. The key assumptions here are the expected cash flows (from both operating cash flows and recoveries from collateral) and the weighting attached to the different scenarios. The outbreak of the COVID-19 (Coronavirus) pandemic caused severe disruptions to both the worldwide and local economy (lockdown, closure of non-key businesses as effect of Government decisions, etc.). To reduce the economic consequences of the COVID-19 pandemic, Government has introduced relief programs in a variety of forms (e.g. moratoria, deferral options, funding support programs, tax incentives and reliefs, etc.). Further, BCR offered financial	In relation to implementation of the ECL statistical models, we assessed the compliance of the key methodologies and models with the requirements of IFRS 9. We engaged our credit risk technical experts to assist us in undertaking this assessment. Detailed risk assessment analytics were performed over the Bank's loan portfolio, in order to identify possible areas of risk and better calibrate our procedures described below. Monitoring controls were tested including assessing the independent statistical models validation framework, validation results and overall model governance for IFRS 9. We also assessed the updated methodology for calculation of expected credit losses of loans and advances to customers and reasonableness of selecting and using the multiple economic scenarios, including the last macroeconomic forecasts as well as the severity and magnitude of modelled scenarios and how they are considered and applied to the assumptions obtained from statistical models used in arriving at the overall ECL at the balance sheet date. We tested, on a sample basis, the key controls over the inputs of critical data into source systems and the flow and transformation of data from the source systems to the ECL calculation engine. We performed substantive testing over the critical data used in the ECL calculation as at 31 December 2020. We tested a sample of the statistical models used by the management to determine key assumptions (probability of default, loss given default and exposure at default) to assess whether the calculation process was consistent with IFRS 9 requirements and own Bank's methodology.

Key audit matters	How our audit addressed the key audit matters
support to a large number of retail and corporate clients, mainly in the form of payment deferrals of up to nine months, under the umbrella of the Public Moratoria (enacted through Government Emergency Ordinance 37/2020), or Private Moratoria, BCR being part of the Romanian Banking Association ("ARB"), which sets guidelines for other moratoria complying with specific eligibility criteria, to be applied by all Romanian banks adhering to ARB principles. All these measures distort a timely reflection of a potential deterioration of the loan portfolio and result in artificially low observed default rates. This has a negative effect on the predictive power of statistically determined default rates and the perceptibility of a significant increase in credit risk. Also, during the payment deferrals, days past due count ("DPD") is frozen, this being in the past a simple yet effective indicator of significant increase in credit risk as well as default. Taking into account a significant increase in uncertainty in respect of the key inputs for the ECL, the Bank has addressed the related risk through a mix of measures, the key ones being as follows: i. Update, throughout the year, of the forward-looking information with the latest available macroeconomic forecasts and revision of the weighting applied to the scenarios; these changes were reflected in the computation of PD and LGD parameters; ii. Introduction of post model adjustments, through which sub-populations of exposures with perceived higher risk (e.g. clients operating within industries particularly affected by the economic consequences of the pandemic, existence of moratoria measures and DPD in previous period, rating) are transferred into Stage 2 with respective ECL being computed on a lifetime basis, even though no other triggering restaging criteria are met; iii. Performance of Unlikeness to Pay ("UTP") individual reviews for all clients applying for public or private moratoria measures.	We also independently recomputed ECL for a sample of loans using the key assumptions determined by management. We have tested that the key assumptions (PD, LGD) resulting from the statistical estimation models and which were subsequently approved by management were the same as the parameters effectively implemented in the system for automated computation of ECL. We verified the reconciliation of the output of the automated ECL calculation engine with the audited trial balance. With regards to loans and advances to customers within Stage 3, for which ECL is assessed individually, we tested the approval of the key inputs, assumptions and discounted cash-flows from both operating cash flows and recoveries from collateral that support the ECL. In respect of the newly introduced post model adjustments, we obtained the industries' assessment ("heat-map"), which resulted in their grouping based on the severity of economic downturn due to COVID-19 and we ensured that it was properly approved and in line with our understanding of the market. We have also independently applied the post model adjustments criteria to ensure relevant exposures are transferred into stage 2. We have validated, based on tests of controls, that the exposures under moratoria measures are genuine, meeting the qualification conditions as requested by the Government Emergency Ordinance 227/2020 (for public moratoria) or by the ARB principles (for private moratoria) and that there are clients request for granting these measures. Further, we have also performed tests of details, on a sample basis, in order to validate the accuracy of marking into the operational system of exposures being granted moratoria measures and industry (CAEN code) of those exposures. We have also performed a selection of individual exposures, based on risk criteria and including both performing and non-performing clients, with or without moratoria measures implemented, and substantively tested the

Key audit matters	How our audit addressed the key audit matters
When performing the estimations of ECL, management may be limited by the experience available in back-testing of these estimates against the actual results, especially under the COVID-19 circumstances. Further, future economic developments may not be fully in line with the current forecasts and the overlays applied may not accurately capture the perceived increased credit risk of certain sub-populations. These elements increase the risk around accuracy and valuation of certain key data used to create assumptions and operate the models. Note 2.2 “Significant accounting judgements and estimates”, Note 2.3 – “Significant accounting policies”, Note 20 “Financial assets at amortized cost” and Note 40 “Risk management” to the financial statements provide detailed information on the ECL for loans and advances to customers.	assessments performed by the Bank, and, where applicable, computation of provision for non-performing exposures. We have focused our testing on identification of unlikeness to pay indicators that the selected clients may have to ensure that the credit-impaired status is identified on a timely basis.
Tax matters resulting from the tax inspection performed by the Romanian Tax Authorities and tax treatment applied to deductibility of the impairment expense for the Bank’s investment in its subsidiaries	
We focused on the results of i) the tax inspection performed by the Romanian Tax Authority (“RTA”) in 2017 (disclosed in Note 44 “Litigations and contingent liabilities”) and ii) fiscal treatment of impairment of subsidiaries (disclosed in Note 26 – “Tax assets and liabilities”) generating non-current tax asset as the assessment of these two matters requires making significant judgements and estimates by the management of the Bank. In respect of point i) above, following a tax inspection during 2017, the Romanian Tax Authority increased the taxable base of Corporate Income Tax for the period 2012 – 2015 under review and based on these adjustments an additional Corporate Income Tax Liability has been recognised in 2017. Also, additional value added tax (VAT) was identified. The Bank settled the additional liabilities identified by the Romanian Tax Authority and challenged in the Court of law the results of the tax inspection. The litigation is still ongoing at the date of our report.	In respect of the RTA inspection findings, together with our tax specialists, we examined the correspondence between the Bank and the RTA and between the Bank and its external advisers for 2017, 2018, 2019 and 2020 years. We examined the background of the additional Corporate Income Tax Liability identified during the tax inspection for the period 2012-2015. We have used our knowledge of the relevant Romanian tax legislation and other similar taxation matters to assess the available evidence and the approach taken by management of the Bank and to assess the Bank’s provision assessment of the potential additional fiscal obligations regarding Corporate Income tax liability and the related potential Withholding Tax Liability for the fiscal periods from 2016 to 2020. While we do not take exception to management’s conclusion that the tax position is sustainable, nevertheless, as set out in the

Key audit matters	How our audit addressed the key audit matters
For the opened fiscal periods not subject to RTA tax inspection (2016 onwards), management reassessed during 2020 the Bank's position and, due to developments during the year, concluded that the risk of outflow of economic benefits for settling potential fiscal obligations for Corporate Income Tax and potential related Withholding Tax Liability has increased and, as such, recognised a provision to address the new developments.	financial statements, the final resolution of this issue is subject to the future outcome of the ongoing litigation. Hence the necessity and timing of any potential outflow related to Corporate Income Tax for 2016 – 2020 and Withholding Tax for 2016 - 2020 are subject to inherent uncertainty and the final resolution of these matters may not be in line with management's current assessment.
For the point ii) above, the Bank initially considered the impairment expense of its subsidiaries as non-deductible for tax purposes. However, the Bank reconsidered its assessment based on the arguments determined by its management and its external tax advisors. Consequently, management concluded that the impairment expense for the investment in subsidiaries recorded during the period 2012 - 2015 is deductible and, in 2017, challenged in the Court of law the Romanian Tax Authority. The effect of this change in assessment resulted in the recognition of a non-current tax asset of RON 168 million in accordance with IAS 12, "Income Taxes", paragraph 46 in the 2017 financial statements and given that no significant changes occurred during 2018, 2019 or 2020 with regards to the litigation against the Romanian Tax Authority, the balance of this non-current tax asset changed only due to unwinding of the effects of time value of money discounting, reaching RON 182 million as at 31 December 2020. See also Note 2.2 – "Significant accounting judgments and estimates", Note 12 – "Taxes on income", Note 44 – "Litigations and contingent liabilities" and Note 26 – "Tax assets and liabilities" to the financial statements.	In respect of the deductibility for impairment expense of the Bank's subsidiaries, we examined together with our tax specialists the arguments put forward by the management of the Bank to support the deductibility of these expense and we examined the Romanian Tax Authority's correspondence with the Bank. We also considered the views of the Bank's external tax and legal advisors. Taking into account our understanding of the Romanian tax legislation and other factors affecting this issue we concur with management's assertion that it is appropriate for the impairment expense in subsidiaries recorded during the period 2012 – 2015 to be treated as deductible and a non-current income tax asset should continue to be recognised in the 2019 and 2020 financial statements. While we do not take exception to management's conclusion that the tax position is sustainable, nevertheless, as set out in the financial statements, the final outcome of this issue is subject to final resolution of the ongoing litigation with the RTA. Hence, the fiscal treatment of the impairment expense for the subsidiaries recorded during the period 2012 – 2015 as deductible expense is subject to inherent uncertainty and the future resolution of this matter may not be in line with management's current assessment.
Ongoing litigation between Banca pentru Locuinte subsidiary and the Romanian Court of Accounts	
Banca pentru Locuinte SA, ("BpL") is a fully consolidated subsidiary of BCR. BpL is a home savings and mortgages bank. The Romanian state pays BpL's clients a state subsidy of 25% applied to their savings, but not more than 250	To assess the adequacy of the provision for the BpL's financial obligation resulting from the Court's ruling, we have:

Key audit matters	How our audit addressed the key audit matters
euro per year under the condition that they are related to housing projects. The Romanian Court of Accounts ("the CoA") identified several deficiencies following the inspection in 2015. The majority were grounded on differing interpretations of the applicable legal provisions in areas where the law was not very specific. In essence, the CoA was of the opinion that BpL paid out the state subsidy to clients not meeting the conditions for receiving this subsidy. BpL challenged the decision of the CoA in court, arguing that they acted in good faith and that its interpretation and application of the law were correct. In March 2017, the Court of Appeal ruled in favour of BpL for most claims. The impact of the remaining claims was not material as of 31 December 2018. However, on 21 June 2019, the High Court of Justice finally ruled in favour of the CoA for almost all claims. BpL is therefore obliged to compensate the Romanian state for losses resulting from the improper use of State subsidies. As of 31 December 2020, the management has updated the compensation assessment with the resulting balance of the provision being RON 689,352,217. During 2020, only insignificant compensation payments were made, BpL receiving several payment deferrals, on the grounds of prolonged emergency and alert statuses due to Covid-19 pandemic. There is considerable legal uncertainty regarding the scope of the obligation to pay the compensation. BpL has obtained the opinions of various tax and legal experts. On this basis, BpL has made corresponding assumptions and developed a list of criteria that it then used to cluster the portfolio of clients' contracts based on the individual facts and circumstances of each contract. The amount of compensation for each contract was estimated based on the cluster that it was allocated to using an IT-supported calculation model. The total amount of compensation was determined, taking the withholding tax due into account. This approach requires significant judgments based on the interpretation of the current Romanian tax and trade laws and is	• Obtained and critically assessed the relevant documents related to the BpL litigation in cooperation with our legal and tax specialists; • Involved these specialists in checking the appropriateness of the methodology used in determining the compensation; • Tested a sample of the relevant IT-controls for the calculation of compensation based on the criteria list; • Recalculated the estimated amount of compensation along with the associated withholding tax for a sample of contracts in order to validate the results of the automatic calculation performed by the system; • Tested the completeness of the contracts included in the assessment of compensation as well as the accuracy of key data used in the calculation; • Reconciled the provision calculated by the system with the balance sheet; and • Tested all the payments already made during 2019 by vouching them to the bank extracts. We have not tested 2020 payments as being below overall materiality. While we do not take exception to management's estimate of the litigation provisions, nevertheless, as set out in Note 2.2 – "Significant accounting judgments and estimates", to the financial statements, the assessment requires application of significant judgment based on the interpretation of the current Romanian tax and trade laws and is therefore subject to considerable uncertainties and the future resolution of this matter may not be in line with management's current assessment.

Key audit matters	How our audit addressed the key audit matters
therefore subject to considerable uncertainties; that is why we have identified this as a key audit matter. See Note 2.2 – "Significant accounting judgments and estimates", Note 28 – "Investments in subsidiaries and other assets", Note 31 – "Provisions" and Note 44 – "Litigations and contingent liabilities" to the financial statements.	

How we tailored our Group audit scope

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

We planned and scoped our audit for 2020 reflecting the Group's current structure whereby the Bank represents the vast majority of the Group's assets (97%), liabilities (97%) and profit before tax (95%). Hence, we defined the Bank as the sole significant component within the Group and so the Bank was subject to an audit of its complete financial information. We applied analytical procedures to the financial information of the three largest subsidiaries of the Group (BCR Banca pentru Locuinte, BCR Leasing IFN SA, BCR Chisinau SA) and with respect to the remaining components no procedures were considered necessary.

Reporting on other information including the Consolidated Administrators' Report

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's or the Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and the Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

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

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

Report on other legal and regulatory requirements

Appointment

We were first appointed by Ordinary General Shareholders Meeting as auditors of Banca Comercială Română SA on 27 January 2017. Our appointment has been renewed by Ordinary General Shareholders Meeting representing a total period of uninterrupted engagement appointment of four years, covering the financial years ended 31 December 2017 up to 31 December 2020.

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

Refer to the original signed Romanian version

Victor Sasu

Financial Auditor

registered withthe Public Electronic Register of financial auditors and audit firms under no. AF 4097

Stefan Friedemann Weiblen

Administrator

On behalf of

PricewaterhouseCoopers Audit S.R.L

Audit firm

registered withthe Public Electronic Register of financial auditors and audit firms under no. FA6

Bucharest, 19 March 2021

This version of our report/the accompanying documents is a translation from the original, which was prepared in Romanian language. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our report takes precedence over this translation.

BCR

STATEMENT OF PROFIT OR LOSS

Consolidated and Separate for the year ended 31 December 2020

Statement of profit or loss

	Notes	Group		Bank	
in RON thousands		**31.12.2020**	**31.12.2019**	**31.12.2020**	**31.12.2019**
Net interest income	3	**2,371,025**	**2,256,271**	**2,248,995**	**2,139,209**
Interest income		2,721,402	2,661,708	2,635,589	2,568,106
Other similar income		63,517	86,783	5,631	26,923
Interest expense		(393,464)	(451,566)	(372,153)	(416,360)
Other similar expense		(20,430)	(40,654)	(20,072)	(39,460)
Net fee and commission income	4	**709,999**	**780,609**	**664,455**	**747,972**
Fee and commission income		913,890	946,460	856,101	900,910
Fee and commission expense		(203,891)	(165,851)	(191,646)	(152,938)
Dividend income	5	3,312	2,569	3,683	15,994
Net trading result	6	345,186	346,346	335,938	337,792
Gains/(losses) from non-trading financial instruments mandatorily measured at fair value through profit or loss		14,608	15,569	14,608	15,569
Foreign currency translation		(3,261)	(9,475)	608	(5,307)
Net result from equity method investments	23	(2,060)	(390)	-	-
Rental income from investment properties and other operating leases	7	107,489	98,919	8,298	11,158
Personnel expenses	8	(804,958)	(775,990)	(695,984)	(668,348)
Other administrative expenses	8	(644,115)	(685,214)	(658,967)	(713,793)
Depreciation and amortisation	8	(219,695)	(242,258)	(206,796)	(211,820)
Gains/(losses) from derecognition of financial assets measured at amortised cost		11	(485)	11	(485)
Other gains/(losses) from derecognition of financial instruments not measured at fair value through profit or loss	9	(59)	(29,413)	(59)	(29,413)
Net impairment loss on financial instruments	10	(521,271)	61,816	(505,325)	6,273
Other operating result, out of which	11	**(291,102)**	**(923,113)**	**(192,356)**	**(705,238)**
Other income		208,479	286,092	81,192	180,815
Other expense		(499,581)	(1,209,205)	(273,548)	(886,053)
Levies on banking activities		-	(52,003)	-	(52,003)
Pre-tax result from continuing operations		**1,065,109**	**895,761**	**1,017,109**	**939,563**
Taxes on income	12	(251,001)	(302,495)	(237,151)	(287,654)
Net result for the period		**814,108**	**593,266**	**779,958**	**651,909**
Net result attributable to non-controlling interests		(9)	6	-	-
Net result attributable to owners of the parent		**814,117**	**593,260**	**779,958**	**651,909**

AUTHORISED PERSON,
First name and name
Signature
Executive Vice-President,

Elke Meier

AUTHORISED PERSON,
First name and name
Signature
Executive Director Accounting Division,

Gina Badea

BCR

STATEMENT OF OTHER COMPREHENSIVE INCOME

Consolidated and Separate for the year ended 31 December 2020

Statement of other comprehensive income

	Group		Bank	
in RON thousands	**31.12.2020**	**31.12.2019**	**31.12.2020**	**31.12.2019**
Net result for the period	**814,108**	**593,266**	**779,958**	**651,909**
Other comprehensive income				
Items that may not be reclassified to profit or loss				
Actuarial gains/(losses) on defined benefit pension plans	(13,653)	(2,170)	(13,661)	(2,134)
Deferred taxes relating to items that may not be reclassified	2,186	348	2,186	342
Total items that cannot be reclassified to profit or loss	**(11,467)**	**(1,822)**	**(11,475)**	**(1,792)**
Items that may be reclassified to profit or loss				
Debt instruments at fair value through other comprehensive income	93,716	1,527	92,653	2,981
Currency translation reserve	(8,731)	4,313	-	-
Deferred taxes relating to items that may be reclassified	(14,952)	(846)	(14,824)	(833)
Total items that may be reclassified to profit or loss	**70,033**	**4,994**	**77,829**	**2,148**
Total other comprehensive income	**58,566**	**3,172**	**66,354**	**356**
Total comprehensive income	**872,674**	**596,438**	**846,312**	**652,265**
Total comprehensive income attributable to non-controlling interests	(9)	6	-	-
Total comprehensive income attributable to owners of the parent	872,683	596,432	846,312	652,265

AUTHORISED PERSON,
First name and name
Signature
Executive Vice-President,

Elke Meier

AUTHORISED PERSON,
First name and name
Signature
Executive Director Accounting Division,

Gina Badea

STATEMENT OF FINANCIAL POSITION
Consolidated and Separate as at 31 December 2020

Statement of financial position

		Group		Bank	
in RON thousands	**Notes**	**31.12.2020**	**31.12.2019**	**31.12.2020**	**31.12.2019**
Assets					
Cash and cash equivalents	14	10,538,199	9,006,518	10,193,736	8,724,971
Financial assets held for trading		1,248,822	429,356	1,248,822	429,356
Derivatives	15	39,891	40,100	39,891	40,100
Other financial assets held for trading	16,19	1,208,931	389,256	1,208,931	389,256
Non-trading financial assets mandatorily at fair value through profit or loss	17	104,739	93,872	104,504	93,620
Equity instruments		75,033	40,388	74,798	40,136
Debt securities		27,781	49,922	27,781	49,922
Loans and advances to customers		1,925	3,562	1,925	3,562
Financial assets at fair value through other comprehensive income	18,19	7,536,126	6,117,844	7,511,525	6,115,902
thereof pledged as collateral		-	56,341	-	56,341
Debt securities	18, 19	7,536,126	6,117,844	7,511,525	6,115,902
Financial assets at amortised cost	20	57,990,947	54,899,081	57,372,656	53,019,313
thereof pledged as collateral		421,310	739,503	1,416,847	2,087,276
Debt securities	19, 20	14,827,570	15,735,188	13,986,991	14,422,788
Loans and advances to banks	20	2,028,021	661,437	2,026,208	661,086
Loans and advances to customers	20	41,135,356	38,502,456	41,359,457	37,935,439
Finance lease receivables	21	1,301,380	1,117,933	15,106	3,399
Property and equipment	24	863,743	937,267	803,005	837,505
Investment property	24	171,860	161,181	171,860	161,181
Intangible assets	25	348,900	359,085	339,662	348,582
Investments in joint ventures and associates	23	39,031	24,553	33,470	17,035
Current tax assets	26	230,979	238,752	227,831	235,928
Deferred tax assets	26	173,378	183,857	165,784	172,780
Assets held for sale	27	625,253	646,396	192,247	210,704
Trade and other receivables	22	563,885	425,060	548,097	408,778
Investments in subsidiaries	28	-	-	448,521	488,077
Other assets	28	249,430	297,604	161,407	173,821
Total assets		**81,986,672**	**74,938,359**	**79,538,233**	**71,440,952**
Liabilities and Equity					
Financial liabilities held for trading		52,051	73,498	52,051	73,498
Derivatives	15	52,051	73,498	52,051	73,498
Financial liabilities measured at amortised cost	29	69,847,085	63,678,655	68,527,999	61,395,958
Deposits from banks	29	1,066,225	1,266,201	2,065,137	2,534,084
Borrowings and financing lines	29	1,453,289	2,105,646	426,827	572,786
Deposits from customers	29	64,876,774	57,791,780	63,591,718	55,775,424
Debt securities issued	29	614,801	784,402	614,801	784,402
Subordinated loans	29	1,087,260	1,067,313	1,087,260	1,067,313
Other financial liabilities	30	748,736	663,313	742,256	661,949
Finance lease liabilities		428,737	327,050	426,424	323,721
Provisions	31	1,857,633	1,779,611	1,145,984	1,049,481
Current tax liabilities	26	2,985	2,882	-	-
Deferred tax liabilities	26	11,833	8,303	-	-
Liabilities associated with assets held for sale	27	150,294	244,193	-	-
Other liabilities	32	291,133	352,457	234,409	293,240
Total equity		**9,344,921**	**8,471,710**	**9,151,366**	**8,305,054**
Share capital		2,952,565	2,952,565	2,952,565	2,952,565
Retained earnings		4,630,443	3,882,594	4,419,688	3,706,526
Other reserves		1,761,913	1,636,551	1,779,113	1,645,963
attributable to non-controlling interest		43	52	-	-
attributable to owners of the parent		9,344,878	8,471,658	-	-
Total liabilities and equity		**81,986,672**	**74,938,359**	**79,538,233**	**71,440,952**

AUTHORISED PERSON,
First name and name
Signature

Executive Vice-President,

Elke Meier

AUTHORISED PERSON,
First name and name
Signature

Executive Director Accounting Division,

Gina Badea

STATEMENT OF CHANGES IN EQUITY

Consolidated and Separate for the year ended 31 December 2020

Statement of changes in equity

										31.12.2020	Group
in RON thousands	Share capital	Share premium	Retained earnings	Other reserves (1)	Fair value reserve	Foreign currency translation reserve (2)	Actuarial gains/(losses) on defined benefit pension plans	Deferred tax	Equity attributable to owners of the parent	Equity attributable to non-controlling interests	Total
Total equity as of 31.12.2019	**2,952,565**	**395,483**	**3,882,542**	**1,130,670**	**61,977**	**(9,419)**	**80,655**	**(22,815)**	**8,471,658**	**52**	**8,471,710**
Reclassification among components of equity	-	-	(66,796)	66,796	-	-	-	-	-	-	-
Changes in scope of consolidation and ownership interest (i)	-	-	537	-	-	-	-	-	537	-	537
Total comprehensive income	**-**	**-**	**814,117**	**-**	**93,716**	**(8,731)**	**(13,653)**	**(12,766)**	**872,683**	**(9)**	**872,674**
Net result for the period	-	-	814,117	-	-	-	-	-	814,117	(9)	814,108
Other comprehensive income	-	-	-	-	93,716	(8,731)	(13,653)	(12,766)	58,566	-	58,566
Total equity as of 31.12.2020	**2,952,565**	**395,483**	**4,630,400**	**1,197,466**	**155,693**	**(18,150)**	**67,002**	**(35,581)**	**9,344,878**	**43**	**9,344,921**

(1) Other reserves include legal reserves and general banking risk reserve described in Note 2.3 Significant Accounting policies, para. 24.
(2) Referes to translation of financial information of foreign operation to presentation currency.
(i) Changes in scope of consolidation and ownership interest are related to lost of control in CITOne .

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

(1) Other reserves include legal reserves and general banking risk reserve.
(2) Referes to translation of financial information of foreign operation to presentation currency.
(i) Changes in scope of consolidation and ownership interest are related to acquisition in 2019 of 49% from associate BCR Social Finance IFN SA.

STATEMENT OF CHANGES IN EQUITY
Consolidated and Separate for the year ended 31 December 2020

Statement of changes in equity *(continued)*

in RON thousands	Share capital	Share premium	Retained earnings	Other reserves (1)	Fair value reserve	Actuarial gains/(losses) on defined benefit pension plans	Deferred tax	Total
							31.12.2020	Bank
Total equity as of 31.12.2019	**2,952,565**	**395,483**	**3,706,526**	**1,130,670**	**61,881**	**80,749**	**(22,820)**	**8,305,054**
Reclassification among components of equity	-	-	(66,796)	66,796	-	-	-	-
Total comprehensive income	**-**	**-**	**779,958**	**-**	**92,653**	**(13,661)**	**(12,638)**	**846,312**
Net result for the period	-	-	779,958	-	-	-	-	779,958
Other comprehensive income	-	-	-	-	92,653	(13,661)	(12,638)	66,354
Total equity as of 31.12.2020	**2,952,565**	**395,483**	**4,419,688**	**1,197,466**	**154,534**	**67,088**	**(35,458)**	**9,151,366**

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

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

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

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STATEMENT OF CASH FLOWS

Consolidated and Separate for the year ended 31 December 2020

Statement of cash flow

in RON thousands	Notes	Group 31.12.2020	Group 31.12.2019	Bank 31.12.2020	Bank 31.12.2019
Net result for the period		**814,108**	**593,266**	**779,958**	**651,909**
Non-cash adjustments for items in net result for the period					
Depreciation, amortisation of assets	8	219,695	242,258	206,796	211,820
Allocation and release of impairment of loans	10	670,181	105,368	646,555	152,367
Gains/(losses) from the sale of tangible and intangible assets	24, 25	10,222	8,827	3,474	(30,014)
Gains/(Losses) on disposal of assets held for sale		10,044	(99,969)	10,044	(82,727)
Other provisions	31	62,003	630,290	82,842	(70,774)
Impairment of subsidiaries	28	-	-	39,556	583,430
Impairment tangible and intangible assets	11	135,461	93,528	53,772	48,065
Other adjustments		(21,128)	60,804	(33,399)	48,767
Adjustments for items in net profit/(loss) for the year		(564,031)	(547,247)	(530,367)	(511,594)
Interest income from investing activities	3	(666,727)	(668,354)	(640,746)	(628,884)
Interest expense for financing activities	3	102,696	121,107	110,788	129,828
Dividend income from investing activities	5	-	-	(409)	(12,538)
Changes in assets and liabilities from operating activities after adjustment for non-cash components					
Financial assets - held for trading	15	(819,675)	(206,353)	(819,675)	(206,353)
Non-trading financial assets mandatorily at fair value through profit or loss	17	1,637	2,358	1,637	2,358
Financial assets at fair value through other comprehensive income	18,19	(1,324,565)	(936,332)	(1,302,971)	(967,632)
Financial assets at amortised cost		(4,984,932)	(4,294,261)	(5,580,044)	(4,183,227)
Loans and advances to banks	20	(1,366,584)	(537,597)	(1,365,396)	(336,785)
Loans and advances to customers	20	(3,434,900)	(3,629,599)	(4,202,941)	(3,843,043)
Finance lease receivables	21	(183,448)	(127,065)	(11,707)	(3,399)
Other assets from operating activities	28	57,363	(201,049)	20,511	(183,480)
Financial liabilities measured at amortised cost	29	6,855,473	1,743,888	7,352,837	2,657,963
Deposits from banks		(332,585)	(1,019,631)	(572,751)	(592,784)
Deposits from customers		7,084,994	2,692,822	7,816,294	3,181,734
Other financial liabilities		103,064	70,697	109,294	69,013
Other liabilities from operating activities	32	(83,997)	132,390	(58,829)	99,396
Cash flow from operating activities		**1,037,859**	**(2,672,235)**	**872,697**	**(1,779,726)**
Proceeds of disposal		1,951,203	1,364,712	1,378,473	1,011,953
Debt securities at amortised cost	20	1,867,749	1,119,754	1,315,940	804,821
Financial assets at fair value through other comprehensive income	18,19	-	727	-	727
Property and equipment, intangible assets and investment properties	24, 25	79,568	103,414	58,647	65,588
Assets held for sale	27	3,886	140,817	3,886	140,817
Acquisition of		(1,194,967)	(1,352,129)	(1,043,352)	(1,083,327)
Debt securities at amortised cost	20	(967,137)	(976,785)	(886,822)	(928,609)
Property and equipment, intangible assets and investment properties	24, 25	(227,830)	(375,344)	(156,530)	(154,718)
Contribution to increase in share capital of subsidiaries and investements in associates	28	(14,478)	(4,526)	(4,535)	(682,525)
Interest received from investing activities	29	666,727	668,354	640,746	628,884
Dividends received from investing activities	5	-	-	409	12,538
Cash flow from investing activities		**1,408,485**	**676,411**	**971,741**	**(112,478)**
Dividends paid to equity holders of the parent	13	-	(484,630)	-	(484,630)
Dividends paid to non-controlling interests	13	-	(487)	-	(487)
Repayment of principal of lease liabilities (IFRS 16)		(73,705)	(42,906)	(73,077)	(41,745)
Debt securities redeemed	29	(85,601)	(187,233)	(85,601)	(187,233)
Debt securities issued		-	600,000	-	600,000
Inflows from other financing activities	29	-	364,106	-	-
Outflows from other financing activities	29	(684,196)	(302,394)	(159,901)	(73,785)
Interest paid for financing activities	29	(71,161)	(67,305)	(57,094)	(57,798)
Other financing activities		(23,006)	(19,268)	(8,939)	(9,761)
Subordinated loans		(48,155)	(48,037)	(48,155)	(48,037)
Cash flow from financing activities		**(914,663)**	**(120,849)**	**(375,673)**	**(245,678)**
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		1,037,859	(2,672,235)	872,697	(1,779,726)
Cash flow from investing activities		1,408,485	676,411	971,741	(112,478)
Cash flow from financing activities		(914,663)	(120,849)	(375,673)	(245,678)

in RON thousands	Group 31.12.2020	Group 31.12.2019	Bank 31.12.2020	Bank 31.12.2019
Cash flows related to taxes, interest (included in cash flows from operating activities)				
Payments for taxes on income	(241.812)	(381.308)	(234.696)	(371.676)
Interest received	2.757.660	2.707.835	2.600.680	2.576.352
Interest paid	(389.510)	(470.844)	(384.000)	(459.257)

1. Corporate information

Banca Comercială Română S.A. ('the Bank' or 'BCR') together with its subsidiaries (the 'Group') provides retail, corporate banking and investment banking services mainly in Romania. As a result of the privatization process organized by the government of Romania, Erste Bank der oesterreichischen Sparkassen AG ('Erste Bank') purchased 61.88% of the share capital of the Bank pursuant to a share purchase agreement dated 21 December 2005. Until 31 December 2020, Erste Bank purchased further 38.0028% from employees and other shareholders of the Bank, adding up to 99.8828%. Erste Bank is the direct parent of the Bank. Erste Bank der oesterreichischen Sparkassen AG ('Erste Bank') is owned 100% by Erste Group Bank AG. The ultimate parent of the Group is Erste Group Bank AG.

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

Banca Comercială Română S.A. is incorporated and domiciled in Romania. Its registered office is at 159, Calea Plevnei, Building A - Business Garden 6th floor, Bucharest, Romania.

The consolidated financial statements for the year ended 31 December 2020 were authorized for issue in accordance with a resolution of the Management Board on 12 March 2021.

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

2. Accounting policies

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

2.1. Basis of preparation

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

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

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

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

The Group presents its statement of financial position in order of liquidity. An analysis regarding recovery or settlement within 12 months after the statement of financial position date (current) and more than 12 months after the statement of financial position date (non-current) is presented in Note 45.

2. Accounting policies *(continued)*
2.1 Basis of preparation *(continued)*

The Bank has the following subsidiaries consolidated in the financial statements of the Group as at 31 December 2020 and 31 December 2019:

Company's name	Country of incorporation	Nature of the business	Shareholding		Gross Book Value	Net Book Value	Impaiment
			2020	2019			
BCR Chisinau SA	Moldova	Banking	100.00%	100.00%	200,064	38,825	161,239
BCR Leasing IFN SA	Romania	Financial leasing	99.97%	99.97%	389,493	226,388	163,105
BCR Pensii, Societate de Administrare a Fondurilor de Pensii Private SA	Romania	Pension Fund	99.99%	99.99%	269,820	181,408	88,412
BCR Banca pentru Locuinte SA	Romania	Banking	99.99%	99.99%	781,078	-	781,078
Suport Colect SRL	Romania	Workout	99.99%	99.99%	983,047	-	983,047
CIT One SRL (i)	Romania	Cash processing and storing	-	100.00%	-	-	-
BCR Payments Services SRL	Romania	Payments transactions	99.99%	99.99%	1,900	1,900	-
BCR Fleet Management SRL (ii)	Romania	Operational leasing	99.97%	99.97%	-	-	-

(i) As of 30 of September 2020, BCR lost control over CIT One SRL following the subscription agreement concluded with 2 other companies, the company has 3 shareholders, each owning 33.33% of CIT One. Starting with this date, CIT One is a joint venture, consolidated through equity method.

(ii) Company held indirectly by BCR through BCR Leasing SA. The participation held in BCR Fleet Management was reclassiefied as asset held for sale starting with May 2019.

(1) Impact of inflation

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

(2) Statement of compliance

The separate and consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRS)) as adopted by the EU on the basis of IAS Regulation (EC) No. 1606/2002 and in accordance with NBR Order 27/2010.

(3) Basis of consolidation

Subsidiaries

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

The Bank measures investments in subsidiaries at cost.

All intra-group balances, transactions, income and expenses and profits and losses resulting from intra-group transactions are eliminated in full. Subsidiaries are fully consolidated from the date on which control is transferred to the Bank. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The results of subsidiaries acquired or disposed of during the year are included in the consolidated profit or loss from the date of acquisition or up to the date of disposal, as appropriate.

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

2. Accounting policies *(continued)*
2.1 Basis of preparation *(continued)*
(3) Basis of consolidation *(continued)*

Investment in associates and jont ventures

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

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

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

Under the equity method, the investments in an associate or in joint venture are initially recognized at cost. The carrying amount of the investment is adjusted to recognize changes in the Group's share of net assets of the associate or joint venture since the acquisition date.

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

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

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

2. Accounting policies *(continued)*

2.2. Significant accounting judgments and estimates

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

(1) SPPI assessment

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

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

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

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

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

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

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

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

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

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

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

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

(2) Business model assessment

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

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

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

2. Accounting policies *(continued)*

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

(2) Business model assessment *(continued)*

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

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

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

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

(3) Fair value of financial instruments

Where the fair values of financial assets and financial liabilities recorded on the balance sheet cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The inputs to these models are derived from observable market data where possible, but where observable market data is not available judgment is required to establish fair values. Disclosures for valuation models, the fair value hierarchy, fair values of financial instruments and sensitivity analysis for level 3 financial instruments can be found in Note 41 Fair value of financial assets and liabilities.

(4) Impairment of financial instruments

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

The impairment loss on loans and advances is disclosed in more detail in Note 40.5.

(5) Benefits granted on the date of retirement

The cost of the defined benefit consisting of a one-off payment of up to four monthly gross salaries on the date of retirement is determined using actuarial valuation. The actuarial valuation involves making assumptions about discount rates, future salary increases and mortality rates. Due to the long term nature of these plans, such estimates are subject to significant uncertainty. Assumptions, estimates and sensitivities used for the defined benefit obligation calculations as well as related amounts are disclosed in Note 31 Provisions.

(6) Impairment of subsidiaries

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

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

Assumptions, estimates and sensitivities used for the impairment of subsidiaries as well as related amounts are disclosed in Note 28 Investments in subsidiaries and other assets.

2. Accounting policies *(continued)*

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

(7) Provisions for allegedly abusive clauses

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

The provisions are calculated for the portfolios at risk based on expected values, using statistical methods, separately for active loans, closed loans and loans sold for which the Bank has retained continuing involvement (described in Note 39.2 Transfers of financial assets). The key parameters used are the following: the potential abusive amount, the show up rate (percentage of clients that would open litigation) and the loss probability.

Please see further details on the calculation, including the parameters used, in Note 31 Provisions.

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

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

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

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

Please see further details in Note 44 - Litigations and contingent liabilities.

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

Following the final ruling of the High Court of Cassation and Justice on 21 June 2019, as detailed in Note 44 – Litigations and contingent liabilities, the management started a process for assessing the damage in respect of all findings from the CoA for which BpL lost the trial. The alleged damage includes state subsidies paid to BCR BpL clients, deemed not eligible to receive those amounts, according to Court of Accounts Decision No. 17/2015, and related penalties and, as applicable, withholding tax. Computation of prejudice includes assessment of applicable civil and tax laws in Romania. In performing those assessments management involved both its internal legal, audit and tax experts but also external independent and qualified tax and legal advisors.

The final deadline for implementing Court of Account Decision – exact computation and deploying the relevant measures for recovering of prejudice, following the last prolongation obtained from Court of Accounts, is 02 February 2021. As stated in Note 44 - Litigations and contingent liabilities, BpL already paid in September 2019 an amount of RON 50.9 mn (RON 50,856,380) representing part of the alleged prejudice/ damage. However, payment of the remaining amount is also subject to uncertainties as the management initiated, as stated in note 44 – Litigations and contingent liabilities, new actions in respect of the litigation

Please see notes 28 – Investments in subsidiaries and other assets, 31 - Provisions and 44 – Litigations and Contingent liabilities.

(10) Accounting treatment of issues related to COVID-19

i. Public moratoria and payment holidays

In light of the spread of COVID-19, a variety of measures have been taken by government in Romania aimed at addressing the economic consequences of the outbreak on individuals, households and businesses. Such measures include public moratoria on repayment of loans, overdraft facilities and mortgages. Further, BCR offeres renegotiations of repayment schedules and payment holidays on a voluntary basis to customers facing liquidity shortages.

2. Accounting policies *(continued)*

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

(10) Accounting treatment of issues related to COVID-19 (continued)

i. Public moratoria and payment holidays (*continued*)

The public moratoria in general relate to customers which were performing and to their exposures existing before the outbreak of COVID-19 pandemic. Most of the public moratoria are based on an opt-in approach meaning that customers have to ask the bank for the payment reliefs. The range of payment deferral periods in Romania was originally enacted between 3 to 9 months. However, prolongations of the moratoria have been provided afterwards. The moratorium will take in 2021.

Interest continues to accrue on the outstanding balance during the moratorium period. Nevertheless, in many cases an economic loss is incurred and modification losses are recognised from accounting perspective. This results from the fact that the interest accrued, instead of being repaid or capitalised at the end of the moratorium, is repaid over the period after the moratorium.

Both public moratoria and voluntarily granted payment holidays modify contractual cash flows of the related financial asset and are therefore treated as contractual modifications within the meaning of IFRS 9. The accounting policies disclosed in chapter "Financial instruments – Significant accounting policies", part "Derecognition of financial instruments including treatment of contractual modifications" apply.

The public moratoria and payment holidays applied did not lead to derecognition. In particular, this is because the moratoria and payment holidays are typically below one year and in most cases the contractual interest continues to accrue during the suspension phase. Thus the present value effect of the modification (discounted at pre-modification effective interest rate) is less than 10%, quantitative threshold considered by the management as insignificant.

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

With respect to the assessment of significant increases in credit risk (SICR), the Bank does not consider the public moratoria and payment holidays in itself as automatic SICR triggers, but applies its specific assessment rules consisting of qualitative information and quantitative thresholds. Details on this assessment and other considerations on the expected credit loss estimation in the light of the COVID-19 outbreak are described in Note 40 Credit risk.

In 2020, the Bank incurred modification losses in total amount of RON 24,530 thousand. The vast majority of this impact relates to contractual modifications arising from COVID-19-related to public or private moratoria, as well as to other bilaterally agreed contractual changes aimed at addressing or preventing clients' liquidity shortages or other financial difficulties associated with the COVID-19 crisis. Out of the total modification losses, an amount of RON 18,568 thousand was presented in the statement of income in line item 'Net interest income', while the remaining RON 5,961thousand was presented in line item 'Impairment result from financial instruments'.

ii. Public guarantees

In its efforts to mitigate the economic effects of COVID-19, the government is providing public guarantees on banks' exposures. Financial guarantees received in the context of public COVID-19 measures typically related to new credit facilities and are therefore considered as integral. The existence of such credit enhancements does not affect the SICR assessment.

iii. Impairment of financial instruments

The main contributor to the impairment allocation in the line item „Impairment result from financial intruments" at Group level in the amount of RON 452,807 thousand (out of overall impairment result in the amount of RON 521,271 thousand) is directly attributable to changes in macro environment and management actions to identify mostly affected portfolios due to COVID-19 pandemic. Observed deteriorations in credit portfolios, which were also significantly driven by current COVID-19 situation, are the main reason for the remaining impairment allocation.

Details on the effects of COVID-19 on the expected credit loss estimation are described in Note 40 Credit risk.

iv. Significant accounting judgements, assumptions and estimates'

The COVID-19 pandemic increased the level of uncertainty. The consequences for the economy as well as the measures taken by government and regulators are likely to affect the Group's financial performance and position, including significant impacts for expected credit losses, as well as impacts on operating income. All negative effects that could be reasonable estimated were recognised by 2020 end. The Group will continue to follow the developments closely and will recognise any effects as the situation further unfolds.

2. Accounting policies *(continued)*

2.3. Significant accounting policies

During 2020, the Group and the Bank have applied the same accounting policies as in 2019, except for the following:

Accounting policy related to financial guarantees

During June 2020, in order to enhance the accuracy of classification of off-balance sheet items and related disclosures, 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 results from the commitment of the Bank under such arrangements. Financial guarantees represents an obligation on the part of the Bank to a designated beneficiary to perform a payment under the terms of the underlying contracts to which they refer, should the customer fail to do so. On the other hand, arrangements classified as "other commitments" are either counter-guarantees provided by the Bank that a customer will pay compensation if goods or services provided to a third party do not meet the terms specified in a contract or general guarantees that a customer will make payment to a third party in specific circumstances (e.g. customs and tax bonds).

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 credit conversion factor of 100%. On the other hand, guarantees not having the character of a credit substitute bear lower to medium risk, reflected in the applicable credit conversion factor of 0 to 50%.

Loan commitments and financial guarantees granted by the Bank are within the impairment scope of IFRS 9 while possible provisions associated with other commitments given fall under the scope of IAS 37.

The financial impact is presented in Note 31 – Provisions and Note 10 – Net impairment loss of financial instruments.

Change in accounting estimations 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 its strategy in respect of their potential replacement or use in the future business activities.

In order to reflect the costs of the assets over the period in which assets are bringing economic benefits to the business, a revision of the useful lives is necessary to present the intended period of time to use those assets.

A review of the current useful lives of the applications was performed by the Bank taking into consideration the overall IT strategy in regards to software replacements and in regards to the intention to use these assets by the business in future.

The total impact from the review in 2020 is a decrease of the yearly amortization of approximatively RON 42 millions.

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

2. Accounting policies *(continued)*

2.3. Significant accounting policies *(continued)*

(1) Financial instruments

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

(2) Initial recognition and measurement

i. Initial recognition

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

ii. Initial measurement

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

(3) Classification and subsequent measurement of financial assets

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

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

i. Financial assets at amortised cost

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

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

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

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

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

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

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

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

2. Accounting policies (*continued*)
2.3. Significant accounting policies (*continued*)
(3) Classification and subsequent measurement of financial assets (continued)
i. Financial assets at amortised cost (*continued*)

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

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

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

ii. Financial assets at fair value through other comprehensive income

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

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

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

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

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

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

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

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

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

2. Accounting policies *(continued)*

2.3. Significant accounting policies *(continued)*

(3) Classification and subsequent measurement of financial assets (*continued*)

iii. Financial assets at fair value through profit or loss

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

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

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

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

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

(4) Classification and subsequent measurement of financial liabilities

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

i. Financial liabilities at amortised cost

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

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

ii. Financial liabilities at fair value through profit or loss

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

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

(5) Impairment of financial instruments

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

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

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

2. Accounting policies *(continued)*

2.3. Significant accounting policies *(continued)*

(5) Impairment of financial instruments (*continued*)

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

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

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

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

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

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

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

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

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

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

In the statement of income, impairment losses and their reversals (gains) on all categories of financial instruments are presented in the line item 'Net impairment loss on financial instruments'. Disclosures concerning impairment of financial assets are in Note 10.

(6) Write-offs

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

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

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

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

2. Accounting policies *(continued)*

2.3. Significant accounting policies *(continued)*

(6) Write-offs (*continued*)

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

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

i. Derecognition of financial assets

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

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

and either:

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

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

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

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

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

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

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

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

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

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

2. Accounting policies (*continued*)

2.3. Significant accounting policies (*continued*)

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

ii. Derecognition criteria with respect to contractual modifications of financial assets (*continued*)

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

- repayment schedule changed in a way that the weighted remaining maturity of the assets is modified by more than 100% and not less than two years compared to the original asset;
- change in timing/amount of contractual cash flows resulting in the present value of the modified cash flows (discounted at pre-modification effective interest rate) being different by more than 10% of the gross carrying amount of the asset immediately before the modification (cumulative assessment considering all modifications occurring over the last twelve months).

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

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

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

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

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

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

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

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

iii. Derecognition of financial liabilities

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

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

2. Accounting policies *(continued)*

2.3. Significant accounting policies *(continued)*

(8) Derivative financial instruments

Derivative financial instruments are used by BCR Group to manage exposures to interest rates, foreign currencies and other market price risks. Derivatives used by BCR Group include mainly interest rate swaps, futures, forward rate agreements, interest rate options, currency swaps and currency options as well as credit default swaps. Derivative financial instruments are carried at fair value (dirty price) on the balance sheet. Derivatives are carried as assets if their fair value is positive and as liabilities if their fair value is negative.

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

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

(9) Foreign currency translation

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

i. Transactions and balances

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

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

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

ii. Group companies

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

(10) Repurchase and reverse repurchase agreements

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

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

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

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

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

2. Accounting policies *(continued)*

2.3. Significant accounting policies *(continued)*

(11) Determination of fair value

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

For all other financial instruments not listed in an active market, the fair value is determined by using appropriate valuation techniques. Valuation techniques include pricing models or discounted cash flow techniques. Where discounted cash flow techniques are used, estimated future cash flows are based on management's best estimates and the discount rate is market related rate at the statement of financial position date for an instrument with similar terms and conditions. Where pricing models are used, inputs are based on market related measures at the statement of financial position date. Where a fair value cannot reliably be estimated, unquoted equity instruments e.g. investments in subsidiaries (see note 28) that do not have a quoted market price in an active market are measured at cost and periodically tested for impairment.

(12) Offsetting financial instruments

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

(13) Financial guarantees

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

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

(14) Leasing

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

i. Group as a lessee

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

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

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

2. Accounting policies *(continued)*

2.3. Significant accounting policies *(continued)*

(14) Leasing (*continued*)

ii. Group as a lessor

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

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

(15) Business combinations and goodwill

Business combinations are accounted for using the acquisition method.

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

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

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

(15.1) Business combinations with entities under common control

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

(16) Property and equipment

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

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

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

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

2. Accounting policies *(continued)*

2.3. Significant accounting policies *(continued)*

(17) Investment properties

Investment property is property (land and buildings or part of a building or both) held for the purpose of earning rental income or for capital appreciation. In the case of partial own use, the property is classified as investment property only if the owner-occupied portion is less than 50% and separation between investement and owner occupied property is possible.

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

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

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

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

(18) Intangible assets

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

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

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

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

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

(19) Impairment of non-financial assets

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

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

The Bank performed an analysis aiming at identifying cash generating units and concluded that its branches does not generate independent cash flows and, therefore, the impairment assessment for assets classified under IAS 16 should be made at the level of CGU represented by the Bank as a whole.
In order to determine the impairment of assets classified under IAS 16 assets, the Bank compares the recoverable amount of the Bank as a whole (higher of the Bank fair value less costs to sell and its value in use), from which the net book value of the assets which are not subject to impairment test are deducted, with the net book value of these tangible assets.
For assets classified under IAS 40 (which includes both rented buildings and vacant buildings) the impairment was assessed based on their fair value as established by an external valuation report.

2. Accounting policies *(continued)*

2.3. Significant accounting policies *(continued)*

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

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

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

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

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

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

(21) Property held for sale (Inventory)

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

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

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

(22) Employee benefits

i. Short term service benefits

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

ii. Defined contribution plans

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

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

2. Accounting policies *(continued)*

2.3. Significant accounting policies *(continued)*

(22) Employee benefits (*continued*)

iii. Long-term service benefits

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

iv. Deferred cash bonuses

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

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

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

(23) Provisions

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

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

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

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

Contingent assets which are defined as possible assets that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity. The Bank does not recognize on-balance contingent assets until the inflow of economic benefits becomes virtually certain.

Contingent liabilities as well as contingent assets are monitored and revalued on a continuous basis in order to ensure that all subsequent to initial recognition developments have been considered and a provision will be recognized, if the case.

(24) Other reserve

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

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

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

(25) Taxes

i. Current tax

Current tax assets and liabilities for the current and prior years are measured at the amount expected to be recovered from or paid to the taxation authorities.

2. Accounting policies *(continued)*

2.3. Significant accounting policies *(continued)*

(25) Taxes (continued)

i. Current tax (*continued*)

The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the statement of financial position date.

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

ii. Deferred tax

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

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

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

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

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

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

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

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

In respect of investments in subsidiaries, branches, associates and joint ventures, the BCR Group does not recognise any deferred tax liability or differed tax asset because, based on the applicable tax law, there are no temporary differences associated to them.

(26) Contract assets and contract liabilities

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

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

(27) Fiduciary assets

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

2. Accounting policies *(continued)*

2.3. Significant accounting policies *(continued)*

(28) Dividends on ordinary shares

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

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

(29) Segment reporting

An operating segment is a component of the Group:

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

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

(30) Recognition of income and expenses

BCR Group earns fee and commission income from a diverse range of services that it provides to its customers. The determination of the timing and amount of income recognition follows the five step model of IFRS 15. For performance obligations satisfied over time, the Group recognises revenue over time and for performance obligations satisfied at a point in time, the recognition date is the date at which the Group transfers control of the good or service to the customer. The customer has obtained control of a good or service when it has the ability to direct the use of, and obtain substantially all of the remaining benefits from the good or service. Fee and commission income is measured based on the consideration specified in the contract with a customer. The Group recognises revenue when it transfers control over a service to a customer.

Fees earned for the provision of services over a period of time are accrued over that period. These fees include commitment fees, guarantee fees and other fees from lending business, commission income from asset management, custody and other management and advisory fees as well as fees from insurance brokerage and foreign exchange transactions. Payment services partly include fees for services satisfied over a period of time like periodic card fees.

Fee income earned from providing transaction services, such as arranging the acquisition and sale of shares or other securities on behalf of customers or foreign exchange transactions, as well as commission income earned from services such as insurance products, are recognised upon completion of the underlying transaction. Payment services partly include transaction based fees like withdrawal fees.

A contract with a customer that results in the recognition of a financial instrument in the Group's financial statements may be partially in the scope of IFRS 9 and partially in the scope of IFRS 15. If this is the case, then BCR Group first applies IFRS 9 to separate and measure the part of the contract that is in the scope of IFRS 9 and then applies IFRS 15 to the residual. Fees and commission income that are integral to the effective interest rate of a financial instrument are in the scope of IFRS 9 and are included in the net interest income.

i. Net interest income

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

'Interest income' relates to interest revenue from financial assets measured at amortised cost and at fair value through other comprehensive income. It is calculated using the EIR method as discussed in chapter 'Financial instruments', 'Measurement methods for financial instruments', part 'i. Amortised cost and effective interest rate'. The prepayment fees are assimilated to interest income.

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

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

2. Accounting policies *(continued)*

2.3. Significant accounting policies (*continued*)

(30) Recognition of income and expenses (*continued*)

i. Net interest income (*continued)*

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

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

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

ii. Net fee and commission income

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

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

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

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

Fee income from providing transaction services

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

iii. Dividend income

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

iv. Net trading and fair value result

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

2. Accounting policies *(continued)*

2.4. Changes in accounting policy and disclosures

The following amended standards became effective from 1 January 2020, but did not have any material impact on the Group and Bank:

- Amendments to the Conceptual Framework for Financial Reporting (issued on 29 March 2018 and effective for annual periods beginning on or after 1 January 2020);
- Definition of a business – Amendments to IFRS 3 (issued on 22 October 2018 and effective for acquisitions from the beginning of annual reporting period that starts on or after 1 January 2020);
- Definition of materiality – Amendments to IAS 1 and IAS 8 (issued on 31 October 2018 and effective for annual periods beginning on or after 1 January 2020);
- Interest rate benchmark reform – Amendments to IFRS 9, IAS 39 and IFRS 7 (issued on 26 September 2019 and effective for annual periods beginning on or after 1 January 2020);
- Covid-19-Related Rent Concessions – Amendments to IFRS 16 (issued on 28 May 2020 and effective for annual periods beginning on or after 1 January 2020).

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

Certain new standards and interpretations have been issued that are mandatory for the annual periods beginning on or after 1 January 2021 or later, and which the Group has not early adopted.

IFRS 14, Regulatory Deferral Accounts (issued on 30 January 2014 and effective for annual periods beginning on or after 1 January 2016). IFRS 14 permits first-time adopters to continue to recognise amounts related to rate regulation in accordance with their previous GAAP requirements when they adopt IFRS. However, to enhance comparability with entities that already apply IFRS and do not recognise such amounts, the standard requires that the effect of rate regulation must be presented separately from other items. An entity that already presents IFRS financial statements is not eligible to apply the standard.

Sale or Contribution of Assets between an Investor and its Associate or Joint Venture - Amendments to IFRS 10 and IAS 28 (issued on 11 September 2014 and effective for annual periods beginning on or after a date to be determined by the IASB). These amendments address an inconsistency between the requirements in IFRS 10 and those in IAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognised when a transaction involves a business. A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if these assets are held by a subsidiary.

IFRS 17 "Insurance Contracts"(issued on 18 May 2017 and effective for annual periods beginning on or after 1 January 2021). IFRS 17 replaces IFRS 4, which has given companies dispensation to carry on accounting for insurance contracts using existing practices. As a consequence, it was difficult for investors to compare and contrast the financial performance of otherwise similar insurance companies. IFRS 17 is a single principle-based standard to account for all types of insurance contracts, including reinsurance contracts that an insurer holds. The standard requires recognition and measurement of groups of insurance contracts at: (i) a risk-adjusted present value of the future cash flows (the fulfilment cash flows) that incorporates all of the available information about the fulfilment cash flows in a way that is consistent with observable market information; plus (if this value is a liability) or minus (if this value is an asset) (ii) an amount representing the unearned profit in the group of contracts (the contractual service margin). Insurers will be recognising the profit from a group of insurance contracts over the period they provide insurance coverage, and as they are released from risk. If a group of contracts is or becomes loss-making, an entity will be recognising the loss immediately.

Classification of liabilities as current or non-current – Amendments to IAS 1 (issued on 23 January 2020 and effective for annual periods beginning on or after 1 January 2022). These narrow scope amendments clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Liabilities are non-current if the entity has a substantive right, at the end of the reporting period, to defer settlement for at least twelve months. The guidance no longer requires such a right to be unconditional. Management's expectations whether they will subsequently exercise the right to defer settlement do not affect classification of liabilities. The right to defer only exists if the entity complies with any relevant conditions as of the end of the reporting period. A liability is classified as current if a condition is breached at or before the reporting date even if a waiver of that condition is obtained from the lender after the end of the reporting period. Conversely, a loan is classified as non-current if a loan covenant is breached only after the reporting date. In addition, the amendments include clarifying the classification requirements for debt a company might settle by converting it into equity. 'Settlement' is defined as the extinguishment of a liability with cash, other resources embodying economic benefits or an entity's own equity instruments. There is an exception for convertible instruments that might be converted into equity, but only for those instruments where the conversion option is classified as an equity instrument as a separate component of a compound financial instrument.

2. Accounting policies *(continued)*

2.5. Standards issued but not yet effective and not early adopted (*continued*)

Proceeds before intended use, Onerous contracts – cost of fulfilling a contract, Reference to the Conceptual Framework – narrow scope amendments to IAS 16, IAS 37 and IFRS 3, and Annual Improvements to IFRSs 2018-2020 – amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41 (issued on 14 May 2020 and effective for annual periods beginning on or after 1 January 2022).

The amendment to IAS 16 prohibits an entity from deducting from the cost of an item of PPE any proceeds received from selling items produced while the entity is preparing the asset for its intended use. The proceeds from selling such items, together with the costs of producing them, are now recognised in profit or loss. An entity will use IAS 2 to measure the cost of those items. Cost will not include depreciation of the asset being tested because it is not ready for its intended use. The amendment to IAS 16 also clarifies that an entity is 'testing whether the asset is functioning properly' when it assesses the technical and physical performance of the asset. The financial performance of the asset is not relevant to this assessment. An asset might therefore be capable of operating as intended by management and subject to depreciation before it has achieved the level of operating performance expected by management.

The amendment to IAS 37 clarifies the meaning of 'costs to fulfil a contract'. The amendment explains that the direct cost of fulfilling a contract comprises the incremental costs of fulfilling that contract; and an allocation of other costs that relate directly to fulfilling. The amendment also clarifies that, before a separate provision for an onerous contract is established, an entity recognises any impairment loss that has occurred on assets used in fulfilling the contract, rather than on assets dedicated to that contract.

IFRS 3 was amended to refer to the 2018 Conceptual Framework for Financial Reporting, in order to determine what constitutes an asset or a liability in a business combination. Prior to the amendment, IFRS 3 referred to the 2001 Conceptual Framework for Financial Reporting. In addition, a new exception in IFRS 3 was added for liabilities and contingent liabilities. The exception specifies that, for some types of liabilities and contingent liabilities, an entity applying IFRS 3 should instead refer to IAS 37 or IFRIC 21, rather than the 2018 Conceptual Framework. Without this new exception, an entity would have recognised some liabilities in a business combination that it would not recognise under IAS 37. Therefore, immediately after the acquisition, the entity would have had to derecognise such liabilities and recognise a gain that did not depict an economic gain. It was also clarified that the acquirer should not recognise contingent assets, as defined in IAS 37, at the acquisition date.

The amendment to IFRS 9 addresses which fees should be included in the 10% test for derecognition of financial liabilities. Costs or fees could be paid to either third parties or the lender. Under the amendment, costs or fees paid to third parties will not be included in the 10% test.

Illustrative Example 13 that accompanies IFRS 16 was amended to remove the illustration of payments from the lessor relating to leasehold improvements. The reason for the amendment is to remove any potential confusion about the treatment of lease incentives.

IFRS 1 allows an exemption if a subsidiary adopts IFRS at a later date than its parent. The subsidiary can measure its assets and liabilities at the carrying amounts that would be included in its parent's consolidated financial statements, based on the parent's date of transition to IFRS, if no adjustments were made for consolidation procedures and for the effects of the business combination in which the parent acquired the subsidiary. IFRS 1 was amended to allow entities that have taken this IFRS 1 exemption to also measure cumulative translation differences using the amounts reported by the parent, based on the parent's date of transition to IFRS. The amendment to IFRS 1 extends the above exemption to cumulative translation differences, in order to reduce costs for first-time adopters. This amendment will also apply to associates and joint ventures that have taken the same IFRS 1 exemption.

The requirement for entities to exclude cash flows for taxation when measuring fair value under IAS 41 was removed. This amendment is intended to align with the requirement in the standard to discount cash flows on a post-tax basis.

Classification of liabilities as current or non-current, deferral of effective date – Amendments to IAS 1 (issued on 15 July 2020 and effective for annual periods beginning on or after 1 January 2023). The amendment to IAS 1 on classification of liabilities as current or non-current was issued in January 2020 with an original effective date 1 January 2022. However, in response to the Covid-19 pandemic, the effective date was deferred by one year to provide companies with more time to implement classification changes resulting from the amended guidance

Interest rate benchmark (IBOR) reform – phase 2 amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 (issued on 27 August 2020 and effective for annual periods beginning on or after 1 January 2021). The Phase 2 amendments address issues that arise from the implementation of the reforms, including the replacement of one benchmark with an alternative one. The amendments cover the following areas:

- Accounting for changes in the basis for determining contractual cash flows as a result of IBOR reform: For instruments to which the amortised cost measurement applies, the amendments require entities, as a practical expedient, to account for a change in the basis for determining the contractual cash flows as a result of IBOR reform by updating the effective interest rate using the guidance in paragraph B5.4.5 of IFRS 9. As a result, no immediate gain or loss is recognised. This practical expedient applies only to such a change and only to the extent it is necessary as a direct consequence of IBOR reform, and the new basis is economically equivalent to the previous basis. Insurers applying the temporary exemption from IFRS 9 are also required to apply the same practical expedient. IFRS 16 was also amended to require lessees to use a similar practical expedient when accounting for lease modifications that change the basis for determining future lease payments as a result of IBOR reform.

2. Accounting policies (continued)

2.5. Standards issued but not yet effective and not early adopted (*continued*)

- End date for Phase 1 relief for non contractually specified risk components in hedging relationships: The Phase 2 amendments require an entity to prospectively cease to apply the Phase 1 reliefs to a non-contractually specified risk component at the earlier of when changes are made to the non-contractually specified risk component, or when the hedging relationship is discontinued. No end date was provided in the Phase 1 amendments for risk components.
- Additional temporary exceptions from applying specific hedge accounting requirements: The Phase 2 amendments provide some additional temporary reliefs from applying specific IAS 39 and IFRS 9 hedge accounting requirements to hedging relationships directly affected by IBOR reform.
- Additional IFRS 7 disclosures related to IBOR reform: The amendments require disclosure of: (i) how the entity is managing the transition to alternative benchmark rates, its progress and the risks arising from the transition; (ii) quantitative information about derivatives and non-derivatives that have yet to transition, disaggregated by significant interest rate benchmark; and (iii) a description of any changes to the risk management strategy as a result of IBOR reform.

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

3. Net interest income

	Group		Bank	
in RON thousands	**31.12.2020**	**31.12.2019**	**31.12.2020**	**31.12.2019**
Interest and other similar income				
Financial assets at amortised cost	2,526,415	2,495,326	2,442,160	2,404,346
Financial assets measured at fair value through other comprehensive income	194,987	166,382	193,429	163,760
Interest income	**2,721,402**	**2,661,708**	**2,635,589**	**2,568,106**
Non-trading financial assets at fair value through profit or loss	7	367	7	367
Financial assets - held for trading	4,761	20,686	4,761	20,686
Finance lease receivables	58,097	59,974	211	233
Other assets	11	4,428	11	4,309
Negative interest from financial liabilities	641	1,328	641	1,328
Other similar income	**63,517**	**86,783**	**5,631**	**26,923**
Total interest and other similar income	**2,784,919**	**2,748,491**	**2,641,220**	**2,595,029**
Interest and other similar expense				
Financial liabilities measured at amortised cost	(393,464)	(451,566)	(372,153)	(416,360)
Interest expenses	**(393,464)**	**(451,566)**	**(372,153)**	**(416,360)**
Financial liabilities - held for trading	(2,070)	(9,057)	(2,070)	(9,057)
Finance lease liabilities	(8,353)	(20,229)	(7,994)	(21,388)
Other liabilities	(7,913)	(10,780)	(7,914)	(8,427)
Negative Interest from financial assets	(2,094)	(588)	(2,094)	(588)
Other similar expenses	**(20,430)**	**(40,654)**	**(20,072)**	**(39,460)**
Total Interest and other similar expense	**(413,894)**	**(492,220)**	**(392,225)**	**(455,820)**
Net interest income	**2,371,025**	**2,256,271**	**2,248,995**	**2,139,209**

4. Net fee and commission income

				Group
in RON thousands	**31.12.2020**		**31.12.2019**	
	Income	**Expense**	**Income**	**Expense**
Securities - brokerage	**35,821**	**(6,336)**	**30,088**	**(5,531)**
Transfer orders	35,821	(6,336)	30,088	(5,531)
Clearing and settlement	6,700	(16,033)	7,038	(13,026)
Asset management	41,041	-	27,497	-
Custody	17,847	(4,882)	15,990	(4,229)
Payment services	**584,619**	**(147,489)**	**600,437**	**(114,529)**
Card business	171,226	(95,707)	180,401	(76,002)
Other	413,393	(51,782)	420,036	(38,527)
Customer resources distributed but not managed	**141,087**	**(2,407)**	**144,947**	**(3,505)**
Collective investment	35,168	-	36,311	-
Insurance products	81,985	-	81,178	-
Foreign exchange transactions	23,575	(2,407)	27,168	(3,505)
Other	359	-	290	-
Structured finance	1,940	-	18	-
Lending business	**61,111**	**(23,659)**	**98,868**	**(22,936)**
Guarantees given, guarantees received	23,313	(5,079)	24,304	(6,362)
Loan commitments given, loan commitments received	17,297	-	15,415	(1)
Other lending business	20,501	(18,580)	59,149	(16,573)
Other	23,724	(3,085)	21,577	(2,095)
Total fee and commission income and expenses	**913,890**	**(203,891)**	**946,460**	**(165,851)**
Net fee and commission income	**709,999**		**780,609**	

4. Net fees and commission income (continued)

				Bank
in RON thousands	**31.12.2020**		**31.12.2019**	
	Income	**Expense**	**Income**	**Expense**
Securities - brokerage	**35,821**	**(6,336)**	**30,088**	**(5,531)**
Transfer orders	35,821	(6,336)	30,088	(5,531)
Clearing and settlement	6,709	(15,913)	7,049	(12,905)
Custody	17,847	(3,148)	15,990	(2,753)
Payment services	**579,542**	**(145,280)**	**596,025**	**(112,226)**
Card business	168,293	(94,094)	177,587	(74,193)
Other	411,249	(51,186)	418,438	(38,033)
Customer resources distributed but not managed	**134,997**	**(2,407)**	**141,310**	**(3,505)**
Collective investment	35,168	-	36,311	-
Insurance products	73,473	-	73,090	-
Building society brokerage	29	-	422	-
Foreign exchange transactions	23,576	(2,407)	27,169	(3,505)
Other	2,751	-	4,318	-
Structured finance	1,940	-	18	-
Lending business	**60,905**	**(18,056)**	**99,238**	**(15,458)**
Guarantees given, guarantees received	23,085	(2,600)	24,276	(2,188)
Loan commitments given, loan commitments received	17,297	-	15,415	-
Other lending business	20,523	(15,456)	59,547	(13,270)
Other	18,340	(506)	11,192	(560)
Total fee and commission income and expenses	**856,101**	**(191,646)**	**900,910**	**(152,938)**
Net fee and commission income	**664,455**		**747,972**	

5. Dividend income

	Group		Bank	
in RON thousands	**31.12.2020**	**31.12.2019**	**31.12.2020**	**31.12.2019**
Non-trading financial assets at fair value through profit or loss (i)	3,312	2,569	3,274	2,529
Dividend income from investment in subsidiaries and associates (ii)	-	-	409	13,465
Dividend income	**3,312**	**2,569**	**3,683**	**15,994**

(i) Dividends received from non-trading financial assets at fair value through profit or loss: Biroul de Credit, Transfond, BCR Asigurari de Viata, Bursa de Valori Bucuresti, Univers SA.

(ii) Dividends received from subsidiaries and associates: BCR Payments

6. Net trading result

	Group		Bank	
in RON thousands	**31.12.2020**	**31.12.2019**	**31.12.2020**	**31.12.2019**
Net Trading Result				
Securities and derivatives trading	83,283	61,983	83,283	61,983
Foreign exchange transactions	261,903	284,363	252,655	275,809
Net Trading Result	**345,186**	**346,346**	**335,938**	**337,792**

7. Rental income from investment properties and other operating leases

	Group		Bank	
in RON thousands	**31.12.2020**	**31.12.2019**	**31.12.2020**	**31.12.2019**
Investment properties	2,264	3,009	2,591	3,009
Other operating leases	105,225	95,910	5,707	8,149
Rental income from investment properties and other operating leases	**107,489**	**98,919**	**8,298**	**11,158**

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

8. General administrative expenses

	Group		Bank	
in RON thousands	**31.12.2020**	**31.12.2019**	**31.12.2020**	**31.12.2019**
Personnel expenses (i)	(804,958)	(775,990)	(695,984)	(668,348)
Other administrative expenses (ii)	(644,115)	(685,214)	(658,967)	(713,793)
Depreciation and amortisation (iii)	(219,695)	(242,258)	(206,796)	(211,820)
Total	**(1,668,768)**	**(1,703,462)**	**(1,561,747)**	**(1,593,961)**
Personnel expenses	**(804,958)**	**(775,990)**	**(695,984)**	**(668,348)**
Wages and salaries	(765,516)	(702,688)	(666,139)	(606,382)
Compulsory social security	(22,737)	(25,321)	(18,107)	(21,056)
Long-term employee provisions	(1,705)	1,738	(1,465)	1,982
Other personnel expenses	(15,000)	(49,719)	(10,273)	(42,892)
Other administrative expenses	**(644,115)**	**(685,214)**	**(658,967)**	**(713,793)**
Payments into deposit insurance fund	(21,159)	(60,285)	(17,973)	(55,220)
IT expenses	(288,564)	(254,696)	(280,559)	(247,775)
Expenses for office space	(66,736)	(74,678)	(63,166)	(71,421)
Office operating expenses	(112,333)	(98,646)	(160,413)	(167,559)
Security services	(16,867)	(14,883)	(16,371)	(13,457)
Operating leases	(14,596)	(9,493)	(14,219)	(9,126)
Advertising / Marketing	(51,888)	(57,310)	(50,286)	(55,264)
Legal and consulting costs	(33,016)	(59,322)	(29,077)	(54,959)
Sundry administrative expenses	(38,956)	(55,901)	(26,903)	(39,012)
Depreciation and amortisation	**(219,695)**	**(242,258)**	**(206,796)**	**(211,820)**
Software and other intangible assets	(79,123)	(95,081)	(75,639)	(92,065)
Owner occupied real estate	(14,773)	(20,754)	(14,752)	(20,726)
Investment properties	(4,966)	(5,233)	(4,966)	(5,233)
Right of use assets	(70,228)	(50,975)	(68,106)	(49,071)
Office furniture and equipment and sundry property and equipment	(50,605)	(70,215)	(43,333)	(44,725)
General administrative expenses	**(1,668,768)**	**(1,703,462)**	**(1,561,747)**	**(1,593,961)**

(i) Personnel expenses increased in 2020 as compared to 2019 by RON 28,968 thousand at consolidated level mainly driven by the renegotiation of the Collective Labour Agreement in 2020 and one-off costs related to the pandemic context.

The number of own employees of the Bank at 31 December 2020 was 5,201 employees (31 December 2019: 5,412 employees).

The number of own employees of the Group at 31 December 2020 was 5,645 employees (31 December 2019: 6,766 employees), significantly lower by 1,121 FTEs against 2019 as mainly driven by the deconsolidation of CIT One subsidiary as of end-September 2020.

(ii) Other administrative expenses for the Group in 2020 were lower compared with 2019, mainly driven by lower annual contribution to the deposit insurance fund (by RON 39,127 thousand). Other significant cost positions offsetting each other were the lower legal & consulting costs (by RON 26,306) and Advertising/Marketing costs (by RON 5,422 thousand), activities affected by the pandemic situation, fully offset by higher investments in IT (by RON 33,868 thousand).

(iii) Depreciation and amortization for the Group in 2020 was lower compared with 2019 mainly driven by IT depreciation (review of useful life for applications) and stopped depreciation in Fleet Management subsidiary – classified as Held for Sale starting May 2019, partly offset by costs with the new Head Office.

The key management remuneration paid during 2020 were of RON 14,990 thousands (2019: RON 17,425 thousands).

	2020				2019			
in RON thousands	Expense	Employer taxes	Accrued liability	Employer taxes	Expense	Employer taxes	Accrued liability	Employer taxes
Short-term benefits	**10,723**	**170**	**63**	**1**	**10,459**	**150**	**1,462**	**33**
Salaries	9,039	152	63	1	8,396	115	1,462	33
Benefits in kind	1,684	18	-	-	2,063	35	-	-
Share-based compensation:	**42**	**1**	**16,556**	**373**	**(113)**	**(3)**	**16,581**	**373**
Cash-settled share-based compensation (bonus cash)	42	1	16,556	373	(113)	(3)	16,581	373

The actual cash out for share based compensation was of 4,204 thousands RON in 2020 and 5,504 thousands RON in 2019.

8. General administrative expenses (continued)

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

	2020	2019
Domestic	**6,639**	**6,860**
Banca Comerciala Romana	5,379	5,685
CIT One SRL*	915	841
BCR Leasing IFN SA	125	120
BCR Banca pentru Locuinte SA	75	78
BCR Payments Services SRL	83	77
BCR Pensii, Societate de Administrare a Fondurilor de Pensii Private SA	45	45
BCR Fleet Management SRL	12	9
Suport Colect SRL	5	5
Abroad	**90**	**93**
BCR Chisinau SA	90	93
Total	**6,729**	**6,953**

* As of September 2020, BCR lost control over CITOne, the company becoming joint venture. The average number of employees considered is for the period for which the company was subsidiary.

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

	Group		Bank	
in RON thousands	**31.12.2020**	**31.12.2019**	**31.12.2020**	**31.12.2019**
Gain from derecognition of financial assets at fair value through other comprehensive income	-	421	-	421
Loss from derecognition of financial assets at fair value through other comprehensive income	-	(1,148)	-	(1,148)
Gain from sale of financial lease receivables	(59)	40	(59)	40
Loss from repayment of liabilities measured at amortised cost (i)	-	(28,726)	-	(28,726)
Other gains/(losses) from derecognition of financial instruments not measured at fair value through profit or loss	**(59)**	**(29,413)**	**(59)**	**(29,413)**

(i) Due to early reimbursement of long term deposits from banks in 2019.

10. Net impairment loss on financial instruments

	Group		Bank	
in RON thousands	**31.12.2020**	**31.12.2019**	**31.12.2020**	**31.12.2019**
Financial assets at fair value through other comprehensive income	(5,570)	414	(4,425)	(1,084)
Financial assets at amortised cost (i)	(412,984)	17,093	(401,199)	(53,416)
Allocation to risk provisions	(647,037)	(65,889)	(624,635)	(114,930)
Direct write-offs	(23,617)	(40,691)	(21,921)	(36,342)
Recoveries recorded directly to the income statement	263,623	140,313	251,319	114,496
Modification gains or losses	(5,953)	(16,640)	(5,962)	(16,640)
Finance lease	(9,432)	(18,634)	(4,339)	(290)
Net allocation of provisions for commitments and guarantees given (ii)	(93,285)	62,943	(95,362)	61,063
Net impairment loss on financial instruments	**(521,271)**	**61,816**	**(505,325)**	**6,273**

(i) Net impairment losses is driven by provision allocation on a prudent manner to cover potential effects of the pandemic crisis, implemented through measures such as forward looking indicators updates, stage overlays and re-estimation of risk parameters (PDs, LGDs, CCFs) for both corporate and retail portfolios.

(ii) In the statement of profit or loss, the impact of changing in accounting policy presented in chapter 2.3 "Accounting policy related to financial guarentees" is a reclassification between the lines Net impairment loss and Other operating result.

11. Other operating result

	Group		Bank	
in RON thousands	**31.12.2020**	**31.12.2019**	**31.12.2020**	**31.12.2019**
Other income, of which:	**208,479**	**286,092**	**81,192**	**180,815**
Gain on disposal of premises and equipment	10,222	1,540	4,581	1,836
Gain on disposal of investment properties	9,431	18,455	9,431	18,455
Gain on disposal of non-current assets held for sale (i)	3,886	89,054	3,886	89,054
Gains on other assets	89,457	74,617	36,023	33,198
Other income (ii)	95,483	102,426	27,271	38,272
Other expense, of which:	**(499,581)**	**(1,209,205)**	**(273,548)**	**(886,053)**
Other provisions - net (allocation)/release (iii)	36,007	(714,356)	17,408	26,718
Losses on other assets	(75,018)	(56,927)	(23,343)	(19,792)
Impairment of subsidiaries(iv)	-	-	(39,556)	(583,430)
Impairment of tangible and intangible assets(v)	(135,461)	(93,528)	(53,772)	(48,065)
Impairment of assets held for sale and other assets (vi)	(91,090)	(23,186)	(7,525)	(20,443)
Recovery and resolution fund	(37,203)	(31,362)	(37,194)	(31,357)
Insurance premiums	(74,298)	(71,200)	(60,090)	(56,824)
Levies on banking activities (vii)	-	(52,003)	-	(52,003)
Other taxes	(21,556)	(23,478)	(18,015)	(20,066)
Other expenses (viii)	(100,962)	(143,165)	(51,461)	(80,791)
Total	**(291,102)**	**(923,113)**	**(192,356)**	**(705,238)**

* Please see the explanation above in Note 10 - Net impairment loss on financial instruments.

(i) In 2019, the Bank sold the former headquarter Regina Elisabeta building.
(ii) Includes the income related to nonbanking activities, such as cash processing and transportations and car fleet management activities.
(iii) In 2019, the allocation of other provisions at Group level was mainly due to the event regarding the control of Court of Accounts at BpL described in Note 44 – Litigations and contingent liabilities.
(iv) Impairment of subsidiaries is eliminated at Group level. Further details are presented in Note 28.
(v) The book value of fixed assets was adjusted to the recoverable amount based on an external valuator report in 2020, as a result of annual impairment test.
(vi) The impact in 2020 is due to the adjustment of assets held for sale to the net asset realisable value.
(vii) The tax was calculated in accordance with Emergency Ordinance 19/2019 and was paid in August 2020. The Ordinance was cancelled in January 2020.
(viii) Includes sundry expenses: litigations, penalties, inventory impairment.

12. Taxes on income

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

in RON thousands	31.12.2020	31.12.2019	31.12.2020	31.12.2019
Current tax expense/income	**(249,726)**	**(273,650)**	**(242,793)**	**(261,143)**
Current period	(240,606)	(230,580)	(233,673)	(218,073)
Prior period	(9,120)	(43,070)	(9,120)	(43,070)
Deferred tax expense/income	**(1,275)**	**(28,845)**	**5,642**	**(26,511)**
Current period	(1,275)	(28,845)	5,642	(26,511)
Taxes on income	**(251,001)**	**(302,495)**	**(237,151)**	**(287,654)**

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

	Group		Bank	
in RON thousands	31.12.2020	31.12.2019	31.12.2020	31.12.2019
Pre-tax profit/(loss)	**1,065,109**	**895,761**	**1,017,109**	**939,563**
Income tax expense for the financial year at the domestic statutory tax rate (16%)	(170,417)	(143,322)	(162,737)	(150,330)
Impact of tax-exempt earnings of investments and other tax-exempt income	235,843	234,825	226,159	215,796
Tax increases due to non-deductible expenses and similar elements	(341,791)	(384,534)	(322,643)	(343,637)
Impact of other elements	34,484	33,606	31,190	33,587
Tax expense not atributable to the reporting period	(9,120)	(43,070)	(9,120)	(43,070)
Income tax (expense) / release reported in the income statement	**(251,001)**	**(302,495)**	**(237,151)**	**(287,654)**
The effective tax rate	**23.57%**	**33.77%**	**23.32%**	**30.62%**

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

Reinvested profit

Tax exemption on reinvested profit is a tax relief/incentive available for profit reinvested in technical equipment (subgroup 2.1 or 2.2.9 of the Catalogue of the Classification and the Normal Useful Life of Fixed Assets) and software property or license rights produced/acquired during the relevant tax period and is represented by the acquisition value (including VAT) of the respective investment (investment go live in the current year) deducted from the cumulative accounting profit before tax from the beginning of the year (no more than the level of the accounting profit recorded at the end of the fiscal year).

In order to benefit from this tax exemption, BCR has to keep the equipment for at least half of the normal useful economic life, in accordance with the applicable accounting rules, but no more than 5 years. Otherwise, corporate income tax is recalculated accordingly and late payment interest and penalties are imposed.

The **3.986 thousands RON** amount of the profit which was tax exempt in 2020 is to be booked in Other Reserves (therefore, it cannot be used for distribution to shareholders), after obtaining the approval in Annual General Shareholders Meeting as general principle. In case, in the future, there will be a decision to use/distribute, in any way, the previously tax exempt profit recorded in Other Reserves: the tax exemption will be cancelled, therefore the tax payment will be done at that moment.

Sponsorship

All companies registered as corporate income tax payers that record sponsorship expenses in accordance with the relevant legislation may benefit from tax credit (deduction from the corporate income tax due) for sponsorship, which means that part of the tax due to the state budget is redirected towards the recipients of the sponsorships granted by the company.

To qualify for the tax credit, sponsorship must fulfill the conditions set out in Law no. 32/1994 on sponsorship, as further amended and Fiscal Code, it must be supported by a sponsorship contract and the beneficiaries of the sponsorships must be registered, at the date of conclusion of the contract, in the Register of organizations/religious entities for which tax deductions are granted.

In 2020 the Bank paid **11,043 thousands RON** for sponsorships which allow to benefit from tax credit in an equal amount.

12. Taxes on income (*continued*)

Discount of CIT

Based on the provisions of OUG 33/2020 and OUG 153/2020, the companies registered as CIT payers had the final benefit from the CIT due for Q1-Q3 2020, 5% (for Q1) or 10% (for Q2 and Q3), if they declared and paid the CIT due according to the legal deadline (no later than 25th of the month following the quarter for which the CIT is computed).
The Bank declared and paid the CIT due according to the legal deadlines, meaning a tax benefit of RON 14,942 thousands**.**

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

The variation of income tax between 2019 and 2020 was mainly due to the following:

- the diminish of 2020's non-deductible expenses by approx. 30% compared with 2019 (when was booked Impairment for the investment in BPL subsidiary)

- the increase the value of element similar to revenues from selling of receivables compared with 2019, 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 in accordance with Fiscal Code;

- The decrease of the value of reinvested profit tax exemption in 2020 by 62% compared to with 2019 and the decrease of the VAT Split tax reduction by 90% (was applied until January 2020, the mechanism being entirely eliminated by OUG 78/2019);

- The decrease of tax on income results mainly from reduction of 5%, 10% of CIT declared and paid in due legal terms based on application of provision OUG 33/2020 and OUG 153/2020.

The impact from previous period is in amount of RON 9,120 thousands and represents tax on income paid due to voluntary adjustment for amounts not at arm's length identified in TP files 2016-2019 in relation with local intra-group transactions and also for IFRS16 impact, for which the Bank decided to submit rectifying CIT return.

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

Group

in RON thousands	2020 Before-tax amount	2020 Tax benefit/ (expense)	2020 Net-of-tax amount	2019 Before-tax amount	2019 Tax benefit/ (expense)	2019 Net-of-tax amount
Fair value reserve	155,693	(24,862)	130,831	61,977	(9,910)	52,067
Remeasurement of net gain/ (losses) on benefit plans	67,002	(10,719)	56,283	80,655	(12,905)	67,750
Currency translation reserve of foreign subsidiary	(18,150)	-	(18,150)	(9,419)	-	(9,419)
Other comprehensive income	**204,545**	**(35,581)**	**168,964**	**133,213**	**(22,815)**	**110,398**

Bank

in RON thousands	2020 Before-tax amount	2020 Tax benefit/ (expense)	2020 Net-of-tax amount	2019 Before-tax amount	2019 Tax benefit/ (expense)	2019 Net-of-tax amount
Fair value reserve	154,534	(24,724)	129,810	61,881	(9,900)	51,981
Remeasurement of net gain/ (losses) on benefit plans	67,088	(10,734)	56,354	80,749	(12,920)	67,829
Other comprehensive income	**221,622**	**(35,458)**	**186,164**	**142,630**	**(22,820)**	**119,810**

13. Dividends paid

During 2020, no dividends were paid, 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.

14. Cash and cash equivalents

	Group		Bank	
in RON thousands	31.12.2020	31.12.2019	31.12.2020	31.12.2019
Cash on hand	5,343,352	4,358,613	5,318,582	4,330,409
Cash balances with the central bank (other than mandatory reserve deposits)	77,149	140,030	2,110	646
Mandatory cash balances with central banks (i)	4,803,931	4,030,612	4,694,748	3,997,510
Correspondent accounts and overnight placements with other banks	278,992	436,457	143,521	355,600
Overnight Placements with other banks	34,775	-	34,775	-
Overnight reverse sale and repurchase agreements with other banks	-	40,806	-	40,806
Cash and cash equivalents	**10,538,199**	**9,006,518**	**10,193,736**	**8,724,971**

(i) The current accounts held by the Bank with National Bank of Romania ensure the compliance with minimum mandatory reserves requirements of National Bank. Mandatory reserve rates at the end of 2020 were for RON 8% (December 2019: 8%) and for foreign currencies 5% (December 2019: 8%) both with residual maturity of less than 2 years from the end of the reporting period and for debts with a residual maturity of more than 2 years with the repayment, transfer and early withdrawal clauses, respectively 0% for the other debts included in the calculation base. All cash and cash equivalents are in Stage 1, for more details please see Note 40.5.

15. Derivatives

Group

in RON thousands	2020 Notional amount	2020 Fair value Positive	2020 Fair value Negative	2019 Notional amount	2019 Fair value Positive	2019 Fair value Negative
Derivatives held in Trading book	**5,872,523**	**39,082**	**45,363**	**8,455,551**	**38,804**	**42,477**
Interest rate instruments and related derivatives	3,740,070	26,271	27,541	5,812,041	34,649	36,047
Foreign exchange trading and related derivatives	2,132,453	12,811	17,822	2,643,510	4,155	6,430
Derivatives held in Banking Book	**2,445,210**	**809**	**6,688**	**2,066,395**	**1,296**	**31,021**
Interest rate instruments and related derivatives	13,395	246	-	53,297	1,236	136
Equity instruments and related derivatives	19,478	-	-	66,910	-	-
Foreign exchange trading and related derivatives	2,412,337	563	6,688	1,946,188	60	30,885
Total	**8,317,733**	**39,891**	**52,051**	**10,521,946**	**40,100**	**73,498**

Bank

in RON thousands	2020 Notional amount	2020 Fair value Positive	2020 Fair value Negative	2019 Notional amount	2019 Fair value Positive	2019 Fair value Negative
Derivatives held in Trading book	**5,872,523**	**39,082**	**45,363**	**8,455,551**	**38,804**	**42,477**
Interest rate instruments and related derivatives	3,740,070	26,271	27,541	5,812,041	34,649	36,047
Foreign exchange trading and related derivatives	2,132,453	12,811	17,822	2,643,510	4,155	6,430
Derivatives held in Banking Book	**2,445,210**	**809**	**6,688**	**2,066,395**	**1,296**	**31,021**
Interest rate instruments and related derivatives	13,395	246	-	53,297	1,236	136
Equity instruments and related derivatives	19,478	-	-	66,910	-	-
Foreign exchange trading and related derivatives	2,412,337	563	6,688	1,946,188	60	30,885
Total	**8,317,733**	**39,891**	**52,051**	**10,521,946**	**40,100**	**73,498**

16. Other financial assets held for trading

	Group		Bank	
in RON thousands	**31.12.2020**	**31.12.2019**	**31.12.2020**	**31.12.2019**
Debt securities	1,208,931	389,256	1,208,931	389,256
General governments (i)	1,208,931	389,256	1,208,931	389,256
Other financial assets held for trading	**1,208,931**	**389,256**	**1,208,931**	**389,256**

(i) Debt securities include treasury bills and bonds denominated in RON. The amount significantly increased during 2020 due to investments in treasury bills and bonds, both issued by Ministry of Public Finance.

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

	Group		Bank	
	31.12.2020	**31.12.2019**	**31.12.2020**	**31.12.2019**
in RON thousands	**Mandatorily at fair value**		**Mandatorily at fair value**	
Equity instruments	75,033	40,388	74,798	40,136
Debt securities	27,781	49,922	27,781	49,922
Other financial corporations	27,781	49,922	27,781	49,922
Loans and advances to customers	1,925	3,562	1,925	3,562
Non-financial corporations (i)	1,925	3,562	1,925	3,562
Non-trading financial assets mandatorily at fair value through profit or loss	**104,739**	**93,872**	**104,504**	**93,620**

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

18. Financial assets at fair value through other comprehensive income

31.12.2020 Group

in RON thousands	Gross carrying amount				Credit loss allowances				Accumulated other fair value changes	Carrying amount
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total		
Debt securities	**7,384,062**	**5,209**	**-**	**7,389,271**	**(8,235)**	**(603)**	**-**	**(8,838)**	**146,855**	**7,536,126**
Central banks	23,502	-	-	23,502	(1,105)	-	-	(1,105)	-	23,502
General governments	7,360,560	-	-	7,360,560	(7,130)	-	-	(7,130)	146,582	7,507,142
Non-financial corporations	-	5,209	-	5,209	-	(603)	-	(603)	273	5,482
Total	**7,384,062**	**5,209**	**-**	**7,389,271**	**(8,235)**	**(603)**	**-**	**(8,838)**	**146,855**	**7,536,126**

31.12.2019 Group

in RON thousands	Gross carrying amount				Credit loss allowances				Accumulated other fair value changes	Carrying amount
in EUR million	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**
Central banks	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**

Allowances for financial assets at fair value through other comprehensive income 31.12.2020 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)**	**(4,362)**	**1,715**	**(2,970)**	**-**	**-**	**-**	**52**	**(8,235)**
Central banks	-	(1,175)	-	-	-	-	-	70	(1,105)
General governments	(2,670)	(3,187)	1,715	(2,970)	-	-	-	(18)	(7,130)
Stage 2	**(649)**	**-**	**-**	**46**	**-**	**-**	**-**	**-**	**(603)**
Non-financial corporations	(649)	-	-	46	-	-	-	-	(603)
Total	**(3,319)**	**(4,362)**	**1,715**	**(2,924)**	**-**	**-**	**-**	**52**	**(8,838)**

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

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

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

in RON thousands	Gross carrying amount				Credit loss allowances				31.12.2020 Accumulated other fair value changes	Bank Carrying amount
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total		
Debt securities	**7,359,463**	**5,209**	**-**	**7,364,672**	**(7,078)**	**(603)**	**-**	**(7,681)**	**146,853**	**7,511,525**
General governments	7,359,463	-	-	7,359,463	(7,078)	-	-	(7,078)	146,580	7,506,043
Non-financial corporations	-	5,209	-	5,209	-	(603)	-	(603)	273	5,482
Total	**7,359,463**	**5,209**	**-**	**7,364,672**	**(7,078)**	**(603)**	**-**	**(7,681)**	**146,853**	**7,511,525**

in RON thousands	Gross carrying amount				Credit loss allowances				31.12.2019 Accumulated other fair value changes	Bank Carrying amount
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total		
Debt securities	**6,052,040**	**5,213**	**-**	**6,057,253**	**(2,583)**	**(649)**	**-**	**(3,232)**	**58,649**	**6,115,902**
General governments	6,052,040	-	-	6,052,040	(2,583)	-	-	(2,583)	57,728	6,109,768
Non-financial corporations	-	5,213	-	5,213	-	(649)	-	(649)	921	6,134
Total	**6,052,040**	**5,213**	**-**	**6,057,253**	**(2,583)**	**(649)**	**-**	**(3,232)**	**58,649**	**6,115,902**

Allowances for financial assets at fair value through other comprehensive income — 31.12.2020 — 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	**(2,583)**	**(3,136)**	**1,715**	**(3,051)**	**-**	**-**	**-**	**(23)**	**(7,078)**
General governments	(2,583)	(3,136)	1,715	(3,051)	-	-	-	(23)	(7,078)
Stage 2	**(649)**	**-**	**-**	**46**	**-**	**-**	**-**	**-**	**(603)**
Non-financial corporations	(649)	-	-	46	-	-	-	-	(603)
Total	**(3,232)**	**(3,136)**	**1,715**	**(3,005)**	**-**	**-**	**-**	**(23)**	**(7,681)**

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

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

The year-end total gross carrying amount of FVOCI debt securities that were initially recognized (purchased) during the year 2020 and not fully derecognized by 31 December 2020 amounts to RON 3,143,958 thousands (2019: RON 1,810,090 thousands) at Group level, RON 3,121,162 thousands (2019: RON 1,807,790 thousands) at Bank level. The gross carrying amount of FVOCI debt securities that were held at 1 January 2020 and derecognized during the year 2020 amounts to RON 1,801,855 thousand at Group level (2019: RON 722,624 thousand), RON 1,801,855 thousands (2019: RON 685,853 thousands) at Bank level.

19. Securities

Group

in RON thousands	2020 Financial Assets				2019 Financial Assets			
	Financial assets at amortised cost	Trading financial assets	Financial assets mandatorily measured at fair value through profit or loss	Financial assets at fair value through other comprehensive income	Financial assets at amortised cost	Trading financial assets	Financial assets mandatorily measured at fair value through profit or loss	Financial assets at fair value through other comprehensive income
Bonds and other interest-bearing securities	**14,827,570**	**1,208,931**	**27,781**	**7,536,126**	**15,735,188**	**389,256**	**49,922**	**6,117,844**
Listed	14,731,329	1,208,931	-	4,765,556	15,628,611	389,256	-	4,918,214
Unlisted	96,241	-	27,781	2,770,570	106,577	-	49,922	1,199,630
Equity related securities	**-**	**-**	**75,033**	**-**	**-**	**-**	**40,388**	**-**
Listed	-	-	42,076	-	-	-	4,324	-
Unlisted	-	-	32,957	-	-	-	36,064	-
Total	**14,827,570**	**1,208,931**	**102,814**	**7,536,126**	**15,735,188**	**389,256**	**90,310**	**6,117,844**

Bank

in RON thousands	2020 Financial Assets				2019 Financial Assets			
	Financial assets at amortised cost	Trading financial assets	Financial assets mandatorily measured at fair value through profit or loss	Financial assets at fair value through other comprehensive income	Financial assets at amortised cost	Trading financial assets	Financial assets mandatorily measured at fair value through profit or loss	Financial assets at fair value through other comprehensive income
Bonds and other interest-bearing securities	**13,986,991**	**1,208,931**	**27,781**	**7,511,525**	**14,422,788**	**389,256**	**49,922**	**6,115,902**
Listed	13,986,991	1,208,931	-	4,765,556	14,422,788	389,256	-	4,918,214
Unlisted	-	-	27,781	2,745,969	-	-	49,922	1,197,688
Equity related securities	**-**	**-**	**74,798**	**-**	**-**	**-**	**40,136**	**-**
Listed	-	-	42,076	-	-	-	4,324	-
Unlisted	-	-	32,722	-	-	-	35,812	-
Total	**13,986,991**	**1,208,931**	**102,579**	**7,511,525**	**14,422,788**	**389,256**	**90,058**	**6,115,902**

20. Financial assets at amortised cost

31.12.2020 Group

in RON thousands	Gross carrying amount					Credit loss allowances					Carrying amount
	Stage 1	Stage 2	Stage 3	POCI	Total	Stage 1	Stage 2	Stage 3	POCI	Total	
Debt securities	**14,800,901**	**45,391**	**1,355**	**-**	**14,847,647**	**(19,086)**	**(585)**	**(406)**	**-**	**(20,077)**	**14,827,570**
General governments	14,749,191	45,391	1,355	-	14,795,937	(19,082)	(585)	(406)	-	(20,073)	14,775,864
Credit institutions	51,710	-	-	-	51,710	(4)	-	-	-	(4)	51,706
Loans and advances to banks	**2,020,268**	**8,769**	**-**	**-**	**2,029,037**	**(906)**	**(110)**	**-**	**-**	**(1,016)**	**2,028,021**
Central banks	1,990	-	-	-	1,990	-	-	-	-	-	1,990
Credit institutions	2,018,278	8,769	-	-	2,027,047	(906)	(110)	-	-	(1,016)	2,026,031
Loans and advances to customers	**31,712,152**	**9,705,615**	**1,788,660**	**320,411**	**43,526,838**	**(166,578)**	**(807,816)**	**(1,337,382)**	**(79,706)**	**(2,391,482)**	**41,135,356**
General governments	3,060,975	489,208	10,495	15,974	3,576,652	(3,554)	(7,217)	(8,682)	(3,768)	(23,221)	3,553,431
Other financial corporations	190,216	24,406	9,885	-	224,507	(1,228)	(332)	(9,320)	-	(10,880)	213,627
Non-financial corporations	8,772,047	4,136,034	807,847	68,766	13,784,694	(100,882)	(326,642)	(608,341)	(10,418)	(1,046,283)	12,738,411
Households	19,688,914	5,055,967	960,433	235,671	25,940,985	(60,914)	(473,625)	(711,039)	(65,520)	(1,311,098)	24,629,887
Total	**48,533,321**	**9,759,775**	**1,790,015**	**320,411**	**60,403,522**	**(186,570)**	**(808,511)**	**(1,337,788)**	**(79,706)**	**(2,412,575)**	**57,990,947**

31.12.2019 Group

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

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

31.12.2020 Bank

in RON thousands	Gross carrying amount					Credit loss allowances					Carrying amount
	Stage 1	Stage 2	Stage 3	POCI	Total	Stage 1	Stage 2	Stage 3	POCI	Total	
Debt securities	**13,954,863**	**45,388**	**1,355**	**-**	**14,001,606**	**(13,624)**	**(585)**	**(406)**	**-**	**(14,615)**	**13,986,991**
General governments	13,903,152	45,388	1,355	-	13,949,895	(13,620)	(585)	(406)	-	(14,611)	13,935,284
Credit institutions	51,711	-	-	-	51,711	(4)	-	-	-	(4)	51,707
Loans and advances to banks	**2,017,795**	**9,605**	**66,591**	**-**	**2,093,991**	**(906)**	**(286)**	**(66,591)**	**-**	**(67,783)**	**2,026,208**
Central banks	1,990	-	-	-	1,990	-	-	-	-	-	1,990
Credit institutions	2,015,805	9,605	66,591	-	2,092,001	(906)	(286)	(66,591)	-	(67,783)	2,024,218
Loans and advances to customers	**31,892,055**	**9,761,280**	**1,709,164**	**320,371**	**43,682,870**	**(153,345)**	**(807,957)**	**(1,282,405)**	**(79,706)**	**(2,323,413)**	**41,359,457**
General governments	3,060,975	489,208	10,495	15,974	3,576,652	(3,554)	(7,217)	(8,682)	(3,768)	(23,221)	3,553,431
Other financial corporations	1,501,195	24,406	9,885	-	1,535,486	(3,091)	(332)	(9,320)	-	(12,743)	1,522,743
Non-financial corporations	7,824,322	4,203,382	765,309	68,766	12,861,779	(86,569)	(327,696)	(588,325)	(10,418)	(1,013,008)	11,848,771
Households	19,505,563	5,044,284	923,475	235,631	25,708,953	(60,131)	(472,712)	(676,078)	(65,520)	(1,274,441)	24,434,512
Total	**47,864,713**	**9,816,273**	**1,777,110**	**320,371**	**59,778,467**	**(167,875)**	**(808,828)**	**(1,349,402)**	**(79,706)**	**(2,405,811)**	**57,372,656**

31.12.2019 Bank

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

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

31.12.2020 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)**	**(8,357)**	**9,652**	**(9,570)**	**617**	**-**	**-**	**270**	**(19,086)**
Central banks	(2,767)	-	2,767	-	-	-	-	-	-
General governments	(8,927)	(8,357)	6,885	(9,570)	617	-	-	270	(19,082)
Credit institutions	(4)	-	-	-	-	-	-	-	(4)
Stage 2	**(1,074)**	**-**	**-**	**522**	**(33)**	**-**	**-**	**-**	**(585)**
General governments	(1,074)	-	-	522	(33)	-	-	-	(585)
Stage 3	**(609)**	**-**	**125**	**78**	**-**	**-**	**-**	**-**	**(406)**
General governments	(609)	-	125	78	-	-	-	-	(406)
Total	**(13,381)**	**(8,357)**	**9,777**	**(8,970)**	**584**	**-**	**-**	**270**	**(20,077)**

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)
POCI	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total	**(12,214)**	**(8,629)**	**995**	**6,943**	**(282)**	**-**	**-**	**(194)**	**(13,381)**

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

								31.12.2020	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)**	**(3,586)**	**4,676**	**(9,091)**	**617**	**-**	**-**	**(30)**	**(13,624)**
General governments	(6,207)	(3,586)	4,677	(9,091)	617	-	-	(30)	(13,620)
Credit institutions	(3)	-	(1)	-	-	-	-	-	(4)
Stage 2	**(1,067)**	**-**	**-**	**515**	**(33)**	**-**	**-**	**-**	**(585)**
General governments	(1,067)	-	-	515	(33)	-	-	-	(585)
Stage 3	**(609)**	**-**	**125**	**78**	**-**	**-**	**-**	**-**	**(406)**
General governments	(609)	-	125	78	-	-	-	-	(406)
Total	**(7,886)**	**(3,586)**	**4,801**	**(8,498)**	**584**	**-**	**-**	**(30)**	**(14,615)**

								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	**(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:

								31.12.2020	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)**	**(8,984)**	**8,729**	**85**	**-**	**-**	**-**	**(26)**	**(906)**
Credit institutions	(710)	(8,984)	8,729	85	-	-	-	(26)	(906)
Stage 2	**(12)**	**-**	**62**	**(55)**	**(105)**	**-**	**-**	**-**	**(110)**
Credit institutions	(12)	-	62	(55)	(105)	-	-	-	(110)
Total	**(722)**	**(8,984)**	**8,791**	**30**	**(105)**	**-**	**-**	**(26)**	**(1,016)**

								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	**(283)**	**(3,288)**	**2,860**	**(274)**	**-**	**319**	**-**	**(56)**	**(722)**

								31.12.2020	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)**	**(8,984)**	**8,728**	**150**	**-**	**-**	**-**	**(26)**	**(906)**
Credit institutions	(774)	(8,984)	8,728	150	-	-	-	(26)	(906)
Stage 2	**(89)**	**-**	**62**	**(171)**	**(105)**	**-**	**-**	**17**	**(286)**
Credit institutions	(89)	-	62	(171)	(105)	-	-	17	(286)
Stage 3	**(66,647)**	**(12,590)**	**12,590**	**56**	**-**	**-**	**-**	**-**	**(66,591)**
Credit institutions	(66,647)	(12,590)	12,590	56	-	-	-	-	(66,591)
Total	**(67,510)**	**(21,574)**	**21,380**	**35**	**(105)**	**-**	**-**	**(9)**	**(67,783)**

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

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

Note: The transfer between Stage 1 and Stage 3 for credit institution is related to exposure towards BPL (please see Note 44 for more details).

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

								31.12.2020	Group
in RON thousands	Opening balance	Increases due to origination and acquisition (1)	Decreases due to derecognition (2)	Net changes due to change in credit risk	Transfers between Stage 1 and Stages 2/3 (3)	Net changes due to modifications without derecognition (4)	Decrease in allowance account due to write-offs (5)	Exchange-rate and other changes (+/-)	Closing balance
Loans and advances to customers									
Stage 1	**(159,624)**	**(80,867)**	**37,291**	**(124,300)**	**162,544**	**381**	**-**	**(2,003)**	**(166,578)**
General governments	(2,978)	(9,268)	8,943	(3,384)	3,141	-	-	(8)	(3,554)
Other financial corporations	(822)	(591)	-	152	35	-	-	(2)	(1,228)
Non-financial corporations	(105,635)	(45,911)	23,271	(11,364)	39,712	19	-	(974)	(100,882)
Households	(50,189)	(25,097)	5,077	(109,704)	119,656	362	-	(1,019)	(60,914)
Stage 2	**(573,869)**	**(15,549)**	**57,940**	**530,420**	**(797,156)**	**(4,599)**	**78**	**(5,081)**	**(807,816)**
General governments	(10,076)	-	384	3,038	(1,537)	1,009	-	(35)	(7,217)
Other financial corporations	(91)	-	42	53	(336)	-	-	-	(332)
Non-financial corporations	(286,301)	(13,866)	38,949	167,868	(229,205)	(715)	-	(3,372)	(326,642)
Households	(277,401)	(1,683)	18,565	359,461	(566,078)	(4,893)	78	(1,674)	(473,625)
Stage 3	**(998,286)**	**(9,129)**	**127,028**	**(394,597)**	**(190,141)**	**(810)**	**136,713**	**(8,160)**	**(1,337,382)**
General governments	(9,007)	-	7	327	-	(9)	-	-	(8,682)
Other financial corporations	(9,204)	-	-	133	-	(97)	-	(152)	(9,320)
Non-financial corporations	(337,126)	(6,863)	58,765	(319,939)	(40,938)	(278)	39,604	(1,566)	(608,341)
Households	(642,949)	(2,266)	68,256	(75,118)	(149,203)	(426)	97,109	(6,442)	(711,039)
POCI	**(134,102)**	**-**	**34,205**	**11,583**	**-**	**(538)**	**10,758**	**(1,612)**	**(79,706)**
General governments	(5,389)	-	-	1,438	-	-	-	183	(3,768)
Non-financial corporations	(32,583)	-	21,530	1,175	-	(312)	392	(620)	(10,418)
Households	(96,130)	-	12,675	8,970	-	(226)	10,366	(1,175)	(65,520)
Total	**(1,865,881)**	**(105,545)**	**256,464**	**23,106**	**(824,753)**	**(5,566)**	**147,549**	**(16,856)**	**(2,391,482)**

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

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

								31.12.2020	Bank
in RON thousands	Opening balance	Increases due to origination and acquisition (1)	Decreases due to derecognition (2)	Net changes due to change in credit risk	Transfers between Stage 1 and Stages 2/3 (3)	Net changes due to modifications without derecognition (4)	Decrease in allowance account due to write-offs (5)	Exchange-rate and other changes (+/-)	Closing balance
Loans and advances to customers									
Stage 1	**(146,822)**	**(78,082)**	**36,991**	**(124,827)**	**161,187**	**189**	**-**	**(1,981)**	**(153,345)**
General governments	(2,978)	(9,268)	8,943	(3,384)	3,141	-	-	(8)	(3,554)
Other financial corporations	(1,545)	(552)	-	(1,008)	35	-	-	(21)	(3,091)
Non-financial corporations	(92,947)	(43,268)	23,094	(11,116)	38,565	19	-	(916)	(86,569)
Households	(49,352)	(24,994)	4,954	(109,319)	119,446	170	-	(1,036)	(60,131)
Stage 2	**(571,654)**	**(15,549)**	**57,706**	**529,397**	**(798,594)**	**(4,604)**	**78**	**(4,737)**	**(807,957)**
General governments	(10,076)	-	384	3,038	(1,537)	1,009	-	(35)	(7,217)
Other financial corporations	(91)	-	42	53	(336)	-	-	-	(332)
Non-financial corporations	(284,446)	(13,866)	38,729	167,175	(231,432)	(715)	-	(3,141)	(327,696)
Households	(277,041)	(1,683)	18,551	359,131	(565,289)	(4,898)	78	(1,561)	(472,712)
Stage 3	**(937,262)**	**(9,129)**	**126,582**	**(385,386)**	**(182,164)**	**(820)**	**113,144**	**(7,370)**	**(1,282,405)**
General governments	(9,007)	-	7	327	-	(9)	-	-	(8,682)
Other financial corporations	(9,203)	-	-	132	-	(97)	-	(152)	(9,320)
Non-financial corporations	(321,301)	(6,863)	58,759	(307,969)	(34,283)	(278)	25,058	(1,448)	(588,325)
Households	(597,751)	(2,266)	67,816	(77,876)	(147,881)	(436)	88,086	(5,770)	(676,078)
POCI	**(134,102)**	**-**	**34,205**	**11,583**	**-**	**(538)**	**10,758**	**(1,612)**	**(79,706)**
General governments	(5,389)	-	-	1,438	-	-	-	183	(3,768)
Non-financial corporations	(32,583)	-	21,530	1,175	-	(312)	392	(620)	(10,418)
Households	(96,130)	-	12,675	8,970	-	(226)	10,366	(1,175)	(65,520)
Total	**(1,789,840)**	**(102,760)**	**255,484**	**30,767**	**(819,571)**	**(5,773)**	**123,980**	**(15,700)**	**(2,323,413)**

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

(1) Increases of CLA due to the initial recognition of loans and advances to customers at AC during the current reporting period are disclosed.
(2) Releases of CLA following the derecognition of the related loans and advances to customers at AC are reported.
(3) Changes in credit risk that triggered re-assignments of the related AC loans and advances to customers from Stage 1 at 1 January 2020 (or initial recognition date, if later) to Stages 2 or 3 at 31 December 2020 or vice-versa are reported. The effects of transfers from Stage 1 to Stages 2 or 3 on the related CLAs are adverse (incremental year-on-year allocations) and presented in lines attributable to Stages 2 or 3. The effects of transfers from Stages 2 or 3 to Stage 1 on the related CLAs are favourable (incremental year-on-year releases) and presented in the line 'Stage 1'.
(4) Reflects the effect on CLA arising from contractual modifications of loans and advances to customers at AC which do not trigger their full derecognition.
(5) The use of CLA triggered by full or partial write-offs of AC loans and advances to customers is reported in columns 'Write-offs'.

At Bank level the movement in allowances presented above includes net allocations of risk provisions presented in table 10 (Ron 624,635 thousands) net of expected credit loss cumulative changes (RON 37,343 thousands), and other items which do not impact the net impairment loss line, such as usages of allowances due to write/offs (RON 123,980 thousand), sales (Ron 67,588 thousand), the unwinding correction effect (RON 50,192 thousand) and the foreign exchange revaluation (RON 15,750 thousand).

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

							31.12.2020	Group
	Transfers between Stage 1 and Stage 2		Transfers between Stage 2 and Stage 3		Transfers between Stage 1 and Stage 3		POCI	
in RON thousands	To Stage 2 from Stage 1	To Stage 1 from Stage 2	To Stage 3 from Stage 2	To Stage 2 from Stage 3	To Stage 3 from Stage 1	To Stage 1 from Stage 3	To Defaulted from Non-Defaulted	To Non-Defaulted from Defaulted
General governments	140,474	275,539	-	-	-	-	-	-
Other financial corporations	24,390	124	121	-	-	-	-	-
Non-financial corporations	2,849,885	363,016	460,584	7,518	60,023	174	-	-
Households	3,372,627	437,187	154,960	32,481	219,787	18,201	-	-
Total	**6,387,376**	**1,075,866**	**615,665**	**39,999**	**279,810**	**18,375**	**-**	**-**

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

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

							31.12.2020	Bank
	Transfers between Stage 1 and Stage 2		Transfers between Stage 2 and Stage 3		Transfers between Stage 1 and Stage 3		POCI	
in RON thousands	To Stage 2 from Stage 1	To Stage 1 from Stage 2	To Stage 3 from Stage 2	To Stage 2 from Stage 3	To Stage 3 from Stage 1	To Stage 1 from Stage 3	To Defaulted from Non-Defaulted	To Non-Defaulted from Defaulted
General governments	140,474	275,539	-	-	-	-	-	-
Other financial corporations	24,390	124	121	-	-	-	-	-
Non-financial corporations	2,776,286	352,404	455,232	7,187	43,773	-	-	-
Households	3,361,761	435,774	154,648	32,274	217,925	18,188	-	-
Total	**6,302,911**	**1,063,841**	**610,001**	**39,461**	**261,698**	**18,188**	**-**	**-**

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

The above transfers include stage changes against the opening of the financial year or initial recognition of the impairment stage.
The year-end total gross carrying amount of the AC loans and advances to customers that were initially recognized during the reporting period and not fully de-recognized by 31 December 2020 amounts to RON 10,817,879 thousands at Group level, RON 10,378,930 thousands for the Bank (2019:RON 8,955,632 thousands for the Group, for the Bank RON 8,395,070 thousands). The GCA of the AC loans and advances to customers that were held at 1 January 2020 and fully de-recognized (repayments, refinancing, restructuring, write-offs, sales) during the reporting period amounts to RON 6,413,667 thousand at Group level, RON 6,271,028 thousands for the Bank (2019: RON 2,336,888 thousand for the Group, RON 2,289,072 thousands for the Bank).

In 2020 and 2019, the Group and the Bank derecognized a part of non-performing loan portfolio, as follows:

				Group
in RON thousands	**31.12.2020**		**31.12.2019**	
Transfer of loans	**Gross carrying amount**	**Related allowance**	**Gross carrying amount**	**Related allowance**
Sale on balance loans	70,318	70,318	214,797	214,797
Write off on balance loans	189,745	179,448	314,165	286,893
Sales from previously writen off loans	899,535	899,535	249,253	249,253
Total exposure reduction from sale and write offs	**1,159,598**	**1,149,301**	**778,215**	**750,943**

				Bank
in RON thousands	**31.12.2020**		**31.12.2019**	
Transfer of loans	**Gross carrying amount**	**Related allowance**	**Gross carrying amount**	**Related allowance**
Sale on balance loans	70,318	70,318	214,797	214,797
Write off on balance loans	138,413	134,013	293,850	274,082
Sales from previously writen off loans	899,535	899,535	249,253	249,253
Total exposure reduction from sale and write offs	**1,108,266**	**1,103,866**	**757,900**	**738,132**

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

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

Total reduction in net on-balance exposure due to sales and write offs was in amount of RON 10,297 thousands for the Group (2019: RON 27,271 thousands) and RON 4,400 thousands for the Bank (2019: RON 19,768 thousands). The net proceeds from on balance sheet disposal were of RON 17,752 thousands for the Group and also Bank (2019: 41,228 RON thousands). During 2020, the net profit from disposal of previously written off loans were RON 187,366 thousands.

21. Finance lease receivables

31.12.2020 Group

in RON thousands	Gross carrying amount					Credit loss allowances					Carrying
	Stage 1	Stage 2	Stage 3	POCI	Total	Stage 1	Stage 2	Stage 3	POCI	Total	amount
General governments	550	-	-	-	550	(5)	-	-	-	(5)	545
Other financial corporations	17,553	581	15	-	18,149	(167)	(45)	(6)	-	(218)	17,931
Non-financial corporations	1,201,765	60,109	53,884	-	1,315,758	(17,500)	(3,481)	(22,890)	-	(43,871)	1,271,887
Households	9,529	1,719	86	-	11,334	(25)	(259)	(33)	-	(317)	11,017
Total	**1,229,397**	**62,409**	**53,985**	**-**	**1,345,791**	**(17,697)**	**(3,785)**	**(22,929)**	**-**	**(44,411)**	**1,301,380**

31.12.2019 Group

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

31.12.2020 Bank

in RON thousands	Gross carrying amount					Credit loss allowances					Carrying
	Stage 1	Stage 2	Stage 3	POCI	Total	Stage 1	Stage 2	Stage 3	POCI	Total	amount
Credit institutions	-	-	4,654	-	4,654	-	-	(4,654)	-	(4,654)	-
Other financial corporations	14,549	-	-	-	14,549	(23)	-	-	-	(23)	14,526
Non-financial corporations	580	-	-	-	580	-	-	-	-	-	580
Total	**15,129**	**-**	**4,654**	**-**	**19,783**	**(23)**	**-**	**(4,654)**	**-**	**(4,677)**	**15,106**

31.12.2019 Bank

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

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

31.12.2020 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
Stage 1	**(16,328)**	**(8,255)**	**139**	**5,521**	**1,226**	**-**	**-**	**-**	**(17,697)**
General governments	-	(5)	-	-	-	-	-	-	(5)
Other financial corporations	(209)	(90)	2	122	8	-	-	-	(167)
Non-financial corporations	(16,037)	(8,154)	135	5,339	1,217	-	-	-	(17,500)
Households	(82)	(6)	2	60	1	-	-	-	(25)
Stage 2	**(2,171)**	**-**	**17**	**1,018**	**(2,649)**	**-**	**-**	**-**	**(3,785)**
Other financial corporations	(18)	-	-	10	(37)	-	-	-	(45)
Non-financial corporations	(1,421)	-	15	418	(2,493)	-	-	-	(3,481)
Households	(732)	-	2	590	(119)	-	-	-	(259)
Stage 3	**(20,375)**	**-**	**140**	**(12,818)**	**(11,063)**	**-**	**21,187**	**-**	**(22,929)**
Other financial corporations	-	-	-	(69)	(6)	-	69	-	(6)
Non-financial corporations	(20,205)	-	140	(12,664)	(11,014)	-	20,853	-	(22,890)
Households	(170)	-	-	(85)	(43)	-	265	-	(33)
Total	**(38,874)**	**(8,255)**	**296**	**(6,279)**	**(12,486)**	**-**	**21,187**	**-**	**(44,411)**

21. Finance lease receivables *(continued)*

31.12.2019 Group

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

31.12.2020 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
Stage 1	**(1)**	**(23)**	**-**	**1**	**-**	**-**	**-**	**-**	**(23)**
Other financial corporations	(1)	(23)	-	1	-	-	-	-	(23)
Stage 3	**(292)**	**(4,654)**	**-**	**292**	**-**	**-**	**-**	**-**	**(4,654)**
Credit institutions	(292)	(4,654)	-	292	-	-	-	-	(4,654)
Total	**(293)**	**(4,677)**	**-**	**293**	**-**	**-**	**-**	**-**	**(4,677)**

31.12.2019 Bank

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

22. Trade and other receivables

31.12.2020 Group

in RON thousands	Gross carrying amount					Credit loss allowances					Carrying amount
	Stage 1	Stage 2	Stage 3	POCI	Total	Stage 1	Stage 2	Stage 3	POCI	Total	
General governments	13,195	11,291	88	106	**24,680**	(40)	(4)	(88)	(106)	**(238)**	**24,442**
Credit institutions	61,329	33,478	-	-	**94,807**	(78)	(2,001)	-	-	**(2,079)**	**92,728**
Other financial corporations	9,018	4,849	107	-	**13,974**	(69)	(198)	(102)	-	**(369)**	**13,605**
Non-financial corporations	202,608	155,532	37,898	598	**396,636**	(2,329)	(15,625)	(36,236)	(588)	**(54,778)**	**341,858**
Households	76,605	15,886	2,470	151	**95,112**	(28)	(1,227)	(2,468)	(137)	**(3,860)**	**91,252**
Total	**362,755**	**221,036**	**40,563**	**855**	**625,209**	**(2,544)**	**(19,055)**	**(38,894)**	**(831)**	**(61,324)**	**563,885**

31.12.2019 Group

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

31.12.2020 Bank

in RON thousands	Gross carrying amount					Credit loss allowances					Carrying amount
	Stage 1	Stage 2	Stage 3	POCI	Total	Stage 1	Stage 2	Stage 3	POCI	Total	
General governments	13,194	11,291	88	106	**24,679**	(40)	(4)	(88)	(106)	**(238)**	**24,441**
Credit institutions	60,684	33,488	-	-	**94,172**	(78)	(2,002)	-	-	**(2,080)**	**92,092**
Other financial corporations	8,187	4,991	106	-	**13,284**	(5)	(198)	(102)	-	**(305)**	**12,979**
Non-financial corporations	195,519	149,809	27,220	598	**373,146**	(2,204)	(15,244)	(27,220)	(588)	**(45,256)**	**327,890**
Households	76,050	15,885	2,394	151	**94,480**	(28)	(1,226)	(2,394)	(137)	**(3,785)**	**90,695**
Total	**353,634**	**215,464**	**29,808**	**855**	**599,761**	**(2,355)**	**(18,674)**	**(29,804)**	**(831)**	**(51,664)**	**548,097**

22. Trade and other receivables (*continued*)

31.12.2019 Bank

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

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

31.12.2020 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
Stage 1	**(3,251)**	**(3,080)**	**1,103**	**2,616**	**46**	**-**	**24**	**(2)**	**(2,544)**
General governments	(30)	(202)	209	(17)	-	-	-	-	(40)
Credit institutions	(35)	(108)	71	(6)	-	-	-	-	(78)
Other financial corporations	(18)	(70)	3	16	-	-	-	-	(69)
Non-financial corporations	(3,149)	(2,618)	787	2,602	46	-	5	(2)	(2,329)
Households	(19)	(82)	33	21	-	-	19	-	(28)
Stage 2	**(8,121)**	**-**	**2,754**	**(8,719)**	**(5,133)**	**-**	**175**	**(11)**	**(19,055)**
General governments	(4)	-	4	(1)	(4)	-	1	-	(4)
Credit institutions	(1,287)	-	-	(714)	-	-	-	-	(2,001)
Other financial corporations	(1)	-	1	(197)	(1)	-	-	-	(198)
Non-financial corporations	(6,115)	-	2,644	(7,061)	(5,128)	-	45	(10)	(15,625)
Households	(714)	-	105	(746)	-	-	129	(1)	(1,227)
Stage 3	**(74,910)**	**-**	**88**	**26,518**	**(1,101)**	**-**	**10,445**	**66**	**(38,894)**
General governments	(84)	-	2	(6)	-	-	-	-	(88)
Other financial corporations	(454)	-	-	357	(3)	-	2	(4)	(102)
Non-financial corporations	(72,394)	-	-	27,169	(1,098)	-	10,005	82	(36,236)
Households	(1,978)	-	86	(1,002)	-	-	438	(12)	(2,468)
POCI	**(3,980)**	**-**	**2,580**	**562**	**-**	**-**	**68**	**(61)**	**(831)**
General governments	(106)	-	-	-	-	-	-	-	(106)
Non-financial corporations	(3,718)	-	2,580	585	-	-	25	(60)	(588)
Households	(156)	-	-	(23)	-	-	43	(1)	(137)
Total	**(90,262)**	**(3,080)**	**6,525**	**20,977**	**(6,188)**	**-**	**10,712**	**(8)**	**(61,324)**

31.12.2019 Group

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

22. Trade and other receivables *(continued)*

								31.12.2020	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
Stage 1	**(3,142)**	**(2,925)**	**1,102**	**2,564**	**24**	**-**	**24**	**(2)**	**(2,355)**
General governments	(30)	(202)	209	(17)	-	-	-	-	(40)
Credit institutions	(35)	(108)	70	(5)	-	-	-	-	(78)
Other financial corporations	(17)	(6)	3	15	-	-	-	-	(5)
Non-financial corporations	(3,043)	(2,527)	787	2,552	24	-	5	(2)	(2,204)
Households	(17)	(82)	33	19	-	-	19	-	(28)
Stage 2	**(7,934)**	**-**	**2,754**	**(8,610)**	**(5,061)**	**-**	**175**	**2**	**(18,674)**
General governments	(4)	-	4	(1)	(4)	-	1	-	(4)
Credit institutions	(1,287)	-	-	(715)	-	-	-	-	(2,002)
Other financial corporations	-	-	1	(199)	-	-	-	-	(198)
Non-financial corporations	(5,930)	-	2,644	(6,949)	(5,057)	-	45	3	(15,244)
Households	(713)	-	105	(746)	-	-	129	(1)	(1,226)
Stage 3	**(64,263)**	**-**	**88**	**24,539**	**-**	**-**	**9,766**	**66**	**(29,804)**
General governments	(84)	-	2	(6)	-	-	-	-	(88)
Other financial corporations	(244)	-	-	144	-	-	2	(4)	(102)
Non-financial corporations	(62,313)	-	-	25,685	-	-	9,326	82	(27,220)
Households	(1,622)	-	86	(1,284)	-	-	438	(12)	(2,394)
POCI	**(3,980)**	**-**	**2,580**	**562**	**-**	**-**	**68**	**(61)**	**(831)**
General governments	(106)	-	-	-	-	-	-	-	(106)
Non-financial corporations	(3,718)	-	2,580	585	-	-	25	(60)	(588)
Households	(156)	-	-	(23)	-	-	43	(1)	(137)
Total	**(79,319)**	**(2,925)**	**6,524**	**19,055**	**(5,037)**	**-**	**10,033**	**5**	**(51,664)**

								31.12.2019	Bank
in RON thousands	Opening balance	Increases due to origination and acquisition	Decreases due to derecognition	Net changes due to change in credit risk	Transfers between Stage 1 and Stages 2/3	Net changes due to modifications without derecognition	Decrease in allowance account due to write-offs	Exchange-rate and other changes (+/-)	Closing balance
Stage 1	**(3,380)**	**(6,034)**	**3,603**	**600**	**1,942**	**-**	**128**	**(1)**	**(3,142)**
General governments	(28)	(59)	46	11	-	-	-	-	(30)
Credit institutions	(51)	(73)	96	(7)	-	-	-	-	(35)
Other financial corporations	(25)	(5)	-	13	-	-	-	-	(17)
Non-financial corporations	(3,176)	(5,829)	3,455	524	1,942	-	41	-	(3,043)
Households	(100)	(68)	6	59	-	-	87	(1)	(17)
Stage 2	**(14,237)**	**-**	**3,193**	**6,432**	**(4,026)**	**-**	**709**	**(5)**	**(7,934)**
General governments	(11)	-	99	-	(92)	-	-	-	(4)
Credit institutions	(1)	-	-	(1,286)	-	-	-	-	(1,287)
Other financial corporations	(4)	-	2	2	(3)	-	3	-	-
Non-financial corporations	(13,934)	-	3,015	8,460	(3,931)	-	463	(3)	(5,930)
Households	(287)	-	77	(744)	-	-	243	(2)	(713)
Stage 3	**(98,800)**	**-**	**11,845**	**14,401**	**(881)**	**-**	**9,454**	**(282)**	**(64,263)**
General governments	(30)	-	9	(63)	-	-	-	-	(84)
Credit institutions	(5)	-	-	5	-	-	-	-	-
Other financial corporations	(2,620)	-	1,962	829	(376)	-	14	(53)	(244)
Non-financial corporations	(91,705)	-	9,874	13,787	(505)	-	6,423	(187)	(62,313)
Households	(4,440)	-	-	(157)	-	-	3,017	(42)	(1,622)
POCI	**(3,552)**	**-**	**-**	**(1,377)**	**-**	**-**	**989**	**(40)**	**(3,980)**
General governments	(20)	-	-	(86)	-	-	-	-	(106)
Non-financial corporations	(3,118)	-	-	(1,366)	-	-	799	(33)	(3,718)
Households	(414)	-	-	75	-	-	190	(7)	(156)
Total	**(119,969)**	**(6,034)**	**18,641**	**20,056**	**(2,965)**	**-**	**11,280**	**(328)**	**(79,319)**

23. Investments in joint ventures and associates

The Bank has a 33.33% interest in Fondul de Garantare a Creditului Rural, an unlisted financial institution whose main role is to facilitate the companies from the agriculture industry to obtain loans from the banks, 49% of BCR Social Finance IFN SA whose main role is to provide loans to customers, aquired in 2019.

On 30 September 2020, the Bank entered with other investors into a transaction involving the share capital increase of CIT One S.R.L. ("CIT One"), pursuant to which the other investors become shareholders in CIT One, with equal shareholding of 33.33%.

The Bank's interest in these three companies is accounted for using the equity method in the consolidated financial statements.

in RON thousands	2020	2019
Financial institutions	27,855	24,553
Non-financial	11,176	-
Total	**39,031**	**24,553**

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

	Fondul de Garantare a Creditului Rural		BCR Social Finance IFN		CIT One	
in RON thousands	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**
Total assets	784,929	785,018	126,910	110,034	91,465	n/a
Total liabilities	728,615	728,814	108,368	98,159	57,935	n/a
Total equity	**56,314**	**56,204**	**18,542**	**11,875**	**33,530**	**n/a**
Proportional of the Group's ownership	33.33%	33.33%	49.00%	49.00%	33.33%	n/a
Carying amount of the investment	**18,769**	**18,733**	**9,086**	**5,819**	**11,176**	**n/a**
in RON thousands						
Income	12,546	11,680	20,686	17,635	28,287	n/a
Expenses	(12,030)	(12,343)	(23,494)	(17,683)	(30,766)	n/a
Income tax expenses	(408)	(436)	217	-	-	n/a
Profit/loss	**108**	**(1,099)**	**(2,591)**	**(48)**	**(2,479)**	**n/a**
Proportional of the Group's ownership	33.33%	33.33%	49.00%	49.00%	33.33%	n/a
Group's share of profit for the year	**36**	**(366)**	**(1,270)**	**(24)**	**(826)**	**n/a**

The contribution of the Fondul de Garantare a Creditului Rural to Group's total assets is 0.97%, the BCR Social Finance is 0.15% and of CIT One is 0.11%.

24. Property, equipment and investment properties

						Group
	Property and equipment - Acquisition and production costs					
in RON thousands	**Land and buildings**	**Office and equipment / other fixed assets**	**IT assets (hardware)**	**Movable other property**	**Total property and equipment**	**Investment properties**
Balance as of 01.01.2019	**832,029**	**497,000**	**257,326**	**540,291**	**2,126,646**	**267,237**
Additions in current year (+)	18,812	41,376	18,359	-	78,547	1,511
Disposals and write off (-)	(45,939)	(68,002)	(5,572)	-	(119,513)	(30,697)
Reclassification (+/-)	(64,562)	1,750	4,860	(3,059)	(61,011)	64,809
Assets held for sale (-)	(164,601)	-	-	(392,012)	(556,613)	-
Currency translation (+/-)	22	332	217	-	571	-
Balance as of 31.12.2019	**575,761**	**472,456**	**275,190**	**145,220**	**1,468,627**	**302,860**
Balance as of 01.01.2020	**575,761**	**472,456**	**275,190**	**145,220**	**1,468,627**	**302,860**
Additions in current year (+)	30,469	42,155	15,295	34,989	122,908	5,740
Disposals and write off (-)	(71,691)	(48,417)	(30,673)	-	(150,781)	(65,755)
Reclassification (+/-)	(116,163)	3,319	(1,299)	-	(114,143)	115,171
Assets held for sale (-)	(38,873)	-	-	-	(38,873)	-
Currency translation (+/-)	(42)	(473)	(396)	-	(911)	-
Balance as of 31.12.2020	**379,461**	**469,040**	**258,117**	**180,209**	**1,286,827**	**358,016**

						Group
	Property and equipment - Accumulated depreciation					
in RON thousands	**Land and buildings**	**Office and equipment / other fixed assets**	**IT assets (hardware)**	**Movable other property**	**Total property and equipment**	**Investment properties**
Balance as of 01.01.2019	**(262,961)**	**(341,884)**	**(206,546)**	**(145,995)**	**(957,386)**	**(104,431)**
Amortisation and depreciation (-)	(20,754)	(30,333)	(16,618)	(23,264)	(90,969)	(5,233)
Disposals (+)	30,082	54,796	5,399	114,320	204,597	12,704
Impairment (-)	(34,130)	(14,555)	(174)	(30,992)	(79,851)	(11,045)
Reversal of impairment (+)	-	-	233	-	233	-
Reclassification (+/-)	33,674	(3,028)	(2)	3,028	33,672	(33,674)
Assets held for sale (+)	18,149	-	-	29,422	47,571	-
Currency translation (+/-)	(5)	(259)	(204)	-	(468)	-
Balance as of 31.12.2019	**(235,945)**	**(335,263)**	**(217,912)**	**(53,481)**	**(842,601)**	**(141,679)**
Balance as of 01.01.2020	**(235,945)**	**(335,263)**	**(217,912)**	**(53,481)**	**(842,601)**	**(141,679)**
Amortisation and depreciation (-)	(14,773)	(25,876)	(19,206)	(5,523)	(65,378)	(4,966)
Disposals (+)	44,117	46,666	30,905	112	121,800	32,171
Impairment (-)	(47,628)	(8,897)	(288)	(76,738)	(133,551)	(326)
Reversal of impairment (+)	-	-	-	292	292	-
Reclassification (+/-)	71,356	195	(382)	-	71,169	(71,356)
Assets held for sale (+)	25,498	-	-	-	25,498	-
Currency translation (+/-)	11	499	409	-	919	-
Balance as of 31.12.2020	**(157,364)**	**(322,676)**	**(206,474)**	**(135,338)**	**(821,852)**	**(186,156)**

						Group
	Property and equipment net					
in RON thousands	**Land and buildings**	**Office and equipment / other fixed assets**	**IT assets (hardware)**	**Movable other property**	**Total property and equipment**	**Investment properties**
Balance as of 31.12.2019	**339,816**	**137,193**	**57,278**	**91,739**	**626,026**	**161,181**
Balance as of 31.12.2020	**222,097**	**146,364**	**51,643**	**44,871**	**464,975**	**171,860**

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

Rights of use property, equipment and investment properties

Group

Right of use property and equipment - Acquisition costs						
in RON thousands	Land and buildings	Office and equipment / other fixed assets	IT assets (hardware)	Movable other property	Total property and equipment	Investment properties
Balance as of 01.01.2019	**294,649**	**-**	**-**	**5,832**	**300,481**	**-**
Additions in current year (+)	104,713	-	-	4,862	**109,575**	-
Disposals and write off (-)	(31,116)	-	-	(9,089)	**(40,205)**	-
Assets held for sale (+)	(10,450)	-	-	-	**(10,450)**	-
Balance as of 31.12.2019	**357,796**	**-**	**-**	**1,605**	**359,401**	**-**
Balance as of 01.01.2020	**357,796**	**-**	**-**	**1,605**	**359,401**	**-**
Additions in current year (+)	209,916	-	-	1,144	**211,060**	-
Disposals and write off (-)	(64,216)	-	-	(1,257)	**(65,473)**	-
Currency translation (+/-)	(464)	-	-	-	(464)	-
Balance as of 31.12.2020	**503,032**	**-**	**-**	**1,492**	**504,524**	**-**

Group

Right of use Property and equipment - Accumulated depreciation						
in RON thousands	Land and buildings	Office and equipment / other fixed assets	IT assets (hardware)	Movable other property	Total property and equipment	Investment properties
Balance as of 01.01.2019	**-**	**-**	**-**	**-**	**-**	**-**
Amortisation and depreciation (-)	(49,768)	-	-	(1,207)	(50,975)	-
Disposals (+)	2,841	-	-	15	2,856	-
Currency translation (+/-)	(41)	-	-	-	(41)	-
Balance as of 31.12.2019	**(46,968)**	**-**	**-**	**(1,192)**	**(48,160)**	**-**
Balance as of 01.01.2020	**(46,968)**	**-**	**-**	**(1,192)**	**(48,160)**	**-**
Amortisation and depreciation (-)	(70,011)	-	-	(217)	(70,228)	-
Disposals (+)	12,355	-	-	100	12,455	-
Currency translation (+/-)	177	-	-	-	177	-
Balance as of 31.12.2020	**(104,447)**	**-**	**-**	**(1,309)**	**(105,756)**	**-**

Group

Right of use Property and equipment net						
in RON thousands	Land and buildings	Office and equipment / other fixed assets	IT assets (hardware)	Movable other property	Total property and equipment	Investment properties
Balance as of 01.01.2020	**310,828**	**-**	**-**	**413**	**311,241**	**-**
Balance as of 31.12.2020	**398,585**	**-**	**-**	**183**	**398,768**	**-**

Group

Total Property and equipment net						
in RON thousands	Land and buildings	Office and equipment / other fixed assets	IT assets (hardware)	Movable other property	Total property and equipment	Investment properties
Balance as of 01.01.2020	**650,644**	**137,193**	**57,278**	**92,152**	**937,267**	**161,181**
Balance as of 31.12.2020	**620,682**	**146,364**	**51,643**	**45,054**	**863,743**	**171,860**

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

	Property and equipment - Acquisition and production costs					
in RON thousands	**Land and buildings**	**Office and equipment / other fixed assets**	**IT assets (hardware)**	**Movable other property**	**Total property and equipment**	**Investment properties**
Balance as of 01.01.2019	**830,634**	**469,244**	**247,012**	**3,425**	**1,550,315**	**267,237**
Additions in current year (+)	16,871	25,020	18,134	-	**60,025**	1,511
Disposals and write off (-)	(45,889)	(55,592)	(5,678)	-	**(107,159)**	(30,697)
Reclassification (+/-)	(64,562)	2,117	4,860	(3,425)	**(61,010)**	64,809
Assets held for sale (+)	(164,601)	-	-	-	**(164,601)**	-
Balance as of 31.12.2019	**572,453**	**440,789**	**264,328**	**-**	**1,277,570**	**302,860**
Balance as of 01.01.2020	**572,453**	**440,789**	**264,328**	**-**	**1,277,570**	**302,860**
Additions in current year (+)	30,469	36,518	14,584	-	**81,571**	5,740
Disposals and write off (-)	(72,088)	(44,027)	(29,490)	-	**(145,605)**	(65,755)
Reclassification (+/-)	(116,163)	3,319	(1,299)	-	**(114,143)**	115,171
Assets held for sale (-)	(38,873)	-	-	-	**(38,873)**	-
Balance as of 31.12.2020	**375,798**	**436,599**	**248,123**	**-**	**1,060,520**	**358,016**

Bank

	Property and equipment - Accumulated depreciation					
in RON thousands	**Land and buildings**	**Office and equipment / other fixed assets**	**IT assets (hardware)**	**Movable other property**	**Total property and equipment**	**Investment properties**
Balance as of 01.01.2019	**(262,052)**	**(326,874)**	**(197,549)**	**(3,194)**	**(789,669)**	**(104,431)**
Amortisation and depreciation (-)	(20,726)	(28,725)	(16,000)	-	(65,451)	(5,233)
Disposals (+)	30,083	54,136	5,677	-	89,896	12,704
Impairment (-)	(32,589)	(1,818)	(174)	-	(34,581)	(11,045)
Reclassification (+/-)	33,674	(3,195)	(2)	3,194	33,671	(33,674)
Assets held for sale (+)	18,149	-	-	-	18,149	-
Balance as of 31.12.2019	**(233,461)**	**(306,476)**	**(208,048)**	**-**	**(747,985)**	**(141,679)**
Balance as of 01.01.2020	**(233,461)**	**(306,476)**	**(208,048)**	**-**	**(747,985)**	**(141,679)**
Amortisation and depreciation (-)	(14,753)	(24,557)	(18,775)	-	(58,085)	(4,966)
Disposals (+)	44,067	43,518	29,483	-	117,068	32,171
Impairment (-)	(47,159)	(4,626)	(4)	-	(51,789)	(326)
Reclassification (+/-)	71,356	(187)	-	-	71,169	(71,356)
Assets held for sale (+)	25,498	-	-	-	25,498	-
Balance as of 31.12.2020	**(154,452)**	**(292,328)**	**(197,344)**	**-**	**(644,124)**	**(186,156)**

Bank

	Property and equipment net					
in RON thousands	**Land and buildings**	**Office and equipment / other fixed assets**	**IT assets (hardware)**	**Movable other property**	**Total property and equipment**	**Investment properties**
Balance as of 31.12.2019	**338,992**	**134,313**	**56,280**	**-**	**529,585**	**161,181**
Balance as of 31.12.2020	**221,346**	**144,271**	**50,779**	**-**	**416,396**	**171,860**

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

Rights of use property, equipment and investment properties

Bank

Right of use property and equipment - Acquisition costs						
in RON thousands	Land and buildings	Office and equipment / other fixed assets	IT assets (hardware)	Movable other property	Total property and equipment	Investment properties
Balance as of 01.01.2019	**272,766**	**-**	**-**	**2,724**	**275,490**	**-**
Additions in current year (+)	108,855	-	-	589	**109,444**	-
Disposals and write off (-)	(30,754)	-	-	-	**(30,754)**	-
Balance as of 31.12.2019	**350,867**	**-**	**-**	**3,313**	**354,180**	**-**
Balance as of 01.01.2020	**350,867**	**-**	**-**	**3,313**	**354,180**	**-**
Additions in current year (+)	201,823	-	-	893	**202,716**	-
Disposals and write off (-)	(67,580)	-	-	(357)	**(67,937)**	-
Balance as of 31.12.2020	**485,110**	**-**	**-**	**3,849**	**488,959**	**-**

Bank

Right of use Property and equipment - Accumulated depreciation						
in RON thousands	Land and buildings	Office and equipment / other fixed assets	IT assets (hardware)	Movable other property	Total property and equipment	Investment properties
Balance as of 01.01.2019	**-**	**-**	**-**	**-**	**-**	**-**
Amortisation and depreciation (-)	(48,096)	-	-	(975)	(49,071)	-
Disposals (+)	2,811	-	-	-	2,811	-
Balance as of 31.12.2019	**(45,285)**	**-**	**-**	**(975)**	**(46,260)**	**-**
Balance as of 01.01.2020	**(45,285)**	**-**	**-**	**(975)**	**(46,260)**	**-**
Amortisation and depreciation (-)	(67,040)	-	-	(1,066)	(68,106)	-
Disposals (+)	11,855	-	-	161	12,016	-
Balance as of 31.12.2020	**(100,470)**	**-**	**-**	**(1,880)**	**(102,350)**	**-**

Bank

Right of use Property and equipment net						
in RON thousands	Land and buildings	Office and equipment / other fixed assets	IT assets (hardware)	Movable other property	Total property and equipment	Investment properties
Balance as of 31.12.2019	**305,582**	**-**	**-**	**2,338**	**307,920**	**-**
Balance as of 31.12.2020	**384,640**	**-**	**-**	**1,969**	**386,609**	**-**

Bank

Total Property and equipment net						
in RON thousands	Land and buildings	Office and equipment / other fixed assets	IT assets (hardware)	Movable other property	Total property and equipment	Investment properties
Balance as of 31.12.2019	**644,574**	**134,313**	**56,280**	**2,338**	**837,505**	**161,181**
Balance as of 31.12.2020	**605,986**	**144,271**	**50,779**	**1,969**	**803,005**	**171,860**

There are no fixed assets pledged as collateral as at 31 December 2020 and 31 December 2019.

The total cost of the Group's tangible fixed assets in use and fully amortized at the end of 2020 was RON 410,125 thousands (2019: RON 480,413 thousands). The total cost of the Bank's tangible fixed assets in use and fully amortized at the end of 2020 was RON 398,924 thousands (2019: RON 458,126 thousands).

The investment properties are measured at cost. As at 31 December 2020 the fair value is RON 193,623 thousands (2019: RON 200,649 thousands). Fair values are determined based on an annual evaluation performed by an accredited external independent valuator. Please refer to note 41 for fair value disclosure.

Assets under construction are in amount of RON 84,563 thousands (2019: RON 67,732 thousands) for the Bank.

As at 31 December 2020, the total tangible assets subject to operating lease was RON 463,062 thousand for the Group (2019: RON 486,453 thousand) and RON 38,075 thousand (2019: RON 46,697 thousand) for the Bank.

25. Intangible assets

Group

in RON thousands	Intangible assets - Acquisition and production costs			
	Software acquired	Self-developed software within the Group	Others (licenses, patents, etc.)	Total
Balance as of 01.01.2019	**679,938**	**135,650**	**216,402**	**1,031,990**
Additions in current year (+)	74,846	20,950	3,339	99,135
Disposals and write off (-)	(2,572)	(73)	-	(2,645)
Reclassification (+/-) (i)	(7,243)	(8,515)	11,959	(3,799)
Currency translation (+/-)	238	-	-	238
Balance as of 31.12.2019	**745,207**	**148,012**	**231,700**	**1,124,919**
Balance as of 01.01.2020	**745,207**	**148,012**	**231,700**	**1,124,919**
Additions in current year (+)	44,818	25,732	4,711	75,261
Disposals and write off (-)	(26,484)	-	(347)	(26,831)
Reclassification (+/-)	8,474	(9,919)	417	(1,028)
Currency translation (+/-)	(466)	-	-	(466)
Balance as of 31.12.2020	**771,549**	**163,825**	**236,481**	**1,171,855**

Group

in RON thousands	Intangible assets - Accumulated amortisation			
	Software acquired	Self-developed software within the Group	Others (licenses, patents, etc.)	Total
Balance as of 01.01.2019	**(394,069)**	**(78,542)**	**(197,481)**	**(670,092)**
Amortisation and depreciation (-)	(74,967)	(10,539)	(9,575)	(95,081)
Disposals and write off (+)	2,305	73	-	2,378
Impairment (-)	(2,732)	(133)	-	(2,865)
Currency translation (+/-)	(174)	-	-	(174)
Balance as of 31.12.2019	**(469,637)**	**(89,141)**	**(207,056)**	**(765,834)**
Balance as of 01.01.2020	**(469,637)**	**(89,141)**	**(207,056)**	**(765,834)**
Amortisation and depreciation (-)	(56,989)	(8,557)	(13,577)	(79,123)
Disposals and write off (+)	22,951	-	347	23,298
Impairment (-)	(1,876)	-	-	(1,876)
Reclassification (+/-)	187	-	-	187
Currency translation (+/-)	393	-	-	393
Balance as of 31.12.2020	**(504,971)**	**(97,698)**	**(220,286)**	**(822,955)**

Group

in RON thousands	Net intangible assets			
	Software acquired	Self-developed software within the Group	Others (licenses, patents, etc.)	Total
Balance as of 31.12.2019	**275,570**	**58,871**	**24,644**	**359,085**
Balance as of 31.12.2020	**266,578**	**66,127**	**16,195**	**348,900**

25. Intangible assets *(continued)*

				Bank
	Intangible assets - Acquisition and production costs			
in RON thousands	Software acquired	Self-developed software within the Group	Others (licenses, patents, etc.)	Total
Balance as of 01.01.2019	**648,625**	**135,650**	**216,042**	**1,000,317**
Additions in current year (+)	68,896	20,950	3,339	**93,185**
Disposals and write off (-)	(2,501)	(73)	-	**(2,574)**
Reclassification (+/-) (i)	(7,243)	(8,515)	11,959	**(3,799)**
Balance as of 31.12.2019	**707,777**	**148,012**	**231,340**	**1,087,129**
Balance as of 01.01.2020	**707,777**	**148,012**	**231,340**	**1,087,129**
Additions in current year (+)	38,773	25,732	4,711	**69,216**
Disposals and write off (-)	(22,975)	-	(347)	**(23,322)**
Reclassification (+/-)	8,474	(9,919)	417	**(1,028)**
Balance as of 31.12.2020	**732,049**	**163,825**	**236,121**	**1,131,995**

				Bank
	Intangible assets - Accumulated amortisation			
in RON thousands	Software acquired	Self-developed software within the Group	Others (licenses, patents, etc.)	Total
Balance as of 01.01.2019	**(370,635)**	**(78,542)**	**(197,120)**	**(646,297)**
Amortisation and depreciation (-)	(71,950)	(10,539)	(9,576)	**(92,065)**
Disposals and write off (+)	2,181	73	-	**2,254**
Impairment (-)	(2,306)	(133)	-	**(2,439)**
Balance as of 31.12.2019	**(442,710)**	**(89,141)**	**(206,696)**	**(738,547)**
Balance as of 01.01.2020	**(442,710)**	**(89,141)**	**(206,696)**	**(738,547)**
Amortisation and depreciation (-)	(53,505)	(8,557)	(13,577)	**(75,639)**
Disposals and write off (+)	22,976	-	347	**23,323**
Impairment (-)	(1,657)	-	-	**(1,657)**
Reclassification (+/-)	187	-	-	**187**
Balance as of 31.12.2020	**(474,709)**	**(97,698)**	**(219,926)**	**(792,333)**

				Bank
	Net intangible assets			
in RON thousands	Software acquired	Self-developed software within the Group	Others (licenses, patents, etc.)	Total
Balance as of 31.12.2019	**265,067**	**58,871**	**24,644**	**348,582**
Balance as of 31.12.2020	**257,340**	**66,127**	**16,195**	**339,662**

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

The total cost of the Group's intangible fixed assets in use and fully amortized at the end of 2020 was RON 267,208 thousands (2019: RON 262,940 thousands). The total cost of the Bank's intangible fixed assets in use and fully amortized at the end of 2020 was RON 246,876 thousands (2019: RON 249,068 thousands).

Assets under construction are in amount of RON 30,805 thousands (2019: RON 44,999 thousands) for the Group and the Bank and represent various software developments.

26. Tax assets and liabilities

					31.12.2020		Group
					Net variance 2020		
in RON thousands	Tax assets 2020	Tax assets 2019	Tax liabilities 2020	Tax liabilities 2019	Total	Through profit or loss	Through other comprehensive income
Temporary differences relate to the following items:							
Financial assets at fair value through other comprehensive income	(24.865)	(9.913)	-	-	(14.952)	-	(14.952)
Property and equipment (useful life in tax law different)	40.069	36.906	-	-	3.163	3.163	-
Long-term employee provisions (tax valuation different)	(10.726)	(12.920)	-	-	2.194	8	2.186
Other provisions (tax valuation different)	188.113	179.457	(8.303)	(8.303)	16.959	16.959	-
Tax loss carry-forward	2.720	1.180	-	-	1.540	1.540	-
Intangible assets	(27.273)	(22.298)	-	-	(4.975)	(4.975)	-
Other	5.340	11.445	-	-	(17.970)	(17.970)	-
Total deferred taxes	**173.378**	**183.857**	**(8.303)**	**(8.303)**	**(14.041)**	**(1.275)**	**(12.766)**
Total current taxes	**230.979**	**238.752**	**(2.985)**	**(2.882)**	**(240.606)**	**(240.606)**	**-**
Total taxes	**404.357**	**422.609**	**(11.288)**	**(11.185)**	**(254.647)**	**(241.881)**	**(12.766)**

					31.12.2020		Bank
					Net variance 2020		
in RON thousands	Tax assets 2020	Tax assets 2019	Tax liabilities 2020	Tax liabilities 2019	Total	Through profit or loss	Through other comprehensive income
Temporary differences relate to the following items:							
Financial assets at fair value through other comprehensive income	(24.726)	(9.901)	-	-	(14.824)	-	(14.824)
Property and equipment (useful life in tax law different)	39.825	37.999	-	-	1.826	1.826	-
Long-term employee provisions (tax valuation different)	(10.734)	(12.920)	-	-	2.186	-	2.186
Other provisions (tax valuation different)	188.959	180.167	-	-	8.792	8.792	-
Intangible assets	(27.273)	(22.298)	-	-	(4.976)	(4.976)	-
Other	(267)	(267)	-	-	-	-	-
Total deferred taxes	**165.784**	**172.780**	**-**	**-**	**(6.996)**	**5.642**	**(12.638)**
Total current taxes	**227.831**	**235.928**		**-**	**(233.673)**	**(233.673)**	**-**
Total taxes	**393.615**	**408.708**	**-**	**-**	**(240.669)**	**(228.031)**	**(12.638)**

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

During 2019, the Management Board approved the sale process of investment in shares in BCR Fleet Manangement. The BCR's Management Board maintained the commitment to sell the investment. As at year end 2020 the procedure for obtaining offers for investor selection was in progress, negative impacted by pandemic context.

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

in RON thousands	2020	2019
Property and equipment	391,525	379,678
Other assets	41,481	22,563
Total assets	**433,006**	**402,241**
Major classes of liabilities directly associated with disposal group held for sale are as follows:		
Financial liabilities measured at amortised cost	(144,154)	(212,385)
Other financial liabilities	(2,418)	(2,891)
Provisions	(37)	(2,107)
Other Liabilities	(3,685)	(5,517)
Total liabilities	**(150,294)**	**(222,900)**
Net assets	**282,712**	**179,341**

The rest till the balance sheet amount of RON 625,253 thousands represents the property plant and equipment held for sale by the Bank.

28. Investments in subsidiaries and other assets

	Group		Bank	
in RON thousands	**31.12.2020**	**31.12.2019**	**31.12.2020**	**31.12.2019**
Accrued income	38,312	73,360	23,886	14,969
Inventories (i)	75,276	109,934	61,127	83,764
Sundry assets	135,842	114,310	76,394	75,088
Other assets	**249,430**	**297,604**	**161,407**	**173,821**
Subsidiaries (ii)	-	-	448,521	488,077
Total Investments in subsidiaries and other assets	**249,430**	**297,604**	**609,928**	**661,898**

(i) Under this position the major part is represented by 'Repossessed Assets', which amounts to net of RON 61,127 thousands (2019: RON 83,765 thousands), for the Bank and RON 14,149 thousands (2019: RON 26,170 thousands) for subsidiaries. During 2020, a part of the repossessed assets was sold. The selling price in amount of RON 35,989 thousands (2019: RON 33,198 thousands) was booked as other operating income and the NBV in amount of RON 23,130 thousands (2019: RON 18,375 thousands) was recorded as other operating expenses.
After termination of operating leases, the car fleets are included in this position in accordance with principal actitivity of Fleet Management.

(ii) The Bank's investments in subsidiaries and other companies are in amount of RON 448,521 thousands (2019: RON 488,077 thousands). There is no active market for these investments and the Bank intends to hold them for the long term.

The movement in Subsidiaries' balance is presented below:

in RON thousands	Bank
Balance as of 01.01.2019	**403,152**
Contribution to increase in share capital	673,000
Impairment of subsidiaries	(588,075)
Balance as of 31.12.2019	**488,077**
Balance as of 01.01.2020	**488,077**
Impairment of subsidiaries	(39,556)
Balance as of 31.12.2020	**448,521**

At 31 December 2020, the allocation of impairment for investments in subsidiaries was in amount of RON (448,521) thousand, consisting of RON (53,546) thousand impairment for BCR Leasing and RON (7,613) thousand impairment for BCR Chisinau and RON 21,603 thousand impairment release in BCR Pensii.

In the case of BPL, the High Court of Cassation and Justice has issued on 2019, June 21 a final decision in the litigation started in the period 2015-2016 following the control performed by the Romanian Court of Accounts (details regarding the status of litigation are presented in Note 44 Litigations and contingent liabilities).

This indicates that a material uncertainty exists that may cast significant doubt on the BpL's ability to continue as a going concern, therefore, that it may be unable to realize its assets and discharge its liabilities in the normal course of business.
It should be mentioned that, currently, the outcome of the current litigation is uncertain and cannot be predicted on a reliable basis.

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

However, considering the levels of the prudential indicators such as liquidity ratio and capital ratio as of the end of 2020 and BCR showed its commitment towards BpL, the company will be able to meet its obligations in the near future.

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

Consequently the going concern basis for preparing its financial statements as of 31.12.2020 was assessed as appropriate.

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

in RON thousands	2020	2019
Suport Colect SRL	(983,047)	(983,047)
BCR Banca pentru Locuinte SA	(781,078)	(781,078)
BCR Chisinau SA	(161,238)	(153,625)
BCR Fond de Pensii	(88,412)	(110,015)
BCR Leasing IFN SA	(163,105)	(109,558)
Total	**(2,176,880)**	**(2,137,323)**

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

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

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

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

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

Discount rates

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

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

Cost of equity (CoE) / Weighted average cost of capital (WACC)	Fair value	Value in use
Local subsidiaries	12%-13%	12%-14%
Foreign subsidiaries	19%	19%

Financial Projections

The financial projections are based on financial budgets, covering a five–year period.

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

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

in RON thousands	2020	2019
Impact in the Statement of Comprehensive Income: income/ (expense)		
Cost of equity/ Weighted average cost of capital increases by 10%	(31,565)	(38,409)
Cost of equity/ Weighted average cost of capital decreases by 10%	37,106	45,528
Net cash-flows increase by 10%	24,330	49,110
Net cash flows decrease by 10%	(22,119)	(44,646)

29. Financial liabilities measured at amortised cost

Deposits from banks

	Group		Bank	
in RON thousands	31.12.2020	31.12.2019	31.12.2020	31.12.2019
Current accounts / overnight deposits	917,110	408,477	947,984	352,711
Term deposits from other banks	113,251	661,900	103,676	722,825
Repurchase agreements	35,864	195,824	1,013,477	1,458,548
Deposits from banks	**1,066,225**	**1,266,201**	**2,065,137**	**2,534,084**
Borrowings and financing lines	1,453,289	2,105,646	426,827	572,786
Total Borrowings and financing lines	**1,453,289**	**2,105,646**	**426,827**	**572,786**
Subordinated loans	1,087,260	1,067,313	1,087,260	1,067,313
Total	**3,606,774**	**4,439,160**	**3,579,224**	**4,174,183**

Borrowings and financing lines

Maturity of other financing lines is between January 2021 and September 2030, the interest rates are fixed or variable in a range between 0.018%-5.359 %.

Liabilities from financing activities			Group
in RON thousands	Other borrowed funds	Subordinated debt	Total
Borrowings at 01.01.2019	**2,408,375**	**1,041,982**	**3,450,357**
Cash flow	(116,221)	(48,037)	(164,258)
Foreign exchange adjustments	47,224	25,618	72,842
Other non-cash movements	28,476	47,750	76,226
Deposits reclassified in liabilities associated with assets held for sale	(262,208)	-	(262,208)
Borrowings at 31.12.2019	**2,105,646**	**1,067,313**	**3,172,959**
Cash flow	(707,202)	(48,155)	(755,357)
Foreign exchange adjustments	32,686	20,394	53,080
Other non-cash movements	22,159	47,708	69,867
Borrowings at 31.12.2020	**1,453,289**	**1,087,260**	**2,540,549**

Liabilities from financing activities			Bank
in RON thousands	Other borrowed funds	Subordinated debt	Total
Borrowings at 01.01.2019	**672,249**	**1,041,982**	**1,714,231**
Cash flow	(124,390)	(48,037)	(172,427)
Foreign exchange adjustments	15,224	25,618	40,842
Other non-cash movements	9,703	47,750	57,453
Borrowings at 31.12.2019	**572,786**	**1,067,313**	**1,640,099**
Cash flow	(168,840)	(48,155)	(216,995)
Foreign exchange adjustments	14,340	20,394	34,734
Other non-cash movements	8,541	47,708	56,249
Borrowings at 31.12.2020	**426,827**	**1,087,260**	**1,514,087**

Subordinated loans

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

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

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

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

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

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

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

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

Debt securities issued

	Group		Bank	
in RON thousands	**31.12.2020**	**31.12.2019**	**31.12.2020**	**31.12.2019**
Senior non-preferred bonds	601,407	601,403	601,407	601,403
Other debt securities issued	13,394	182,999	13,394	182,999
Debt securities issued	**614,801**	**784,402**	**614,801**	**784,402**

Deposits from customers

Deposits from Customers have seen an upward development driven by both retail and corporate.

	Group		Bank	
in RON thousands	**31.12.2020**	**31.12.2019**	**31.12.2020**	**31.12.2019**
Overnight deposits	37,902,428	30,964,935	37,718,740	30,841,345
Savings deposits	1,819	1,876	-	-
Households	1,819	1,876	-	-
Non-savings deposits	37,900,609	30,963,059	37,718,740	30,841,345
General governments	2,886,018	2,118,258	2,886,018	2,118,258
Other financial corporations	889,028	814,285	1,044,544	882,258
Non-financial corporations	13,490,065	11,841,476	13,224,773	11,712,163
Households	20,635,498	16,189,040	20,563,405	16,128,666
Term deposits	26,974,346	26,826,845	25,872,978	24,934,079
Deposits with agreed maturity	26,974,346	26,826,845	25,872,978	24,934,079
Savings deposits	1,038,774	1,819,511	-	-
Households	1,038,774	1,819,511	-	-
Non-savings deposits	25,935,572	25,007,334	25,872,978	24,934,079
General governments	3,057,243	1,976,045	3,057,243	1,976,045
Other financial corporations	805,407	784,187	890,717	908,442
Non-financial corporations	4,719,501	5,068,485	4,708,271	4,993,413
Households	17,353,421	17,178,617	17,216,747	17,056,179
Deposits from customers	**64,876,774**	**57,791,780**	**63,591,718**	**55,775,424**
General governments	5,943,261	4,094,303	5,943,261	4,094,303
Other financial corporations	1,694,435	1,598,472	1,935,261	1,790,700
Non-financial corporations	18,209,566	16,909,961	17,933,044	16,705,576
Households	39,029,512	35,189,044	37,780,152	33,184,845

30. Other financial liabilities

	Group		Bank	
in RON thousands	**31.12.2020**	**31.12.2019**	**31.12.2020**	**31.12.2019**
Intrabanking settlement liabilities	203,997	192,938	203,997	192,938
Settlement liabilities due to clients	254,676	201,250	254,237	200,000
Client accounts for securities transactions	96,752	82,244	96,752	82,244
Financial liabilities - suppliers	154,989	149,894	151,517	156,543
Other financial liabilities	38,322	36,987	35,753	30,224
Total other financial liabilities	**748,736**	**663,313**	**742,256**	**661,949**

31. Provisions

in RON thousands	31.12.2020	31.12.2019	31.12.2020	31.12.2019
Long-term employee provisions	60,030	45,350	59,980	45,259
Pending legal issues (i)	673,100	657,726	645,940	614,148
Loan commitments given	153,745	70,932	159,031	74,172
Provisions for commitments given in Stage 1	39,527	22,563	40,060	22,718
Provisions for commitments given in Stage 2	60,904	27,704	65,657	30,789
Provisions for commitments given - Defaulted	53,314	20,665	53,314	20,665
Provisions for commitments given in Stage 3	48,966	9,400	48,966	9,400
Provisions for commitments given - POCI	4,348	11,265	4,348	11,265
Financial Guarantees given	8,715	295,508	8,675	295,495
Provisions for financial guarantees in Stage 1	147	8,203	107	8,171
Provisions for financial guarantees in Stage 2	-	34,118	-	34,137
Provisions for financial guarantees - Defaulted	8,568	253,187	8,568	253,187
Provisions for financial guarantees in Stage 3	8,568	253,187	8,568	253,187
Other provisions (ii)	962,043	710,095	272,358	20,407
Provisions	**1,857,633**	**1,779,611**	**1,145,984**	**1,049,481**

(i) Starting with the enactment of Government Emergency Ordinance no.50/2010 on loan agreements for private individuals, as subsequently modified ('Ordinance 50'), the Bank was involved in consumer litigations with certain financial implications. The Law 288 enacted in December 2010 modified Ordinance 50 so that certain provisions are not applicable to loan agreements with individuals existing at the date of the Ordinance 50 issuance.

Following these changes, litigations under the Ordinance 50 were generally dismissed by the Courts and the Bank won most of cases. However, clients have continued to take court actions against the Bank on the grounds of Law no.193/2000 on unfair terms in contracts with consumers, as subsequently modified, that transposes into national law the Directive no. 1993/13/EC on unfair terms in consumer contracts.
Currently, BCR is involved in a number of litigations with ANPC (National Consumer Protection Agency - 10 disputes filed by the institution), having as grounds the interpretations over Law 193/2000 featuring potential cross portfolio contamination effects. 4 of the initial 10 ANPC litigations are in progress, 4 cases were irrevocably won and other 2 irrevocably lost.
The Bank has recognized provisions for its potential obligation to reimburse the customers counterparty in such contracts who are likely to initiate litigations in the future. The provisions recognized represent the best estimate of potential economic outflows related to relevant accounts with clauses that might be assessed as allegedly abusive.
Given the fact that the amount recognized as provision is significant, it is reviewed semi-annually by the Bank in order to take account of the future trends in litigations, new court resolutions for litigations with clients for contracts which contain allegedly abusive clauses (of ANPC type or not) and future changes in the relevant legislation.
As at December 2020, the Group recorded provisions for potential unfair terms included in contracts which contain allegedly abusive clauses and which are not subject to a litigation file as at 31.12.2020 in total amount of RON 493.01 mil (December 2019: RON 460.9 mil). The increase compared to last year was mainly due to the fact that in establishing the provision's amount were taken into consideration:

- a 100% loss ratio for interests - given the record of a general loss ratio of 60.91%, by reference to the rulings of the courts within the timeframe 2015 – November 30,2020 for individual abusive cases, the impact of the courts decisions on solving of the pending cases and the final unfavourable courts' decisions regarding the variable interest's mechanism, already pronounced in two cross portfolio cases;
- the existence of 40 litigations definitively solved in the last 3 years, lost and not executed by the Bank, with an estimated loss of RON 519,933, which was provisioned in full.

Distinctly by the above mentioned provision, the Group established a provision for all pending cases having as object individual clients claims regarding allegedly abusive clauses.
For individual claims, the Group has established a lower provision of RON 114.8 mil (December 2019: RON 116.5 mil) due to decrease in number of open cases.

(ii) The increase in other provisions both at Group and Bank level is mainly due to reclassification from provisions for financial guareentees into other provisions as explained in Note 2.3. Accounting policies.

31. Provisions *(continued)*

Sensitivity analysis

Collective Provision for allegedly abusive amounts on active and closed loans	Group		Bank	
in RON thousands	31.12.2020	31.12.2019	31.12.2020	31.12.2019
1. Show up parameter deviation only				
+10% deviation	49,284	46,096	48,836	45,668
-10% deviation	(49,284)	(46,096)	(48,836)	(45,668)
2. Win-loss parameter deviation only (for interest)				
-10% deviation	(49,284)	(46,096)	(48,836)	(45,668)

Show-up rate of 90% is used in order to estimate the number of individual future litigations probable to be initiated by clients with active loans as at the date of the assessment, considering it is more likely than not that individual claims will be raised by the debtors having lending contracts with allegedly abusive clauses.
Loss ratio represents the probability that a dispute in court is lost, from Win/Loss estimated outcomes of litigations as per a legal expert evaluation.

Movement in allowances for loan commitments and financial guarantees

						2020	Group
in RON thousands	Opening balance	Increases due to origination and acquisition	Decreases due to derecognition	Transfers between Stage 1 and Stages 2/3	Other changes in credit risk (net)	Exchange-rate and other changes (+/-)	Closing balance
Stage 1	30,766	22,649	(9,388)	(3,080)	6,412	(7,685)	39,674
Stage 2	61,822	-	(29,912)	29,803	34,443	(35,252)	60,904
Defaulted	273,852	105,652	(69,232)	2,135	(15,823)	(234,702)	61,882
Total	**366,440**	**128,301**	**(108,532)**	**28,858**	**25,032**	**(277,639)**	**162,460**

						2019	Group
in RON thousands	Opening balance	Increases due to origination and acquisition	Decreases due to derecognition	Transfers between Stage 1 and Stages 2/3	Other changes in credit risk (net)	31.12.2019	Closing balance
Stage 1	24,435	22,635	(11,347)	(1,423)	(3,817)	283	30,766
Stage 2	58,420	-	(18,488)	13,045	8,020	825	61,822
Defaulted	334,247	-	(131,903)	1,099	67,854	2,555	273,852
Total	**417,102**	**22,635**	**(161,738)**	**12,721**	**72,057**	**3,663**	**366,440**

						2020	Bank
in RON thousands	Opening balance	Increases due to origination and acquisition	Decreases due to derecognition	Transfers between Stage 1 and Stages 2/3	Other changes in credit risk (net)	Exchange-rate and other changes (+/-)	Closing balance
Stage 1	30,889	22,627	(9,369)	(3,080)	6,783	(7,683)	40,167
Stage 2	64,926	-	(29,913)	29,860	35,996	(35,212)	65,657
Defaulted	273,852	105,651	(69,231)	2,135	(15,823)	(234,702)	61,882
Total	**369,667**	**128,278**	**(108,513)**	**28,915**	**26,956**	**(277,597)**	**167,706**

						2019	Bank
in RON thousands	Opening balance	Increases due to origination and acquisition	Decreases due to derecognition	Transfers between Stage 1 and Stages 2/3	Other changes in credit risk (net)	Exchange-rate and other changes (+/-)	Closing balance
Stage 1	25,731	22,586	(11,347)	(1,423)	(4,940)	282	30,889
Stage 2	58,849	-	(18,488)	13,045	10,694	826	64,926
Defaulted	334,247	-	(131,903)	1,099	67,854	2,555	273,852
Total	**418,827**	**22,586**	**(161,738)**	**12,721**	**73,608**	**3,663**	**369,667**

						2020	Group
in RON thousands	Opening balance	Additions, includ. increases in exist. provisions (+)	Amounts used (-)	Unused amounts reversed during the period (-)	Changes in discounted amount	Exchange-rate and other changes (+/-)	Closing balance
Pending legal issues	657,726	43,411	-	(30,601)	-	2,564	673,100
Other provisions	710,095	258,561	(59,481)	(246,574)	-	299,442	962,043
Total provisions less long-term employee provisions	**1,367,821**	**301,972**	**(59,481)**	**(277,175)**	**-**	**302,006**	**1,635,143**

31. Provisions *(continued)*

Movement in provisions (other than long term employee provisions)

in RON thousands	Opening balance	Additions, includ. increases in exist. provisions (+)	Amounts used (-)	Unused amounts reversed during the period (-)	Changes in discounted amount	Exchange-rate and other changes (+/-)	Closing balance
						2019	Group
Pending legal issues	679,672	24,866	-	(50,205)	-	3,393	657,726
Other provisions	11,212	897,820	(147,613)	(49,270)	-	(2,054)	710,095
Total provisions less long-term employee provisions	**690,884**	**922,686**	**(147,613)**	**(99,475)**	**-**	**1,339**	**1,367,821**

in RON thousands	Opening balance	Additions, includ. increases in exist. provisions (+)	Amounts used (-)	Unused amounts reversed during the period (-)	Changes in discounted amount	Exchange-rate and other changes (+/-)	Closing balance
						2020	Bank
Pending legal issues	614,148	39,104	-	(9,618)	-	2,306	645,940
Other provisions	20,407	252,119	(55,167)	(242,378)	-	297,377	272,358
Total provisions less long-term employee provisions	**634,555**	**291,223**	**(55,167)**	**(251,996)**	**-**	**299,683**	**918,298**

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

Movement in long term employee provisions

	Group		Bank	
in RON thousands	**31.12.2020**	**31.12.2019**	**31.12.2020**	**31.12.2019**
Opening defined benefit obligation	45,350	43,702	45,259	43,588
Interest cost	1,979	2,012	1,979	2,012
Current service cost	4,044	4,013	4,044	4,013
Past service cost	(2,786)	(4,475)	(2,786)	(4,475)
Benefits paid	(1,700)	(510)	(1,659)	(487)
Actuarial (gains)/loss on obligations	13,661	2,134	13,661	2,134
effect of experience adjustments	9,552	1,307	9,552	1,307
effect of demographic assumptions	4,109	827	4,109	827
Settlements gain	(518)	(1,526)	(518)	(1,526)
Total	**60,030**	**45,350**	**59,980**	**45,259**

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

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

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

31. Provisions *(continued)*

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

	2020	2019
	%	%
Discount rate	3.20%	4.45%
Future salary increases	3.00%	2.80%
Mortality rates	ROM-Anul2013	ROM-Anul 2013
Disability rates	ETTL-PAGLER	ETTL-PAGLER

	Group		Bank	
Sensitivity analysis	2020	2019	2020	2019
Sensivity - Discount rate +/- %	0.50%	0.50%	0.50%	0.50%
Impact on DBO: Discount rate decrease -	3,846	2,698	3,896	2,789
Impact on DBO: Discount rate increase +	(3,612)	(2,651)	(3,562)	(2,560)
Sensivity - Salary increase rate +/- %	0.50%	0.50%	0.50%	0.50%
Impact on DBO: Salary decrease rate -	(3,635)	(4,295)	(3,585)	(4,204)
Impact on DBO: Salary increase rate +	3,834	977	3,884	1,068

The average duration of the defined benefit obligation at the end of the reporting period is 14.66 years.

The expected service cost for 2021 is RON 5,316 thousands for the Bank.

32. Other liabilities

	Group		Bank	
in RON thousands	31.12.2020	31.12.2019	31.12.2020	31.12.2019
Payables related to employee cost	149,930	147,297	139,302	137,691
Taxes payable other than on income (i)	9,129	66,342	6,336	60,716
Sundry creditors	82,915	98,381	40,873	56,748
Deferred income	44,784	34,545	44,405	34,189
Other liabilities	4,375	5,892	3,493	3,896
Total	**291,133**	**352,457**	**234,409**	**293,240**

(i) Taxes payable decreased due to banking tax (see Note 12).

33. Issued capital

The statutory share capital of the Bank as at 31 December 2020 is represented by 16,253,416,254 ordinary shares (equal voting rights) of RON 0.10 each (31 December 2019: 16,253,416,254 ordinary shares of RON 0.10 each). The shareholders of the Bank are as follows:

	2020		2019	
	Number of shares	Percentage holding (%)	Number of shares	Percentage holding (%)
Erste Group Bank AG	16,234,373,129	99.8828%	16,233,523,442	99.8776%
Societatea de Investitii Financiare ("SIF") „Banat Crisana"	1	0.0000%	1	0.0000%
Societatea de Investitii Financiare ("SIF") „Muntenia"	1	0.0000%	1	0.0000%
SC Actinvest SA	226,802	0.0014%	226,802	0.0014%
FDI Certinvest Dinamic	13,699	0.0001%	13,699	0.0001%
BCR Leasing SA	109	0.0000%	109	0.0000%
Individuals	18,802,513	0.1157%	19,652,200	0.1209%
Total	**16,253,416,254**	**100.0000%**	**16,253,416,254**	**100.0000%**

During 2020, no changes in shareholders' structure occurred.

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

in RON thousands	2020	2019
Share capital before the effect of hyperinflation	1,625,342	1,625,342
IAS 29 hyperinflation adjustment recorded in prior years (i.e. until 31 December 2003)	1,327,223	1,327,223
Share capital	**2,952,565**	**2,952,565**

34. Segment reporting

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

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

A. Retail

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

B. Corporate

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

The main Corporate segments are:

a. **SME**, comprising:

- companies with yearly turnover between EUR 1 mio - EUR 50 mio and a consolidated turnover < EUR 500 mio;
- companies part of a domestic group with at least one company with individual yearly turnover between EUR 1 mio - EUR 50 mio;
- companies part of an international group with at least one company with individual yearly turnover between EUR 1 mio - EUR 500 mio;
- companies with real estate financing for which total project value (including land acquisition, excluding VAT) is less than EUR 8 mio;
- companies having individual / consolidated turnover below EUR 1 mio.

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

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

Public sector includes the following institutions:

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

Public Corporations include:

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

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

- central authorities of churches (archbishops, bishops, patriarchs, etc.);
- country-wide labour unions;
- political parties;
- social Banking Customers who have social impact.

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

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

34. Segment reporting *(continued)*

d. Group Large Corporates (GLC)

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

- companies with a yearly individual turnover above EUR 500 mio;
- selected customers with an annual turnover below EUR 500 mio in case of multinational setup or strong capital markets service needs;
- companies with an annual turnover below EUR 500 mio, part of a group with a consolidated yearly turnover above EUR 500 mio, regardless of geographical location;
- listed and to be listed state owned companies;
- companies that meet the above-described criteria regarding the turnover with real estate financing for which total Real Estate project value (including land acquisition, excluding VAT) is less than EUR 8 mio.

e. Commercial Real Estate (CRE)

- companies that request financing of real estate projects with total project value > EUR 8 mio (including land acquisition, excluding VAT);
- investors in RE for the purpose of generating income from the rental of individual properties or portfolios of properties;
- developers of individual properties or portfolios of properties for the purpose of generating capital gains through sale;
- asset management services - Assets/SPVs held (on balance) by an Erste Group entity in order to generate income from rental activities (third party tenants);
- own property development – property developments done by an Erste Group entity in scope of this policy for the purpose of generating capital gains through sale or income from rental;
- clients using construction/technical advisory services of Erste Group International (EGI).

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

Other banking segments:

C. ALM & Local Corporate Center:

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

D. Group Markets:

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

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

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

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

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

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

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

34. Segment reporting *(continued)*

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

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

in RON thousands				2020	Group
	Group	Retail	Corporates	ALM & Local Corporate Center*	GM
Net interest income	2,371,025	1,468,138	592,557	301,440	8,890
Net fee and commission income	709,999	499,708	182,436	(7,439)	35,294
Dividend income	3,312	-	38	3,274	-
Net trading result	341,925	115,973	97,282	14,721	113,949
Gains/(losses) from non-trading financial instruments mandatorily measured at fair value through profit or loss	14,608	(3,177)	1,916	15,869	-
Net result from equity method investments	(2,060)	-	-	(2,060)	-
Rental income from investment properties and other operating leases	107,489	-	103,704	3,785	-
General Administrative expenses	(1,668,768)	(1,304,779)	(274,177)	(67,025)	(22,787)
Gains/(losses) from derecognition of financial assets measured at amortised cost	11	11	-	-	-
Other gains/(losses) from derecognition of financial instruments not measured at fair value through profit or loss	(59)	-	-	(59)	-
Net impairment loss on financial instruments	(521,271)	(311,526)	(181,008)	(23,762)	(4,975)
Other operating result	(291,102)	(34,734)	(96,306)	(156,286)	(3,776)
Levies on banking activities	-	-	-	-	-
Pre-tax result from continuing operations	**1,065,109**	**429,614**	**426,442**	**82,458**	**126,595**
Taxes on income	(251,001)	(67,520)	(82,289)	(80,937)	(20,255)
Net result for the period	**814,108**	**362,094**	**344,153**	**1,521**	**106,340**
Net result attributable to non-controlling interests	(9)	-	-	(9)	-
Net result attributable to owners of the parent	**814,117**	**362,094**	**344,153**	**1,530**	**106,340**
Operating income	3,546,298	2,080,642	977,933	329,590	158,133
Operating expenses	(1,668,768)	(1,304,779)	(274,177)	(67,025)	(22,787)
Operating result	**1,877,530**	**775,863**	**703,756**	**262,565**	**135,346**
Cost income ratio	47.06%	62.71%	28.04%	20.34%	14.41%

* All intercompany eliminations are included in the Local Corporate Center

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

* All intercompany eliminations are included in the Local Corporate Center

34. Segment reporting *(continued)*

in RON thousands				2020	Group
	Group	Retail	Corporates	ALM & Local Corporate Center*	GM
Assets					
Cash and cash equivalents	10,538,199	5,128,775	513,649	4,860,999	34,776
Financial assets held for trading	1,248,822	-	72	27,008	1,221,742
Derivatives	39,891	-	72	27,008	12,811
Other financial assets held for trading	1,208,931	-	-	-	1,208,931
Non-trading financial assets mandatorily at fair value through profit or loss	104,739	29,886	2,160	72,693	-
Equity instruments	75,033	29,886	235	44,912	-
Debt securities	27,781	-	-	27,781	-
Loans and advances to customers	1,925	-	1,925	-	-
Financial assets at fair value through other comprehensive income	7,536,126	-	30,083	7,506,043	-
Debt securities	7,536,126	-	30,083	7,506,043	-
Financial assets at amortised cost	57,990,947	27,031,739	16,215,529	14,259,572	484,107
Debt securities	14,827,570	744,338	306,937	13,776,295	-
Loans and advances to banks	2,028,021	1,107,471	810	442,635	477,105
Loans and advances to customers	41,135,356	25,179,930	15,907,782	40,642	7,002
Finance lease receivables	1,301,380	-	1,321,293	(19,913)	-
Property and equipment	863,743	10,083	452,113	401,547	-
Investment property	171,860	-	-	171,860	-
Intangible assets	348,900	3,207	5,879	339,814	-
Investments in joint ventures and associates	39,031	-	-	39,031	-
Current tax assets	230,979	2,579	570	227,830	-
Deferred tax assets	173,378	518	7,308	165,552	-
Assets held for sale	625,253	-	-	625,253	-
Trade and other receivables	563,885	8,749	342,766	199,326	13,044
Other assets	249,430	75,096	74,228	100,098	8
Total assets	**81,986,672**	**32,290,632**	**18,965,650**	**28,976,713**	**1,753,677**
Liabilities and Equity					
Financial liabilities held for trading	52,051	-	-	34,229	17,822
Derivatives	52,051	-	-	34,229	17,822
Financial liabilities measured at amortised cost	69,847,085	43,904,364	22,614,917	981,235	2,346,569
Deposits from banks	1,066,225	67,252	2,757,972	(2,658,072)	899,073
Borrowings and financing lines	1,453,289	-	-	1,453,289	-
Deposits from customers	64,876,774	43,744,206	19,779,989	(28,508)	1,381,087
Debt securities issued	614,801	-	-	614,801	-
Subordinated loans	1,087,260	-	-	1,087,260	-
Other financial liabilities	748,736	92,906	76,956	512,465	66,409
Finance lease liabilities	428,737	-	-	428,737	-
Provisions	1,857,633	1,211,454	376,521	268,580	1,078
Current tax liabilities	2,985	-	2,963	22	-
Deferred tax liabilities	11,833	-	-	11,833	-
Liabilities associated with assets held for sale	150,294	-	-	150,294	-
Other liabilities	291,133	13,035	65,497	210,985	1,616
Total equity	**9,344,921**	**2,553,350**	**2,369,340**	**4,290,663**	**131,568**
Total liabilities and equity	**81,986,672**	**47,682,203**	**25,429,238**	**6,376,578**	**2,498,653**

* All intercompany eliminations are included in the Local Corporate Center

34. Segment reporting *(continued)*

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

* All intercompany eliminations are included in the Local Corporate Center

BCR

34. Segment reporting *(continued)*

in RON thousands				2020	Bank
	Bank	Retail	Corporates	ALM & Local Corporate Center	GM
Net interest income	2,248,995	1,441,293	506,974	291,838	8,890
Net fee and commission income	664,455	460,638	173,822	(5,299)	35,294
Dividend income	3,683	-	-	3,683	-
Net trading result	336,546	116,022	94,925	11,650	113,949
Gains/(losses) from non-trading financial instruments mandatorily measured at fair value through profit or loss	14,608	(3,177)	1,916	15,869	-
Rental income from investment properties and other operating leases	8,298	-	-	8,298	-
General Administrative expenses	(1,561,747)	(1,263,795)	(219,802)	(55,363)	(22,787)
Gains/(losses) from derecognition of financial assets measured at amortised cost	11	11	-	-	-
Other gains/(losses) from derecognition of financial instruments not measured at fair value through profit or loss	(59)	-	-	(59)	-
Net impairment loss on financial instruments	(505,325)	(319,574)	(151,466)	(29,310)	(4,975)
Other operating result	(192,356)	(30,462)	52,061	(210,179)	(3,776)
Pre-tax result from continuing operations	**1,017,109**	**400,956**	**458,430**	**31,128**	**126,595**
Taxes on income	(237,151)	(64,153)	(73,349)	(79,394)	(20,255)
Net result for the period	**779,958**	**336,803**	**385,081**	**(48,266)**	**106,340**
Net result attributable to non-controlling interests	-	-	-	-	-
Net result attributable to owners of the parent	**779,958**	**336,803**	**385,081**	**(48,266)**	**106,340**
Operating income	3,276,585	2,014,776	777,637	326,039	158,133
Operating expenses	(1,561,747)	(1,263,795)	(219,802)	(55,363)	(22,787)
Operating result	**1,714,838**	**750,981**	**557,835**	**270,676**	**135,346**
Cost income ratio	47.66%	62.73%	28.27%	16.98%	14.41%

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

34. Segment reporting *(continued)*

in RON thousands				2020	Bank
	Bank	Retail	Corporates	ALM & Local Corporate Center	GM
Assets					
Cash and cash equivalents	10,193,736	5,083,286	-	5,075,674	34,776
Financial assets held for trading	1,248,822	-	72	27,008	1,221,742
Derivatives	39,891	-	72	27,008	12,811
Other financial assets held for trading	1,208,931	-	-	-	1,208,931
Non-trading financial assets mandatorily at fair value through profit or loss	104,504	29,886	1,925	72,693	-
Equity instruments	74,798	29,886	-	44,912	-
Debt securities	27,781	-	-	27,781	-
Loans and advances to customers	1,925	-	1,925	-	-
Financial assets at fair value through other comprehensive income	7,511,525	-	5,483	7,506,042	-
Debt securities	7,511,525	-	5,483	7,506,042	-
Financial assets at amortised cost	57,372,656	25,016,268	14,938,431	16,933,850	484,107
thereof pledged as collateral	1,416,847	-	-	1,416,847	-
Debt securities	13,986,991	-	210,697	13,776,294	-
Loans and advances to banks	2,026,208	-	-	1,549,103	477,105
Loans and advances to customers	41,359,457	25,016,268	14,727,734	1,608,453	7,002
Finance lease receivables	15,106	-	-	15,106	-
Property and equipment	803,005	-	-	803,005	-
Investment property	171,860	-	-	171,860	-
Intangible assets	339,662	-	-	339,662	-
Investments in joint ventures and associates	33,470	-	-	33,470	-
Current tax assets	227,831	-	-	227,831	-
Deferred tax assets	165,784	-	-	165,784	-
Assets held for sale	192,247	-	-	192,247	-
Trade and other receivables	548,097	3,998	306,080	224,975	13,044
Investments in subsidiaries	448,521	-	-	448,521	-
Other assets	161,407	25,800	378	135,221	8
Total assets	**79,538,233**	**30,159,238**	**15,252,369**	**32,372,949**	**1,753,677**
Liabilities and Equity					
Financial liabilities held for trading	52,051	-	-	34,229	17,822
Derivatives	52,051	-	-	34,229	17,822
Financial liabilities measured at amortised cost	68,527,999	42,794,767	19,289,718	4,096,945	2,346,569
Deposits from banks	2,065,137	579	207	1,165,278	899,073
Borrowings and financing lines	426,827	-	-	426,827	-
Deposits from customers	63,591,718	42,703,613	19,221,561	285,457	1,381,087
Debt securities issued	614,801	-	-	614,801	-
Subordinated loans	1,087,260	-	-	1,087,260	-
Other financial liabilities	742,256	90,575	67,950	517,322	66,409
Finance lease liabilities	426,424	-	-	426,424	-
Provisions	1,145,984	503,808	367,193	273,905	1,078
Other liabilities	234,409	965	18,346	213,482	1,616
Total equity	**9,151,366**	**2,337,538**	**2,049,855**	**4,632,405**	**131,568**
Total liabilities and equity	**79,538,233**	**45,637,078**	**21,725,112**	**9,677,390**	**2,498,653**

34. Segment reporting *(continued)*

in RON thousands				2019	Bank
	Bank	Retail	Corporates	ALM & Local Corporate Center	GM
Assets					
Cash and cash equivalents	8,724,971	4,137,355	-	4,587,616	-
Financial assets held for trading	429,356	-	66	35,881	393,409
Derivatives	40,100	-	66	35,881	4,153
Other financial assets held for trading	389,256	-	-	-	389,256
Non-trading financial assets mandatorily at fair value through profit or loss	93,620	32,451	3,562	57,607	-
Equity instruments	40,136	32,451	-	7,685	-
Debt securities	49,922	-	-	49,922	-
Loans and advances to customers	3,562	-	3,562	-	-
Financial assets at fair value through other comprehensive income	6,115,902	-	-	6,115,902	-
Financial assets at amortised cost	53,019,313	23,359,066	14,035,121	15,536,189	88,937
thereof pledged as collateral	2,087,276	-	-	2,087,276	-
Debt securities	14,422,788	-	231,163	14,191,625	-
Loans and advances to banks	661,086	-	-	574,876	86,210
Loans and advances to customers	37,935,439	23,359,066	13,803,958	769,688	2,727
Finance lease receivables	3,399	-	-	3,399	-
Property and equipment	837,505	-	-	837,505	-
Investment property	161,181	-	-	161,181	-
Intangible assets	348,582	-	-	348,582	-
Investments in joint ventures and associates	17,035	-	-	17,035	-
Current tax assets	235,928	-	-	235,928	-
Deferred tax assets	172,780	-	-	172,780	-
Assets held for sale	210,704	-	-	210,704	-
Trade and other receivables	408,778	4,616	284,510	106,019	13,633
Investments in subsidiaries	488,077	159,805	-	328,272	-
Other assets	173,821	20,520	264	153,037	-
Total assets	**71,440,952**	**27,713,813**	**14,323,523**	**28,907,637**	**495,979**
Liabilities and Equity					
Financial liabilities held for trading	73,498	-	-	67,068	6,430
Derivatives	73,498	-	-	67,068	6,430
Financial liabilities measured at amortised cost	61,395,958	37,702,362	16,570,391	4,611,968	2,511,237
Deposits from banks	2,534,084	572	189	1,472,940	1,060,383
Borrowings and financing lines	572,786	-	-	572,786	-
Deposits from customers	55,775,424	37,629,009	16,502,468	211,540	1,432,407
Debt securities issued	784,402	-	-	784,402	-
Subordinated loans	1,067,313	-	-	1,067,313	-
Other financial liabilities	661,949	72,781	67,734	502,987	18,447
Finance lease liabilities	323,721	-	-	323,721	-
Provisions	1,049,481	600,795	351,355	96,724	607
Other liabilities	293,240	-	-	293,240	-
Total equity	**8,305,054**	**2,408,151**	**2,056,247**	**3,774,497**	**66,159**
Total liabilities and equity	**71,440,952**	**40,711,308**	**18,977,993**	**9,167,218**	**2,584,433**

35. Return on assets and turnover information

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

	Group		Bank	
	31.12.2020	31.12.2019	31.12.2020	31.12.2019
Return on assets	**1.043%**	**0.82%**	**1.039%**	**0.95%**

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

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

The consolidated turnover for the financial exercise ended 31 December 2020 amounts to RON 4,354,208 thousands (2019: RON 4,272,269 thousands) and is calculated and presented in compliance with Article 644 of the above mentioned regulation.

36. Leases

Leases where the Group is a lessor

a) Finance leases

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

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

	Group		Bank	
	31.12.2020	31.12.2019	31.12.2020	31.12.2019
Total amount of outstanding lease payments receivables	1,425,773	1,257,832	23,005	3,685
Gross investment	**1,425,773**	**1,257,832**	**23,005**	**3,685**
Total amount of related unearned finance income from lease agreements	(79,982)	(101,026)	(3,222)	(286)
Net investment	**1,345,791**	**1,156,806**	**19,783**	**3,399**
Present value of outstanding lease payments	**1,345,791**	**1,156,806**	**19,783**	**3,399**

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

	Gross investment		Present value of outstanding lease payments	
Group	31.12.2020	31.12.2019	31.12.2020	31.12.2019
< 1 year	513,235	499,224	475,602	420,700
1-2 years	388,146	347,996	365,754	340,305
2-3 years	271,456	229,968	258,746	224,792
3-4 years	164,272	129,995	159,167	125,113
4-5 years	67,624	43,893	66,089	39,790
> 5 years	21,040	6,756	20,433	6,106
Total	**1,425,773**	**1,257,832**	**1,345,791**	**1,156,806**

	Gross investment		Present value of outstanding lease payments	
Bank	31.12.2020	31.12.2019	31.12.2020	31.12.2019
< 1 year	6,096	467	5,260	431
1-2 years	5,017	514	4,325	474
2-3 years	5,089	524	4,387	484
3-4 years	4,737	525	4,083	484
4-5 years	1,376	530	1,163	489
> 5 years	690	1,125	565	1,037
Total	**23,005**	**3,685**	**19,783**	**3,399**

36. Leases *(continued)*

b) Operating leases

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

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

	Group		Bank	
	31.12.2020	31.12.2019	31.12.2020	31.12.2019
< 1 year	147,519	117,356	4,822	9,196
1-2 years	118,890	95,721	3,168	7,348
2-3 years	89,277	66,774	2,405	5,387
3-4 years	50,994	43,758	2,130	3,284
4-5 years	25,152	24,254	1,185	2,124
> 5 years	38,828	58,042	2,825	6,129
Total	**470,660**	**405,905**	**16,535**	**33,468**

Leases where the Group is a lessee

Undiscounted maturity analysis of lease liability, from the view of BCR Group and Bank as lessee, were as follows:

	Group		Bank	
Undiscounted maturity analysis of lease liabilities	31.12.2020	31.12.2019	31.12.2020	31.12.2019
< 1 year	77,862	62,539	77,205	60,760
1-5 years	76,070	275,887	74,293	270,388
> 5 years	332,025	43,731	332,025	43,731
Total	**485,957**	**382,157**	**483,523**	**374,879**

During 2020, interest expenses on lease liabilities were recognised in the amount of RON 8,353 thousand (2019: RON 20,229 thousands) at Group level and RON 7,994 thousand (2019: RON 21,233 thousands) for the Bank. Expenses relating to leases of low value items for which the recognition exemption is applied and relating to short term leases for which the recognition exemption is applied were in amount of RON 4,821 thousand (2019:RON 9,267 thousand) at Group level and RON 4,560 thousand (2019: RON 8,672 thousand) for the Bank.

37. Related-party transactions and principal shareholders

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

The nature of the related party relationships for those related parties with whom the Group entered into significant transactions or had significant balances outstanding at 31 December 2020 and 2019 are detailed below. Transactions were entered into with related parties during the course of business at market rates.

Transactions with parent

All transactions were carried out at market conditions.

Transactions with management

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

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

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

Remuneration paid related to key management personnel is presented in note 8.

Transactions with subsidiaries

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

Transactions with other related parties

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

Terms and conditions

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

Current accounts were opened between September 2006 and December 2020 and the interest rate is 0%.

Loans and advances accounts were opened between September 2005 and December 2020, maturing between January 2021 and April 2043, the interest rate is between 3.5-4.95% for loans and 15-28% for credit cards - fixed interest and 1.05-11.13% for loans and 4.61-16.61% for credit cards variable interest.

Term deposits were opened between July 2007 and December 2020, maturing between January 2021 and January 2022, and the interest rate is fixed between 0.01-3.34% depending on the currency and maturity of the deposit.

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

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

The following transactions were carried out with related parties:

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

in RON thousands	2020 Parent	2020 Associates	2020 Key management personnel	2020 Other related parties	2019 Parent	2019 Associates	2019 Key management personnel	2019 Other related parties
Total assets	**269,217**	**88,417**	**8,364**	**86,891**	**569,873**	**43,027**	**9,804**	**196,663**
Cash and cash equivalents	202,688	-	-	1,390	48,289	-	-	100,984
Derivative financial instruments	4,142	-	-	-	3,643	-	-	-
Equity investments	-	33,470	-	27,828	-	24,553	-	31,257
Loans and advances	31,279	48,634	8,364	38,383	491,117	18,474	9,802	34,408
Loans and advances with credit institutions	31,279	-	-	31,906	491,117	-	-	28,974
Loans and advances with customers	-	48,634	8,364	6,477	-	18,474	9,802	5,434
Finance lease receivables	-	2,372	-	2,950	-	-	-	-
Trade and other receivables	31,108	-	-	7,211	26,824	-	2	4,669
Other assets	-	3,941	-	9,129	-	-	-	25,345
Total Liabilities	**3,090,420**	**27,960**	**8,897**	**263,094**	**2,512,348**	**44,018**	**9,312**	**169,369**
Deposits	3,051,425	27,960	8,867	178,450	2,433,879	44,018	9,307	127,565
Deposits by banks	731,642	-	-	44	273,134	-	-	3,641
Deposits by customers	-	27,960	8,867	178,406	-	44,018	9,307	123,924
Borrowings and financing lines	1,232,523	-	-	-	1,093,432	-	-	-
Subordinated loans	1,087,260	-	-	-	1,067,313	-	-	-
Derivative financial instruments	34,437	-	-	-	66,203	-	-	-
Other liabilities	4,558	-	30	84,644	12,266	-	5	41,804
Loans commitments, financial guarantees and other commitments given -Irrevocable [notional amount]	**450**	**-**	**523**	**22,490**	**30,668**	**-**	**481**	**70,338**
Loans commitments, financial guarantees and other commitments given -Revocabile [notional amount]	**69,350**	**81,892**	**-**	**77,394**	**-**	**31,563**	**-**	**82,583**
Loan commitments, financial guarantees and other commitments received	**243,470**	**-**	**-**	**-**	**238,965**	**-**	**-**	**-**
Derivatives [notional amount]	**4,581,023**	**-**	**-**	**-**	**5,946,763**	**-**	**-**	**-**

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

in RON thousands	2020 Parent	2020 Associates	2020 Key management personnel	2020 Other related parties	2019 Parent	2019 Associates	2019 Key management personnel	2019 Other related parties
Interest income	18,547	1,582	320	784	33,804	685	632	1,528
Interest expenses	(65,635)	(912)	(10)	(1,189)	(94,703)	(882)	(18)	(1,307)
Dividend income	-	-	-	2,367	-	926	-	1,009
Fee and commission income	4,782	55	25	86,562	3,528	183	37	102,138
Fee and commission expenses	(8,545)	-	-	(810)	(7,379)	(882)	-	(29,466)
Gains or (-) losses on derecognition of financial assets and liabilities not measured at fair value through profit or loss	-	-	-	-	(28,727)	-	-	-
Net impairment loss on financial instruments	(727)	(198)	(37)	63	(1,232)	(13)	-	(68)
Net trading results income/(expense)	7,420	-	90	(1,149)	56,379	-	56	2,968
Gains/(losses) from non-trading financial instruments mandatorily measured at fair value through profit or loss	-	-	-	-	-	-	-	6,144
Other operating income	-	1,167	9	2,000	-	577	9	17,268
Other operating expense	-	(10)	-	(113,150)	(3)	-	(204)	(87,926)
Profit before tax income/(expense)	**(44,158)**	**1,684**	**397**	**(24,522)**	**(38,333)**	**594**	**512**	**12,288**

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

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

in RON thousands	2020 Parent	2020 Subsidiaries	2020 Associates	2020 Key management personnel	2020 Other related parties	2019 Parent	2019 Subsidiaries	2019 Associates	2019 Key management personnel	2019 Other related parties
Total assets	**138,309**	**2,019,857**	**88,417**	**8,364**	**86,804**	**569,873**	**1,146,333**	**35,509**	**9,804**	**163,787**
Cash and cash equivalents	71,780	-	-	-	1,390	48,289	-	-	-	93,453
Derivative financial instruments	4,142	-	-	-	-	3,643	-	-	-	-
Equity investments*	-	448,521	33,470	-	27,828	-	499,977	17,035	-	31,257
Loans and advances	**31,279**	**1,558,228**	**48,634**	**8,364**	**38,374**	**491,117**	**635,561**	**18,474**	**9,802**	**34,408**
Loans and advances with credit institutions	31,279	660	-	-	31,906	491,117	1,392	-	-	28,974
Loans and advances with customers	-	1,557,568	48,634	8,364	6,468	-	634,169	18,474	9,802	5,434
Finance lease receivables	-	9,783	2,372	-	2,950	-	-	-	-	-
Trade and other receivables	31,108	164	-	-	7,211	26,824	63	-	2	4,669
Right of use assets	-	1,819	-	-	-	-	2,075	-	-	-
Other assets	-	1,342	3,941	-	9,051	-	8,657	-	-	-
Total Liabilities	**1,555,906**	**1,324,607**	**27,960**	**8,897**	**258,387**	**1,641,365**	**1,532,930**	**44,018**	**9,312**	**163,532**
Deposits	1,516,911	1,323,564	27,960	8,867	178,450	1,562,896	1,520,185	44,018	9,307	127,565
Deposits by banks	223,590	1,020,535	-	-	44	273,134	1,274,023	-	-	3,641
Deposits by customers	-	303,029	27,960	8,867	178,406	-	246,162	44,018	9,307	123,924
Borrowings and financing lines	206,061	-	-	-	-	222,449	-	-	-	-
Subordinated loans	1,087,260	-	-	-	-	1,067,313	-	-	-	-
Derivative financial instruments	34,437	-	-	-	-	66,203	-	-	-	-
Finance lease liabilities	-	1,998	-	-	-	-	2,243	-	-	-
Other liabilities	4,558	1,043	-	30	79,937	12,266	12,745	-	5	35,967
Loans commitments, financial guarantees and other commitments given - Irrevocable [notional amount]	**450**	**110,512**	**-**	**523**	**22,490**	**30,668**	**43,270**	**-**	**481**	**70,338**
Loans commitments, financial guarantees and other commitments given - Revocabile [notional amount]	**69,350**	**529,063**	**81,892**	**-**	**77,394**	**-**	**328,618**	**31,563**	**-**	**82,583**
of which: defaulted	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Loan commitments, financial guarantees and other commitments received	**243,470**	**-**	**-**	**-**	**-**	**238,965**	**-**	**-**	**-**	**-**
Derivatives [notional amount]	**4,581,023**	**-**	**-**	**-**	**-**	**5,946,763**	**-**	**-**	**-**	**-**
Accumulated impairment, accumulated changes in fair value due to credit risk and provisions on non-performing exposures	**-**	**71,245**	**-**	**-**	**-**	**-**	**66,939**	**-**	**-**	**-**

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

in RON thousands	2020 Parent	2020 Subsidiaries	2020 Associates	2020 Key management personnel	2020 Other related parties	2019 Parent	2019 Subsidiaries	2019 Associates	2019 Key management personnel	2019 Other related parties
Interest income	18,491	22,362	1,582	320	254	33,804	23,039	685	632	1,092
Interest expenses	(56,959)	(27,848)	(912)	(10)	(1,189)	(82,959)	(34,634)	(882)	(18)	(1,307)
Dividend income	-	409	-	-	2,367	-	12,538	926	-	1,009
Fee and commission income	4,782	983	55	25	86,562	3,528	6,135	183	37	102,138
Fee and commission expenses	(3,763)	(6)	-	-	(810)	(3,181)	(4)	(882)	-	(29,466)
Gains or (-) losses on derecognition of financial assets and liabilities not measured at fair value through profit or loss	-	-	-	-	-	(28,727)	-	-	-	-
Impairment of subsidiaries	-	(39,556)	-	-	-	-	(583,430)	-	-	-
Net impairment loss on non-performing exposures	-	(4,306)	-	-	-	(1,232)	(1,823)	(13)	-	(68)
Net impairment loss on financial instruments	(727)	(9,142)	(198)	(37)	63	-	(66,939)	-	-	-
Net trading results income/(expense)	7,420	(85)	-	90	(1,149)	56,379	(2,354)	-	56	2,968
Gains/(losses) from non-trading financial instruments mandatorily measured at fair value through profit or loss	-	-	-	-	-	-	-	-	-	6,144
Other operating income	-	4,443	649	9	353	-	9,799	577	9	13,293
Other operating expense	-	(100)	(10)	-	(106,218)	(3)	(76)	-	(204)	(80,662)
Profit before tax income/(expense)	**(30,756)**	**(52,846)**	**1,166**	**397**	**(19,767)**	**(22,391)**	**(637,749)**	**594**	**512**	**15,141**

*For 2019, the participation in CITOne (reclassified as held for sale) was presented in this line.

38. Encumbered assets

in RON thousands	Group 31.12.2020	Group 31.12.2019	Bank 31.12.2020	Bank 31.12.2019
Financial assets at amortised cost	421,310	739,503	1,416,847	2,087,276
Financial assets at fair value through other comprehensive income	-	56,341	-	56,341
Total	**421,310**	**795,844**	**1,416,847**	**2,143,617**

On 31 December 2020, government bonds with a total book value of RON 421,310 thousands (31 December 2019: RON 795,844 thousands) have been used as pledge for funding received from International Financial Institutions and to ensure final settlement of interbank multilateral clearing operations according to NBR regulations for the settlement of transactions through ROCLEAR Bucharest, NBR's Clearing House, and VISA and MasterCard card transactions.
Encumbered assets include securities used for repo transactions (see further details in note 39) and securities pledged as collateral for various purposes, as described above.

39. Transfers of financial assets – repurchase transactions

39.1. Repurchase transactions

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

Group				
in RON thousands	Carrying amount of transferred assets	Carrying amount of associated liabilities	Carrying amount of transferred assets	Carrying amount of associated liabilities
	31.12.2020		31.12.2019	
Repurchase agreements				
Financial assets at fair value through other comprehensive income	-	-	56,341	56,154
Financial assets at amortised cost	31,920	35,864	141,058	139,670
Total - repurchase agreements	**31,920**	**35,864**	**197,399**	**195,824**

Bank				
in RON thousands	Carrying amount of transferred assets	Carrying amount of associated liabilities	Carrying amount of transferred assets	Carrying amount of associated liabilities
	31.12.2020		31.12.2019	
Repurchase agreements				
Financial assets at fair value through other comprehensive income	-	-	56,341	56,154
Financial assets at amortised cost	1,027,457	1,013,477	1,488,832	1,402,395
Total - repurchase agreements	**1,027,457**	**1,013,477**	**1,545,173**	**1,458,549**

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

At Bank level, the total amount RON 1,027,457 thousands as at 31 December 2020 (RON 1,545,173 thousands at 31 December 2019) represents the carrying amount of financial assets in the respective balance sheet positions for which the transferee has a right to sell or repledged.

At Bank level, liabilities from repo transaction in the amount of RON 1,013,477 thousands as at 31 December 2020 (RON 1,458,549 thousands at 31 December 2019), which are measured at amortised cost, represent an obligation to repay the borrowed funds.

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

39.1. Repurchase transactions *(continued)*

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

Group

in RON thousands	Fair value of transferred assets	Fair value of associated liabilities	Fair value of transferred assets	Fair value of associated liabilities
	31.12.2020		31.12.2019	
Financial assets at fair value through other comprehensive income	-	-	56,341	56,341
Financial assets at amortised cost	34,167	35,864	140,107	140,107
Total	**34,167**	**35,864**	**196,448**	**196,448**

Bank

in RON thousands	Fair value of transferred assets	Fair value of associated liabilities	Fair value of transferred assets	Fair value of associated liabilities
	31.12.2020		31.12.2019	
Debt securities	-	-	56,341	56,341
Financial assets at amortised cost	1,023,670	1,023,670	1,446,727	1,446,727
Total	**1,023,670**	**1,023,670**	**1,503,068**	**1,503,068**

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

Cash and non-cash financial collateral involved in these transactions is restricted from using it by the transferor during the time of the pledge. The carrying amount of assets pledged is included in note 38.

As at 31 December 2020, the Bank concluded a reverse repurchase transaction in amount of RON 1,810,055 thousands. The Bank received as collateral a financial asset consisting in bonds. The Bank has the right to sell or repledge the asset in the absence of default situation of the owner of the collateral.

Group

in RON thousands	Carrying value of the assets	Fair value of collateral	Carrying value of the assets	Fair value of collateral
	31.12.2020		31.12.2019	
Loans and advances to banks	1,809,451	1,808,442	426,234	484,471
Total	**1,809,451**	**1,808,442**	**426,234**	**484,471**

Bank

in RON thousands	Carrying value of the assets	Fair value of collateral	Carrying value of the assets	Fair value of collateral
	31.12.2020		31.12.2019	
Loans and advances to banks	1,809,451	1,808,442	426,234	484,471
Total	**1,809,451**	**1,808,442**	**426,234**	**484,471**

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

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

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

The portfolio containing private individuals receivables had a total exposure of approx. RON 1,825 mn as of 28 February 2016 comprising both BCR and Suport Colect clients with secured and unsecured receivables. Regarding the purpose of the continuing involvement as at 31 December 2020 retained after transferring those assets, the following clauses are active:

- the upside sharing mechanism stipulating that after the buyer has recovered the total price investment and operating costs, and a certain level of profitability/collections would be realized by the buyer, BCR Group would receive from the buyer a share of the additional recoveries;
- considering that the portfolio contains private individual's debts, the customers may request the re-calculation of the debts, hence an Indemnity clause was negotiated and the related provisions are calculated on yearly basis, adjusted with the portfolio diminished cases. Contractually, BCR and Suport Colect ("SCO") have a contractual obligation to indemnify the buyer on future events deriving from risks related to allegedly abusive clauses, in connection to exposure sold. Please see Note 31 Provisions.

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

- for General Claims Clause, the obligation was settled during 2020: settlement amount RON 9.3 mn. Provisions booked as "Other provisions" was in amount of RON 12.4 mn as at 31.12.2019;
- provisions booked as pending legal issue provisions, for the Indemnity clause, in amount of RON 20 mn as at 31.12.2020 (31.12.2019: RON 21 mn).

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

- for General Claims Clause, the obligation was settled during 2020: settlement amount RON 4.1 mn. Provisions booked as Other provisions was RON 7.31 mn as at 31.12.2019;
- provisions booked as pending legal issue provisions, for the Indemnity clause, in amount of RON 19.1 mn as at 31.12.2020 (31.12.2019: RON 20.2 mn).

Related to the upside sharing clause for recoveries to which the Group is entitled after a certain level of profitability/collections is realized by the buyer is in amount of RON 2.4 mn (BCR: RON 1.5 mn) for 2020. For 2019, no assets nor contingent assets were recognized because as at this date the Assignees have not recovered the total price investment and operating costs, and, thus, the contractual clause related to the upside sharing of recoveries that could be received by the Group after a certain level of profitability/collections would be realized by the buyer was not in force.

40. Risk management

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

40.1 Risk policy and risk strategy

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

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

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

In 2020, the management has continued to steer critical portfolios, including active management and sales of non-performing exposures, and further strengthening of the risk profile. This has been particularly demonstrated by the continuous improvement of the credit quality and the ongoing decrease of non-performing loans and risk costs. Management actions resulted in improved profitability, asset quality, lending and capital levels. In addition, emphasis was put on strengthening risk governance and ensuring compliance with regulatory requirements.

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

40.2 Risk governance structure

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

The Risk Governance structure is presented below:

Supervisory Board

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

The Risk and Compliance Committee of the Supervisory Board

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

40. Risk management *(continued)*
40.2 Risk governance structure *(continued)*

The Audit Committee

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

Management Board

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

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

Risk Committee of the Management Board

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

40.3 Risk management organization

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

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

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

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

The main roles of the Risk Management function are:

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

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

Reports include information on aspects such as:

- Risk exposures and their development;
- Key risk indicators evolution and specific limits;
- Results of the stress testing exercises;
- Internal capital adequacy (risks coverage capacity).

40. Risk management *(continued)*
40.3 Risk management organization *(continued)*

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

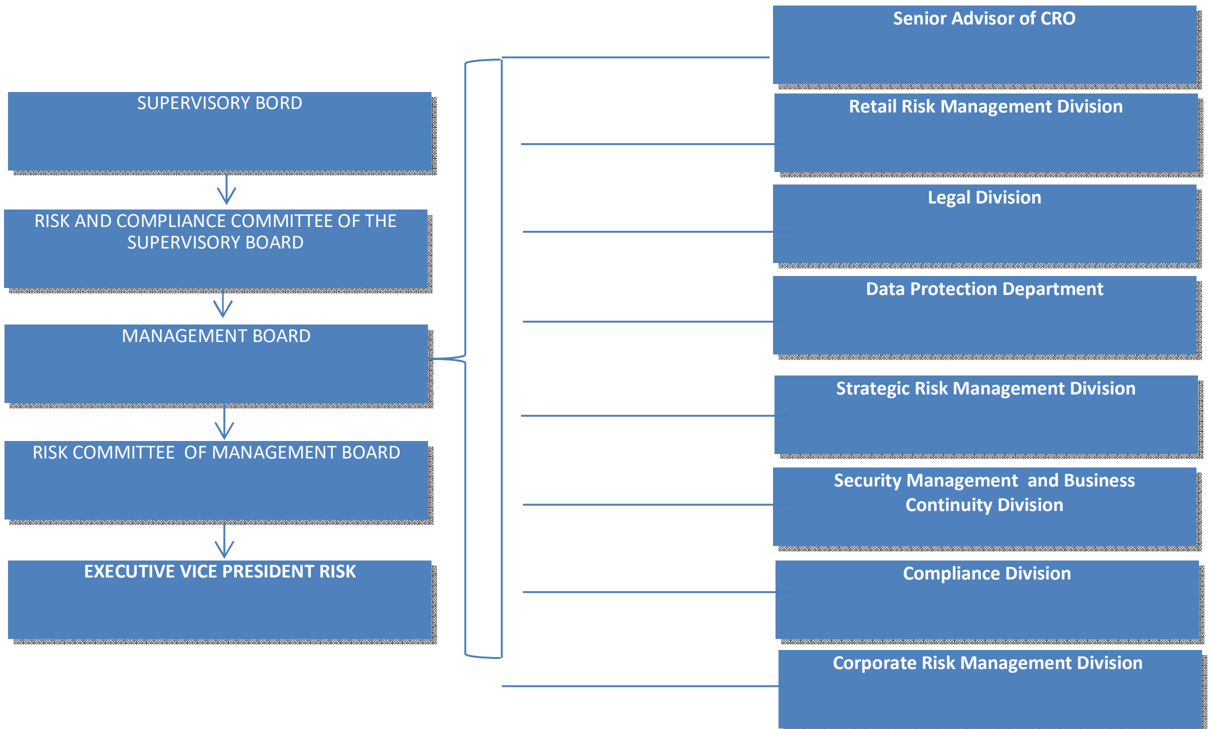

Figure: Organizational structure of Risk Management Function as of end 2020

40.4 Group-wide risk and capital management

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

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

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

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

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

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

40. Risk management *(continued)*

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

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

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

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

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

40.4.1 Risk appetite

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

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

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

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

40. Risk management *(continued)*
40.4. Group-wide risk and capital management *(continued)*
40.4.1. Risk appetite *(continued)*

In addition, strategic risk limits and principles are defined based on the Group RAS in the Group Risk Strategy. These limits and principles support the implementation of the mid to long term risk strategy. Risk management governance ensures full oversight over all risk decisions and the proper execution of the risk strategies. Risk mitigating actions are undertaken as part of the regular risk management process to ensure that the Group remains within its defined RAS.

The RAS horizon covers 5 years to ensure a stronger interplay with the other strategic processes such as long-term planning and budgeting. The Group RAS 2020 was pre-approved by both Management Board and the Risk Committee of the Management Board and approved by the Supervisory Board, as part of the increased role of the Supervisory Board in RAS setting and monitoring.

40.4.2 Portfolio and risk analytics

The Group uses dedicated infrastructure, systems and processes to actively identify, control and manage risks within the scope of the portfolio. Portfolio and risk analytics processes are designed to quantify, qualify and discuss risks in order to raise awareness to management in a timely manner.

40.4.3 Risk materiality assessment

The Group has implemented and continuously develops its risk materiality assessment framework. This process is not limited to the risk function and therefore various other organizational units are involved in order to ensure the comprehensiveness of the assessment. Such broad involvement improves the understanding of the sources of risk, clarifies how risks relate to specific business activities, and provides the best chances of identifying newly emerging risks.

The risk materiality assessment is an annual process with the purpose of systematically assessing new and assessing existing material risks for the Group. The process uses a combination of quantitative and qualitative factors in the assessment of each risk type.

This assessment represents the starting point of the ICAAP process, as identified material risk types need to be considered either directly by allocating capital (or liquid assets) or indirectly through implementation of processes and control based measures within the ICAAP framework elements. Insights generated by the assessment are used to improve risk management practices and further mitigate risks within the Group. The assessment also serves as an input for the design and definition of the Group’s Risk Strategy and Risk Appetite Statement.

40.4.4 Risk Profile

The risk profile is defined as the assessment at a given point in time of gross and, where appropriate, net risk exposures (after taking into account risk mitigants), aggregated within and between each relevant risk category, on the basis of current assumptions or anticipatory.

As part of its risk strategy, the Group analyses its actual risk profile and determines a target risk profile based on its strategic goals. The risk profile is a result of the risk assessment process in combination with the boundaries set by the business strategy and the risk appetite framework. The risk profile is a key input in setting the business objectives, policies, risk appetite and the internal control environment in the Group.

40.4.5 Risk concentration analysis

The Group’s concentration risk management framework outlines the methods needed to identify, measure, monitor, and mitigate concentration risks. The implementation of such methods is essential to ensuring the long-term viability of any financial institution, especially in the case of stressed economic conditions. Concentration risk is addressed through the banks’ comprehensive limit framework and specific concentration analyses.

40.4.6 Stress testing

Stress testing is a key risk management tool which supports the Bank in taking a forward-looking view of its risk profile as well as in strategic, business, risk, capital and liquidity planning. In this sense, stress testing is a vital element of the bank's (ERM) framework.

Stress testing the Bank's vulnerability to severe but plausible future deteriorations of the economic environment provides key insight in the sustainability and robustness of the bank and helps by ensuring timely preparation and execution of contingency plans and mitigating actions.

Based on forward – looking severe macroeconomic scenarios, the Group performs a yearly comprehensive stress testing exercise which seeks to identify any potential vulnerabilities of the bank and provide further robustness to the measuring, steering and management system.

Reverse stress testing, which assesses scenarios and circumstances that would jeopardize the bank's solvability, earnings and economic capital adequacy, complements the bank's stress testing program. Unlike the comprehensive stress testing, reverse stress testing starts from an outcome of business failure and identifies under what circumstances this might occur, for the purpose of identifying possible combinations of risk events / concentrations.

Results of the stress testing program are further analysed particularly with regard to the bank's planning and budgeting process, risk materiality assessment or the risk-bearing capacity calculation.

40.4.7 Risk Capacity

The risk-bearing capacity is defined as the maximum level of risk that Bank may assume, taking into account the applicable capital requirements, its own risk management and control capabilities, and its regulatory constraints.

The Group defines the risk-bearing capacity as a prospective view of risk that is useful in establishing allocations of risk, capital or both to drive value for the shareholders and the organization as a whole. The risk capacity represents the limit beyond which a breach is likely to result in failure. The Group defines its risk capacity prior to framing strategy and setting its risk appetite.

Within the risk-bearing capacity calculation (RCC), the quantified risks are aggregated and compared to the risk coverage potential. The integral forecast, risk appetite as well as a traffic light system support management in its discussions and decision processes.

Based on the Group business and risk profile, the three main types of banking risks – credit risk, market risk and operational risk – are considered directly in the RCC. Additionally, other quantifiable material risks (which are not directly considered in RCC) identified through the Risk Materiality Assessment process are considered via capital allocations into RCC.

40.4.8 Risk planning and forecasting

Planning of risk relevant key numbers is also part of BCR Enterprise Risk Management framework and it assures the adequate reflection of risks within the steering and management process of the Group. Risk management and forecasting is used by the Group in strategic decision making. Implementing risk-based financial forecasts that link capital/liquidity adequacy to changes in macroeconomic conditions represents a powerful way to develop an understanding of risk.

The Group ensures that there is a strong link between the capital planning, budgeting and strategic planning processes. The risk planning and forecasting process includes both a forward- and backward-looking component, focusing on both portfolio and economic environment changes.

Key risk indicators covered by the Risk Planning framework include indicators that provide an overview of incurred or potential risks which contribute to overview of profitability and capital adequacy. Indicators include RWA (and related indicators), portfolio quality indicators (impairments, NPL/NPE and relevant performance indicators etc.), as well as indicators required by the regulatory authorities under the risks divisions responsibility.

40. Risk management *(continued)*
40.4. Group-wide risk and capital management *(continued)*

40.4.9 Risk-weighted asset management

As risk-weighted assets (RWA) determine the actual regulatory capital requirement of the Group and influence the capital adequacy ratio, particular emphasis is devoted to meet targets and to the planning and forecasting capacity for RWA. Insights from RWA analysis are used to improve the calculation infrastructure and the quality of input parameters and data as well as the most efficient application of the EU regulatory capital framework (Capital Requirements Regulation – CRR).

40.4.10 Risk monitoring and review

Risks exposures are dynamic and therefore need to be monitored and reviewed in a timely and adequate manner.

Risks and the progress in implementing recommendations to reduce risks are kept under review and any new practices are evaluated. This enables the Group to monitor if the actions have had the desired effect of reducing risk, and creating a more stable environment for its activity.

Monitoring and review is a key component of the Group's risk management process. Results are recorded and reported externally and internally, as appropriate. The results are also an input in the review and continuous improvement of the Group's risk management framework.

Monitoring and review of risks is required, to evaluate any changes in the risk or control environment. This also requires regular monitoring of risks in light of new developments, providing early warning if risk levels change.

40.4.11 Capital planning and capital allocation

Based on the material risks identified, the Group assesses its overall capital adequacy, and develops a strategy for maintaining adequate capital levels consistent with its risk profile and business plans. This is reflected in the Group's capital planning process and the setting of internal capital targets.

The Group ensures that a well-defined process is put in place to translate estimates of risk into an assessment of capital adequacy.

Adequate systems and processes for managing risks are in place and implemented effectively, with consideration for providing appropriate capital for any residual risks that cannot be reduced to satisfactory levels.

The capital planning process is dynamic and forward-looking in relation to the Group's risk profile and its stated RAS.

Sound capital planning is critical for determining the prudent amount, type and composition of capital that is consistent with the Bank long-term strategy of being able to pursue business objectives, while also withstanding stress economic conditions.

An important task integral to the risk planning process is the allocation of capital to entities, business lines and segments. This is done based on close co-operation between risk management and controlling functions. All insights from the ICAAP and controlling processes are used to allocate capital with a view to risk-return considerations.

Leverage ratio

The leverage ratio represents the relationship between core capital (tier 1) and leverage exposure according to Article 429 CRR. Essentially, the leverage exposure represents the sum of unweighted on- and off-balance-sheet positions considering valuation and risk adjustments as defined within the CRR.

The calculation and disclosure of the leverage ratio is based on the European Commission's delegated regulation ((EU) 2015/62 of 10 October 2014), which was published in the Official Journal of the European Union on 17 January 2015.

40. Risk management *(continued)*
40.4. Group-wide risk and capital management *(continued)*

40.4.12 Recovery and resolution plan

Recovery Plan concept

Banks are required to draft recovery plans to prepare for possible financial difficulties and restore its viability in a timely manner during periods of financial distress. Recovery plans should be fully aligned with bank's risk management framework. In broad lines, banks are expected to set up a governance framework that promptly detects a stress situation and operates swiftly and smoothly in a crisis. The core of the recovery plans outlines a wide range of credible and feasible recovery options to restore viability, for example to improve the capital or liquidity situation. To identify and react to critical situations, banks should monitor a range of indicators reflecting at least their capital, liquidity, asset quality and profitability situation.

BCR maintains a comprehensive Recovery Plan, issued based on the provisions of the Romanian Banking Law (i.e. the Emergency Ordinance no. 99/2006), Law 312/2015 on the recovery and resolution of credit institutions and investment firms), of Bank Recovery and Resolution Directive 2014/59/EU (BRRD), of Regulation ((EU) 2016/1075) supplementing the Bank Recovery and Resolution Directive, of EBA guidelines and regulatory technical standards and of the EGB Group Recovery Plan.

The BCR Recovery Plan sets a governance framework for the drawing up and the implementation of the plan as a main pillar of strengthening the financial resilience of BCR and restoring its financial position following a significant deterioration. It identifies a set of recovery measures which could be taken in order to restore BCR financial strength and viability when it comes under severe stress.

The Recovery Plan is update on an annual basis or after any changes to the legal or organisational structure of BCR or to its business or its financial position that could have a material effect on or require a change to the plan.

Resolution Planning and Resolution Plan concept

In contrast to recovery plans, resolution plans are not drawn up by the banks but are prepared and regularly updated by the Single Resolution Board SRB (for Banking Union entities) and National Resolution Authorities NRA (non Banking Union entities).

The SRB in cooperation with the National Resolution Authorities is mainly responsible for the resolution planning of banks and, should they fail, their orderly resolution. When drafting a resolution plan, the SRB in cooperation with the National Resolution Authorities evaluate the extent to which a bank is resolvable by applying resolution tools to it, in accordance to the preferred resolution strategy, while avoiding any significant adverse consequences for the financial system and the real economy.

"Working together" is crucial for building resolvability. The legal framework acknowledges the important role of banks in the context of resolution planning and crisis management. The SRB/NRA may require banks to assist it in the drawing up and updating of resolution plans. Assistance involves :

- Provision of information and reporting - The provision of information for resolution planning and crisis management is one important aspect. Banks are expected to deliver at minimum a set of standard templates for the provision of core information to resolution authorities on a regular basis and be ready to deliver all other information deemed relevant for resolution purposes by the NRA.

- Proposal of measures to address or remove impediments - When drafting and updating resolution plans the SRB/NRA assesses the extent to which banks are resolvable in accordance to the preferred resolution strategy . The conclusion of the assessment of resolvability includes a description of any impediments to resolvability. Banks are expected to play an active role in the process of identifying and removing impediments and demonstrating that it is resolvable and prepared for crisis management.

Preferred Resolution strategy

The preferred resolution strategy for BCR Group is an MPE strategy. The Single Resolution Board (SRB), acting as Erste Group Bank AG Level Resolution Authority, and the "Resolution Authorities" (Romanian Resolution Authority, Croatian Resolution Authority, Czech Republic Resolution Authority, Hungarian Resolution Authority) working together within the Resolution College, have reached a Joint Decision on The Group Resolution Plan and the Resolvability Assessment for Erste Group Bank AG (RC/JD/2020/05) on 28th of February 2020.

The joint decision on the resolution plan states: "The preferred resolution strategy for Erste Group is an MPE (Multiple Point of Entry) strategy for European Union entities as well as for third countries."

Consequence of its MPE resolution strategy BCR Group is forming a separate resolution group with Erste Group while on country level it follows an SPE approach.

Under the MPE strategy, the point of entry for BCR Resolution Group is BCR S.A. which means that the losses are recognized at BCR S.A. level and the bail-in takes place at BCR S.A. level

40.5 Credit Risk

Definition and overview

Credit risk is the risk of a partial or complete default on contractually agreed payment obligations. Credit risk refers to the negative consequences associated with defaults or the non-fulfilment of concluded contracts in banking operations due to deterioration in the counterparty's credit quality.

The Bank also defines credit risk as the current or prospective risk to earnings and capital arising from a borrower's failure to meet the terms of any contract with the credit institution or its failure to perform as agreed.

Credit risk arises in BCR's traditional lending and investment activities.

It also involves credit losses due to counterparty risk from trading in instruments and derivatives bearing market risk. Country risk and related macro-economic forward looking information is also recognised in the calculation of credit risk.

Credit risk is inherent in the following forms:

Cash and cash equivalents – other demand deposits represents all balance receivables on demand with credit institutions (nostro accounts).

Lending facilities represents the full amount of the repayment obligations to the Bank by debtors / borrowers, including loans and receivables to credit institution and to customers.

Irrevocable and revocable contingent liabilities represent the potential amount that the Bank has recourse to its client in respect to transactions undertaken but not yet settled, i.e. underwriting, pending settlement date etc.

Financial markets transactions represent the deemed risk amount arising from the non-settlement of transactions and/or the replacement cost of various financial markets contracts based on methodologies and calculation formulae approved by the Bank. Such transactions with individual counterparties may also be accounted for on a 'netted'/'cross-collateralized' basis where such arrangements have clear legal precedent or are well established in market practice. This positions includes financial assets held for trading or mandatorily at fair value through profit or loss or at fair value through other comprehensive income or at amortised cost, together with the positive fair value of derivatives without equity instruments.

The Bank grants loans to the corporate customers that can generate appropriate cash-flows, with a good reputation in the business environment, that have a proper credit rating and to the retail customers which have stable incomes and are trustworthy as regards the fulfilment of the contract obligations towards the Bank.

In the loan approval process the Bank is mainly interested in the first credit repayment source, the customer's capacity to generate cash-flows (for corporate customers) and to gain stable incomes (for retail customers).

Credit risk includes subcategories among which:

Default Risk is the risk that issuers and obligors fail to meet contractual obligations; double-default (or wrong-way) risk occurs when collateral is also impaired.

40. Risk management *(continued)*
40.5. Credit risk *(continued)*

Country risk means the risk of exposure to loss caused by events in a foreign country. This risk category encompasses country, sovereign risks and transfer risks. Sovereign risk is the risk that a central or regional government defaults on its debt or other obligations. Transfer risk is the risk that arises when debtors are unable to meet their obligations owing to an inability to transfer assets to non-residents due to direct sovereign intervention.

Concentration risk which refers to the potential adverse consequences, which may arise from concentrations or interactions between similar risk factors or risk types, such as the risk arising from loans to the same client, to a group of connected clients, to clients from the same geographic region or industry, or to clients who offer the same goods and services, as well as the risk arising from the use of credit risk mitigation techniques and in particular from large indirect credit exposures.

FX Induced Credit Risk is a risk associated with foreign currency lending to un-hedged borrowers, which arises due to exchange rate fluctuations of the respective foreign currency.

Internal rating system

BCR has business and risk strategies in place that govern policies for lending and credit approval processes. These policies are reviewed and adjusted regularly, at minimum on a yearly basis. They cover the entire lending business, taking into account the nature, scope and risk level of the transactions and the counterparties involved. Credit approval considers individual information on the creditworthiness of the customer, the type of credit, collateral, covenant package and other risk mitigation factors involved.

The assessment of counterparty default risk within the Group is based on the customer's probability of default (PD). For each credit exposure and lending decision, the Group assigns an internal rating, which is a unique measure of the counterparty default risk. The internal rating of each customer is updated event-specific, however, at least once a year (annual rating review). Ratings of workout customers are reviewed with higher frequency.

The main purpose of the internal ratings is to support the decision-making for lending and for the terms of credit facilities. Internal ratings also determine the level of decision-making authority within the Group and the monitoring procedures for existing exposures. At a quantitative level, internal ratings influence the level of required risk pricing, risk allowances and risk-weighted assets.

Internal ratings take into account all available significant information for the assessment of counterparty default risk. For non-retail borrowers, internal ratings take into account the financial strength of the counterparty, the possibility of external support, flexibility in corporate financing, general company information and external credit history information, where available. For retail clients, internal ratings are based mainly on payment behaviour versus the Bank and, where applicable, credit bureau information, supplemented with information provided by the respective client and general demographic information. Rating ceiling rules on credit quality are applied based on membership in a group of economically related entities and the country of main economic activity (applicable to cross-border financing facilities).

Internal specialist teams develop and improve internal rating models and risk parameters in cooperation with risk managers. Model development follows an internal group-wide methodological standard and utilises relevant data covering the respective market.

All rating models and their components (scorecards), whether retail or non-retail, are regularly validated by the central validation unit based on a Group-wide standard methodology. Validation uses statistical techniques to evaluate the accuracy of default prediction, rating stability, data quality, completeness and relevance, reviews the quality of documentation and degree of user acceptance. The results of this validation process are reported to the Group's management body. In addition to the validation process, the Group applies a regular monitoring process on the performance of rating tools, reflecting developments in new defaults and early delinquencies.

Credit risk classification

For the purpose of disclosing asset quality, the Group assigns each customer to one of the following four risk categories:

Low risk: Typically regional customers with well-established and rather long-standing relationships or large internationally recognized customers. A strong and good financial position and no foreseeable financial difficulties. Retail clients having long relationships with the Group, or clients with a wide product pool use. No relevant late payments currently or in the most recent 12 months. New business is generally with clients in this risk category.

Management attention: Vulnerable non-retail clients that may have overdue payments or defaults in their credit history or may encounter debt repayment difficulties in the medium term. Retail clients with limited savings or payment problems in the past triggering early collection reminders. These clients typically have a good recent payment history.

40. Risk management *(continued)*
40.5. Credit risk *(continued)*

Substandard: The borrower is vulnerable to negative financial and economic developments and shows an elevated probability of failure. In some cases, restructuring measures are possible or already in place. Such loans are managed in specialized risk management departments.

Non-performing: In line with EBA's Technical Standards on forbearance and non-performing exposure. This category includes the non-performing exposure to defaulted customers in the sense of art. 178 of EU Regulation no. 575/2013 including unlikeliness to pay, overdue material amounts with more than 90 days past due, restructuring resulting into a loss to the lender, realization of a loan loss and initiation of Bankruptcy proceedings. BCR applies the customer view for all customer segments, including retail clients; if an obligor defaults on one deal then the customer's performing transactions are classified as non-performing as well.

The assignment of exposures to risk categories is based on the calibration of PDs for regulatory purposes to the default rates published by rating agencies, the equivalent external customer rating was used for the assignment to risk categories. For the agency ratings, average one-year default rates resulting from long-term time series were applied.

Credit risk review and monitoring

In order to manage the credit risk for large corporates, banks, sovereigns and country risk, credit limits are established to reflect the maximum exposure that the Group is willing to have towards a particular customer or group of connected clients. All credit limits and the transactions booked within the limits are reviewed at least once a year.

For corporate clients there is a procedure in place related to Early Warning Signals identification and monitoring, through which it is ensured the detection at early stage of the sensitive exposure through a pro-active approach of the clients and maintaining an adequate payment behaviour of the corporate clients. Once adverse developments are identified, an action plan containing corrective measures is initiated.

For smaller enterprises (micro-banking) and private individuals (PI) customers, the portfolio monitoring and management is based on an automated early warning system and MIS (Management Integrated System) Group standards. In retail risk management the following early warning signals indicate potential adverse portfolio developments if left unaddressed:

- deterioration of new business quality,
- decreasing collections efficiency,
- average portfolio rating deterioration.

Credit portfolio reports for asset classes and business lines are prepared on a regular basis. Watch-list meetings are held on a regular basis to monitor customers with a poor credit standing and to discuss pre-emptive measures to help a particular debtor avoid default.

Credit risk exposure

Credit risk exposure relates to the following balance sheet items:

- cash and cash balances – demand deposits to central and credit institutions;
- debt instruments held for trading;
- non-trading debt instruments at fair value through profit or loss (FVPL);
- debt instruments at fair value through other comprehensive income (FVOCI);
- debt instruments at amortised cost (AC), other than trade and other receivables;
- debt instruments held for sale in disposal groups;
- finance lease receivables;
- trade and other receivables (for disclosure purposes in the tabular summaries below, any contract assets are also included in this category);
- positive fair value of derivatives;
- off-balance sheet credit risks (primarily financial guarantees and undrawn credit commitments).

For credit risk purposes debt instruments shall include debt securities and loans and advances. Equity instruments are not included in the credit risk exposure.

40. Risk management *(continued)*
40.5. Credit risk *(continued)*

The credit risk exposure comprises the gross carrying amount (or nominal value in the case of off-balance-sheet positions) without taking into account the followings:

- credit loss allowances for financial assets;
- credit loss allowances for loan commitments and financial guarantees;
- provisions for other commitments;
- any collateral held (including risk transfer to guarantors);
- netting effects;
- other credit enhancements;
- credit risk mitigating transactions.

The gross carrying amount of the credit risk exposure of the Group increased by RON 8,991,493 thousands from almost RON 78,992,815 thousands as of 31 December 2019 to approximately RON 87,984,308 thousands as of 31 December 2020.

The gross carrying amount of the credit risk exposure of the Bank increased by RON 10,265,238 thousands, from almost RON 76,158,491 thousands as of 31 December 2019 to approximately RON 86,423,729 thousands as of 31 December 2020.

Reconciliation between the gross carrying amount and the carrying amount of the credit risk exposure components

	Group				Bank			
in RON thousands	Credit risk exposure	Credit loss allowances	Adjustments	Carrying amount	Credit risk exposure	Credit loss allowances	Adjustments	Carrying amount
	31.12.2020							
Cash and cash equivalents – other demand deposits	315,202	(1,436)	-	313,767	178,521	(225)	-	178,296
Debt instruments held for trading	1,248,822	-	-	1,248,822	1,248,822	-	-	1,248,822
Non-trading debt instruments at FVPL	29,706	-	-	29,706	29,706	-	-	29,706
Debt securities	27,781	-	-	27,781	27,781	-	-	27,781
Loans and advances to customers	1,925	-	-	1,925	1,925	-	-	1,925
Debt instruments at FVOCI	7,389,269	(8,838)	146,857	7,536,126	7,364,672	(7,681)	146,854	7,511,525
Debt securities	7,389,269	(8,838)	146,857	7,536,126	7,364,672	(7,681)	146,854	7,511,525
Debt instruments at AC	60,403,522	(2,412,575)	-	57,990,947	59,778,467	(2,405,811)	-	57,372,656
Debt securities	14,847,648	(20,078)	-	14,827,570	14,001,606	(14,615)	-	13,986,991
Loans and advances to banks	2,029,037	(1,016)	-	2,028,021	2,093,992	(67,784)	-	2,026,208
Loans and advances to customers	43,526,837	(2,391,481)	-	41,135,356	43,682,869	(2,323,412)	-	41,359,457
Trade and other receivables	625,208	(61,323)	-	563,885	599,760	(51,663)	-	548,097
Finance lease receivables	1,345,791	(44,411)	-	1,301,380	19,782	(4,677)	-	15,106
Off balance-sheet exposures	16,626,788	(384,053)	-	-	17,203,999	(389,299)	-	-
Total	**87,984,308**	**(2,912,636)**	**146,857**	**68,984,633**	**86,423,729**	**(2,859,356)**	**146,854**	**66,904,208**

	Group				Bank			
in RON thousands	Credit risk exposure	Credit loss allowances	Adjustments	Carrying amount	Credit risk exposure	Credit loss allowances	Adjustments	Carrying amount
	31.12.2019							
Cash and cash equivalents – other demand deposits	478,009	(941)	-	477,068	396,405	-	-	396,405
Debt instruments held for trading	429,356	-	-	429,356	429,356	-	-	429,356
Non-trading debt instruments at FVPL	53,484	-	-	53,484	53,484	-	-	53,484
Debt securities	49,922	-	-	49,922	49,922	-	-	49,922
Loans and advances to banks	-	-	-	-	-	-	-	-
Loans and advances to customers	3,562	-	-	3,562	3,562	-	-	3,562
Debt instruments at FVOCI	6,059,185	(3,319)	58,660	6,117,844	6,057,252	(3,232)	58,650	6,115,902
Debt securities	6,059,185	(3,319)	58,660	6,117,844	6,057,252	(3,232)	58,650	6,115,902
Loans and advances to banks	-	-	-	-	-	-	-	-
Loans and advances to customers	-	-	-	-	-	-	-	-
Debt instruments at AC	56,779,066	(1,879,985)	-	54,899,082	54,884,549	(1,865,237)	-	53,019,312
Debt securities	15,748,570	(13,382)	-	15,735,188	14,430,674	(7,887)	-	14,422,788
Loans and advances to banks	662,158	(721)	-	661,437	728,596	(67,510)	-	661,086
Loans and advances to customers	40,368,338	(1,865,882)	-	38,502,456	39,725,279	(1,789,840)	-	37,935,439
Trade and other receivables	515,322	(90,263)	-	425,060	488,097	(79,320)	-	408,778
Finance lease receivables	1,156,806	(38,874)	-	1,117,933	3,692	(293)	-	3,399
Debt instruments held for sale in disposal groups	-	-	-	-	-	-	-	-
Positive fair value of hedge accounting derivatives	-	-	-	-	-	-	-	-
Off balance-sheet exposures	13,521,587	(367,330)	-	-	13,845,656	(370,555)	-	-
Total	**78,992,815**	**(2,380,711)**	**58,660**	**63,519,826**	**76,158,491**	**(2,318,637)**	**58,650**	**60,426,635**

*Adjustments refer to the fair value changes of the carrying amount for financial assets at FVOCI.

40. Risk management *(continued)*
40.5. Credit risk *(continued)*

Credit risk provisions comprise impairments for financial assets measured at amortised cost (including finance lease receivables and trade and other receivables) and at fair value through other comprehensive income (FVOCI), as well as provisions for off-balance sheet exposures.

(i) The gross carrying amount of contingent liabilities refers to the nominal value, while credit risk provisions refer to provisions for financial guarantees. A carrying amount is not presented in the case of contingent liabilities.

Breakdown of credit risk exposure

On the next pages the credit risk exposure is categorized in the following way:

- counterparty sector and financial instrument;
- off-balance sheet exposure by product;
- industry and IFRS 9 treatment;
- risk category;
- region and risk category;
- region and IFRS 9 treatment;
- business segment and risk category;
- business segment and IFRS 9 treatment;
- geographical segment and risk category;
- geographical segment and IFRS 9 treatment;
- business segment and coverage by credit loss allowances;
- geographical segment and coverage by credit loss allowances and collateral.

Credit risk exposure by counterparty sector and financial instrument

Group

in RON thousands	Cash and cash equivalents – other demand deposits	Debt instruments held for trading	Non-trading debt instruments at FVPL	Debt instruments at FVOCI	At amortised cost: Debt securities	At amortised cost: Loans and advances to banks	At amortised cost: Loans and advances to customers	Trade and other receivables	Finance lease receivables	Debt instru-ments held for sale in disposal	Positive fair value of hedge accounting derivatives	Off balance-sheet exposures	Total
							31.12.2020						
Central banks	-	-	-	23,502	100,991	1,990	-	-	-	-	-	-	126,483
General governments	-	1,208,932	-	7,360,557	14,694,945	-	3,576,653	24,680	550	-	-	3,927,346	30,793,663
Credit institutions	315,202	13,275	-	-	51,712	2,027,047	-	94,808	-	-	-	627,146	3,129,190
Other financial corporations	-	-	27,781	-	-	-	224,507	13,974	18,149	-	-	399,765	684,176
Non-financial corporations	-	26,615	1,925	5,210	-	-	13,784,695	396,635	1,315,757	-	-	10,354,919	25,885,756
Households	-	-	-	-	-	-	25,940,982	95,111	11,335	-	-	1,317,612	27,365,040
Total	**315,202**	**1,248,822**	**29,706**	**7,389,269**	**14,847,648**	**2,029,037**	**43,526,837**	**625,208**	**1,345,791**	**-**	**-**	**16,626,788**	**87,984,308**

Group

in RON thousands	Cash and cash equivalents – other demand deposits	Debt instruments held for trading	Non-trading debt instruments at FVPL	Debt instruments at FVOCI	At amortised cost: Debt securities	At amortised cost: Loans and advances to banks	At amortised cost: Loans and advances to customers	Trade and other receivables	Finance lease receivables	Debt instru-ments held for sale in disposal	Positive fair value of hedge accounting derivatives	Off balance-sheet exposures	Total
							31.12.2019						
Central banks	-	-	-	1,932	49,552	171	-	-	-	-	-	-	51,655
General governments	-	389,256	-	6,052,040	15,647,307	-	2,936,095	34,476	550	-	-	2,410,743	27,470,466
Credit institutions	478,009	5,384	-	-	51,711	661,987	-	54,178	-	-	-	664,280	1,915,550
Other financial corporations	-	-	49,922	-	-	-	185,637	18,803	15,110	-	-	219,064	488,536
Non-financial corporations	-	34,716	3,562	5,213	-	-	13,028,112	391,355	1,107,825	-	-	8,974,831	23,545,612
Households	-	-	-	-	-	-	24,218,495	16,511	33,321	-	-	1,252,669	25,520,996
Total	**478,009**	**429,356**	**53,484**	**6,059,185**	**15,748,570**	**662,158**	**40,368,338**	**515,322**	**1,156,806**	**-**	**-**	**13,521,587**	**78,992,815**

40. Risk management *(continued)*
40.5. Credit risk *(continued)*

Bank

in RON thousands	Cash and cash equivalents – other demand deposits	Debt instruments held for trading	Non-trading debt instruments at FVPL	Debt instruments at FVOCI	At amortised cost: Debt securities	At amortised cost: Loans and advances to banks	At amortised cost: Loans and advances to customers	Trade and other receivables	Finance lease receivables	Debt instruments held for sale in disposal	Positive fair value of hedge accounting derivatives	Off balance-sheet exposures	Total
							31.12.2020						
Central banks	-	-	-	-	-	1,990	-	-	-	-	-	-	1,990
General governments	-	1,208,932	-	7,359,462	13,949,894	-	3,576,653	24,679	-	-	-	3,927,346	30,046,966
Credit institutions	178,521	13,275	-	-	51,712	2,092,002	-	94,172	4,654	-	-	702,818	3,137,154
Other financial corporations	-	-	27,781	-	-	-	1,535,485	13,284	14,548	-	-	914,450	2,505,548
Non-financial corporations	-	26,615	1,925	5,210	-	-	12,861,778	373,146	580	-	-	10,342,532	23,611,786
Households	-	-	-	-	-	-	25,708,953	94,479	-	-	-	1,316,853	27,120,285
Total	**178,521**	**1,248,822**	**29,706**	**7,364,672**	**14,001,606**	**2,093,992**	**43,682,869**	**599,760**	**19,782**	**-**	**-**	**17,203,999**	**86,423,729**

Bank

in RON thousands	Cash and cash equivalents – other demand deposits	Debt instruments held for trading	Non-trading debt instruments at FVPL	Debt instruments at FVOCI	At amortised cost: Debt securities	At amortised cost: Loans and advances to banks	At amortised cost: Loans and advances to customers	Trade and other receivables	Finance lease receivables	Debt instruments held for sale in disposal	Positive fair value of hedge accounting derivatives	Off balance-sheet exposures	Total
							31.12.2019						
Central banks	-	-	-	-	-	171	-	-	-	-	-	-	171
General governments	-	389,256	-	6,052,040	14,378,963	-	2,936,095	34,476	-	-	-	2,410,743	26,201,573
Credit institutions	396,405	5,384	-	-	51,711	728,425	-	54,193	292	-	-	751,206	1,987,617
Other financial corporations	-	-	49,922	-	-	-	697,015	18,578	3,399	-	-	424,397	1,193,311
Non-financial corporations	-	34,716	3,562	5,213	-	-	12,160,632	364,824	-	-	-	9,010,727	21,579,673
Households	-	-	-	-	-	-	23,931,537	16,027	-	-	-	1,248,582	25,196,146
Total	**396,405**	**429,356**	**53,484**	**6,057,252**	**14,430,674**	**728,596**	**39,725,279**	**488,097**	**3,692**	**-**	**-**	**13,845,656**	**76,158,491**

Contingent liabilities / Off-balance sheet exposures by product

	Group		Bank	
in RON thousands	**31.12.2020**	**31.12.2019**	**31.12.2020**	**31.12.2019**
Financial guarantees	39,770	3,224,539	27,304	3,215,758
Loan commitments	11,458,241	9,294,952	12,043,515	9,627,802
Other commitments	5,128,777	1,002,096	5,133,180	1,002,096
Total	**16,626,788**	**13,521,587**	**17,203,999**	**13,845,656**

Credit risk exposure by industry and IFRS 9 treatment

Group

in RON thousands	Stage 1	Stage 2	Stage 3	POCI	Credit risk exposure (AC and FVOCI)	Not subject to IFRS 9 impairment	Total
				31.12.2020			
Agriculture and forestry	1,023,451	140,261	30,040	965	1,194,717	11,666	1,206,383
Mining	834,751	20,544	36,211	9,838	901,344	951,765	1,853,109
Manufacturing	4,283,041	1,735,054	525,505	25,315	6,568,915	278,073	6,846,988
Energy and water supply	889,035	181,459	44,450	10,472	1,125,416	249,930	1,375,346
Construction	1,594,886	481,871	158,839	22,288	2,257,884	861,229	3,119,113
Trade	3,532,696	1,184,462	48,350	4,142	4,769,650	1,612,433	6,382,083
Transport and communication	2,725,156	571,600	52,852	2,065	3,351,673	77,730	3,429,403
Hotels and restaurants	45,077	275,051	9,807	3,051	332,986	1,795	334,781
Financial and insurance services	2,958,628	320,308	33,495	-	3,312,431	658,736	3,971,167
Real estate and housing	886,534	668,772	28,991	-	1,584,297	12,844	1,597,141
Services	395,444	397,588	20,532	1	813,565	33,151	846,716
Public administration	27,048,676	678,798	3,099	12,301	27,742,874	1,635,112	29,377,986
Education, health and art	227,391	111,549	6,058	-	344,998	12,538	357,536
Households	20,967,768	5,098,115	965,359	245,002	27,276,244	10,303	27,286,547
Other	9	-	-	-	9	-	9
Total	**67,412,543**	**11,865,432**	**1,963,588**	**335,440**	**81,577,003**	**6,407,305**	**87,984,308**

40. Risk management *(continued)*
40.5. Credit risk *(continued)*

Group

in RON thousands	Stage 1	Stage 2	Stage 3	POCI	Credit risk exposure (AC and FVOCI)	Not subject to IFRS 9 impairment	Total
				31.12.2019			
Agriculture and forestry	970,157	77,432	36,424	2,680	1,086,693	692	1,087,385
Mining	1,377,040	5,999	87,360	109,159	1,579,557	-	1,579,557
Manufacturing	5,189,826	1,606,830	169,721	39,578	7,005,954	19,774	7,025,729
Energy and water supply	1,140,555	342,164	42,803	9,023	1,534,544	1,685	1,536,229
Construction	2,300,846	541,794	393,254	64,980	3,300,874	8,112	3,308,986
Development of building projects	-	-	-	-	-	-	-
Trade	3,763,623	549,670	36,575	3,936	4,353,804	605,429	4,959,233
Transport and communication	1,804,838	218,752	56,416	2,725	2,082,731	4,121	2,086,852
Hotels and restaurants	271,374	50,127	3,747	4,025	329,273	-	329,273
Financial and insurance services	2,285,806	191,430	13,173	-	2,490,409	113,740	2,604,149
Holding companies	-	-	-	-	-	-	-
Real estate and housing	1,295,245	14,764	33,271	-	1,343,280	5,156	1,348,436
Services	694,327	137,930	47,083	366	879,706	278	879,984
Public administration	24,849,743	867,296	3,926	13,774	25,734,739	715,627	26,450,365
Education, health and art	230,824	117,357	1,699	-	349,881	232	350,112
Households	21,584,391	2,730,031	846,529	275,483	25,436,434	10,090	25,446,523
Other	-	-	-	-	-	-	-
Total	**67,758,594**	**7,451,576**	**1,771,981**	**525,729**	**77,507,880**	**1,484,935**	**78,992,815**

Bank

in RON thousands	Stage 1	Stage 2	Stage 3	POCI	Credit risk exposure (AC and FVOCI)	Not subject to IFRS 9 impairment	Total
				31.12.2020			
Agriculture and forestry	790,081	118,006	20,978	965	930,030	11,666	941,696
Mining	817,344	19,432	36,138	9,838	882,752	951,765	1,834,517
Manufacturing	4,006,659	1,714,703	511,123	25,315	6,257,800	278,073	6,535,873
Energy and water supply	841,246	181,459	40,159	10,472	1,073,336	249,930	1,323,266
Construction	1,326,584	471,289	144,503	22,288	1,964,664	861,229	2,825,893
Trade	3,086,344	1,136,409	33,781	4,142	4,260,676	1,612,433	5,873,109
Transport and communication	1,956,772	515,153	19,446	2,065	2,493,436	77,730	2,571,166
Hotels and restaurants	16,181	272,858	8,657	3,051	300,747	1,795	302,542
Financial and insurance services	4,624,652	426,643	104,753	-	5,156,048	659,110	5,815,158
Real estate and housing	873,961	668,548	19,284	-	1,561,793	12,844	1,574,637
Services	304,818	573,163	15,008	1	892,990	37,180	930,170
Public administration	26,200,556	678,795	3,099	12,301	26,894,751	1,635,112	28,529,863
Education, health and art	195,305	110,058	5,458	-	310,821	12,538	323,359
Households	20,773,978	5,084,998	928,239	244,962	27,032,177	10,303	27,042,480
Total	**65,814,481**	**11,971,514**	**1,890,626**	**335,400**	**80,012,021**	**6,411,708**	**86,423,729**

Bank

in RON thousands	Stage 1	Stage 2	Stage 3	POCI	Credit risk exposure (AC and FVOCI)	Not subject to IFRS 9 impairment	Total
				31.12.2019			
Agriculture and forestry	749,170	67,449	31,106	2,680	850,404	692	851,096
Mining	1,358,352	5,974	86,911	109,159	1,560,396	-	1,560,396
Manufacturing	4,922,849	1,595,152	165,932	39,578	6,723,511	19,774	6,743,285
Energy and water supply	1,095,412	340,188	40,790	9,023	1,485,412	1,685	1,487,097
Construction	2,141,980	532,349	388,307	64,980	3,127,616	8,112	3,135,728
Trade	3,334,537	533,433	25,946	3,936	3,897,852	605,429	4,503,281
Transport and communication	1,099,603	187,193	20,716	2,725	1,310,237	4,121	1,314,358
Hotels and restaurants	246,480	49,097	2,917	4,025	302,518	-	302,518
Financial and insurance services	2,854,938	305,231	79,883	-	3,240,052	113,740	3,353,792
Real estate and housing	1,286,475	14,529	22,935	-	1,323,939	5,156	1,329,095
Services	656,645	209,376	37,611	366	903,998	278	904,276
Public administration	23,591,393	867,161	3,926	13,774	24,476,255	715,627	25,191,881
Education, health and art	207,659	116,222	1,108	-	324,989	232	325,220
Households	21,346,302	2,725,566	799,025	275,483	25,146,377	10,090	25,156,467
Total	**64,891,795**	**7,548,919**	**1,707,113**	**525,729**	**74,673,556**	**1,484,935**	**76,158,491**

40. Risk management *(continued)*
40.5. Credit risk *(continued)*

Credit risk exposure by industry and risk category

Group

in RON thousands	Low risk	Management attention	Substandard	Non-performing	Total
			31.12.2020		
Agriculture and forestry	554,879	562,752	57,761	30,991	1,206,383
Mining	1,590,410	187,206	5,818	69,675	1,853,109
Manufacturing	3,825,576	2,298,674	162,319	560,419	6,846,988
Energy and water supply	984,153	197,419	135,902	57,872	1,375,346
Construction	1,989,118	574,528	205,647	349,820	3,119,113
Trade	4,794,859	1,312,718	218,931	55,575	6,382,083
Transport and communication	2,508,743	834,550	29,424	56,686	3,429,403
Hotels and restaurants	67,291	178,802	75,830	12,858	334,781
Financial and insurance services	3,879,121	52,909	5,642	33,495	3,971,167
Real estate and housing	988,837	509,875	68,037	30,392	1,597,141
Services	514,426	273,603	33,237	25,450	846,716
Public administration	29,051,518	315,397	7,972	3,099	29,377,986
Education, health and art	306,943	30,012	14,118	6,463	357,536
Households	24,204,135	1,127,833	904,816	1,049,763	27,286,547
Total	**75,260,018**	**8,456,278**	**1,925,454**	**2,342,558**	**87,984,308**

Group

in RON thousands	Low risk	Management attention	Substandard	Non-performing	Total
			31.12.2019		
Agriculture and forestry	415,589	588,074	44,631	39,091	1,087,385
Mining	1,352,607	25,456	4,976	196,519	1,579,557
Manufacturing	4,218,585	1,994,786	601,377	210,981	7,025,729
Energy and water supply	939,086	233,568	311,749	51,826	1,536,229
Construction	1,953,432	587,624	327,920	440,011	3,308,986
Trade	3,662,070	1,144,914	111,816	40,432	4,959,233
Transport and communication	1,549,441	431,317	45,322	60,772	2,086,852
Hotels and restaurants	251,591	38,577	31,332	7,772	329,273
Financial and insurance services	2,464,818	106,119	20,039	13,173	2,604,149
Real estate and housing	1,170,200	133,047	10,090	35,099	1,348,436
Services	535,883	167,112	129,367	47,622	879,984
Public administration	26,152,501	142,530	151,408	3,926	26,450,365
Education, health and art	272,450	37,880	38,083	1,699	350,112
Households	22,431,666	1,207,577	844,575	962,705	25,446,523
Total	**67,369,920**	**6,838,582**	**2,672,685**	**2,111,627**	**78,992,815**

40. Risk management *(continued)*
40.5. Credit risk *(continued)*

Bank

in RON thousands	Low risk	Management attention	Substandard	Non-performing	Total
			31.12.2020		
Agriculture and forestry	346,180	520,134	53,453	21,929	941,696
Mining	1,573,936	185,843	5,135	69,603	1,834,517
Manufacturing	3,595,402	2,234,070	160,364	546,037	6,535,873
Energy and water supply	951,773	182,010	135,902	53,581	1,323,266
Construction	1,745,640	539,953	204,817	335,483	2,825,893
Trade	4,342,209	1,273,238	216,656	41,006	5,873,109
Transport and communication	1,766,447	758,759	22,680	23,280	2,571,166
Hotels and restaurants	39,070	176,121	75,643	11,708	302,542
Financial and insurance services	5,605,354	23,481	81,570	104,753	5,815,158
Real estate and housing	976,977	508,938	68,037	20,685	1,574,637
Services	355,938	523,184	31,121	19,927	930,170
Public administration	28,305,480	213,312	7,972	3,099	28,529,863
Education, health and art	275,299	28,841	13,356	5,863	323,359
Households	24,004,932	1,121,890	903,015	1,012,643	27,042,480
Total	**73,884,637**	**8,289,774**	**1,979,721**	**2,269,597**	**86,423,729**

Bank

in RON thousands	Low risk	Management attention	Substandard	Non-performing	Total
			31.12.2019		
Agriculture and forestry	248,326	525,864	43,134	33,772	851,096
Mining	1,336,538	22,812	4,976	196,070	1,560,396
Manufacturing	4,015,482	1,920,322	600,290	207,192	6,743,285
Energy and water supply	909,600	215,935	311,749	49,812	1,487,097
Construction	1,807,722	565,382	327,561	435,064	3,135,728
Trade	3,279,121	1,083,784	110,573	29,803	4,503,281
Transport and communication	933,870	310,136	45,280	25,072	1,314,358
Hotels and restaurants	228,654	37,552	29,370	6,942	302,518
Financial and insurance services	3,127,100	36,525	110,283	79,883	3,353,792
Real estate and housing	1,162,189	132,053	10,090	24,763	1,329,095
Services	586,690	150,834	128,602	38,150	904,276
Public administration	24,945,502	91,045	151,408	3,926	25,191,881
Education, health and art	249,651	36,807	37,654	1,108	325,220
Households	22,220,841	1,177,712	842,713	915,201	25,156,467
Total	**65,051,286**	**6,306,764**	**2,753,682**	**2,046,759**	**76,158,491**

40. Risk management *(continued)*
40.5. Credit risk *(continued)*

Credit risk exposure by region and risk category

The geographic analysis of credit exposure is based on the country of risk of the borrower and counterparty. It comprises obligors domiciled in other countries if the economic risk exists in the respective country of risk.
Credit risk exposure increased in absolute figures mainly in Romania with RON 7,790,683 thousands from RON 77,295,680 thousands in 2019 to RON 85,086,363 thousands in 2020 in case of Group.
The increase in exposure in main market - Romania registered at Group level is also observed at Bank level: increase with RON 9,166,921 thousands from RON 74,864,566 thousands in 2019 to RON 84,031,487 thousands in 2020. The share of emerging markets remained of minor importance.

Group

in RON thousands	Low risk	Management attention	Substandard	Non-performing	Total
			31.12.2020		
Core markets	**73,119,650**	**8,267,943**	**1,924,122**	**2,157,402**	**85,469,117**
Austria	381,484	114	3	12	381,613
Croatia	-	-	-	-	-
Romania	72,737,999	8,267,342	1,923,632	2,157,390	85,086,363
Serbia	-	487	-	-	487
Slovakia	6	-	-	-	6
Czech Republic	108	-	-	-	108
Hungary	53	-	487	-	540
Other EU	**1,892,607**	**7,420**	**1,099**	**174,268**	**2,075,394**
Other industrialised countries	**30,494**	**3**	**212**	**6**	**30,715**
Emerging markets	**217,267**	**180,912**	**21**	**10,882**	**409,082**
Southeastern Europe/CIS	184,618	174,679	15	10,546	369,858
Asia	32,010	37	1	-	32,048
Latin America	170	-	-	-	170
Middle East/Africa	469	6,196	5	336	7,006
Total	**75,260,018**	**8,456,278**	**1,925,454**	**2,342,558**	**87,984,308**

Group

in RON thousands	Low risk	Management attention	Substandard	Non-performing	Total
			31.12.2019		
Core markets	**66,839,995**	**6,620,641**	**2,651,945**	**1,889,605**	**78,002,186**
Austria	682,178	10	122	8,962	691,271
Croatia	-	-	-	-	-
Romania	66,142,583	6,620,632	2,651,821	1,880,644	77,295,680
Serbia	119	-	-	-	119
Slovakia	30	-	-	-	30
Czech Republic	30	-	-	-	30
Hungary	15,055	-	1	-	15,056
Other EU	**364,977**	**943**	**1,814**	**210,569**	**578,303**
Other industrialised countries	**51,832**	**382**	**202**	**18**	**52,434**
Emerging markets	**113,117**	**216,616**	**18,725**	**11,435**	**359,892**
Southeastern Europe/CIS	112,385	214,301	1,388	11,283	339,357
Asia	280	27	17,147	-	17,454
Latin America	65	-	1	-	66
Middle East/Africa	387	2,287	189	152	3,015
Total	**67,369,920**	**6,838,582**	**2,672,685**	**2,111,627**	**78,992,815**

40. Risk management *(continued)*
40.5. Credit risk *(continued)*

Bank

in RON thousands	Low risk	Management attention	Substandard	Non-performing	Total
			31.12.2020		
Core markets	**71,928,532**	**8,280,963**	**1,978,389**	**2,094,984**	**84,282,868**
Austria	250,115	114	3	8	250,240
Croatia	-	-	-	-	-
Romania	71,678,250	8,280,362	1,977,899	2,094,976	84,031,487
Serbia	-	487	-	-	487
Slovakia	6	-	-	-	6
Czech Republic	108	-	-	-	108
Hungary	53	-	487	-	540
Other EU	**1,892,605**	**2,543**	**1,099**	**174,268**	**2,070,515**
Other industrialised countries	**30,494**	**3**	**212**	**6**	**30,715**
Emerging markets	**33,006**	**6,265**	**21**	**339**	**39,631**
Southeastern Europe/CIS	357	32	15	3	407
Asia	32,010	37	1	-	32,048
Latin America	170	-	-	-	170
Middle East/Africa	469	6,196	5	336	7,006
Total	**73,884,637**	**8,289,774**	**1,979,721**	**2,269,597**	**86,423,729**

Bank

in RON thousands	Low risk	Management attention	Substandard	Non-performing	Total
			31.12.2019		
Core markets	**64,638,246**	**6,285,667**	**2,732,962**	**1,836,020**	**75,492,894**
Austria	604,010	-	122	8,962	613,093
Croatia	-	-	-	-	-
Romania	64,019,002	6,285,667	2,732,838	1,827,058	74,864,566
Serbia	119	-	-	-	119
Slovakia	30	-	-	-	30
Czech Republic	30	-	-	-	30
Hungary	15,055	-	1	-	15,056
Other EU	**360,190**	**943**	**1,814**	**210,569**	**573,516**
Other industrialised countries	**51,832**	**382**	**202**	**18**	**52,434**
Emerging markets	**1,018**	**19,771**	**18,706**	**152**	**39,646**
Southeastern Europe/CIS	286	17,457	1,369	0	19,112
Asia	280	27	17,147	-	17,454
Latin America	65	-	1	-	66
Middle East/Africa	387	2,287	189	152	3,015
Total	**65,051,286**	**6,306,764**	**2,753,682**	**2,046,759**	**76,158,491**

Credit risk exposure by region and IFRS 9 treatment

Group

in RON thousands	Stage 1	Stage 2	Stage 3	POCI	Credit risk exposure (AC and FVOCI)	Not subject to IFRS 9 impairment	Total
				31.12.2020			
Core markets	**65,426,094**	**11,802,231**	**1,917,481**	**333,493**	**79,479,299**	**5,989,818**	**85,469,117**
Austria	234,818	70,416	12	-	305,246	76,367	381,613
Croatia	-	-	-	-	-	-	-
Romania	65,190,706	11,731,322	1,917,469	333,493	79,172,990	5,913,373	85,086,363
Serbia	487	-	-	-	487	-	487
Slovakia	-	6	-	-	6	-	6
Czech Republic	30	-	-	-	30	78	108
Hungary	53	487	-	-	540	-	540
Other EU	**1,674,426**	**12,457**	**35,219**	**1,947**	**1,724,049**	**351,345**	**2,075,394**
Other industrialised countries	**1,521**	**987**	**6**	**-**	**2,514**	**28,201**	**30,715**
Emerging markets	**310,502**	**49,757**	**10,882**	**-**	**371,141**	**37,941**	**409,082**
Southeastern Europe/CIS	309,689	49,623	10,546	-	369,858	-	369,858
Asia	139	129	-	-	268	31,780	32,048
Latin America	170	-	-	-	170	-	170
Middle East/Africa	504	5	336	-	845	6,161	7,006
Total	**67,412,543**	**11,865,432**	**1,963,588**	**335,440**	**81,577,003**	**6,407,305**	**87,984,308**

40. Risk management *(continued)*
40.5. Credit risk *(continued)*

Group

in RON thousands	Stage 1	Stage 2	Stage 3	POCI	Credit risk exposure (AC and FVOCI)	Not subject to IFRS 9 impairment	Total
				31.12.2019			
Core markets	67,117,372	7,385,114	1,551,208	524,137	76,577,830	1,424,356	78,002,186
Austria	620,722	28,233	8,962	-	657,917	33,355	691,271
Croatia	-	-	-	-	-	-	-
Romania	66,481,415	7,356,880	1,542,247	524,137	75,904,679	1,391,001	77,295,680
Serbia	119	-	-	-	119	-	119
Slovakia	30	-	-	-	30	-	30
Czech Republic	30	-	-	-	30	-	30
Hungary	15,055	1	-	-	15,056	-	15,056
Other EU	**329,728**	**27,093**	**209,320**	**1,592**	**567,734**	**10,569**	**578,303**
Other industrialised countries	**2,209**	**285**	**18**	**-**	**2,512**	**49,922**	**52,434**
Emerging markets	**309,285**	**39,084**	**11,435**	**-**	**359,804**	**88**	**359,892**
Southeastern Europe/CIS	289,183	38,892	11,283	-	339,357	-	339,357
Asia	17,363	3	-	-	17,366	88	17,454
Latin America	65	1	-	-	66	-	66
Middle East/Africa	2,674	189	152	-	3,015	-	3,015
Total	**67,758,594**	**7,451,576**	**1,771,981**	**525,729**	**77,507,880**	**1,484,935**	**78,992,815**

Bank

in RON thousands	Stage 1	Stage 2	Stage 3	POCI	Credit risk exposure (AC and FVOCI)	Not subject to IFRS 9 impairment	Total
				31.12.2020			
Core markets	**64,142,110**	**11,958,021**	**1,855,063**	**333,453**	**78,288,647**	**5,994,221**	**84,282,868**
Austria	103,449	70,416	8	-	173,873	76,367	250,240
Croatia	-	-	-	-	-	-	-
Romania	64,038,091	11,887,112	1,855,055	333,453	78,113,711	5,917,776	84,031,487
Serbia	487	-	-	-	487	-	487
Slovakia	-	6	-	-	6	-	6
Czech Republic	30	-	-	-	30	78	108
Hungary	53	487	-	-	540	-	540
Other EU	**1,669,648**	**12,357**	**35,218**	**1,947**	**1,719,170**	**351,345**	**2,070,515**
Other industrialised countries	**1,521**	**987**	**6**	**-**	**2,514**	**28,201**	**30,715**
Emerging markets	**1,202**	**149**	**339**	**-**	**1,690**	**37,941**	**39,631**
Southeastern Europe/CIS	389	15	3	-	407	-	407
Asia	139	129	-	-	268	31,780	32,048
Latin America	170	-	-	-	170	-	170
Middle East/Africa	504	5	336	-	845	6,161	7,006
Total	**65,814,481**	**11,971,514**	**1,890,626**	**335,400**	**80,012,021**	**6,411,708**	**86,423,729**

Bank

in RON thousands	Stage 1	Stage 2	Stage 3	POCI	Credit risk exposure (AC and FVOCI)	Not subject to IFRS 9 impairment	Total
				31.12.2019			
Core markets	**64,531,026**	**7,515,753**	**1,497,623**	**524,137**	**74,068,538**	**1,424,356**	**75,492,894**
Austria	542,545	28,233	8,962	-	579,739	33,355	613,093
Croatia	-	-	-	-	-	-	-
Romania	63,973,247	7,487,519	1,488,661	524,137	73,473,565	1,391,001	74,864,566
Serbia	119	-	-	-	119	-	119
Slovakia	30	-	-	-	30	-	30
Czech Republic	30	-	-	-	30	-	30
Hungary	15,055	1	-	-	15,056	-	15,056
Other EU	**324,942**	**27,093**	**209,320**	**1,592**	**562,946**	**10,569**	**573,516**
Other industrialised countries	**2,209**	**285**	**18**	**-**	**2,512**	**49,922**	**52,434**
Emerging markets	**33,619**	**5,788**	**152**	**-**	**39,558**	**88**	**39,646**
Southeastern Europe/CIS	13,516	5,596	-	-	19,112	-	19,112
Asia	17,363	3	-	-	17,366	88	17,454
Latin America	65	1	-	-	66	-	66
Middle East/Africa	2,674	189	152	-	3,015	-	3,015
Total	**64,891,795**	**7,548,919**	**1,707,113**	**525,729**	**74,673,556**	**1,484,935**	**76,158,491**

In 2020, the defaulted part of POCI amounted to RON 152,777 thousands in Group and Bank as well, while the non-defaulted part to RON 168,489 thousands.
In 2019, the defaulted part of POCI amounted to RON 334,257 thousands in Group and Bank as well, while the non-defaulted part to RON 191,472 thousands.
The majority of POCI amounts are registered in Bank, the defaulted value being RON 152,777 thousands and the non-defaulted amount RON 168,450 thousands.

40. Risk management *(continued)*
40.5. Credit risk *(continued)*

Credit risk exposure by business segment and risk category

Group

in RON thousands	Low risk	Management attention	Substandard	Non-performing	Total
			31.12.2020		
Retail	**25,389,467**	**1,491,285**	**1,088,976**	**1,131,827**	**29,101,555**
Retail	25,389,467	1,491,285	1,088,976	1,131,827	29,101,555
Corporates	**24,016,483**	**6,881,830**	**836,290**	**1,131,074**	**32,865,677**
Small and Medium Enterprises	5,949,268	4,181,570	299,986	311,331	10,742,155
Group Large Corporates	5,950,983	1,075,070	152,328	134,919	7,313,300
Local Large Corporates	1,993,664	591,072	218,565	672,769	3,476,070
Public Sector	8,298,182	516,611	13,364	9,557	8,837,714
Commercial Real Estate	1,824,386	517,507	152,047	2,498	2,496,438
Group Markets	**2,541,000**	**19,395**	**132**	**3,602**	**2,564,129**
Group Markets - Trading	1,730,984	219	-	-	1,731,203
Group Markets - Financial Institutions	810,016	19,176	132	3,602	832,926
Asset/Liability Management and Local Corporate Center	**23,313,068**	**63,768**	**56**	**76,055**	**23,452,947**
Asset/Liability Management	23,034,222	3,710	-	69,318	23,107,250
Corporate Center	278,846	60,058	56	6,737	345,697
Total	**75,260,018**	**8,456,278**	**1,925,454**	**2,342,558**	**87,984,308**

Group

in RON thousands	Low risk	Management attention	Substandard	Non-performing	Total
			31.12.2019		
Retail	**24,029,481**	**1,402,294**	**1,183,679**	**1,004,290**	**27,619,744**
Retail	24,029,481	1,402,294	1,183,679	1,004,290	27,619,744
Corporates	**20,339,691**	**5,372,580**	**1,465,759**	**1,024,351**	**28,202,382**
Small and Medium Enterprises	5,025,216	3,600,868	397,307	261,567	9,284,957
Group Large Corporates	5,676,415	772,639	224,765	179,333	6,853,152
Local Large Corporates	1,892,194	557,716	612,357	555,830	3,618,098
Public Sector	5,464,140	366,071	230,320	12,658	6,073,190
Commercial Real Estate	2,281,726	75,285	1,010	14,964	2,372,985
Group Markets	**1,737,033**	**23,388**	**19,293**	**1,833**	**1,781,547**
Group Markets - Trading	506,858	2,871	660	1,828	512,217
Group Markets - Financial Institutions	1,230,175	20,517	18,633	6	1,269,330
Asset/Liability Management and Local Corporate Center	**21,263,715**	**40,320**	**3,954**	**81,153**	**21,389,142**
Asset/Liability Management	20,838,271	-	-	68,967	20,907,239
Corporate Center	425,444	40,320	3,954	12,185	481,903
Total	**67,369,920**	**6,838,582**	**2,672,685**	**2,111,627**	**78,992,815**

Bank

in RON thousands	Low risk	Management attention	Substandard	Non-performing	Total
			31.12.2020		
Retail	**24,476,561**	**1,488,261**	**1,088,469**	**1,095,122**	**28,148,413**
Retail	24,476,561	1,488,261	1,088,469	1,095,122	28,148,413
Corporates	**21,683,815**	**6,449,811**	**814,109**	**1,094,788**	**30,042,523**
Small and Medium Enterprises	3,616,600	3,749,551	277,805	275,045	7,919,001
Group Large Corporates	5,950,983	1,075,070	152,328	134,919	7,313,300
Local Large Corporates	1,993,664	591,072	218,565	672,769	3,476,070
Public Sector	8,298,182	516,611	13,364	9,557	8,837,714
Commercial Real Estate	1,824,386	517,507	152,047	2,498	2,496,438
Group Markets	**2,546,374**	**26,263**	**132**	**3,602**	**2,576,371**
Group Markets - Trading	1,730,984	219	-	-	1,731,203
Group Markets - Financial Institutions	815,390	26,044	132	3,602	845,168
Asset/Liability Management and Local Corporate Center	**25,177,887**	**325,439**	**77,011**	**76,085**	**25,656,422**
Asset/Liability Management	24,889,248	265,232	76,949	69,348	25,300,777
Corporate Center	288,639	60,207	62	6,737	355,645
Total	**73,884,637**	**8,289,774**	**1,979,721**	**2,269,597**	**86,423,729**

40. Risk management *(continued)*
40.5. Credit risk *(continued)*

Bank

in RON thousands	Low risk	Management attention	Substandard	Non-performing	Total
			31.12.2019		
Retail	**22,617,122**	**1,396,075**	**1,183,128**	**956,931**	**26,153,256**
Retail	22,617,122	1,396,075	1,183,128	956,931	26,153,256
Corporates	**18,515,124**	**4,846,981**	**1,456,849**	**1,006,693**	**25,825,647**
Small and Medium Enterprises	3,200,648	3,075,269	387,757	243,909	6,907,583
Group Large Corporates	5,676,415	772,639	224,765	179,333	6,853,152
Local Large Corporates	1,892,194	557,716	612,996	555,830	3,618,737
Public Sector	5,464,140	366,071	230,320	12,658	6,073,190
Commercial Real Estate	2,281,726	75,285	1,010	14,964	2,372,985
Group Markets	**1,744,819**	**23,388**	**20,098**	**1,833**	**1,790,138**
Group Markets - Trading	506,858	2,871	660	1,828	512,217
Group Markets - Financial Institutions	1,237,961	20,517	19,438	6	1,277,921
Asset/Liability Management and Local Corporate Center	**22,174,221**	**40,320**	**93,607**	**81,301**	**22,389,450**
Asset/Liability Management	21,748,780	-	89,653	69,009	21,907,443
Corporate Center	425,441	40,320	3,954	12,292	482,007
Total	**65,051,286**	**6,306,764**	**2,753,683**	**2,046,759**	**76,158,491**

Credit risk exposure by business segment and IFRS 9 treatment

Group

in RON thousands	Credit risk exposure					Loan loss allowances				Stage 2 coverage ratio	Stage 3 coverage ratio	POCI coverage ratio
	Stage 1	Stage 2	Stage 3	POCI	Not subject to impairment	Stage 1	Stage 2	Stage 3	POCI			
					31.12.2020							
Retail	22,246,361	5,546,916	1,045,988	245,902	16,393	(70,991)	(512,169)	(774,123)	(66,661)	9.23%	74.01%	27.11%
Corporates	21,357,531	6,092,888	839,345	89,538	4,486,372	(162,834)	(372,173)	(605,351)	(18,224)	6.11%	72.12%	20.35%
Group Markets	660,968	82,585	3,602	-	1,816,974	(118)	(2,219)	(13)	-	2.69%	0.37%	
ALM & LCC	23,147,683	143,043	74,653	-	87,566	(22,212)	(6,297)	(77,660)	-	4.40%	104.03%	
Total	**67,412,543**	**11,865,432**	**1,963,588**	**335,440**	**6,407,305**	**(256,155)**	**(892,858)**	**(1,457,147)**	**(84,885)**	**7.52%**	**74.21%**	**25.31%**

Bank

in RON thousands	Credit risk exposure					Loan loss allowances				Stage 2 coverage ratio	Stage 3 coverage ratio	POCI coverage ratio
	Stage 1	Stage 2	Stage 3	POCI	Not subject to impairment	Stage 1	Stage 2	Stage 3	POCI			
					31.12.2020							
Retail	21,338,751	5,538,126	1,009,282	245,862	16,393	(69,563)	(511,426)	(738,890)	(66,661)	9.23%	73.21%	27.11%
Corporates	18,750,403	5,913,149	803,059	89,538	4,486,372	(122,882)	(363,508)	(624,833)	(18,224)	6.15%	77.81%	20.35%
Group Markets	668,712	82,680	3,602	-	1,821,377	(654)	(2,223)	(13)	-	2.69%	0.37%	
ALM & LCC	25,056,615	437,559	74,683	-	87,566	(24,624)	(16,604)	(77,660)	-	3.79%	103.99%	
Total	**65,814,481**	**11,971,514**	**1,890,626**	**335,400**	**6,411,708**	**(217,723)**	**(893,761)**	**(1,441,396)**	**(84,885)**	**7.47%**	**76.24%**	**25.31%**

40. Risk management *(continued)*
40.5. Credit risk *(continued)*

Credit risk exposure by geographical segment and IFRS 9 treatment

Group

in RON thousands	Credit risk exposure					Loan loss allowances				Stage 2 coverage ratio	Stage 3 coverage ratio	POCI coverage ratio
	Stage 1	Stage 2	Stage 3	POCI	Not subject to impairment	Stage 1	Stage 2	Stage 3	POCI			
	31.12.2020											
CEE	**67,412,543**	**11,865,432**	**1,963,588**	**335,440**	**6,407,305**	**(256,155)**	**(892,858)**	**(1,457,147)**	**(84,885)**	**7.52%**	**74.21%**	**25.31%**
Romania	67,412,543	11,865,432	1,963,588	335,440	6,407,305	(256,155)	(892,858)	(1,457,147)	(84,885)	7.52%	74.21%	25.31%
Total	**67,412,543**	**11,865,432**	**1,963,588**	**335,440**	**6,407,305**	**(256,155)**	**(892,858)**	**(1,457,147)**	**(84,885)**	**7.52%**	**74.21%**	**25.31%**

Bank

in RON thousands	Credit risk exposure					Loan loss allowances				Stage 2 coverage ratio	Stage 3 coverage ratio	POCI coverage ratio
	Stage 1	Stage 2	Stage 3	POCI	Not subject to impairment	Stage 1	Stage 2	Stage 3	POCI			
	31.12.2020											
CEE	**65,814,481**	**11,971,514**	**1,890,626**	**335,400**	**6,411,708**	**(217,723)**	**(893,761)**	**(1,441,396)**	**(84,885)**	**7.47%**	**76.24%**	**25.31%**
Romania	65,814,481	11,971,514	1,890,626	335,400	6,411,708	(217,723)	(893,761)	(1,441,396)	(84,885)	7.47%	76.24%	25.31%
Total	**65,814,481**	**11,971,514**	**1,890,626**	**335,400**	**6,411,708**	**(217,723)**	**(893,761)**	**(1,441,396)**	**(84,885)**	**7.47%**	**76.24%**	**25.31%**

Non-performing credit risk exposure and credit loss allowances

For the definition of credit risk exposure classified as non-performing, please refer to the description of risk categories in the subsection 'Internal rating system'. Credit risk provisions include specific and collective allowances and provisions for guarantees.

Credit loss allowances (all stages combined) covered 126.85% (2019: 112.99%) in case of Group and 128.77% (2019: 113.54%) in case of BCR of the reported non-performing on-balance and off-balance credit risk exposure as of 31 December 2020. For the portion of the non-performing credit risk exposure that is not covered by allowances, Group assumes there are sufficient levels of collateral and expected other recoveries.
The following tables show the coverage of the non-performing credit risk exposure by credit loss allowances (without taking into consideration the collateral) as of 31 December 2020 and 31 December 2019.

The non-performing exposure ratio (NPE ratio) is calculated as the non-performing credit risk exposure divided by total credit risk exposure while the NPE coverage ratio (excl. collateral) is calculated according to Group's internal definition by dividing total loss allowances by non-performing credit risk exposure. Collateral or other recoveries are not taken into account.

Non-performing credit risk exposure by business segment and coverage by credit loss allowances

Group

in RON thousands	Non-performing		Credit risk exposure		Credit loss allowances	Collateral for NPE		NPE ratio		NPE coverage (excl. collateral)	NPE collateralization ratio	
	Total	AC and FVOCI	Total	AC and FVOCI	AC and FVOCI	Total	AC and FVOCI	Total	AC and FVOCI	AC and FVOCI	Total	AC and FVOCI
	31.12.2020											
Retail	1,131,827	1,131,241	29,101,555	29,085,164	(1,423,943)	380,576	380,053	3.89%	3.89%	125.87%	33.62%	33.60%
Corporates	1,131,074	911,914	32,865,677	28,379,302	(1,158,583)	410,402	375,042	3.44%	3.21%	127.05%	36.28%	41.13%
Group Markets	3,602	3,602	2,564,129	747,156	(2,350)	-	-	0.14%	0.48%	65.24%	0.00%	0.00%
Asset/Liability Management and Local Corporate Center	76,055	74,611	23,452,947	23,365,381	(106,169)	-	-	0.32%	0.32%	142.30%	0.00%	0.00%
Total	**2,342,558**	**2,121,368**	**87,984,308**	**81,577,003**	**(2,691,045)**	**790,978**	**755,095**	**2.66%**	**2.60%**	**126.85%**	**33.77%**	**35.59%**

Group

in RON thousands	Non-performing		Credit risk exposure		Credit loss allowances	Collateral for NPE		NPE ratio		NPE coverage (excl. collateral)	NPE collateralization ratio	
	Total	AC and FVOCI	Total	AC and FVOCI	AC and FVOCI	Total	AC and FVOCI	Total	AC and FVOCI	AC and FVOCI	Total	AC and FVOCI
	31.12.2019											
Retail	1,004,290	1,004,290	27,619,744	27,618,994	(1,161,220)	363,828	363,828	3.64%	3.64%	115.63%	36.23%	36.23%
Corporates	1,024,351	1,020,790	28,202,382	27,265,915	(1,121,637)	358,220	357,246	3.63%	3.74%	109.88%	34.97%	35.00%
Group Markets	1,833	6	1,781,547	1,322,546	(1,962)	-	-	0.10%	0.00%	35200.20%	0.00%	0.00%
Asset/Liability Management and Local Corporate Center	81,153	81,153	21,389,142	21,300,425	(95,003)	-	-	0.38%	0.38%	117.07%	0.00%	0.00%
Total	**2,111,627**	**2,106,238**	**78,992,815**	**77,507,880**	**(2,379,822)**	**722,047**	**721,074**	**2.67%**	**2.72%**	**112.99%**	**34.19%**	**34.24%**

40. Risk management *(continued)*
40.5. Credit risk *(continued)*

Bank

in RON thousands	Non-performing		Credit risk exposure		Credit loss allowances	Collateral for NPE		NPE ratio		NPE coverage (excl. collateral)	NPE collateralization ratio	
	Total	AC and FVOCI	Total	AC and FVOCI	AC and FVOCI	Total	AC and FVOCI	Total	AC and FVOCI	AC and FVOCI	Total	AC and FVOCI
						31.12.2020						
Retail	1,095,122	1,094,535	28,148,413	28,132,022	(1,386,540)	380,259	379,736	3.89%	3.89%	126.68%	34.72%	34.69%
Corporates	1,094,788	875,628	30,042,523	25,556,148	(1,129,447)	333,177	297,816	3.64%	3.43%	128.99%	30.43%	34.01%
Group Markets	3,602	3,602	2,576,371	754,995	(2,890)	-	-	0.14%	0.48%	80.23%	0.00%	0.00%
Asset/Liability Management and Local Corporate Center	76,085	74,683	25,656,422	25,568,856	(118,888)	-	-	0.30%	0.29%	159.19%	0.00%	0.00%
Total	**2,269,597**	**2,048,448**	**86,423,729**	**80,012,021**	**(2,637,765)**	**713,436**	**677,552**	**2.63%**	**2.56%**	**128.77%**	**31.43%**	**33.08%**

Bank

Debt instruments at FVOCI	Non-performing		Credit risk exposure		Credit loss allowances	Collateral for NPE		NPE ratio		NPE coverage (excl. collateral)	NPE collateralization ratio	
	Total	AC and FVOCI	Total	AC and FVOCI	AC and FVOCI	Total	AC and FVOCI	Total	AC and FVOCI	AC and FVOCI	Total	AC and FVOCI
						31.12.2019						
Retail	956,931	956,931	26,153,256	26,152,506	(1,113,910)	360,646	360,646	3.66%	3.66%	116.40%	37.69%	37.69%
Corporates	1,006,693	1,003,132	25,825,647	24,889,180	(1,102,324)	301,170	300,197	3.90%	4.03%	109.89%	29.92%	29.93%
Group Markets	1,833	6	1,790,138	1,331,137	(1,986)	-	-	0.10%	0.00%	35629.91%	0.00%	0.00%
Asset/Liability Management and Local Corporate Center	81,301	81,301	22,389,450	22,300,734	(99,529)	-	-	0.36%	0.36%	122.42%	0.00%	0.00%
Total	**2,046,759**	**2,041,369**	**76,158,491**	**74,673,556**	**(2,317,748)**	**661,816**	**660,843**	**2.69%**	**2.73%**	**113.54%**	**32.33%**	**32.37%**

Non-performing credit risk exposure by geographical segment and coverage by credit loss allowances and collateral

Group

in RON thousands	Non-performing		Gross customer loans		Loan loss allowances	Collateral for NPL		NPL ratio		NPL coverage (exc collateral)	NPL collateralisation ratio	
	Total	AC	Total	AC	AC	Total	AC	Total	AC	AC	Total	AC
						31.12.2020						
CEE	**2,342,559**	**2,121,411**	**87,984,308**	**81,577,004**	**(2,691,045)**	**790,978**	**789,993**	**2.66%**	**2.60%**	**126.85%**	**33.77%**	**37.24%**
Romania	2,342,559	2,121,411	87,984,308	81,577,004	(2,691,045)	790,978	789,993	2.66%	2.60%	126.85%	33.77%	37.24%
Total	**2,342,559**	**2,121,411**	**87,984,308**	**81,577,004**	**(2,691,045)**	**790,978**	**789,993**	**2.66%**	**2.60%**	**126.85%**	**33.77%**	**37.24%**

Bank

in RON thousands	Non-performing		Gross customer loans		Loan loss allowances	Collateral for NPL		NPL ratio		NPL coverage (exc collateral)	NPL collateralisation ratio	
	Total	AC	Total	AC	AC	Total	AC	Total	AC	AC	Total	AC
						31.12.2020						
CEE	**2,269,597**	**2,048,449**	**86,423,729**	**80,012,021**	**(2,637,765)**	**713,436**	**712,451**	**2.63%**	**2.56%**	**128.77%**	**31.43%**	**34.78%**
Romania	2,269,597	2,048,449	86,423,729	80,012,021	(2,637,765)	713,436	712,451	2.63%	2.56%	128.77%	31.43%	34.78%
Total	**2,269,597**	**2,048,449**	**86,423,729**	**80,012,021**	**(2,637,765)**	**713,436**	**712,451**	**2.63%**	**2.56%**	**128.77%**	**31.43%**	**34.78%**

40. Risk management *(continued)*
40.5. Credit risk *(continued)*

The Expected Credit Loss (ECL) model

The general principles and standards for expected credit loss measurement are governed by internal policies, methodologies and procedures. According to IFRS 9, credit loss allowances are calculated for all components of the credit risk exposure which are measured at amortised cost (AC) or at fair value through other comprehensive income and include other demand deposits, debt securities, loans and advances to customers as well as finance lease and trade receivables. Provisions for loan commitments and financial guarantees are calculated if they meet the applicable IFRS 9 respective definitions.

According to the IFRS 9, there are three main stages outlined for expected credit loss (ECL) determination:

- A financial instrument that is not credit-impaired on initial recognition or for which credit risk has not increased significantly since initial recognition is classified in Stage 1. Financial instruments in Stage 1 have their ECL measured at an amount equal to the portion of lifetime expected credit losses that result from default events possible within the next 12 months;

- If a significant increase in credit risk (SICR) since initial recognition is identified but the exposure is not yet deemed to be credit-impaired, the financial instrument is moved to Stage 2. Instruments in Stage 2 have their ECL measured based on lifetime ("LT") expected credit losses arising from default events that are possible over the expected life of the instrument. In the case of drawings by non-defaulted customers on previously committed credit lines, depending on the development of credit risk between the commitment date and the drawing date, the whole exposure (on-balance and off-balance) is categorised as either Stage 1 or Stage 2.

- If the financial instrument is considered credit-impaired, it is moved to Stage 3. Instruments in Stage 3 have their ECL measured based on lifetime expected credit losses;

- Purchased or originated credit-impaired (POCI) financial instruments are those financial instruments that are credit-impaired on initial recognition. Their ECL is always measured on LT basis.

The key judgments and assumptions adopted by the Group in addressing the requirements of the standard are presented below:

Significant increase in credit risk determination

In the area of expected credit loss (ECL) modelling and calculation of ensuing credit loss allowances (CLA), the Group has concluded that one of the key drivers of the impact from applying the ECL model required by IFRS 9 is the assessment of significant increase in credit risk (SICR) for exposures that are not identified as credit-impaired as at the reporting date. In this respect, across portfolios and product types, quantitative and qualitative criteria are defined for assessing SICR, including the 30 days-past-due (DPD) criteria as a backstop.

Quantitative criteria

Quantitative SICR indicators include adverse changes in annualized lifetime probability of default and in lifetime probability of default with significance being assessed by relative change thresholds. In order for SICR to occur for a particular financial instrument, the relative threshold needs to be breached. The relative measure is calculated as a ratio between current annualized PD at reporting date and annualized PD value on initial recognition. These ratios are compared against limits set up as threshold for SICR assessment. The breach means that such ratio has reached or is higher than the established threshold. These relative thresholds for SICR assessment are established at PD segment level or client rating level for each consolidated entity, as necessary, and are subject to annual validation. Low credit risk exemption criteria was reassessed in December 2020 and applied only for Sovereign financial assets.

Qualitative criteria

Some of the main qualitative SICR criteria used include:

- forbearance-type flags (identification of regulatory forbearance),
- work-out transfer flag (when account starts being monitored by work-out department),
- information from early-warning-system (if it is not sufficiently considered in rating) and
- fraud indicators.

40. Risk management *(continued)*
40.5. Credit risk *(continued)*

The assignment of some of the qualitative indicators inherently relies on experienced credit risk judgment being exercised adequately and timely. The related group-wide and entity-level credit risk controlling policies and procedures ensure the necessary governance framework. These indicators are used internally for identification of insolvency or increased probability that a borrower will enter bankruptcy and there is increased risk of default in the foreseeable future. Besides the qualitative indicators defined on client level, the assessment of significant increase in credit risk is performed on portfolio level if the increase in credit risk on individual instrument or client level is only available with a certain time lag or is observable exclusively on portfolio level. There are no additional cure periods established for qualitative criteria for migration back to Stage 1 other than those already established in general credit risk practice for the used above-mentioned flags (forbearance, watch lists).

Backstop

A backstop is applied and the financial instruments are considered to have experienced a SICR if the borrower is more than 30 days past due on contractual payments. As observed during validation, this does not represent a major trigger for Stage 2 classification.

BCR assigns Stage 2 to "Datio in solutum" eligible performing portfolio of the Bank considered to be with increased risk of notification and expected credit losses using lifetime risk parameters are booked. Stage 3 is assigned to all loans where notifications were received based on law's provisions (77/2016). The total number of notifications received based on Law 77/2016 (Datio in solutum law 77/2016 allows the borrowers to fully settle their liability by transferring to the Bank the ownership right over the real estate mortgages used as collateral for loans) in 2020 is 104 (out of which 61 represent active accounts at 31st December 2020), lower than 2019 when the total number of notifications received based on Law 77/2016 provisions were related to 149 accounts (out of which 109 represent active accounts at 31st December 2019).

Low credit risk exemption

The 'low credit risk exemption' allowed by IFRS 9 for 'investment grade' assets or other assets deemed 'low risk' (and resulting in 12 months expected credit losses being calculated irrespective of SICR quantitative measures) has been implemented with limitations in Group.Thus, the potential activation of this exemption is limited to particular types of debt instruments and counterparty categories, and only if supported by sufficient 'low risk' evidence. On this basis, the 'low risk exemption' is expected to be occasionally applied only to banks and sovereigns. As of 31 December 2020 the Group registered low credit risk exposures for sovereign clients.

Purchased or Originated Credit Impaired ("POCI") exposures

POCI includes financial instruments which were credit-impaired at initial recognition, irrespective of whether they are still credit-impaired at the reporting date. Expected credit losses against POCI exposures are always calculated on a lifetime basis and are reflected in the credit-adjusted effective interest rate at initial recognition. As a result, no loss allowance is recognised at inception. Subsequently, only adverse changes in lifetime expected credit losses after the initial recognition are recognised as loss allowance, whilst favourable changes are recognised as impairment gains increasing the gross carrying amount of the POCI financial assets.

Credit-impaired assets

Stage 3 includes financial instruments which are credit-impaired at the reporting date but were not credit-impaired at initial recognition. In principle, a financial instrument becomes credit-impaired when the customer defaults. The default definition applied in the Group has been developed in accordance with EBA/GL/2016/07 'Guidelines on the application of the definition of default under Article 178 of Regulation (EU) No 575/2013. The Group generally applies a customer view in applying the default definition, which leads to an impairment of all claims even if the customer defaults only on one of several transactions ('pulling effect'). On the other side, an upgrade to a non-defaulted rating grade implies that the total exposure ceases to be impaired.

Measurement of ECL

The measurement of ECLs is a probability-weighted average estimate of credit losses that reflect the time value of money. A credit loss is the difference between the cash flows that are due to the Group in accordance with the contractual terms of the instrument and the cash flows that the Group expects to receive (i.e. cash shortfalls) discounted at the original effective interest rate ("EIR") of the same instrument, or the credit-adjusted EIR in case of purchased or originated credit impaired assets. For the purposes of measuring ECL, the Group estimates expected cash shortfalls, which reflect the cash flows expected from all possible sources including collateral and other credit enhancements that are part of the contractual terms. In the case of a collateralized financial instrument, the estimated expected cash flows related to the collateral reflects the amount and timing of cash flows that are expected from foreclosure on the collateral less the discounted costs of obtaining and selling the collateral. ECL is calculated over the residual period over which the Bank is exposed to credit risk.

40. Risk management *(continued)*
40.5. Credit risk *(continued)*

The residual period is defined based on the substantive terms of the instrument, including the Group's ability to demand repayment or cancellation and the customer's ability to require extension. However, for revolving credit facilities (i.e. those that include both a loan and an undrawn commitment component) the period of exposure is determined in accordance with the Group's expected credit risk management actions to mitigate credit risk, including terminating or limiting credit exposure. In doing so, the Group considers its normal credit risk mitigation process, its past practice, future intentions and expected credit risk mitigation actions.

For exposures to non-defaulted customers (i.e. in Stage 1 and Stage 2) the Bank determines ECL on a collective basis irrespective of the significance of the customer. The calculation of ECL for non-defaulted customers requires grouping the related exposures into homogenous groups on the basis of shared credit risk characteristics. The grouping criteria may differ on the customer segment (retail, corporate) and include product type, collateral type, repayment type, loan to value band or credit rating band. The calculation of credit loss allowances is done on a monthly basis on a single exposure level and in the contractual currency of the exposure. ECL is determined as the product of exposure at default ("EAD") that also includes a credit conversion factor in case of off balance sheet exposures, probability of default ("PD") and loss given default ("LGD"), discounted with the original EIR, as follows:

- PD represents the likelihood of a borrower defaulting on its financial obligation (as per definition of default below), either over the next 12 month ("1Y PD") or over the remaining lifetime ("LT PD");
- EAD is based on the amounts the Group expects to be owed at the time of default, over next 12 months ("1Y EAD") or over remaining lifetime ("LT EAD"). The estimation includes current balance, expected repayments and expected drawings up to the current contractual limit by the time of default, should it occur;
- LGD represents the Group's expectation of the extent of loss on defaulted exposures. LGD varies by type of counterparty, type and seniority of claim and availability of collateral or other credit support. LGD is expressed as a percentage loss per unit exposure at the time of default (EAD).

Considering the COVID-19 pandemic, BCR included in the estimation of Expected Credit Losses updated forward looking macro-economic scenarios as well as additional IFRS 9 staging criteria (stage overlays) for the exposures which are considered to be more sensitive to the current context.

Lifetime parameters

The LT PD is developed through observation of historical defaults from initial recognition through the lifetime of the loans. It is assumed to be the same across all assets in the same portfolio and rating band. The 1Y and LT EADs are determined based on the expected payment profiles, which vary by different product types. The LT EAD calculation utilizes repayment schedule or repayment type (annuity, linear, bullet). In the case of undrawn commitments, a credit conversion factor is estimated for reflecting the expected credit exposure in the EAD. The LGD is estimated as a life-time curve for any point in time, based on the historical loss observations.

The risk parameters used in the ECL calculation take into account available information at the reporting date about past events, current conditions and forecasts on future economic trends. Generally, the risk parameters applied in the calculation of IFRS 9 ECL differ from the risk parameters compliant with capital requirement regulations, calculated on a through-the-cycle basis.

Incorporation of Forward Looking Information (FLI)

Parameters are determined to reflect the risk as a 'point-in-time' measure and with consideration of forward-looking information ('FLI'), which resulted in introducing a baseline forecast and a number of alternative scenarios for selected macroeconomic variables. The Group defines 3 macroeconomic scenarios (base, optimistic and adverse) which are allocated specific weights that reflect their outcome probability. The base scenario represents the most likely scenario and is aligned with the information used by the Group for strategic planning and budgeting purposes. Weights assigned to each macroeconomic scenario are used to determine the final ECL as a weighted average of individual ECL estimated for each scenario.

Given multiple scenarios, the main risk parameters (PD and LGD) are adjusted through macro models which link relevant macroeconomic variables with portfolio level risk drivers. The same macro-shift models as for credit risk stress testing are employed. For some portfolios and/or some risk parameters the Forward looking information is incorporated for first three years of ECL measurement. Measurement of the parameters for the remaining lifetime returns back to through-the-cycle observations immediately in the year four. Thus, the unbiased, probability-weighted ECL is derived with the weights representing the occurrence probabilities of each macroeconomic scenario.

40. Risk management *(continued)*
40.5. Credit risk *(continued)*

Typical macroeconomic variables include real gross domestic product, unemployment rate, inflation rate, FX rate, production index as well as market interest rates. The selection of variables also depends on the availability of reliable forecasts for the given local market. Nevertheless, main indication of the estimated economic development can be predicted through the GDP development.

ECL for Stage 3 or POCI

ECL on Stage 3 or POCI exposures are calculated individually or collectively. The individual approach is applied in case of exposures to significant defaulted customers and consists of the individual assessment of the difference between the gross carrying amount and the net present value of the expected cash flows which are estimated by workout or risk managers. The discounting of the cash flows is based on the effective interest rate (POCI: credit-adjusted effective interest rate). However, for financial guarantees the discount rate shall reflect the current market assessment of the time value of money and the risks that are specific to the cash flows which in Group's implementation means using a risk free rate as a proxy. A defaulted customer is classified as individually significant if the total on- and off-balance exposure exceeds a predefined materiality limit. Otherwise, the customer is considered as insignificant and a rule-based approach is used for the calculation of the related credit loss allowance. Under this approach, credit loss allowances are calculated as the product of gross carrying amount and LGD, where the LGD depends on characteristics such as time in default or the stage of the workout process.

COVID-19

In light of the spread of COVID-19, a variety of measures have been taken by the Romanian government aimed at addressing the economic consequences of the outbreak on individuals, households and businesses. Such measures include legislative / public moratorium on repayment of loans, overdraft facilities and mortgages. Further, during 2020 BCR has offered renegotiations of repayment schedules and payment deferrals to customers facing liquidity shortages as part of the non-legislative / private moratorium at the level of the Romanian Banking Association.

The below table contains a breakdown by type of measure of loans and advances granted to non-financial corporations. All payments defferals that meet the requirements described in the EBA Guidelines on moratorium have expired as of December 31st, 2020.

40. Risk management *(continued)*

40.5. Credit risk *(continued)*

Credit risk exposure of non-financial corporations by industry – measures applied in response to the COVID-19 crisis

Group

in RON thousands	Loans and advances subject to EBA-compliant moratoria	Other loans and advances subject to Covid-19-related forbearance measures	Newly originated loans and advances subject to public guarantee schemes in the context of the Covid-19 crisis	Public guarantees received in the context of the Covid-19 crisis
	31.12.2020			
Agriculture and forestry	-	-	52,784	43,893
Mining	-	-	652	585
Manufacturing	-	9,977	148,769	108,481
Energy and water supply	-	-	6,166	5,020
Construction	-	36,348	72,601	46,513
Trade	-	321	333,901	270,915
Transport and communication	-	307	84,180	59,154
Hotels and restaurants	-	-	14,934	11,493
Financial and insurance services	-	-	15	14
Services	-	-	1,619	1,522
Public administration	-	-	20,278	17,144
Education, health and art	-	-	7,800	6,781
Total	**-**	**46,953**	**743,699**	**571,515**

Bank

in RON thousands	Loans and advances subject to EBA-compliant moratoria	Other loans and advances subject to Covid-19-related forbearance measures	Newly originated loans and advances subject to public guarantee schemes in the context of the Covid-19 crisis	Public guarantees received in the context of the Covid-19 crisis
	31.12.2020			
Agriculture and forestry	-	-	52,784	43,893
Mining	-	-	652	585
Manufacturing	-	9,977	148,769	108,481
Energy and water supply	-	-	6,166	5,020
Construction	-	36,348	72,601	46,513
Trade	-	321	333,901	270,915
Transport and communication	-	-	84,180	59,154
Hotels and restaurants	-	-	14,934	11,493
Financial and insurance services	-	-	15	14
Services	-	-	1,619	1,522
Public administration	-	-	20,278	17,144
Education, health and art	-	-	7,800	6,781
Total	**-**	**46,646**	**743,699**	**571,515**

In March 2020, risk management function together with business divisions started a joint initiative aiming to quickly provide a harmonised guidance for a focused industry approach within BCR, reflecting the changed economic environment. Industries and sub-industries were categorised into high, medium and low expected impacts due to COVID-19 based on a combination of research material, feedback collected from client meetings and single name analyses.

Main drivers for assigning corresponding low, medium and high risk industry classification was the assessment of both, short-term as well as medium-term impacts of the crisis on the specific sub-industry. A respective business and risk strategy for the sub-industries was formulated based on the assessment.

In November 2020, the industry heat-map was reassessed at Group level and 4 categories (no risk, medium risk industry, high risk industry and critical) were defined, instead of 3 previously used.

Exposures in particular industries that belong to red sub-industries are referred to as “high risk” in the following tables.

40. Risk management *(continued)*
40.5. Credit risk *(continued)*

Credit risk exposure and credit loss allowances by industry and IFRS 9 treatment – industry heatmap

Bank

in RON thousands	Stage 1	Stage 2	Stage 3	POCI	Credit risk exposure (AC and FVOCI)	Not subject to IFRS 9 impairment	Total
				31.12.2020			
Agriculture and forestry	790,081	118,006	20,978	965	930,030	11,666	941,696
of which high risk	-	-	-	-	-	-	-
Mining	817,342	19,432	36,138	9,838	882,750	951,765	1,834,515
of which high risk	-	-	-	-	-	-	-
Manufacturing	4,006,659	1,714,703	511,123	25,315	6,257,800	278,073	6,535,873
of which high risk	2,090	107,482	27,684	-	137,256	-	137,256
Energy and water supply	841,246	181,459	40,159	10,472	1,073,336	249,930	1,323,266
of which high risk	-	-	-	-	-	-	-
Construction	1,326,586	471,289	144,503	22,288	1,964,666	861,229	2,825,895
of which high risk	-	-	-	-	-	-	-
Trade	3,086,344	1,136,409	33,781	4,142	4,260,676	1,612,433	5,873,109
of which high risk	3,673	53,160	3,263	9	60,105	-	60,105
Transport and communication	1,956,772	515,153	19,446	2,065	2,493,436	77,730	2,571,166
of which high risk	286	11,285	94	2,935	14,600	-	14,600
Hotels and restaurants	16,181	272,858	8,657	3,051	300,747	1,795	302,542
of which high risk	3,673	85,992	5,505	-	95,170	-	95,170
Financial and insurance services	4,624,651	426,643	104,753	-	5,156,047	659,110	5,815,157
Real estate and housing	873,962	668,548	19,284	-	1,561,794	12,844	1,574,638
of which high risk	-	-	-	-	-	-	-
Services	304,818	573,163	15,008	1	892,990	37,180	930,170
of which high risk	14,802	402,359	10,354	2,132	429,647	-	429,647
Public administration	26,200,555	678,795	3,099	12,301	26,894,750	1,635,112	28,529,862
Education, health and art	195,305	110,058	5,458	-	310,821	12,538	323,359
of which high risk	453	16,611	3,530	-	20,594	-	20,594
Households	20,773,979	5,084,998	928,239	244,962	27,032,178	10,303	27,042,481
Other	-	-	-	-	-	-	-
Total	**65,814,481**	**11,971,514**	**1,890,626**	**335,400**	**80,012,021**	**6,411,708**	**86,423,729**

Effect on Expected Credit Loss (ECL)

An increase of the expected credit losses (ECL) might result from a reassessment of the credit risk parameters and a migration to worse stages either via significant increase in credit risk (SICR - significant increase in credit risk since initial recognition) or a default.

Reliefs offered to credit owners in form of payment deferrals under public and private moratorium did not result in an automatic transfer from Stage 1 to Stage 2. However, BCR continued to perform individual assessments whether there were other circumstances that would lead to forbearance or default classification.

BCR has addressed expected SICR by introducing COVID-19 portfolio overlays. The portfolio subject to public and private moratorium was treated separately based on the client's segment: private individuals (PIs) and non-private individuals (non-PIs). The customers were assessed by taking into account any COVID-19 related relieve measure granted as well as the internal industry heat-map and corresponding probabilities of default (PD) levels. Based on this assessment and individual reviews, customers were migrated to stage 2, i.e. lifetime ECL measure. The industry heat map and the portfolio overlays are subject to regular reviews.

Additional credit losses were recognized as BCR applied updated forward looking information shifts due to the COVID-19 macroeconomic situation to the point-in-time risk parameters used in ECL calculation.

The sensitivity analyses tables below present staging splits of the current performing exposure and ECL. Movements of exposures between performing stages and resulting changes in ECL triggered by effect of COVID-19 SICR overlays and FLI macro overlays is shown.

Effects on industry segments, high risk industry subsegments and geographical segment are disclosed.

For the ECL change a positive sign (+) equals a release while a negative sign (-) equals an allocation. Values presented as sensitivities are results of internal simulations.

Current status represents production values, the following columns show the effects on both exposure and ECL, as the differences to production values, first without considering stage overlays due to COVID-19, and then for cases if staging and ECL were recalculated based on point in time parameters.

If production PDs are replaced by point in time PDs (before FLI shifts), then the exposure in stage 2 would decrease by RON 2,337,803 thousands and CLA in amount of RON 302,230 thousands would be released.

40. Risk management *(continued)*
40.5. Credit risk *(continued)*

Sensitivity analyses – Forward looking information (FLI) and stage overlays due to the Covid-19 pandemic

Impact on credit risk exposure by geographical segment

Bank

in RON thousands	Current status - parameters (FLI shifted)		Current status without stage overlays due to Covid-19		Point in time parameters (before FLI shift)	
	Stage 1	Stage 2	Stage 1	Stage 2	Stage 1	Stage 2
	31.12.2020					
Romania	**70,355,522**	**12,266,003**	**3,862,377**	**(3,862,377)**	**2,337,803**	**(2,337,803)**

Impact on credit loss allowances by geographical segment

Bank

in RON thousands	Current status - parameters (FLI shifted)		Current status without stage overlays due to Covid-19		Point in time parameters (before FLI shift)	
	Stage 1	Stage 2	Stage 1	Stage 2	Stage 1	Stage 2
	31.12.2020					
Romania	**(233,258)**	**(919,103)**	**(62,758)**	**193,255**	**30,203**	**302,230**

Impact on credit risk exposure by industry

Bank

in RON thousands	Current status - parameters (FLI shifted)		Current status without stage overlays due to Covid-19		Point in time parameters (before FLI shift)	
	Stage 1	Stage 2	Stage 1	Stage 2	Stage 1	Stage 2
	31.12.2020					
Agriculture and forestry	598,696	84,713	31,798	(31,798)	1,299	(1,299)
of which high risk	-	-	-	-	-	-
Mining	1,739,625	38,850	32,459	(32,459)	101	(101)
of which high risk	1,732,896	17,935	17,935	(17,935)	-	-
Manufacturing	4,003,302	1,850,566	1,057,969	(1,057,969)	226,527	(226,527)
of which high risk	945,666	891,034	755,467	(755,467)	10,447	(10,447)
Energy and water supply	1,117,857	186,807	300	(300)	39,541	(39,541)
of which high risk	-	-	-	-	-	-
Construction	1,854,865	322,405	512	(512)	12,945	(12,945)
of which high risk	-	-	-	-	-	-
Trade	3,802,458	1,180,795	466,782	(466,782)	70,179	(70,179)
of which high risk	527,487	358,485	288,229	(288,229)	12,434	(12,434)
Transport and communication	2,002,637	472,555	160,753	(160,753)	21,383	(21,383)
of which high risk	735,556	50,195	32,818	(32,818)	(78)	78
Hotels and restaurants	10,000	280,806	74,642	(74,642)	5,504	(5,504)
of which high risk	10,000	280,806	74,642	(74,642)	5,504	(5,504)
Financial and insurance services	4,894,118	221,506	-	-	-	-
Real estate and housing	887,391	924,083	818,862	(818,862)	418	(418)
of which high risk	790,682	923,310	818,676	(818,676)	17	(17)
Services	327,155	809,321	337,943	(337,943)	12,696	(12,696)
of which high risk	225,626	795,230	335,924	(335,924)	7,899	(7,899)
Public administration	28,066,185	679,334	6,235	(6,235)	-	-
Education, health and art	198,299	141,924	22,790	(22,790)	4,449	(4,449)
of which high risk	1,427	41,939	7,301	(7,301)	2,385	(2,385)
Households	20,579,226	5,015,385	851,334	(851,334)	1,936,821	(1,936,821)
Other	273,708	56,951	-	-	5,940	(5,940)
Total	**70,355,522**	**12,266,003**	**3,862,377**	**(3,862,377)**	**2,337,803**	**(2,337,803)**

40. Risk management *(continued)*
40.5. Credit risk *(continued)*

Impact on credit loss allowances by industry

Bank

in RON thousands	Current status - parameters (FLI shifted)		Current status without stage overlays due to Covid-19		Point in time parameters (before FLI shift)	
	Stage 1	Stage 2	Stage 1	Stage 2	Stage 1	Stage 2
	31.12.2020					
Agriculture and forestry	(7,960)	(8,485)	(743)	1,582	1,316	1,034
of which high risk	-	-	-	-	-	-
Mining	(1,658)	(1,082)	(405)	604	96	55
of which high risk	(1,627)	(167)	(83)	167	42	-
Manufacturing	(36,444)	(114,466)	(28,436)	52,450	(1,591)	28,628
of which high risk	(8,375)	(54,087)	(21,598)	39,176	1,935	2,906
Energy and water supply	(6,219)	(40,949)	(1)	1	269	1,598
of which high risk	-	-	-	-	-	-
Construction	(13,577)	(58,851)	(6)	10	1,235	7,804
of which high risk	-	-	-	-	-	-
Trade	(42,081)	(52,847)	(10,106)	16,534	4,915	9,618
of which high risk	(3,947)	(17,068)	(5,871)	9,895	1,178	2,025
Transport and communication	(20,019)	(23,558)	(2,463)	5,119	1,854	3,260
of which high risk	(1,895)	(1,958)	(505)	1,144	98	199
Hotels and restaurants	(104)	(36,843)	(1,718)	3,767	157	1,274
of which high risk	(104)	(36,843)	(1,718)	3,767	157	1,274
Financial and insurance services	(6,117)	(5,238)	-	-	8	5
Real estate and housing	(2,766)	(66,427)	(4,217)	40,460	61	248
of which high risk	(2,455)	(66,322)	(4,210)	40,453	71	171
Services	(2,948)	(23,887)	(3,398)	11,120	436	1,640
of which high risk	(910)	(22,544)	(3,337)	11,044	230	1,105
Public administration	(30,088)	(8,412)	(15)	89	724	-
Education, health and art	(1,372)	(7,980)	(781)	1,605	215	874
of which high risk	(12)	(2,266)	(204)	285	(16)	524
Households	(60,809)	(462,612)	(10,471)	59,914	20,230	242,168
Other	(1,095)	(7,466)	-	-	279	4,023
Total	**(233,258)**	**(919,103)**	**(62,758)**	**193,255**	**30,203**	**302,230**

Sensitivity analyses – Different probabilities of default (PD)

The following tables present sensitivity analyses taking into consideration only changes due to the different values of PDs according to the baseline, upside and downside FLI scenarios. COVID-19 SICR overlays were not considered. Sensitivities of these particular scenarios are calculated in comparison to current production - weighted scenarios FLI shifted - PDs. The staging and ECL results if each baseline, upside or downside scenario were of 100% weight are shown in industry and geographical segmentation.

In a downside scenario, stage 2 credit risk exposure would increase by RON 1,205,548 thousands corresponding to an increase of ECL by RON 142,498 thousands, with a significant impact coming from Households: increase in credit risk exposure by RON 1,160,470 thousands and ECL by RON 133,574 thousands.

Impact of different scenarios on credit risk exposure by geographical segment

Bank

in RON thousands	Point in time (before FLI shift)		Upside scenario		Baseline scenario		Downside scenario	
	Stage 1	Stage 2	Stage 1	Stage 2	Stage 1	Stage 2	Stage 1	Stage 2
	31.12.2020							
Romania	2,337,803	(2,337,803)	1,533,477	(1,533,477)	628,864	(628,864)	(1,205,548)	1,205,548

Impact of different scenarios on credit loss allowances by geographical segment

Bank

in RON thousands	Point in time (before FLI shift)		Upside scenario		Baseline scenario		Downside scenario	
	Stage 1	Stage 2	Stage 1	Stage 2	Stage 1	Stage 2	Stage 1	Stage 2
	31.12.2020							
Romania	30,203	302,230	(15,782)	149,257	(7,407)	69,438	8,710	(142,498)

40. Risk management (*continued*)

40.5. Credit risk (*continued*)

Impact of different scenarios on credit risk exposure by industry

Bank

in RON thousands	Point in time (before FLI shift)		Upside scenario		Baseline scenario		Downside scenario	
	Stage 1	Stage 2	Stage 1	Stage 2	Stage 1	Stage 2	Stage 1	Stage 2
			31.12.2020					
Agriculture and forestry	1,299	(1,299)	322	(322)	301	(301)	(495)	495
of which high risk	-	-	-	-	-	-	-	-
Mining	101	(101)	-	-	-	-	-	-
of which high risk	-	-	-	-	-	-	-	-
Manufacturing	226,527	(226,527)	13,830	(13,830)	5,545	(5,545)	(28,864)	28,864
of which high risk	10,447	(10,447)	-	-	-	-	(6,069)	6,069
Energy and water supply	39,541	(39,541)	-	-	-	-	-	-
of which high risk	-	-	-	-	-	-	-	-
Construction	12,945	(12,945)	6,797	(6,797)	339	(339)	(768)	768
of which high risk	-	-	-	-	-	-	-	-
Trade	70,179	(70,179)	21,514	(21,514)	21,148	(21,148)	(5,495)	5,495
of which high risk	12,434	(12,434)	899	(899)	899	(899)	(4,249)	4,249
Transport and communication	21,383	(21,383)	13,847	(13,847)	850	(850)	(646)	646
of which high risk	(78)	78	168	(168)	168	(168)	-	-
Hotels and restaurants	5,504	(5,504)	1,582	(1,582)	351	(351)	(5,418)	5,418
of which high risk	5,504	(5,504)	1,582	(1,582)	351	(351)	(5,418)	5,418
Financial and insurance services	-	-	-	-	-	-	-	-
Real estate and housing	418	(418)	100	(100)	100	(100)	-	-
of which high risk	17	(17)	-	-	-	-	-	-
Services	12,696	(12,696)	1,353	(1,353)	1,218	(1,218)	(589)	589
of which high risk	7,899	(7,899)	1,010	(1,010)	986	(986)	(265)	265
Public administration	-	-	-	-	-	-	-	-
Education, health and art	4,449	(4,449)	177	(177)	177	(177)	(882)	882
of which high risk	2,385	(2,385)	177	(177)	177	(177)	-	-
Households	1,936,821	(1,936,821)	1,470,361	(1,470,361)	597,668	(597,668)	(1,160,470)	1,160,470
Other	5,940	(5,940)	3,594	(3,594)	1,168	(1,168)	(1,920)	1,920
Total	**2,337,803**	**(2,337,803)**	**1,533,477**	**(1,533,477)**	**628,864**	**(628,864)**	**(1,205,548)**	**1,205,548**

Impact of different scenarios on credit loss by industry

Bank

in RON thousands	Point in time (before FLI shift)		Upside scenario		Baseline scenario		Downside scenario	
	Stage 1	Stage 2	Stage 1	Stage 2	Stage 1	Stage 2	Stage 1	Stage 2
			31.12.2020					
Agriculture and forestry	1,316	1,034	(19)	194	(19)	101	33	(177)
of which high risk	-	-	-	-	-	-	-	-
Mining	96	55	-	13	-	4	-	(9)
of which high risk	42	-	-	-	-	-	-	-
Manufacturing	(1,591)	28,628	(388)	2,046	(185)	850	691	(3,385)
of which high risk	1,935	2,906	-	278	-	97	46	(487)
Energy and water supply	269	1,598	-	67	-	24	-	(51)
of which high risk	-	-	-	-	-	-	-	-
Construction	1,235	7,804	(236)	1,299	(18)	404	22	(774)
of which high risk	-	-	-	-	-	-	-	-
Trade	4,915	9,618	(553)	3,076	(549)	2,636	128	(1,339)
of which high risk	1,178	2,025	(50)	325	(50)	231	71	(388)
Transport and communication	1,854	3,260	(259)	1,537	(32)	374	36	(662)
of which high risk	98	199	(9)	68	(9)	46	-	(43)
Hotels and restaurants	157	1,274	(80)	423	(21)	172	163	(787)
of which high risk	157	1,274	(80)	423	(21)	172	163	(787)
Financial and insurance services	8	5	-	-	-	-	-	-
Real estate and housing	61	248	(6)	60	(6)	33	-	(38)
of which high risk	71	171	-	33	-	11	-	(24)
Services	436	1,640	(66)	348	(61)	259	24	(269)
of which high risk	230	1,105	(51)	246	(50)	197	14	(167)
Public administration	724	-	-	-	-	-	-	-
Education, health and art	215	874	(9)	84	(9)	53	31	(184)
of which high risk	(16)	524	(9)	47	(9)	34	-	(23)
Households	20,230	242,168	(14,120)	138,820	(6,488)	63,931	7,518	(133,574)
Other	279	4,023	(47)	1,289	(20)	596	65	(1,249)
Total	**30,203**	**302,230**	**(15,782)**	**149,257**	**(7,407)**	**69,438**	**8,710**	**(142,498)**

Composition of credit loss allowances

	Group		Bank	
in RON thousands	**31.12.2020**	**31.12.2019**	**31.12.2020**	**31.12.2019**
Credit loss allowances	(2,528,584)	(2,013,381)	(2,470,058)	(1,948,082)
Loss allowances for loan commitments and financial guarantees	(162,461)	(366,441)	(167,707)	(369,667)
Provisions for other commirments	(221,592)	(889)	(221,592)	(889)
Total	**(2,912,637)**	**(2,380,711)**	**(2,859,357)**	**(2,318,637)**

Credit loss allowances and loss allowances for loan commitments and financial guarantees are computed based on IFRS 9 requirements, while provisions for other commitments are subject to IAS 37.

40. Risk management *(continued)*
40.5. Credit risk *(continued)*

Restructuring and renegotiation

Restructuring as business restructuring in the retail segment or as commercial renegotiation in the corporate segment is a potential and effective customer retention tool involving re-pricing or the offering of an additional loan or both in order to maintain the bank's valuable, good clientele.

Forbearance

BCR's definition of "forbearance" follows the EBA's Technical Standards on forbearance included in Regulation (EU) 2015/227. A restructuring is considered "forbearance" if it entails a concession towards a customer facing or about to face financial difficulties in meeting their contractual financial commitments. A borrower is in financial difficulties if any of the following conditions are met:

- the customer has an active default event;
- the customer was more than 30 days past due in the past 3 months;
- the customer would be 30 days past due or more without receiving forbearance;
- the contract modification involves total or partial cancellation by write-off of the debt on any of the customer's credit obligations while at customer level open credit exposure still remains (only for retail clients);
- riskier ratings are assigned following a deterioration by minimum 2 points of the previous rating (applicable only for non-retail clients).

Forborne exposure is assessed at loan contract level and means only the exposure to which forbearance measures have been extended and excludes any other exposure the customer may have, as long as no forbearance was extended to these.

Concession means that any of the following conditions are met:

- modification/refinancing of the contract would not have been granted, had the customer not been in financial difficulty;
- there is a difference in favour of the customer between the modified/refinanced terms of the contract and the previous terms of the contract;
- the modified/refinanced contract includes more favourable terms than other customers with a similar risk profile would have obtained from the same institution.

Forbearance can be initiated by the Bank or by the customer (on account of loss of employment, illness etc.). Components of forbearance can be instalment reduction, tenor extension, interest reduction or forgiveness, principal reduction or forgiveness, revolving exposure change to instalment and/or others.

Forbearance measures are divided and reported as:

- performing forbearance (incl. performing forbearance under probation that was upgraded from non-performing forbearance);
- non-performing forbearance (incl. non-performing forbearance and defaulted/impaired forbearance); starting with May 2019 also the non-performing forbearance has assigned a default event.

Forborne exposures are considered performing when:

- the exposure did not have non-performing status at the time the extension of or application for forbearance was approved;
- granting the forbearance has not led to classifying the exposure as non-performing or default.

Performing forborne exposures become non-performing when one of the following forbearance classifications is fulfilled during the monitoring period of a minimum of two years:

- an additional forbearance measure is extended and in the past the customer was in the non-performing forbearance category;
- the customer becomes more than 30 days past due on forborne exposure and in the past the customer was in the non-performing forbearance category;
- the customer meets any of the default event criteria defined in the default definition;
- for corporate customers, when a final restructuring agreement cannot be concluded within 18 months after the first forbearance measure.

40. Risk management *(continued)*
40.5. Credit risk *(continued)*

The performing forbearance classification can be discontinued and the account can become a non-forborne account when all of the following conditions are met:

- a minimum of two years have passed from the date of classifying the exposure as performing forbearance (probation period);
- under the forborne payment plan, at least 50% of the original (pre-forbearance) instalment has been regularly repaid at least during half of the probation period (in the case of retail customers);
- regular repayments in a significant amount during at least half of the probation period have been made (in the case of corporate customers);
- none of the exposure of the customer is more than 30 days past due at the end of the probation period.

An exposure is considered as non-performing forborne, if at the moment of forbearance measures implementation client meets at least one of the conditions mentioned below:

- The account/product is already classified as non-performing exposure;
- The account/product becomes non-performing after the concession implementation.

Non performing forbearance can be allocated as a result of a downgrade from a performing/ performing under probation forbearance status.

If for a performing forborne contract the customer meets any of the default event criteria defined in the Group internal default definition, the account will be classified as non-performing.

If for or a performing under probation contract at least one of the below triggers will take place, the account will be classified as non-performing:

- an additional forbearance measure is extended at account level, this being at least the 2nd restructuring measure at client level, in more than 2 years from receiving the last forbearance measure or
- the account has more than 30 day past due during the monitoring period, or
- the customer meets any of the default event criteria defined in the Group internal default definition.

The non-performing forbearance classification can be discontinued and reclassified as performing under probation when all of the following conditions are met:

- one year has passed from the date of classifying the exposure as non-performing forbearance;
- the forbearance has not led the exposure to be classified as non-performing;
- retail customers: the customer has demonstrated the ability to comply with the post-forbearance conditions by either of the following:
    - the customer has never been more than 30 days past due during the last 6 months and there is no delinquent amount;
    - the customer has repaid the full past due amount or the written-off amount (if there was any).
- corporate customers: analysis of financial development that leaves no concern about future compliance with post-forbearance terms and conditions. Furthermore, the customer has never been more than 30 days past due during the monitoring period and there is no delinquent amount.

In the corporate segment, recognition of forbearance measures typically leads to the involvement of the responsible local workout unit. The largest part of the forbearance measures are set and monitored within the responsibility of the local workout units according to the internal regulations and standards for the workout involvement. Forbearance measures are defined as qualitative trigger events in the SICR concept according to the internal regulations of Erste Group.

40. Risk management *(continued)*
40.5. Credit risk *(continued)*

Credit risk exposure, forbearance exposure and credit loss allowances

Group

in RON thousands	Loans and advances	Debt securities	Other on- and off-balance-sheet positions	Loan commitments	Total
			31.12.2020		
Gross exposure	**47,528,798**	**22,264,698**	**6,732,571**	**11,458,241**	**87,984,308**
thereof gross forborne exposure	1,167,020	-	-	91,050	1,258,070
Performing exposure	**45,490,889**	**22,263,343**	**6,493,349**	**11,394,169**	**85,641,750**
thereof performing forborne exposure	523,354	-	-	78,140	601,494
Credit loss allowances for performing exposure	**(1,028,085)**	**(28,510)**	**(46,677)**	**(100,539)**	**(1,203,811)**
thereof credit loss allowances for performing forborne exposure	(78,445)	-	-	(5,596)	(84,041)
Non-performing exposure	**2,037,909**	**1,355**	**239,222**	**64,072**	**2,342,558**
thereof non-performing forborne exposure	643,667	-	-	12,910	656,577
Credit loss allowances for non-performing exposure	**(1,470,147)**	**(406)**	**(183,631)**	**(53,207)**	**(1,707,391)**
thereof credit loss allowances for non-performing forborne exposure	(441,873)	-	-	(8,010)	(449,883)

Group

in RON thousands	Loans and advances	Debt securities	Other on- and off-balance-sheet positions	Loan commitments	Total
			31.12.2019		
Gross exposure	**42,706,186**	**21,857,677**	**5,134,000**	**9,294,952**	**78,992,815**
thereof gross forborne exposure	1,062,231	-	-	23,351	1,085,581
Performing exposure	**40,987,821**	**21,855,649**	**4,774,658**	**9,263,061**	**76,881,188**
thereof performing forborne exposure	267,428	-	-	5,030	272,458
Credit loss allowances for performing exposure	**(777,841)**	**(16,092)**	**(43,209)**	**(50,851)**	**(887,993)**
thereof credit loss allowances for performing forborne exposure	(14,088)	-	-	(437)	(14,525)
Non-performing exposure	**1,718,366**	**2,028**	**359,342**	**31,892**	**2,111,627**
thereof non-performing forborne exposure	794,803	-	-	18,321	813,124
Credit loss allowances for non-performing exposure	**(1,218,839)**	**(609)**	**(253,187)**	**(20,083)**	**(1,492,718)**
thereof credit loss allowances for non-performing forborne exposure	(504,989)	-	-	(14,453)	(519,442)

Bank

in RON thousands	Loans and advances	Debt securities	Other on- and off-balance-sheet positions	Loan commitments	Total
			31.12.2020		
Gross exposure	**46,398,328**	**21,394,060**	**6,587,826**	**12,043,515**	**86,423,729**
thereof gross forborne exposure	1,102,512	-	-	91,050	1,193,562
Performing exposure	**44,433,410**	**21,392,705**	**6,348,604**	**11,979,413**	**84,154,132**
thereof performing forborne exposure	508,553	-	-	78,140	586,693
Credit loss allowances for performing exposure	**(993,141)**	**(21,890)**	**(46,636)**	**(105,825)**	**(1,167,492)**
thereof credit loss allowances for performing forborne exposure	(77,655)	-	-	(5,596)	(83,251)
Non-performing exposure	**1,964,918**	**1,355**	**239,222**	**64,102**	**2,269,597**
thereof non-performing forborne exposure	593,959	-	-	12,910	606,869
Credit loss allowances for non-performing exposure	**(1,454,396)**	**(406)**	**(183,631)**	**(53,207)**	**(1,691,640)**
thereof credit loss allowances for non-performing forborne	(419,023)	-	-	(8,010)	(427,033)

40. Risk management *(continued)*
40.5. Credit risk *(continued)*

in RON thousands	Loans and advances	Debt securities	Other on- and off-balance-sheet positions	Loan commitments	Total
			31.12.2019		
Gross exposure	**40,949,225**	**20,537,848**	**5,043,615**	**9,627,802**	**76,158,491**
thereof gross forborne exposure	1,032,547	-	-	23,351	1,055,897
Performing exposure	**39,295,877**	**20,535,820**	**4,684,166**	**9,595,869**	**74,111,732**
thereof performing forborne exposure	266,381	-	-	5,030	271,411
Credit loss allowances for performing exposure	**(743,230)**	**(10,510)**	**(43,197)**	**(54,089)**	**(851,026)**
thereof credit loss allowances for performing forborne exposure	(14,041)	-	-	(437)	(14,478)
Non-performing exposure	**1,653,348**	**2,028**	**359,449**	**31,934**	**2,046,759**
thereof non-performing forborne exposure	766,166	-	-	18,321	784,487
Credit loss allowances for non-performing exposure	**(1,193,733)**	**(609)**	**(253,187)**	**(20,083)**	**(1,467,612)**
thereof credit loss allowances for non-performing forborne	(488,797)	-	-	(14,453)	(503,250)

Types of forbearance exposure

						Group
in RON thousands	Gross forborne exposure	Modification in terms and conditions	Refinancing	Gross forborne exposure	Modification in terms and conditions	Refinancing
		31.12.2020			31.12.2019	
Loans and advances	1,167,020	1,135,824	31,196	1,062,231	1,060,989	1,242
Debt securities	-	-	-	-	-	-
Loan commitments	91,050	79,520	11,530	23,351	23,351	-
Total	**1,258,070**	**1,215,344**	**42,726**	**1,085,581**	**1,084,339**	**1,242**

						Bank
in RON thousands	Gross forborne exposure	Modification in terms and conditions	Refinancing	Gross forborne exposure	Modification in terms and conditions	Refinancing
		31.12.2020			31.12.2019	
Loans and advances	1,102,512	1,071,356	31,156	1,032,547	1,031,347	1,199
Debt securities	-	-	-	-	-	-
Loan commitments	91,050	79,520	11,530	23,351	23,351	-
Total	**1,193,562**	**1,150,876**	**42,686**	**1,055,897**	**1,054,698**	**1,199**

Loans and advances figures include finance lease receivables and trade and other receivables.

Collaterals

Main types of collateral

The following types of collateral are accepted:

- real estate comprises residential and commercial real estate;
- financial collateral: such as securities, cash deposits and life insurance policies;
- guarantees given by sovereigns, public sector entities, financial institutes, companies and individuals. All guarantors must have a minimum credit rating, which is reviewed annually;
- movables: such as equipment, investment goods, machineries and motor vehicles;
- claims and rights: such as account receivables of trade, leasehold rights and shares in a company's capital.

40. Risk management *(continued)*
40.5. Credit risk *(continued)*

Credit risk exposure by business segment and collateral

The following tables compare the credit risk exposure and allocated collateral broken down by business segments.

Group

in RON thousands	Total credit risk exposure	Collateral total	Collateralised by Guarantees	Collateralised by Real estate	Collateralised by Other	Credit risk exposure net of collateral
			31.12.2020			
Retail	**29,101,555**	**17,619,965**	**4,889,282**	**12,623,729**	**106,954**	**11,481,590**
Retail	29,101,555	17,619,965	4,889,282	12,623,729	106,954	11,481,590
Corporates	**32,865,677**	**11,495,395**	**3,317,063**	**3,821,628**	**4,356,704**	**21,370,282**
Small and Medium Enterprises	10,742,155	5,308,184	1,516,407	1,389,967	2,401,810	5,433,971
Group Large Corporates	7,313,300	1,343,516	1,005,317	230,102	108,097	5,969,784
Local Large Corporates	3,476,070	637,502	122,019	197,357	318,126	2,838,568
Public Sector	8,837,714	2,242,766	661,070	53,025	1,528,671	6,594,948
Commercial Real Estate	2,496,438	1,963,427	12,250	1,951,177	-	533,011
Group Markets	**2,564,129**	**856,647**	**488,537**	**-**	**368,110**	**1,707,482**
Group Markets - Trading	1,731,203	363,928	-	-	363,928	1,367,275
Group Markets - Financial Institutions	832,926	492,719	488,537	-	4,182	340,207
Asset/Liability Management and Local Corporate Center	**23,452,947**	**1,478,489**	**-**	**-**	**1,478,489**	**21,974,458**
Asset/Liability Management	23,107,250	1,444,514	-	-	1,444,514	21,662,736
Corporate Center	345,697	33,975	-	-	33,975	311,722
Total	**87,984,308**	**31,450,496**	**8,694,882**	**16,445,357**	**6,310,257**	**56,533,812**

Group

in RON thousands	Total credit risk exposure	Collateral total	Collateralised by Guarantees	Collateralised by Real estate	Collateralised by Other	Credit risk exposure net of collateral
			31.12.2019			
Retail	**27,619,744**	**16,006,267**	**4,536,085**	**11,322,298**	**147,884**	**11,613,477**
Retail	27,619,744	16,006,267	4,536,085	11,322,298	147,884	11,613,477
Corporates	**28,202,382**	**9,056,401**	**2,331,075**	**3,216,787**	**3,508,539**	**19,145,981**
Small and Medium Enterprises	9,284,957	4,274,320	699,150	1,254,250	2,320,919	5,010,638
Group Large Corporates	6,853,152	1,331,859	1,106,146	138,923	86,790	5,521,294
Local Large Corporates	3,618,098	876,241	212,644	233,243	430,354	2,741,856
Public Sector	6,073,190	1,003,903	313,135	20,293	670,475	5,069,286
Commercial Real Estate	2,372,985	1,570,078	-	1,570,078	-	802,907
Group Markets	**1,781,547**	**985,504**	**554,460**	**-**	**431,044**	**796,043**
Group Markets - Trading	512,217	-	-	-	-	512,217
Group Markets - Financial Institutions	1,269,330	985,504	554,460	-	431,044	283,826
Asset/Liability Management and Local Corporate Center	**21,389,142**	**6,517**	**-**	**-**	**6,517**	**21,382,625**
Asset/Liability Management	20,907,239	-	-	-	-	20,907,239
Corporate Center	481,903	6,517	-	-	6,517	475,386
Total	**78,992,815**	**26,054,690**	**7,421,620**	**14,539,085**	**4,093,984**	**52,938,126**

Bank

in RON thousands	Total credit risk exposure	Collateral total	Collateralised by Guarantees	Collateralised by Real estate	Collateralised by Other	Credit risk exposure net of collateral
			31.12.2020			
Retail	**28,148,413**	**17,537,686**	**4,889,075**	**12,547,216**	**101,395**	**10,610,727**
Retail	28,148,413	17,537,686	4,889,075	12,547,216	101,395	10,610,727
Corporates	**30,042,523**	**9,387,918**	**3,286,105**	**3,717,943**	**2,383,870**	**20,654,605**
Small and Medium Enterprises	7,919,001	3,200,707	1,485,449	1,286,282	428,976	4,718,294
Group Large Corporates	7,313,300	1,343,516	1,005,317	230,102	108,097	5,969,784
Local Large Corporates	3,476,070	637,502	122,019	197,357	318,126	2,838,568
Public Sector	8,837,714	2,242,766	661,070	53,025	1,528,671	6,594,948
Commercial Real Estate	2,496,438	1,963,427	12,250	1,951,177	-	533,011
Group Markets	**2,576,371**	**858,547**	**488,537**	**-**	**370,010**	**1,717,824**
Group Markets - Trading	1,731,203	363,928	-	-	363,928	1,367,275
Group Markets - Financial Institutions	845,168	494,619	488,537	-	6,082	350,549
Asset/Liability Management and Local Corporate Center	**25,656,422**	**1,478,489**	**-**	**-**	**1,478,489**	**24,177,933**
Asset/Liability Management	25,300,777	1,444,514	-	-	1,444,514	23,856,263
Corporate Center	355,645	33,975	-	-	33,975	321,670
Total	**86,423,729**	**29,262,640**	**8,663,717**	**16,265,159**	**4,333,764**	**57,161,089**

40. Risk management *(continued)*
40.5. Credit risk *(continued)*

Bank

in RON thousands	Total credit risk exposure	Collateral total	Collateralised by			Credit risk exposure net of collateral
			Guarantees	Real estate	Other	
			31.12.2019			
Retail	**26,153,256**	**15,880,031**	**4,536,085**	**11,206,298**	**137,647**	**10,273,226**
Retail	26,153,256	15,880,031	4,536,085	11,206,298	137,647	10,273,226
Corporates	**25,825,647**	**7,057,022**	**2,300,309**	**3,129,815**	**1,626,898**	**18,768,625**
Small and Medium Enterprises	6,907,583	2,274,941	668,384	1,167,278	439,279	4,632,642
Group Large Corporates	6,853,152	1,331,859	1,106,146	138,923	86,790	5,521,294
Local Large Corporates	3,618,737	876,241	212,644	233,243	430,354	2,742,496
Public Sector	6,073,190	1,003,903	313,135	20,293	670,475	5,069,286
Commercial Real Estate	2,372,985	1,570,078	-	1,570,078	-	802,907
Group Markets	**1,790,138**	**986,643**	**555,265**	**-**	**431,378**	**803,495**
Group Markets - Trading	512,217	-	-	-	-	512,217
Group Markets - Financial Institutions	1,277,921	986,643	555,265	-	431,378	291,278
Asset/Liability Management and Local Corporate Center	**22,389,450**	**6,517**	**-**	**-**	**6,517**	**22,382,933**
Asset/Liability Management	21,907,443	-	-	-	-	21,907,443
Corporate Center	482,007	6,517	-	-	6,517	475,490
Total	**76,158,491**	**23,930,212**	**7,391,659**	**14,336,113**	**2,202,440**	**52,228,278**

Credit risk exposure by financial instrument and collateral

Group

in RON thousands	Total credit risk exposure	Collateral total	Collateralised by			Credit risk exposure net of collateral	IFRS9 impairment relevant		
			Guarantees	Real estate	Other		Neither past due nor credit impaired	Past due but not credit impaired	Credit impaired
					31.12.2020				
Cash and cash equivalents – other demand deposits	315,202	-	-	-	-	315,202	315,202	-	-
Debt instruments held for trading	1,248,822	-	-	-	-	1,248,822	-	-	-
Non-trading debt instruments at FVPL	29,706	985	-	985	-	28,721	-	-	-
Debt instruments at FVOCI	7,389,269	-	-	-	-	7,389,269	7,389,269	-	-
Debt instruments at AC	62,374,521	27,672,433	7,007,245	15,988,738	4,676,450	34,702,088	58,330,782	2,006,399	2,037,340
Debt securities	14,847,648	-	-	-	-	14,847,648	14,846,293	-	1,355
Loans and advances to banks	2,029,037	1,808,442	-	-	1,808,442	220,595	2,029,037	-	-
Loans and advances to customers	43,526,837	24,581,139	6,999,081	15,977,726	1,604,332	18,945,698	39,674,397	1,911,842	1,940,598
Trade and other receivables	625,208	46,196	8,166	979	37,051	579,012	579,981	3,825	41,402
Finance lease receivables	1,345,791	1,236,657	-	10,031	1,226,626	109,134	1,201,073	90,732	53,986
Debt instruments held for sale in disposal groups	-	-	-	-	-	-	-	-	-
Positive fair value of hedge accounting derivatives	-	-	-	-	-	-	-	-	-
Off balance-sheet exposures	16,626,788	3,777,078	1,687,637	455,634	1,633,807	12,849,710	11,413,876	34	84,101
out of which: other commitments	5,128,777	2,242,329	627,820	41,306	1,573,203	2,886,448	-	-	-
Total	**87,984,308**	**31,450,496**	**8,694,882**	**16,445,357**	**6,310,257**	**56,533,812**	**77,449,129**	**2,006,433**	**2,121,441**

Group

in RON thousands	Total credit risk exposure	Collateral total	Collateralised by			Credit risk exposure net of collateral	Neither past due nor credit impaired	Past due but not credit impaired	Credit impaired
			Guarantees	Real estate	Other				
					31.12.2019				
Cash and cash equivalents – other demand deposits	478,009	-	-	-	-	478,009	478,009	-	-
Debt instruments held for trading	429,356	-	-	-	-	429,356	-	-	-
Non-trading debt instruments at FVPL	53,484	973	-	973	-	52,510	-	-	-
Debt instruments at FVOCI	6,059,185	-	-	-	-	6,059,185	6,059,185	-	-
Debt instruments at AC	56,779,066	22,655,510	6,325,987	14,180,777	2,148,746	34,123,556	53,855,973	2,878,389	1,716,832
Debt securities	15,748,570	-	-	-	-	15,748,570	15,746,542	-	2,028
Loans and advances to banks	662,158	426,234	-	-	426,234	235,923	662,158	-	-
Loans and advances to customers	40,368,338	22,229,276	6,325,987	14,180,777	1,722,512	18,139,063	36,038,506	2,738,149	1,591,684
Trade and other receivables	515,322	20,759	8,938	1,335	10,486	494,564	422,485	12,372	80,465
Finance lease receivables	1,156,806	1,116,887	-	10,771	1,106,115	39,920	986,283	127,869	42,655
Debt instruments held for sale in disposal groups	-	-	-	-	-	-	-	-	-
Positive fair value of hedge accounting derivatives	-	-	-	-	-	-	-	-	-
Off balance-sheet exposures	13,521,587	2,260,561	1,086,696	345,229	828,637	11,261,026	12,127,449	2,637	389,406
out of which: other commitments	1,002,096	578,401	-	-	578,401	423,694	-	-	-
Total	**78,992,815**	**26,054,690**	**7,421,620**	**14,539,085**	**4,093,984**	**52,938,126**	**72,520,616**	**2,881,026**	**2,106,238**

40. Risk management *(continued)*
40.5. Credit risk *(continued)*

Bank

in RON thousands	Total credit risk exposure	Collateral total	Collateralised by: Guarantees	Collateralised by: Real estate	Collateralised by: Other	Credit risk exposure net of collateral	Neither past due nor credit impaired	Past due but not credit impaired	Credit impaired
				31.12.2020					
Cash and cash equivalents – other demand deposits	178,521	-	-	-	-	178,521	178,521	-	-
Debt instruments held for trading	1,248,822	-	-	-	-	1,248,822	-	-	-
Non-trading debt instruments at FVPL	29,706	985	-	985	-	28,721	-	-	-
Debt instruments at FVOCI	7,364,672	-	-	-	-	7,364,672	7,364,672	-	-
Debt instruments at AC	60,398,009	25,490,104	6,979,171	15,810,821	2,700,112	34,907,905	56,624,882	1,808,779	1,964,348
Debt securities	14,001,606	-	-	-	-	14,001,606	14,000,251	-	1,355
Loans and advances to banks	2,093,992	1,808,442	-	-	1,808,442	285,550	2,027,401	-	66,591
Loans and advances to customers	43,682,869	23,643,129	6,975,987	15,809,849	857,293	20,039,740	40,014,928	1,806,840	1,861,101
Trade and other receivables	599,760	38,534	3,185	971	34,378	561,226	567,174	1,939	30,647
Finance lease receivables	19,782	-	-	-	-	19,782	15,128	-	4,654
Debt instruments held for sale in disposal groups	-	-	-	-	-	-	-	-	-
Positive fair value of hedge accounting derivatives	-	-	-	-	-	-	-	-	-
Off balance-sheet exposures	17,203,999	3,771,551	1,684,546	453,353	1,633,652	13,432,448	11,986,718	-	84,101
out of which: other commitments	5,133,180	2,242,329	627,820	41,306	1,573,203	2,890,851	-	-	-
Total	**86,423,729**	**29,262,640**	**8,663,717**	**16,265,159**	**4,333,764**	**57,161,089**	**76,154,793**	**1,808,779**	**2,048,449**

Bank

in RON thousands	Total credit risk exposure	Collateral total	Collateralised by: Guarantees	Collateralised by: Real estate	Collateralised by: Other	Credit risk exposure net of collateral	Neither past due nor credit impaired	Past due but not credit impaired	Credit impaired
				31.12.2019					
Cash and cash equivalents – other demand deposits	396,405	-	-	-	-	396,405	396,405	-	-
Debt instruments held for trading	429,356	-	-	-	-	429,356	-	-	-
Non-trading debt instruments at FVPL	53,484	973	-	973	-	52,510	-	-	-
Debt instruments at FVOCI	6,057,252	-	-	-	-	6,057,252	6,057,252	-	-
Debt instruments at AC	54,884,549	21,667,071	6,307,171	13,991,148	1,368,753	33,217,478	51,130,200	2,594,324	1,651,815
Debt securities	14,430,674	-	-	-	-	14,430,674	14,428,646	-	2,028
Loans and advances to banks	728,596	426,234	-	-	426,234	302,361	661,949	-	66,647
Loans and advances to customers	39,725,279	21,240,837	6,307,171	13,991,148	942,519	18,484,442	35,625,549	2,585,136	1,514,594
Trade and other receivables	488,097	9,538	1,547	1,328	6,663	478,560	410,656	9,187	68,254
Finance lease receivables	3,692	-	-	-	-	3,692	3,399	-	292
Debt instruments held for sale in disposal groups	-	-	-	-	-	-	-	-	-
Positive fair value of hedge accounting derivatives	-	-	-	-	-	-	-	-	-
Off balance-sheet exposures	13,845,656	2,252,630	1,082,942	342,665	827,023	11,593,026	12,454,006	-	389,554
out of which: other commitments	1,002,096	578,401	-	-	578,401	423,694	-	-	-
Total	**76,158,491**	**23,930,212**	**7,391,659**	**14,336,113**	**2,202,440**	**52,228,278**	**70,037,863**	**2,594,324**	**2,041,369**

Loans and advances to customers

The tables on the following pages present the structure of the customer loan book, excluding loans to central banks and credit institutions broken-down by different categories. Loans and advances to customers comprise:

- loans to customers at FVPL;
- loans and advances to customers at AC;
- finance lease receivables;
- trade and other receivables.

On the next pages loans and advances to customers are presented by:

- business segment and risk category;
- business segment and IFRS 9 treatment;
- business segment and coverage of non-performing loans to customers by loan loss allowances;
- business segment and coverage by loan loss allowances and IFRS 9 treatment;
- business segment and currency.

40. Risk management *(continued)*
40.5. Credit risk *(continued)*

Loans and advances to customers by business segment and risk category

Group

in RON thousands	Low risk	Management attention	Substandard	Non-performing	Total
			31.12.2020		
Retail	23,034,908	1,389,584	1,049,631	1,124,488	26,598,611
Corporates	12,482,904	4,548,436	648,755	907,735	18,587,830
Group Markets	17,217	730	132	3,602	21,681
Asset/Liability Management and Local Corporate Center	138,279	56,418	50	2,084	196,831
Total	**35,673,308**	**5,995,168**	**1,698,568**	**2,037,909**	**45,404,953**

Group

in RON thousands	Low risk	Management attention	Substandard	Non-performing	Total
			31.12.2019		
Retail	21,306,956	1,340,836	1,073,599	997,877	24,719,268
Corporates	11,475,820	3,792,172	1,069,245	710,322	17,047,558
Group Markets	16,165	-	26	6	16,197
Asset/Liability Management and Local Corporate Center	195,601	3	1,062	10,162	206,827
Total	**32,994,542**	**5,133,010**	**2,143,932**	**1,718,366**	**41,989,850**

Bank

in RON thousands	Low risk	Management attention	Substandard	Non-performing	Total
			31.12.2020		
Retail	22,870,692	1,386,558	1,049,126	1,087,783	26,394,159
Corporates	10,333,776	4,256,938	626,629	800,204	16,017,547
Group Markets	17,217	730	132	3,602	21,681
Asset/Liability Management and Local Corporate Center	1,463,780	306,209	50	2,084	1,772,123
Total	**34,685,465**	**5,950,435**	**1,675,937**	**1,893,673**	**44,205,510**

Bank

in RON thousands	Low risk	Management attention	Substandard	Non-performing	Total
			31.12.2019		
Retail	21,105,520	1,335,655	1,073,049	950,517	24,464,741
Corporates	9,769,049	3,389,589	1,059,695	625,725	14,844,058
Group Markets	16,165	-	26	6	16,197
Asset/Liability Management and Local Corporate Center	829,923	3	1,062	10,162	841,149
Total	**31,720,657**	**4,725,247**	**2,133,832**	**1,586,409**	**40,166,145**

40. Risk management *(continued)*
40.5. Credit risk *(continued)*

Loans and advances to customers by geographical segment and risk category

Group

in RON thousands	Low risk	Management attention	Substandard	Non-performing	Total
	31.12.2020				
CEE	**35,673,309**	**5,995,167**	**1,698,568**	**2,037,909**	**45,404,953**
Romania	35,673,309	5,995,167	1,698,568	2,037,909	45,404,953
Total	**35,673,309**	**5,995,167**	**1,698,568**	**2,037,909**	**45,404,953**

Bank

in RON thousands	Low risk	Management attention	Substandard	Non-performing	Total
	31.12.2020				
CEE	**34,685,466**	**5,950,434**	**1,675,937**	**1,893,673**	**44,205,510**
Romania	34,685,466	5,950,434	1,675,937	1,893,673	44,205,510
Total	**34,685,466**	**5,950,434**	**1,675,937**	**1,893,673**	**44,205,510**

Non-performing loans and advances to customers by business segment and coverage by loan loss allowances

Group

in RON thousands	Non-performing		Gross customer loans		Loan loss allowances	Collateral for NPL		NPL ratio		NPL coverage (exc collateral)	NPL collateralisation ratio	
	Total	AC	Total	AC	AC	Total	AC	Total	AC	AC	Total	AC
						31.12.2020						
Retail	1,124,489	1,124,489	26,598,610	26,598,610	(1,408,625)	379,107	379,107	4.2%	4.2%	125.3%	33.7%	33.7%
Corporates	907,735	905,809	18,587,830	18,585,905	(1,074,546)	369,262	368,276	4.9%	4.9%	118.6%	40.7%	40.7%
Group Markets	3,602	3,602	21,681	21,681	(223)	-	-	16.6%	16.6%	6.2%	0.0%	0.0%
Asset/Liability Management and Local Corporate Center	2,084	2,084	196,831	196,831	(11,742)	-	-	1.1%	1.1%	563.6%	0.0%	0.0%
Total	**2,037,910**	**2,035,984**	**45,404,952**	**45,403,027**	**(2,495,136)**	**748,369**	**747,383**	**4.5%**	**4.5%**	**122.6%**	**36.7%**	**36.7%**

Group

in RON thousands	Non-performing		Gross customer loans		Loan loss allowances	Collateral for NPL		NPL ratio		NPL coverage (exc collateral)	NPL collateralisation ratio	
	Total	AC	Total	AC	AC	Total	AC	Total	AC	AC	Total	AC
						31.12.2019						
Retail	997,877	997,877	24,719,268	24,719,268	(1,148,135)	363,119	363,119	4.0%	4.0%	115.1%	36.4%	36.4%
Corporates	710,322	706,760	17,047,558	17,043,997	(832,048)	298,427	297,453	4.2%	4.1%	117.7%	42.0%	42.1%
Group Markets	6	6	16,197	16,197	(24)	-	-	0.0%	0.0%	429.5%	0.0%	0.0%
Asset/Liability Management and Local Corporate Center	10,162	10,162	206,827	206,827	(13,489)	-	-	4.9%	4.9%	132.8%	0.0%	0.0%
Total	**1,718,366**	**1,714,804**	**41,989,850**	**41,986,289**	**(1,993,696)**	**661,546**	**660,572**	**4.1%**	**4.1%**	**116.3%**	**38.5%**	**38.5%**

Bank

in RON thousands	Non-performing		Gross customer loans		Loan loss allowances	Collateral for NPL		NPL ratio		NPL coverage (exc collateral)	NPL collateralisation ratio	
	Total	AC	Total	AC	AC	Total	AC	Total	AC	AC	Total	AC
						31.12.2020						
Retail	1,087,783	1,087,783	26,394,160	26,394,160	(1,371,935)	378,791	378,791	4.1%	4.1%	126.1%	34.8%	34.8%
Corporates	800,204	798,278	16,017,547	16,015,622	(981,325)	292,036	291,051	5.0%	5.0%	122.9%	36.5%	36.5%
Group Markets	3,602	3,602	21,681	21,681	(223)	-	-	16.6%	16.6%	6.2%	0.0%	0.0%
Asset/Liability Management and Local Corporate Center	2,084	2,084	1,772,123	1,772,123	(19,536)	-	-	0.1%	0.1%	937.4%	0.0%	0.0%
Total	**1,893,673**	**1,891,747**	**44,205,511**	**44,203,586**	**(2,373,019)**	**670,827**	**669,842**	**4.3%**	**4.3%**	**125.4%**	**35.4%**	**35.4%**

Bank

in RON thousands	Non-performing		Gross customer loans		Loan loss allowances	Collateral for NPL		NPL ratio		NPL coverage (exc collateral)	NPL collateralisation ratio	
	Total	AC	Total	AC	AC	Total	AC	Total	AC	AC	Total	AC
						31.12.2019						
Retail	950,517	950,517	24,464,741	24,464,741	(1,101,343)	359,937	359,937	3.9%	3.9%	115.9%	37.9%	37.9%
Corporates	625,725	622,163	14,844,058	14,840,496	(751,842)	241,377	240,404	4.2%	4.2%	120.8%	38.6%	38.6%
Group Markets	6	6	16,197	16,197	(24)	-	-	0.0%	0.0%	429.5%	0.0%	0.0%
Asset/Liability Management and Local Corporate Center	10,162	10,162	841,149	841,149	(14,629)	-	-	1.2%	1.2%	144.0%	0.0%	0.0%
Total	**1,586,409**	**1,582,847**	**40,166,145**	**40,162,583**	**(1,867,838)**	**601,314**	**600,341**	**3.9%**	**3.9%**	**118.0%**	**37.9%**	**37.9%**

Total gross customer loans, total non-performing loans, and total collateral include both AC and FVPL portfolios.

40. Risk management *(continued)*
40.5. Credit risk *(continued)*

The NPL ratio of loans and advances to customers is calculated by dividing the gross carrying amount of non-performing loans and advances to customers by the total gross carrying amount of loans and advances to customers. Consequently, it differs from the NPE ratio in section "Credit risk exposure'. Collaterals for non-performing loans mainly consist of real estates.

The NPL coverage ratio (excluding collateral) is calculated according to Group's internal definition by dividing total loss allowances (calculated for both performing and non-performing loans and advances to customers) by the gross carrying amount of the non-performing loans and advances to customers. Collateral or other recoveries are not taken into account.

Loans and advances to customers at AC and coverage by loan loss allowances by business segment and IFRS 9 treatment

Group

in RON thousands	Loans to customers				Loan loss allowances				Stage 2 coverage ratio	Stage 3 coverage ratio	POCI coverage ratio
	Stage 1	Stage 2	Stage 3	POCI	Stage 1	Stage 2	Stage 3	POCI			
						31.12.2020					
Retail	19,988,516	5,333,418	1,039,970	236,706	(66,913)	(503,886)	(771,537)	(66,289)	9.4%	74.2%	28.0%
Corporates	13,128,365	4,535,429	837,552	84,559	(119,589)	(319,061)	(621,649)	(14,247)	7.0%	74.2%	16.8%
Group Markets	6,868	11,211	3,602	-	(9)	(201)	(13)	-	1.8%	0.4%	0.0%
Asset/Liability Management and Local Corporate Center	119,221	75,526	2,084	-	(228)	(5,506)	(6,008)	-	7.3%	288.3%	0.0%
Total	**33,242,970**	**9,955,584**	**1,883,208**	**321,265**	**(186,739)**	**(828,654)**	**(1,399,207)**	**(80,536)**	**8.3%**	**74.3%**	**25.1%**

Group

in RON thousands	Loans to customers				Loan loss allowances				Stage 2 coverage ratio	Stage 3 coverage ratio	POCI coverage ratio
	Stage 1	Stage 2	Stage 3	POCI	Stage 1	Stage 2	Stage 3	POCI			
						31.12.2019					
Retail	20,528,439	3,040,712	881,759	268,358	(52,007)	(320,783)	(677,956)	(97,389)	10.5%	76.9%	36.3%
Corporates	13,317,022	2,991,533	542,166	193,276	(127,049)	(259,329)	(404,977)	(40,693)	8.7%	74.7%	21.1%
Group Markets	13,446	2,745	6	-	(17)	(2)	(5)	-	0.1%	88.7%	0.0%
Asset/Liability Management and Local Corporate Center	146,534	50,131	10,151	10	(96)	(2,761)	(10,632)	-	5.5%	104.7%	0.0%
Total	**34,005,441**	**6,085,121**	**1,434,082**	**461,644**	**(179,170)**	**(582,875)**	**(1,093,570)**	**(138,082)**	**9.6%**	**76.3%**	**29.9%**

Bank

in RON thousands	Loans to customers				Loan loss allowances				Stage 2 coverage ratio	Stage 3 coverage ratio	POCI coverage ratio
	Stage 1	Stage 2	Stage 3	POCI	Stage 1	Stage 2	Stage 3	POCI			
						31.12.2020					
Retail	19,829,601	5,324,628	1,003,264	236,667	(66,199)	(503,144)	(736,303)	(66,289)	9.4%	73.4%	28.0%
Corporates	10,844,862	4,356,180	730,021	84,559	(86,798)	(310,396)	(569,884)	(14,247)	7.1%	78.1%	16.8%
Group Markets	6,868	11,211	3,602	-	(9)	(201)	(13)	-	1.8%	0.4%	0.0%
Asset/Liability Management and Local Corporate Center	1,518,803	251,236	2,084	-	(2,640)	(10,888)	(6,008)	-	4.3%	288.3%	0.0%
Total	**32,200,134**	**9,943,255**	**1,738,971**	**321,226**	**(155,646)**	**(824,629)**	**(1,312,208)**	**(80,536)**	**8.3%**	**75.5%**	**25.1%**

Bank

in RON thousands	Loans to customers				Loan loss allowances				Stage 2 coverage ratio	Stage 3 coverage ratio	POCI coverage ratio
	Stage 1	Stage 2	Stage 3	POCI	Stage 1	Stage 2	Stage 3	POCI			
						31.12.2019					
Retail	20,323,568	3,038,415	834,400	268,358	(51,336)	(320,648)	(631,970)	(97,389)	10.6%	75.7%	36.3%
Corporates	11,289,835	2,899,816	457,569	193,276	(97,709)	(254,523)	(358,917)	(40,693)	8.8%	78.4%	21.1%
Group Markets	13,446	2,745	6	-	(17)	(2)	(5)	-	0.1%	88.7%	0.0%
Asset/Liability Management and Local Corporate Center	728,285	102,702	10,151	10	(869)	(3,128)	(10,632)	-	3.0%	104.7%	0.0%
Total	**32,355,135**	**6,043,678**	**1,302,126**	**461,644**	**(149,931)**	**(578,301)**	**(1,001,524)**	**(138,082)**	**9.6%**	**76.9%**	**29.9%**

40. Risk management *(continued)*
40.5. Credit risk *(continued)*

Non-performing loans and advances to customers by geographical segment and coverage by loan loss allowances and collateral

Group

in RON thousands	Non-performing		Gross customer loans		Loan loss allowances	Collateral for NPL		NPL ratio		NPL coverage (exc collateral)	NPL collateralisation ratio	
	Total	AC	Total	AC	AC	Total	AC	Total	AC	AC	Total	AC
	31.12.2020											
CEE	**2,037,909**	**2,035,985**	**45,404,952**	**45,403,029**	**(2,495,136)**	**748,369**	**747,384**	**4.49%**	**4.48%**	**122.55%**	**36.72%**	**36.71%**
Romania	2,037,909	2,035,985	45,404,952	45,403,029	(2,495,136)	748,369	747,384	4.49%	4.48%	122.55%	36.72%	36.71%
Total	**2,037,909**	**2,035,985**	**45,404,952**	**45,403,029**	**(2,495,136)**	**748,369**	**747,384**	**4.49%**	**4.48%**	**122.55%**	**36.72%**	**36.71%**

Bank

in RON thousands	Non-performing		Gross customer loans		Loan loss allowances	Collateral for NPL		NPL ratio		NPL coverage (exc collateral)	NPL collateralisation ratio	
	Total	AC	Total	AC	AC	Total	AC	Total	AC	AC	Total	AC
	31.12.2020											
CEE	**1,893,673**	**1,891,748**	**44,205,511**	**44,203,586**	**(2,373,019)**	**670,827**	**669,842**	**4.28%**	**4.28%**	**125.44%**	**35.42%**	**35.41%**
Romania	1,893,673	1,891,748	44,205,511	44,203,586	(2,373,019)	670,827	669,842	4.28%	4.28%	125.44%	35.42%	35.41%
Total	**1,893,673**	**1,891,748**	**44,205,511**	**44,203,586**	**(2,373,019)**	**670,827**	**669,842**	**4.28%**	**4.28%**	**125.44%**	**35.42%**	**35.41%**

Total gross customer loans, total non-performing loans, and total collateral include both AC and FVPL portfolios.
The NPL ratio of loans and advances to customers is calculated by dividing the gross carrying amount of non-performing loans and advances to customers by the total gross carrying amount of loans and advances to customers. Consequently, it differs from the NPE ratio in section ''Credit risk exposure'. Collaterals for non-performing loans mainly consist of real estates.

The NPL coverage ratio (excluding collateral) is calculated according to Group's internal definition by dividing total loss allowances (calculated for both performing and non-performing loans and advances to customers) by the gross carrying amount of the non-performing loans and advances to customers. Collateral or other recoveries are not taken into account.

Loans and advances to customers and coverage by loan loss allowances by geographical segment and IFRS 9 treatment

Group

in RON thousands	Credit risk exposure					Loan loss allowances				Stage 2 coverage ratio	Stage 3 coverage ratio	POCI coverage ratio
	Stage 1	Stage 2	Stage 3	POCI	Not subject to impairment	Stage 1	Stage 2	Stage 3	POCI			
	31.12.2020											
CEE	**33,242,970**	**9,955,584**	**1,883,208**	**321,265**	**1,925**	**(186,740)**	**(828,655)**	**(1,399,205)**	**(80,537)**	**8.32%**	**74.30%**	**25.07%**
Romania	33,242,970	9,955,584	1,883,208	321,265	1,925	(186,740)	(828,655)	(1,399,205)	(80,537)	8.32%	74.30%	25.07%
Total	**33,242,970**	**9,955,584**	**1,883,208**	**321,265**	**1,925**	**(186,740)**	**(828,655)**	**(1,399,205)**	**(80,537)**	**8.32%**	**74.30%**	**25.07%**

Bank

in RON thousands	Credit risk exposure					Loan loss allowances				Stage 2 coverage ratio	Stage 3 coverage ratio	POCI coverage ratio
	Stage 1	Stage 2	Stage 3	POCI	Not subject to impairment	Stage 1	Stage 2	Stage 3	POCI			
	31.12.2020											
CEE	**32,200,134**	**9,943,255**	**1,738,971**	**321,226**	**1,925**	**(155,645)**	**(824,628)**	**(1,312,209)**	**(80,537)**	**8.29%**	**75.46%**	**25.07%**
Romania	32,200,134	9,943,255	1,738,971	321,226	1,925	(155,645)	(824,628)	(1,312,209)	(80,537)	8.29%	75.46%	25.07%
Total	**32,200,134**	**9,943,255**	**1,738,971**	**321,226**	**1,925**	**(155,645)**	**(824,628)**	**(1,312,209)**	**(80,537)**	**8.29%**	**75.46%**	**25.07%**

40. Risk management *(continued)*
40.5. Credit risk *(continued)*

Loans and advances to customers by geographical segment and currency

						Group
in RON thousands	EUR	CEE-LCY	CHF	USD	Other	Total
			31.12.2020			
CEE	**15,134,782**	**29,889,125**	**23**	**381,002**	**20**	**45,404,952**
Romania	15,134,782	29,889,125	23	381,002	20	45,404,952
Total	**15,134,782**	**29,889,125**	**23**	**381,002**	**20**	**45,404,952**

						Bank
in RON thousands	EUR	CEE-LCY	CHF	USD	Other	Total
			31.12.2020			
CEE	**14,349,097**	**29,485,752**	**23**	**370,619**	**20**	**44,205,511**
Romania	14,349,097	29,485,752	23	370,619	20	44,205,511
Total	**14,349,097**	**29,485,752**	**23**	**370,619**	**20**	**44,205,511**

40.6 Market risk

Definition and overview

Market risk is the risk of loss that may arise due to adverse changes in market prices and to the parameters derived therefrom. These market value changes might appear in the profit and loss account or in the statement of comprehensive income. Market risk is divided into interest rate risk, currency risk, equity risk and commodity risk. This concerns both trading and banking book positions.

Methods and instruments employed

Potential losses from the trading book that may arise from market movements are assessed using the value at risk ("VaR"). The calculation is done according to the method of historic simulation with a one-sided confidence level of 99%, a holding period of one day and a simulation period of two years. The VaR describes what level of losses may be expected as a maximum at a defined probability – the confidence level – within a certain holding period of the positions under historically observed market conditions.

On the one hand, the confidence level is limited to 99%, and on the other hand, the model takes into account only those market scenarios observed in each case within the simulation period of two years, and calculates the VaR for the current position of the bank on this basis. In order to investigate any extreme market situations beyond this, stress tests are conducted. These events include mainly market movements of low probability.

The VaR model was approved by the Financial Market Authority ("FMA") as an internal market risk model to determine the own funds requirements of the trading book of Erste Group pursuant to the Austrian Banking Act.

For internal Pillar 2 capital purposes the VaR confidence level is scaled to 99.92% and the holding period is extended to one year.

Methods and instruments of risk mitigation

Market risks are controlled in the trading book by setting several layers of limits. The overall limit on the basis of VaR for the trading book is allocated by the management board within the Risk Appetite Framework while taking into account the risk-bearing capacity and projected earnings.

All market risk activities of the trading book are assigned risk limits that are statistically consistent in their entirety with the VaR overall limit. The VaR limit is assigned in a top-down procedure to the individual trading units. This is done down to the level of the individual trading groups or departments. Limit compliance is verified on a daily basis by the Market and Liquidity Risk unit. On demand limit reports can also be triggered by individual traders or chief traders on an ad hoc basis.

40. Risk management *(continued)*
40.6 Market risk *(continued)*

Principles of managing Interest Rate Risk in Banking Book

As an inherent part of its business, BCR is exposed to interest rate risk arising from the characteristics of assets, liabilities and off balance sheet items as well as arising from the expected development of the balance sheet and banking activity.

BCR has four methods which are used to measure interest rate risk in the banking book:

- Economic value measures (MVoE, EVE) to assess the market value change under certain scenarios;
- Value at Risk based measures used for economic capital allocation under Pillar 2;
- Earnings at risk measure (NII sensitivity) to assess the impact on operating income of certain scenarios on BCR level. This also comprises valuation impacts on other comprehensive income (OCI);
- Sensitivity measures (BP01,CR01) to assess the market value sensitivity of certain portfolios.

BCR has in place strategies, policies and practices to manage interest rate risks in accordance with the risk tolerance. All internal and regulatory limits are monitored and reported to senior management.

The strategic steering of interest rate risk exposure is future oriented and based on the forecasted movements of the market variables (primarily interest rates) and business developments over a given – typically medium to long term - planning horizon.

Principles of managing foreign exchange risk

The FX Risk shows the sensitivity of BCR's open FX position to FX rate fluctuations.

For both Banking Book and Trading Book, the FX position in BCR is monitored and reported on a daily basis. An internal limit was established as a percentage from own funds.

The FX risk from trading book portfolio is also monitored through VaR FX indicator on a daily basis together with total VaR by the Market and Liquidity Risk unit.

Analysis of market risk

Value at Risk of trading book

The following tables show the VaR amounts as of 31 December 2020 and 31 December 2019 using equally weighted market data and with a holding period of one year. The confidence level is 99.92%.

in RON thousands	FX position	Fixed Income	Money Market	Equity	Total Trading Book
As at 31 December 2020	274	34,924	7,728	-	37,539
As at 31 December 2019	328	12,128	11,657	-	22,969

Interest rate risk of banking book

Interest rate risk is the risk of an adverse change in the fair value of financial instruments caused by a movement in market interest rates. This type of risk arises when mismatches exist between assets and liabilities, including derivatives, in respect of their maturities or of the timing of interest rate adjustments.

In order to identify interest rate risk, all financial instruments, including transactions not recognized on the balance sheet, are grouped into maturity bands based on their remaining terms to maturity or terms to an interest rate adjustment (re-pricing). Positions without a fixed maturity (e.g. demand deposits) are included on the basis of modelled deposit rates that are determined by means of statistical methods.

The following tables list the open positions held by BCR by currency and re-pricing as of 31 December 2020 and 31 December 2019. Positive values indicate a surplus of asset items, while negative values represent a surplus on the liability side.

40. Risk management *(continued)*
40.6 Market risk *(continued)*

Bank — **31.12.2020**

in RON thousands		RON		EUR		Other currencies	
Maturity band	Weighting factors	Net position	Weighted position	Net position	Weighted position	Net position	Weighted position
≤ 1 m	0.08%	2,735,934	2,189	3,714,407	2,972	23,701	19
> 1 m, ≤ 3 m	0.32%	2,545,234	8,145	4,978,337	15,931	(350,802)	(1,123)
> 3 m, ≤ 6 m	0.72%	575,133	4,141	(166,335)	(1,198)	(330,166)	(2,377)
> 6 m, ≤ 12 m	1.43%	(785,840)	(11,238)	(2,526,208)	(36,125)	(369,361)	(5,282)
> 1 y, ≤ 2 y	2.77%	1,921,549	53,227	(969,868)	(26,865)	(234,515)	(6,496)
> 2 y, ≤ 3 y	4.49%	2,746,262	123,307	(70,512)	(3,166)	(216,646)	(9,727)
> 3 y, ≤ 4 y	6.14%	663,323	40,728	(261,124)	(16,033)	(217,063)	(13,328)
> 4 y, ≤ 5 y	7.71%	(7,891,481)	(608,433)	(4,788,317)	(369,179)	(864,821)	(66,678)
> 5 y, ≤ 7 y	10.15%	1,221,230	123,955	54,031	5,484	(215)	(22)
> 7 y, ≤ 10 y	13.26%	844,955	112,041	1,066,308	141,392	-	-
> 10 y, ≤ 15 y	17.84%	(8,934)	(1,594)	322,491	57,532	-	-
> 15 y, ≤ 20 y	22.43%	86	19	(3,365)	(755)	-	-
> 20 y	26.03%	(16,518)	(4,300)	(26,915)	(7,006)	(5,216)	(1,358)
Total			**(157,813)**		**(237,016)**		**(106,372)**

31.12.2019

in RON thousands		RON		EUR		Other currencies	
Maturity band	Weighting factors	Net position	Weighted position	Net position	Weighted position	Net position	Weighted position
≤ 1 m	0.08%	360,507	288	3,182,682	2,546	(148,498)	(119)
> 1 m, ≤ 3 m	0.32%	1,780,687	5,698	2,785,163	8,913	(638,095)	(2,042)
> 3 m, ≤ 6 m	0.72%	54,261	391	(1,040,530)	(7,492)	(298,971)	(2,153)
> 6 m, ≤ 12 m	1.43%	(275,397)	(3,938)	966,814	13,825	(350,443)	(5,011)
> 1 y, ≤ 2 y	2.77%	3,048,684	84,449	393,567	10,902	(215,466)	(5,968)
> 2 y, ≤ 3 y	4.49%	1,617,469	72,624	(876,808)	(39,369)	(213,223)	(9,574)
> 3 y, ≤ 4 y	6.14%	2,058,285	126,379	(877,439)	(53,875)	(192,119)	(11,796)
> 4 y, ≤ 5 y	7.71%	(6,824,009)	(526,131)	(2,939,146)	(226,608)	(705,464)	(54,391)
> 5 y, ≤ 7 y	10.15%	1,581,844	160,557	712,670	72,336	-	-
> 7 y, ≤ 10 y	13.26%	1,755,269	232,749	743,280	98,559	(231)	(31)
> 10 y, ≤ 15 y	17.84%	(22,007)	(3,926)	176,688	31,521	-	-
> 15 y, ≤ 20 y	22.43%	78	18	21,656	4,857	-	-
> 20 y	26.03%	(1,347)	(351)	(41,229)	(10,732)	(5,675)	(1,477)
Total			**148,807**		**(94,617)**		**(92,562)**

The weighting factors are the regulatory factors from the standardized approach for interest rate risk for banking book of Regulation 5/2013, where the assumed shocks are of 200 basis points. The potential impact of the parallel shift of the interest rates in the market value of equity (MVoE) under this approach is illustrated in the tables below. The regulatory and internal limit for this impact as a percentage from own funds is 20%, while the warning level is 15%.

Group

in RON thousands			31.12.2020
Own Funds			7,488,487
The Potential Decrease in the Market Value of Equity	in absolute value	RON	136,814
		EUR	230,156
		Other currencies	105,832
		Total	**472,802**
	% of Own Funds		6.31%

Group

in RON thousands			31.12.2019
Own Funds			8,165,833
The Potential Decrease in the Market Value of Equity	in absolute value	RON	173,314
		EUR	86,760
		Other currencies	92,109
		Total	352,183
	% of Own Funds		4.31%

40. Risk management *(continued)*
40.6 Market risk *(continued)*

			Bank
in RON thousands			31.12.2020
Own Funds			7,360,422
The Potential Decrease in the Market Value of Equity	in absolute value	RON	157,813
		EUR	237,016
		Other currencies	106,372
		Total	501,201
	% of Own Funds		6.81%

			Bank
in RON thousands			31.12.2019
Own Funds			8,023,237
The Potential Decrease in the Market Value of Equity	in absolute value	RON	148,807
		EUR	94,617
		Other currencies	92,562
		Total	335,986
	% of Own Funds		4.19%

The following table shows the changes in NII (Net Interest Income) for BCR Bank for a 1 year period and the impact on fair value reserve (equity) due to an instantaneous parallel shift of the yield curves with ±1%, ±2%.

RON thousands		Bank 31.12.2020	
	Shift	Sensitivity of Net Interest Income	Sensitivity of Fair Value reserve (Equity)
	2%	365,515	(275,398)
	1%	177,335	(140,200)
	-1%	(124,086)	145,449
	-2%	(293,878)	296,410

RON thousands		Bank 31.12.2019	
	Shift	Sensitivity of Net Interest Income	Sensitivity of AFS reserve (equity)
	2%	212,066	(214,694)
	1%	107,256	(109,388)
	-1%	(93,563)	113,692
	-2%	(212,839)	231,927

Exchange rate risk

Risk from open foreign exchange positions is the risk related to exchange rates that derives from the mismatch between assets and liabilities, or from currency-related financial derivatives. These risks might originate from customer-related operations or proprietary trading and are monitored and managed on a daily basis. Foreign currency exposure is subject to internal limits and monitored on a daily basis.

40.7 Liquidity risk

Definition and overview

The liquidity risk is defined in the Group in line with the principles set out by the Basel Committee on Banking Supervision and the local regulator (National Bank of Romania). Accordingly, a distinction is made between market liquidity risk, which is the risk that the Group entities cannot easily offset or close a position at the market price because of inadequate market depth or market disruption, and funding liquidity risk, which is the risk that the banks in the Group will not be able to meet efficiently both expected and unexpected current and future cash flow and collateral needs without affecting either daily operations or the financial condition of the Group members.

Funding liquidity risk is further divided into insolvency risk and structural liquidity risk. The former is the short-term risk that current or future payment obligations cannot be met in full and on time in an economically justified manner, while structural liquidity risk is the long-term risk of losses due to a change in the Group's own refinancing cost or spread.

Liquidity strategy

The Liquidity Strategy was defined in accordance with the Group's risk appetite and it was compliant with internal and regulatory limits. The Liquidity Strategy contains developments, rules and targets including (but not limited to) regulatory requirements (e.g. LCR, NSFR), liquidity buffer, funding plan and maturity profile of issued debt and secured and unsecured interbank funding.

Methods and instruments employed

Short-term insolvency risk is monitored by calculating the survival period for each significant currency and total portfolio in the case of the Bank.

This analysis determines the maximum period during which the entity can survive a severe combined market and idiosyncratic crisis while relying on its pool of liquid assets. The chosen worst-case scenario simulates very limited money market and capital market access and at the same time significant client deposit outflow. Furthermore, the simulation assumes increased drawdown on guarantees and loan commitments dependent on the type of the customer.

40. Risk management *(continued)*
40.7 Liquidity risk (*continued*)

The Bank monitors the Liquidity Coverage Ratio ("LCR") and Net Stable Funding Ratio ("NSFR") according to CRR at both entity and group level, and has included the metrics in its internal Risk Appetite Statement.

Additionally, the traditional liquidity gaps (depicting the going concern maturity mismatches) of the subsidiaries and the group as a whole are reported and monitored regularly. Funding concentration risk is continuously analysed in respect to counterparties. The Group's fund transfer pricing (FTP) system has also proven to be an efficient tool for structural liquidity risk management.

Methods and instruments of risk mitigation

Short-term liquidity risk is managed by limits resulting from the survival period model, internal stress testing and by internal LCR targets at both entity and group level. Limit breaches are reported to the Asset Liability Committee (ALCO). Another important instrument for managing the liquidity risk within the Group and in relation to its subsidiaries is the FTP system. As the process of planning funding needs provides important information for liquidity management, a detailed overview of funding needs is prepared on a quarterly basis for the planning horizon across the Group.

The Contingency Plan of the Group ensures the necessary coordination of all parties involved in the liquidity management process in case of crisis and is reviewed on a regular basis. The contingency plans of the subsidiaries are coordinated as part of the plan for the Group.

Analysis of liquidity risk

Financial assets

Maturities of contractual undiscounted cash flows from financial assets as of 31 December 2020 and 31 December 2019 respectively for the Group were as follows:

Group

In RON thousands	Carrying amounts	Contractual cash flows	< 1 month	1-3 months	3-6 months	6-12 months	1-5 years	> 5 years
As of 31 December 2020								
Non-derivative assets	**76,094,978**	**92,309,976**	**17,422,246**	**5,344,765**	**4,152,961**	**5,312,824**	**33,696,604**	**26,380,576**
Cash and cash equivalents	10,538,199	10,538,199	10,538,199	-	-	-	-	-
Debt securities	22,391,477	25,874,179	130,197	2,777,980	2,148,122	1,878,755	15,411,986	3,527,139
Loans and advances to banks	2,028,021	3,476,683	1,864,370	1,263,388	348,371	-	-	554
Loans and advances to customers	41,137,281	52,420,915	4,889,480	1,303,397	1,656,468	3,434,069	18,284,618	22,852,883
Derivatives	**39,891**	**4,581,269**	**3,224,621**	**1,122,993**	**39,442**	**176,604**	**17,521**	**88**

Group

In RON thousands	Carrying amounts	Contractual cash flows	< 1 month	1-3 months	3-6 months	6-12 months	1-5 years	> 5 years
As of 31 December 2019								
Non-derivative assets	**70,076,928**	**84,554,822**	**16,154,842**	**2,460,162**	**3,414,814**	**5,512,198**	**30,330,232**	**26,682,574**
Cash and cash equivalents	9,006,518	9,006,518	9,006,518	-	-	-	-	-
Debt securities	21,902,955	24,392,102	110,177	665,587	1,779,615	2,011,085	14,596,814	5,228,824
Loans and advances to banks	661,437	2,437,910	1,707,095	723,564	7,251	-	-	-
Loans and advances to customers	38,506,018	48,718,292	5,331,052	1,071,011	1,627,948	3,501,113	15,733,418	21,453,750
Derivatives	**40,100**	**4,567,269**	**1,097,910**	**2,212,905**	**350,918**	**872,511**	**32,623**	**402**

40. Risk management *(continued)*
40.7 Liquidity risk (*continued*)

The financial assets as of 31 December 2020 and 31 December 2019 respectively for the Bank, were as follows:

Bank

In RON thousands	Carrying amounts	Contractual cash flows	< 1 month	1-3 months	3-6 months	6-12 months	1-5 years	> 5 years
As of 31 December 2020								
Non-derivative assets	**75,107,623**	**89,028,486**	**16,717,465**	**4,748,038**	**3,293,973**	**5,208,764**	**32,797,109**	**26,263,137**
Cash and cash equivalents	10,193,736	10,193,736	10,193,736	-	-	-	-	-
Debt securities	21,526,297	24,525,495	59,154	2,710,440	1,664,373	1,847,511	14,716,878	3,527,139
Loans and advances to banks	2,026,208	2,327,109	1,581,595	744,960	-	-	-	554
Loans and advances to customers	41,361,382	51,982,146	4,882,980	1,292,638	1,629,600	3,361,253	18,080,231	22,735,444
Derivatives	**39,891**	**4,581,269**	**3,224,621**	**1,122,993**	**39,442**	**176,604**	**17,521**	**88**

Bank

In RON thousands	Carrying amounts	Contractual cash flows	< 1 month	1-3 months	3-6 months	6-12 months	1-5 years	> 5 years
As of 31 December 2019								
Non-derivative assets	**67,913,668**	**81,155,577**	**15,066,550**	**1,756,636**	**2,937,222**	**5,409,565**	**29,431,952**	**26,553,652**
Cash and cash equivalents	8,724,971	8,724,971	8,724,971	-	-	-	-	-
Debt securities	20,588,611	23,076,871	1,795	642,139	1,330,439	1,959,109	13,914,565	5,228,824
Loans and advances to banks	661,086	1,084,104	1,016,391	60,462	7,251	-	-	-
Loans and advances to customers	37,939,000	48,269,631	5,323,393	1,054,035	1,599,532	3,450,456	15,517,387	21,324,828
Derivatives	**40,100**	**4,567,269**	**1,097,910**	**2,212,905**	**350,918**	**872,511**	**32,623**	**402**

Financial liabilities

Maturities of contractual undiscounted cash flows from financial liabilities as of 31 December 2020 and 31 December 2019 for the Group, were as follows:

Group

in thousands RON	Carrying amounts	Contractual cash flows	< 1 month	1-3 months	3-6 months	6-12 months	1-5 years	> 5 years
As of 31 December 2020								
Non-derivative liabilities	**69,098,349**	**71,335,816**	**49,570,826**	**8,032,382**	**4,303,437**	**5,415,487**	**2,994,335**	**1,019,349**
Deposits by banks	2,519,514	4,140,136	2,768,737	538,279	350,289	111,494	249,625	121,712
Customer deposits	64,876,774	65,235,697	46,802,089	7,470,830	3,953,148	4,641,864	2,102,229	265,537
Debt securities in issue	614,801	802,339	-	-	-	41,839	128,400	632,100
Subordinated liabilities	1,087,260	1,157,644	-	23,273	-	620,290	514,081	-
Contingent liabilities	**11,019,696**	**11,019,696**	**11,019,696**	**-**	**-**	**-**	**-**	**-**
Financial guarantees	31,054	31,054	31,054	-	-	-	-	-
Irrevocable commitments	10,988,642	10,988,642	10,988,642	-	-	-	-	-
Derivatives	**52,051**	**4,591,659**	**3,230,493**	**1,131,482**	**39,280**	**172,920**	**17,395**	**89**

Group

in thousands RON	Carrying amounts	Contractual cash flows	< 1 month	1-3 months	3-6 months	6-12 months	1-5 years	> 5 years
As of 31 December 2019								
Non-derivative liabilities	**63,015,342**	**65,090,682**	**43,828,690**	**8,216,829**	**4,379,637**	**4,564,362**	**3,029,877**	**1,071,287**
Deposits by banks	3,371,847	4,799,476	3,453,075	683,481	11,903	67,222	422,695	161,100
Customer deposits	57,791,780	58,097,830	40,375,615	7,510,059	4,223,416	4,417,616	1,325,137	245,987
Debt securities in issue	784,402	998,550	-	-	144,318	52,073	137,959	664,200
Subordinated liabilities	1,067,313	1,194,826	-	23,289	-	27,451	1,144,086	-
Contingent liabilities	**8,735,035**	**8,735,035**	**8,735,035**	**-**	**-**	**-**	**-**	**-**
Financial guarantees	2,930,024	2,930,024	2,930,024	-	-	-	-	-
Irrevocable commitments	5,805,011	5,805,011	5,805,011	-	-	-	-	-
Derivatives	**73,498**	**4,583,849**	**1,103,169**	**2,220,263**	**365,079**	**862,061**	**32,875**	**402**

40. Risk management *(continued)*
40.7 Liquidity risk (*continued*)

Compared to 2019, the volume of deposits (customers and banks) for the Group as of 31 December 2020 increased from RON 61,163,627 thousands to RON 67,396,288 thousands.

Maturities of contractual undiscounted cash flows from financial liabilities as of 31 December 2020 and 31 December 2019 respectively for the Bank were as follows:

Bank

in thousands RON	Carrying amounts	Contractual cash flows	< 1 month	1-3 months	3-6 months	6-12 months	1-5 years	> 5 years
As of 31 December 2020								
Non-derivative liabilities	**67,785,743**	**68,123,807**	**46,633,901**	**8,002,007**	**4,276,295**	**5,284,681**	**2,917,019**	**1,009,904**
Deposits by banks	2,491,964	2,523,485	1,222,453	537,075	348,371	44,249	249,625	121,712
Customer deposits	63,591,718	63,640,339	45,411,448	7,441,659	3,927,924	4,578,303	2,024,913	256,092
Debt securities in issue	614,801	802,339	-	-	-	41,839	128,400	632,100
Subordinated liabilities	1,087,260	1,157,644	-	23,273	-	620,290	514,081	-
Contingent liabilities	**10,954,935**	**10,954,935**	**10,954,935**	**-**	**-**	**-**	**-**	**-**
Financial guarantees	18,628	18,628	18,628	-	-	-	-	-
Irrevocable commitments	10,936,307	10,936,307	10,936,307	-	-	-	-	-
Derivatives	**52,051**	**4,591,659**	**3,230,493**	**1,131,482**	**39,280**	**172,920**	**17,395**	**89**

Bank

in thousands RON	Carrying amounts	Contractual cash flows	< 1 month	1-3 months	3-6 months	6-12 months	1-5 years	> 5 years
As of 31 December 2019								
Non-derivative liabilities	**60,734,008**	**61,193,894**	**40,906,678**	**8,068,520**	**4,147,046**	**4,140,902**	**2,862,113**	**1,068,635**
Deposits by banks	3,106,869	3,180,837	1,915,835	682,074	7,602	63,047	351,179	161,100
Customer deposits	55,775,424	55,819,681	38,990,843	7,363,157	3,995,126	3,998,331	1,228,889	243,335
Debt securities in issue	784,402	998,550	-	-	144,318	52,073	137,959	664,200
Subordinated liabilities	1,067,313	1,194,826	-	23,289	-	27,451	1,144,086	-
Contingent liabilities	**8,726,506**	**8,726,506**	**8,726,506**	**-**	**-**	**-**	**-**	**-**
Financial guarantees	2,920,263	2,920,263	2,920,263	-	-	-	-	-
Irrevocable commitments	5,806,243	5,806,243	5,806,243	-	-	-	-	-
Derivatives	**73,498**	**4,583,849**	**1,103,169**	**2,220,263**	**365,079**	**862,061**	**32,875**	**402**

Compared to 2019, the volume of deposits (customers and banks) for the Bank as of 31 December 2020 increased from RON 58,882,293 thousands to RON 66,083,682 thousands.
As of year-end 2020, the currency composition of the deposits consisted of approximately 71.69% RON (65.92% as of year-end 2019), 34.97% EUR (28.84% as of year-end 2019), 4.95% USD (4.75% as of year-end 2019) and the rest 0.53% in other currencies.

41. Fair value of financial assets and liabilities

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value is best evidenced by a quoted market price, if such exists. Credit Value Adjustment/Debt Value Adjustment is included in the fair value of derivatives, being not significant amount both at 31 December 2019 and 31 December 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. Should the spread be not observable it has to be tested if the unobservable input parameter is significant. An unobservable input parameter for theoretical priced securities is considered significant if the effect of the unobservable input on the fair value of the respective security is higher than 2%.

Level 3 of the fair value hierarchy

In some cases, the fair value can be determined neither on the basis of sufficiently frequent quoted market prices nor of valuation models that rely entirely on observable market data. In these cases individual valuation parameters not observable in the market are estimated on the basis of reasonable assumptions. If any unobservable input in the valuation model is significant or the price quote used is updated infrequently the instrument is classified as level 3 fair value hierarchy. For level 3 valuations besides observable parameters typically credit spreads derived from internally calculated historical probability of default (PD) and loss given default (LGD) measures are used as unobservable parameters.

41. Fair value of financial assets and liabilities (*continued*)

41.1 Financial instruments measured at amortised cost in the statement of financial position whose fair value is disclosed in the notes

The following table shows fair values and fair value hierarchy of financial instruments whose fair value is disclosed in the notes for the year-end:

31.12.2020

in RON thousands	Group					Bank				
	Carrying amount	Fair value	Fair value hierarhy			Carrying amount	Fair value	Fair value hierarhy		
			Level 1	Level 2	Level 3			Level 1	Level 2	Level 3
Assets			-	-	-					
Cash and cash balances	10,538,199	10,538,199	10,538,199	-	-	10,193,736	10,193,736	10,193,736	-	-
Financial assets at amortised cost	57,990,947	59,844,564	14,939,275	359,332	44,545,957	57,372,656	59,250,569	14,192,096	273,998	44,784,475
Loans and advances to banks	2,028,021	2,028,996	-	-	2,028,996	2,026,208	2,027,184	-	-	2,027,184
Loans and advances to customers	41,135,356	42,500,308	-	-	42,500,308	41,359,457	42,756,295	-	-	42,756,295
Debt securities	14,827,570	15,315,260	14,939,275	359,332	16,653	13,986,991	14,467,090	14,192,096	273,998	996
Finance lease receivables	1,301,380	1,301,380	-	-	1,301,380	15,106	15,106	-	-	15,106
Trade and other receivables	563,885	582,305	-	-	582,305	548,097	562,278	-	-	562,278
Liabilities										
Financial liabilities measured at amortised cost	69,847,085	69,799,845	-	674,478	69,125,367	68,527,999	68,344,201	-	674,478	67,669,723
Deposits from banks	3,606,774	3,759,237	-	-	3,759,237	3,579,224	3,595,162	-	-	3,595,162
Deposits from customers	64,876,774	64,617,394	-	-	64,617,394	63,591,718	63,332,305	-	-	63,332,305
Debt securities in issue	614,801	674,478	-	674,478	-	614,801	674,478	-	674,478	-
Other financial liabilities	748,736	748,736	-	-	748,736	742,256	742,256	-	-	742,256
Finance lease liabilities	428,737	428,737	-	-	428,737	426,424	426,424	-	-	426,424
Financial guarantees and commitments*	**16,626,788**	**129,143**	**-**	**-**	**129,143**	**17,203,999**	**128,755**	**-**	**-**	**128,755**
Financial guarantees	39,770	(116)	-	-	(116)	27,304	(201)	-	-	(201)
Irrevocable commitments	16,587,018	129,259	-	-	129,259	17,176,695	128,957			128,957

31.12.2019

in RON thousands	Group					Bank				
	Carrying amount	Fair value	Fair value hierarhy			Carrying amount	Fair value	Fair value hierarhy		
			Level 1	Level 2	Level 3			Level 1	Level 2	Level 3
Assets										
Cash and cash balances	9,006,518	9,006,518	9,006,518	-	-	8,724,971	8,724,971	8,724,971	-	-
Financial assets at amortised cost	54,899,081	57,167,001	15,399,052	404,880	41,363,069	53,019,313	55,314,464	14,204,103	293,451	40,816,910
Loans and advances to banks	661,437	661,905	-	-	661,905	661,086	662,655	-	-	662,655
Loans and advances to customers	38,502,456	40,699,375	-	-	40,699,375	37,935,439	40,152,595	-	-	40,152,595
Debt securities	15,735,188	15,805,721	15,399,052	404,880	1,789	14,422,788	14,499,214	14,204,103	293,451	1,660
Finance lease receivables	1,117,933	1,117,933	-	-	1,117,933	3,399	3,399	-	-	3,399
Trade and other receivables	425,060	430,098	-	-	430,098	408,778	413,816	-	-	413,816
Liabilities										
Financial liabilities measured at amortised cost	63,678,655	63,393,635	-	782,547	62,611,088	61,395,958	61,112,942	-	782,547	60,330,395
Deposits from banks	4,439,160	4,460,839	-	-	4,460,839	4,174,183	4,197,837	-	-	4,197,837
Deposits from customers	57,791,780	57,486,936	-	-	57,486,936	55,775,424	55,470,609	-	-	55,470,609
Debt securities in issue	784,402	782,547	-	782,547	-	784,402	782,547	-	782,547	-
Other financial liabilities	663,313	663,313	-	-	663,313	661,949	661,949	-	-	661,949
Finance lease liabilities	327,050	327,050	-	-	327,050	323,721	323,721	-	-	323,721
Financial guarantees and commitments*	**13,521,587**	**264,638**	**-**	**-**	**264,638**	**13,845,656**	**267,504**	**-**	**-**	**267,504**
Financial guarantees	3,224,539	61,480	-	-	61,480	3,215,758	61,463	-	-	61,463
Irrevocable commitments	10,297,048	203,158	-	-	203,158	10,629,898	206,041	-	-	206,041

41 Fair value of financial assets and liabilities *(continued)*

41.1 Financial instruments at amortised cost in the statement of financial position whose fair value is disclosed in the notes *(continued)*

The fair value of loans and advances to customers and credit institutions has been calculated by discounting future cash flows while taking into consideration interest and credit spread effects. The interest rate impact is based on the movements of market rates, while credit spread changes are derived from PD's used for internal risk calculations. For the calculation of fair value loans and advances were grouped into homogeneous portfolios based on rating method, rating grade, maturity and the country where they were granted.

The fair values of financial assets at amortized cost are either taken directly from the market or they are determined by directly observable input parameters (i.e. yield curves).

The fair value of issued securities and subordinated liabilities measured at amortized cost is based on market prices or on observable market parameters, if these are available, otherwise it is estimated by taking into consideration the actual interest rate environment and in this case they are allocated to Level 2.

The fair value of deposits and other financial liabilities measured at amortized cost is estimated by taking into consideration the actual interest rate environment and own credit spreads, and these are allocated to Level 3.

*The fair value for commitments is based on the commitment amounts by rating method and rating grade for which hypothetical loans are created through applying credit conversion factors, which finally will be subject to the regular fair value calculation procedure described above for loans and advances.

*Guarantees are seen as having two types of CFs or legs representing the regular fee payments received, and a single potential compensation payment, respectively. The first leg consists of the sum of the discounted fee payments, weighted by the survival probability (annualized marginal default probability), while the second leg consists of the negative sum of discounted potential protection payments, i.e. the sum of the discounted loss weighted by the default probability.

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

Group

in RON thousands	Quoted market prices in active markets Level 1		Marked to model based on observable market data Level 2		Marked to model based on non-observable inputs Level 3		Total	
Assets	**31.12.2020**	**31.12.2019**	**31.12.2020**	**31.12.2019**	**31.12.2020**	**31.12.2019**	**31.12.2020**	**31.12.2019**
Financial assets - held for trading	**1,062,340**	**389,256**	**185,081**	**38,272**	**1,401**	**1,828**	**1,248,822**	**429,356**
Derivatives	-	-	38,490	38,272	1,401	1,828	39,891	40,100
Other financial assets held for trading	1,062,340	389,256	146,591	-	-	-	1,208,931	389,256
Non-trading financial assets at fair value through profit or loss	**40,726**	**2,949**	**-**	**-**	**64,013**	**90,923**	**104,739**	**93,872**
Equity instruments	40,726	2,949	-	-	34,307	37,439	75,033	40,388
Debt securities	-	-	-	-	27,781	49,922	27,781	49,922
Loans and advances	-	-	-	-	1,925	3,562	1,925	3,562
Financial assets at fair value through other comprehensive income	**7,416,019**	**6,109,769**	**90,986**	**1,942**	**29,121**	**6,133**	**7,536,126**	**6,117,844**
Debt securities	7,416,019	6,109,769	90,986	1,942	29,121	6,133	7,536,126	6,117,844
Loans and advances	-	-	-	-	-	-	-	-
Total assets	**8,519,085**	**6,501,974**	**276,067**	**40,214**	**94,535**	**98,884**	**8,889,687**	**6,641,072**
Liabilities								
Financial liabilities - held for trading	-	-	52,051	73,498	-	-	52,051	73,498
Derivatives	-	-	52,051	73,498	-	-	52,051	73,498
Total liabilities	**-**	**-**	**52,051**	**73,498**	**-**	**-**	**52,051**	**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	**31.12.2020**	**31.12.2019**	**31.12.2020**	**31.12.2019**	**31.12.2020**	**31.12.2019**	**31.12.2020**	**31.12.2019**
Financial assets - held for trading	**1,062,340**	**389,256**	**185,081**	**38,272**	**1,401**	**1,828**	**1,248,822**	**429,356**
Derivatives	-	-	38,490	38,272	1,401	1,828	39,891	40,100
Other financial assets held for trading	1,062,340	389,256	146,591	-	-	-	1,208,931	389,256
Non-trading financial assets at fair value through profit or loss	**40,726**	**2,949**	**-**	**-**	**63,778**	**90,671**	**104,504**	**93,620**
Equity instruments	40,726	2,949	-	-	34,072	37,187	74,798	40,136
Debt securities	-	-	-	-	27,781	49,922	27,781	49,922
Loans and advances	-	-	-	-	1,925	3,562	1,925	3,562
Financial assets at fair value through other comprehensive income	**7,416,019**	**6,109,769**	**90,024**	**-**	**5,482**	**6,133**	**7,511,525**	**6,115,902**
Debt securities	7,416,019	6,109,769	90,024	-	5,482	6,133	7,511,525	6,115,902
Total assets	**8,519,085**	**6,501,974**	**275,105**	**38,272**	**70,661**	**98,632**	**8,864,851**	**6,638,878**
Liabilities								
Financial liabilities - held for trading	-	-	52,051	73,498	-	-	52,051	73,498
Derivatives	-	-	52,051	73,498	-	-	52,051	73,498
Total liabilities	**-**	**-**	**52,051**	**73,498**	**-**	**-**	**52,051**	**73,498**

41. Fair value of financial assets and liabilities *(continued)*
41.2 Financial instruments measured at fair value in the statement of financial position *(continued)*

Financial assets held for trading position has increased during 2020 compared 2019 mostly due to investment in government bonds.

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 for class C and based on quoted market prices for class A.

Financial assets at fair value through other comprehensive income include:

- Debt securities issued by Ministry of Finance which are actively traded classified on level 1 and 2.
- One corporative bond which is theoretically priced are presented on level 3.

41.3 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%.On 24 September 2020 Visa Series C preferred stock was be partially converted into Visa Series A preferred stock. The conversion was performed by means of reducing the conversion ratio by 50% to 6,861. The number of original class C shares was not reduced but the rights attached to the shares and thus the resulting cash flows are reduced by 50% (dividends, conversion ratio, distributions upon liquidation).

As at December 2020, the fair valuation of VISA Inc class C 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: 6,861and 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 17.21% accounting for conversion factor risk.

41. Fair value of financial assets and liabilities *(continued)*

41.4 Movements in Level 3 of financial instruments carried at fair value

Group

in RON thousands	Balance	Gain/(loss) in profit or loss	Gain/(loss) in other comprehensive income	Purchases	Sales	Settlements	Reclassifications	Transfers out of Level 3	Exchange rate differences	Balance
Assets	**01.01.2020**									**31.12.2020**
Financial assets - held for trading	**1,828**	**(427)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**1,401**
Derivatives	1,828	(427)	-	-	-	-	-	-	-	1,401
Non-trading financial assets at fair value through profit or loss	**90,923**	**12,509**	**-**	**-**	**-**	**(39,402)**	**-**	**-**	**(17)**	**64,013**
Equity instruments	37,439	(3,115)	-	-	-	-	-	-	(17)	34,307
Debt securities	49,922	13,708	-	-	-	(35,849)	-	-	-	27,781
Loans and advances	3,562	1,916	-	-	-	(3,553)	-	-	-	1,925
Financial assets at fair value through other comprehensive income	**6,133**	**(3)**	**(649)**	**25,137**	**-**	**-**	**-**	**-**	**(1,497)**	**29,121**
Debt securities	6,133	(3)	(649)	25,137	-	-	-	-	(1,497)	29,121
Total assets	**98,884**	**12,079**	**(649)**	**25,137**	**-**	**(39,402)**	**-**	**-**	**(1,514)**	**94,535**

Group

in RON thousands	Balance	Gain/(loss) in profit or loss	Gain/(loss) in other comprehensive income	Purchases	Sales	Settlements	Reclassifications	Transfers out of Level 3	Exchange rate differences	Balance
Assets	**01.01.2019**									**31.12.2019**
Financial assets - held for trading	**2,132**	**(304)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**1,828**
Derivatives	2,132	(304)	-	-	-	-	-	-	-	1,828
Non-trading financial assets at fair value through profit or loss	**36,995**	**15,043**	**-**	**-**	**(2,112)**	**-**	**40,721**	**(2)**	**278**	**90,923**
Equity instruments	31,075	6,357	-	-	-	-	-	(2)	9	37,439
Debt securities	-	9,201	-	-	-	-	40,721	-	-	49,922
Loans and advances	5,920	(515)	-	-	(2,112)	-	-	-	269	3,562
Financial assets at fair value through other comprehensive income	**46,738**	**-**	**(92)**	**208**	**-**	**-**	**(40,721)**	**-**	**-**	**6,133**
Equity instruments	40,721	-	-	-	-	-	(40,721)	-	-	-
Debt securities	6,017	-	(92)	208	-	-	-	-	-	6,133
Total assets	**85,865**	**14,739**	**(92)**	**208**	**(2,112)**	**-**	**-**	**(2)**	**278**	**98,884**

Bank

in RON thousands	Balance	Gain/(loss) in profit or loss	Gain/(loss) in other comprehensive income	Purchases	Sales	Settlements	Reclassifications	Transfers out of Level 3	Exchange rate differences	Balance
Assets	**01.01.2020**									**31.12.2020**
Financial assets - held for trading	**1,828**	**(427)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**1,401**
Derivatives	1,828	(427)	-	-	-	-	-	-	-	1,401
Non-trading financial assets at fair value through profit or loss	**90,671**	**12,509**	**-**	**-**	**-**	**(39,402)**	**-**	**-**	**-**	**63,778**
Equity instruments	37,187	(3,115)	-	-	-	-	-	-	-	34,072
Debt securities	49,922	13,708	-	-	-	(35,849)	-	-	-	27,781
Loans and advances	3,562	1,916	-	-	-	(3,553)	-	-	-	1,925
Financial assets at fair value through other comprehensive income	**6,133**	**(3)**	**(648)**	**-**	**-**	**-**	**-**	**-**	**-**	**5,482**
Debt securities	6,133	(3)	(648)	-	-	-	-	-	-	5,482
Total assets	**98,632**	**12,079**	**(648)**	**-**	**-**	**(39,402)**	**-**	**-**	**-**	**70,661**

Bank

in RON thousands	Balance	Gain/(loss) in profit or loss	Gain/(loss) in other comprehensive income	Purchases	Sales	Settlements	Reclassifications	Transfers out of Level 3	Exchange rate differences	Balance
Assets	**01.01.2019**									**31.12.2019**
Financial assets - held for trading	**2,133**	**(305)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**1,828**
Derivatives	2,133	(305)	-	-	-	-	-	-	-	1,828
Non-trading financial assets at fair value through profit or loss	**36,752**	**15,043**	**-**	**-**	**(2,112)**	**-**	**40,721**	**(2)**	**269**	**90,671**
Equity instruments	30,832	6,357	-	-	-	-	-	(2)	-	37,187
Debt securities	-	9,201	-	-	-	-	40,721	-	-	49,922
Loans and advances	5,920	(515)	-	-	(2,112)	-	-	-	269	3,562
Financial assets at fair value through other comprehensive income	**46,738**	**-**	**(92)**	**208**	**-**	**-**	**(40,721)**	**-**	**-**	**6,133**
Equity instruments	40,721	-	-	-	-	-	(40,721)	-	-	-
Debt securities	6,017	-	(92)	208	-	-	-	-	-	6,133
Total assets	**85,623**	**14,738**	**(92)**	**208**	**(2,112)**	**-**	**-**	**(2)**	**269**	**98,632**

42. Fair values of non-financial assets

The following table shows fair values and fair value hierarchy of non-financial instruments at the year-end 2020 and 2019:

				2020	Group
in RON thousands	Carrying amount	Fair value	Quoted market prices in active markets Level 1	Marked to model based on observable market data Level 2	Marked to model based on non-observable inputs Level 3
Assets whose Fair Value is disclosed in the notes					
Investment property	171,860	193,623	-	-	193,623
Assets whose Fair Value is presented in the Balance sheet					
Assets held for sale (IFRS 5)	625,253	686,513	-	-	686,513

				2019	Group
in RON thousands	Carrying amount	Fair value	Quoted market prices in active markets Level 1	Marked to model based on observable market data Level 2	Marked to model based on non-observable inputs Level 3
Assets whose Fair Value is disclosed in the notes					
Investment property	161,181	200,649	-	-	200,649
Assets whose Fair Value is presented in the Balance sheet					
Assets held for sale (IFRS 5)	646,396	732,388	-	-	732,388

				2020	Bank
in RON thousands	Carrying amount	Fair value	Quoted market prices in active markets Level 1	Marked to model based on observable market data Level 2	Marked to model based on non-observable inputs Level 3
Assets whose Fair Value is disclosed in the notes					
Investment property	171,860	193,623	-	-	193,623
Assets whose Fair Value is presented in the Balance sheet					
Assets held for sale (IFRS 5)	192,247	253,506	-	-	253,506

				2019	Bank
in RON thousands	Carrying amount	Fair value	Quoted market prices in active markets Level 1	Marked to model based on observable market data Level 2	Marked to model based on non-observable inputs Level 3
Assets whose Fair Value is disclosed in the notes					
Investment property	161,181	200,649	-	-	200,649
Assets whose Fair Value is presented in the Balance sheet					
Assets held for sale (IFRS 5)	210,704	296,696	-	-	296,696

Investment property is measured at fair value on recurring basis. Assets held for sale are measured at fair value on non-recurring basis when their carrying amount is impaired down to fair value less costs to sell.

The fair values of non-financial assets are determined by experts with recognized and relevant professional qualification.

42. Fair value of non-financial assets *(continued)*

						2020 Group
in RON thousands	**Fair value**	**Valuation technique**	**Inputs used**	**Range of inputs (weighted average)**	**Reasonable change**	**Sensitivity of fair value measurement**
Investment property	193,623	Market value	Discounted cash flow	Comparable market data	10%	19,362
Assets held for sale (IFRS 5)	686,513	Market value	Discounted cash flow	Comparable market data	10%	68,651
Total recurring fair value measurements at Level 3	**880,136**					**88,013**

						2019 Group
in RON thousands	**Fair value**	**Valuation technique**	**Inputs used**	**Range of inputs (weighted average)**	**Reasonable change**	**Sensitivity of fair value measurement**
Investment property	200,649	Market value	Discounted cash flow	Comparable market data	10%	20,065
Assets held for sale (IFRS 5)	732,388	Market value	Discounted cash flow	Comparable market data	10%	73,239
Total recurring fair value measurements at Level 3	**933,037**					**93,304**

						2020 Bank
in RON thousands	**Fair value**	**Valuation technique**	**Inputs used**	**Range of inputs (weighted average)**	**Reasonable change**	**Sensitivity of fair value measurement**
Investment property	193,623	Market value	Discounted cash flow	Comparable market data	10%	19,362
Assets held for sale (IFRS 5)	253,506	Market value	Discounted cash flow	Comparable market data	10%	25,351
Total recurring fair value measurements at Level 3	**447,129**					**44,713**

						2019 Bank
in RON thousands	**Fair value**	**Valuation technique**	**Inputs used**	**Range of inputs (weighted average)**	**Reasonable change**	**Sensitivity of fair value measurement**
Investment property	200,649	Market value	Discounted cash flow	Comparable market data	10%	20,065
Assets held for sale (IFRS 5)	296,696	Market value	Discounted cash flow	Comparable market data	10%	29,670
Total recurring fair value measurements at Level 3	**497,345**					**49,735**

For non-financial assets owned by Group, the valuations are carried out mainly using the comparative and investment methods. Assessment is made on the basis of a comparison and analysis of appropriate comparable investment and rental transactions, together with evidence of demand within the vicinity of the relevant property. The characteristics of such similar transactions are then applied to the asset, taking into account size, location, terms, covenant and other material factors. Such measurements are presented in Level 3 of the fair value hierarchy.

43. Audit fees and tax consultancy fees

The following table contains audit fees and other consulting fees charged by the auditors in the financial years 2020 and 2019:

	Group		Bank	
in RON thousands	**31.12.2020**	**31.12.2019**	**31.12.2020**	**31.12.2019**
Fees for the audit of the financial statements	2,080	1,853	1,528	1,362
Other services involving the issuance of a report	1,949	1,739	1,646	1,486
Total	**4,029**	**3,592**	**3,174**	**2,848**

44. Litigations and contingent liabilities

Contingent liabilities and commitments are presented in Note 40.5 Credit risk

Undrawn loan commitments

Undrawn loan commitments represent contractual commitments to grant loans and revolving credits. Commitments generally have fixed expiry dates or other termination clauses. Since commitments may expire without being drawn upon, the total contract amounts do not necessarily represent future cash requirements.

At the same time, the potential credit loss is less than the total unused commitments since most commitments to extend credit are contingent until the customers maintain specific standards. The Group monitors the maturity of credit commitments as longer-term commitments generally have a greater degree of credit risk than shorter-term commitments.

In the case of irrevocable commitments, the Bank undertakes to make available to the client, at any time during the contract period, the amount mentioned in the contract.

Legal claims

As at 31 December 2020, the Bank was involved in the normal course of its business in a number of 2,669 litigations as defendant (31 December 2019: 3,204).

In the opinion of management, after taking appropriate legal advice, the outcome of these legal claims will not give rise to any significant loss beyond the amount provided at 31 December 2019.

The audit mission of the Romanian Court of Accounts – BCR Banca pentru Locuinte SA (BpL)

In 2015, the Romanian Court of Accounts (hereinafter referred to as 'the CoA') conducted a control at the BpL. Following the mission, the CoA claims that several deficiencies were identified, the vast majority grounded on a different interpretation of the applicable legal provisions. On 15 December 2015, the CoA issued the Decision no. 17, maintaining all the claims included in their initial report and requested BpL to establish exactly the amount of the prejudice. On December 23, 2015, BpL appealed the Decision no. 17 of the CoA, appeal that was rejected by the Commission for Solving Claims of the CoA through Decision No 2/29 February 2016, maintaining as such the Decision no. 17/2015.

Court of Appeal pronounced its resolution on March 1st 2017 and decided in favour of BpL for 5 out of 8 claims. Both BpL and CoA filed second appeal against this decision and, on June 21, 2019 High Court of Cassation and Justice (HCCJ) decided as follows:

- Both second appeals were admitted and the decision of the first court was annulled; as a consequence, the HCCJ re-judged the request of BpL and annulled only two measures, maintaining 6 of them;
- The maintained measures relate to the incorrect calculation of State premium by BpL.

BpL received on 18th of July 2019, the motivation of the High Court of Justice decision.

As a consequence, BCR Banca Pentru Locuinte S.A. started the process for establishing all the amounts that should be part of a future potential outflow related to the litigation with CoA, in accordance with the Court of Justice final decision (consisting of state premiums, interest and penalties). The potential future outflow of resources was estimated and booked as a provision in accordance with IAS 37 requirements. An additional provision, for covering "WHT" associated to the claimed prejudice, was set in December 2019. The provision for withholding tax ("WHT provision") is not strictly related to the litigation, it derives from the fiscal regime that might be applicable by the State in case of possible fiscal reinterpretation.This provision has been aggregated in the one set for the alleged prejudice, in the same category, named 'Other Provisions / CoA Litigation' (Total CoA Provision), and total resulted value as of 31.12.2020 is RON 689,352,217 (RON 689,636,173 as of 31.12.2019).

On the other hand, BCR BpL partially implemented the Court of Account decision, paying until now the amount of RON 50.9mn representing part of the alleged prejudice and fiscal accessories; namely, the equivalent of client's savings used to cover the bank's fees included in the calculation basis for state premiums.

For the rest of covering the remaining alleged prejudice - of approx. RON 689.3mn (as of the end of 2020), in accordance with the measures to be implemented according to CoA Decision, the Bank obtained a postponement of the decision implementation until February 02, 2021. BpL asked for a prolongation of this term. Up till now wasn't received any answer.

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: with next hearing on the merits on May 13, 2021 by the High Court of Cassation and Justice in Romania;
  - Contesting for Annulment: Court hearing established for March 31, 2021 by the High Court of Cassation and Justice.

44. Litigations and contingent liabilities *(continued)*

• At European level: BpL raised the case to the European Court for Human Rights by submitting the relevant documents for the case on 17.01.2020.
With respect of the CoA Decision's point concerning the damage collection, i.e. approx. RON 689.3mn (as of the end of 2020), BpL performed the necessary formalities towards the Ministry of Development for the process of collection of the amounts (representing state premiums paid to clients and related accessories). Depending on the State's answer, BpL will decide the next actions.

The financial impact is presented in notes 31 – Provisions, 12- Taxes on income and 11 – Other Operating Result.

Non-performing loan portfolio sale

In 2016 and 2017, the Group sold a part of non-performing loan portfolio in several transactions. Please refer to Note 39 Transfers of Financial Assets for further details.

BFP Litigation

On 23 December 2016, the BFP has received a request made by City Hall Bucharest to International Court of Arbitration of the International Chamber of Commerce, consisting of amounts due under the joint venture contract for the period from 2001 to 2013.

In November 2019, The International Court of Arbitration rejected the request of City Hall. Against this decision, the claimant filed an action for annulment which was rejected on October 12, 2020. Against this decision the claimant filed second appeal. The first hearing was not set yet.

Up to the date of publishing these financial statements, there were no other significant updates related to the cases presented in the financial statements for the year ended - December 2020.

Tax related litigation

Transfer Pricing and related withholding tax

During the period May 9th, 2016 – June 9th, 2017, BCR was subject to a tax audit regarding Corporate Income Tax (CIT) and VAT for the period January 1st, 2012 – December 31st, 2015. One of the main aspects verified by the Romanian Tax authorities were the intragroup transactions performed by BCR with its related parties during the analyzed period, with focus on the financial transactions.

Based on the tax audit performed, the Romanian tax authorities adjusted the taxable base of CIT with RON 636,390,561 for the entire audited period 2012 – 2015, an adjustment which generated an additional CIT of RON 101,822,490, which was subsequently paid by the Bank. During the period April 10th, 2019 – April 22nd, 2019, BCR was subject to a partial tax audit in respect of withholding tax (WHT) due for the income obtained by non-residents from Romania, for the period January 1st, 2014 – December 31st, 2015.

On May 15th, 2019, BCR received the tax audit report and the tax decision whereby the Romanian tax authorities established an additional amount of RON 43,070,398, representing WHT on income obtained by non-residents from Romania, in relation to interest of RON 226,119,588 paid by BCR to Erste, that was considered by the Romanian tax authorities as being above the market prices (the related interest expenses recorded by BCR were subject to transfer pricing adjustments made by the Romanian tax authorities during the aforementioned tax audit closed in 2017).

Following the assessment of additional WHT of RON 43,070,398, the Bank also received a tax decision for additional late payment interest and penalties in total amount of RON 23,903,244. The Bank has paid all the additional tax liabilities within the legal deadline and challenged (initially within the administrative procedure, and subsequently, in court) the tax decisions within the established legal deadlines.

Regarding the tax authorities' findings in the tax audit report closed in 2017 related to the transfer prices used in financial transactions performed by BCR and Erste, BCR initiated the Mutual Agreement Procedure (MAP) procedure within the European Union Arbitration Convention (EUAC), considering that the adjustment of the transfer prices established by Romanian tax authorities for the period 2012 – 2015 has generated a double taxation in Austria and Romania. The other findings of the tax audit report closed in 2017 have been challenged by the Bank in local court.

After more than 2 years of back-and-forth discussions with the Austrian Tax Authority within the MAP framework, on December 23rd, 2020 ANAF issued a decision rejecting the initiation of the mutual agreement procedure. Such decision is considered by BCR and its consultants/lawyers to be unjustified as ANAF cannot withdraw from the proceedings started on April 27th, 2018.. The Bank filed an appeal against this decision before ANAF, but the appeal was rejected on February 18th, 2021. BCR is currently analysing all possibilities in order to challenge ANAF's decision both at the international level and before the local courts.

44. Litigations and contingent liabilities *(continued)*

Considering the Romanian tax authorities' decisions to adjust the taxable base of CIT and WHT, respectively to impose an additional CIT for the period 2012 – 2015 and WHT for the period 2014 - 2015, the Bank has analysed the necessity of booking a provision for a potential obligation regarding additional CIT and WHT for the period 2016 – 2020.

According to IAS 37 "Provisions, contingent assets and liabilities", a provision is recognized if the following conditions are met:

- The Bank has a current obligation resulting from past events;
- It is probable that an outflow of economic resources to be necessary in order to settle the obligation;
- The value of the obligation can be reliably estimated.

According to the external consultants and lawyers' opinion and based on the available information and analysis, the Bank's Management appreciates that there are more likely than not chances for a favourable solution on the merits of the case against the Romanian tax authorities. However, due to the last decision of ANAF to reject the MAP, the chances for a favourable solution estimated by the lawyers decreased compared to their previous assessments.

Considering the new results of the analysis performed by the Management of the Bank as mentioned above based on which it is probable that an outflow of economic resources will occur in the future and based on the provisions of IAS 37 "Provisions, contingent assets and liabilities", it was concluded that as of December 31st, 2020 , the IAS 37 conditions for booking a provision in relation with the tax treatment of the intragroup transactions applied by the Bank during 2016 – 2020, are met. Therefore, a related provision in amount of RON 35,000,000 has been recognized.

Impairment of shares held in subsidiaries

In 2017, during the tax audit performed by the tax authorities, the Management of the Bank requested deductibility of the expenses generated by the impairment of shares in subsidiaries booked for the period 2012 – 2015, considering the provisions of the Tax Code applicable for these periods. Despite all the arguments put forward by the Bank, the tax authorities considered that the expenses incurred by the Bank during the audited period related to the impairment of its shares held in subsidiaries are not deductible.

In 2017, the Bank challenged in court the Romanian Tax Authority's resolution on this topic, legal proceedings being ongoing as of February 2021.

According to the external consultants and lawyers' opinion and based on the available information and analysis, the Bank's Management appreciates that there are more likely than not chances for a favourable solution against the Romanian tax authorities.

Based on specialists' opinion mentioned above and the provisions of IAS 12 - Income Taxes, the Bank recognized in 2017 an asset of the nature of the profit tax, in relation to the expenses with the impairment of shares in subsidiaries booked for the period 2012 – 2015.

The aforementioned asset was subject to successive independent evaluations in the period that followed and although, currently, there is still considerable uncertainty as to the timing of the final resolution in the Court, the likelihood of a favourable outcome for the Bank did not change and, therefore, it was maintained for the year end 2020.

45. Split between current and non-current assets and liabilities

Expected remaining maturities of assets and liabilities

Group

	31.12.2020		31.12.2019	
in RON thousands	**Current**	**Non - current**	**Current**	**Non - current**
Cash and cash equivalents	10,538,199	-	9,006,518	-
Financial assets held for trading	1,222,846	25,976	429,356	-
Derivatives (i)	13,915	25,976	40,100	-
Other financial assets held for trading	1,208,931	-	389,256	-
Non-trading financial assets mandatorily at fair value through profit or loss	29,706	75,033	1,508	92,364
Financial assets at fair value through other comprehensive income	2,525,269	5,010,857	1,803,797	4,314,047
Financial assets at amortised cost	13,199,314	44,791,633	12,078,674	42,820,407
Debt securities	3,103,798	11,723,772	1,900,635	13,834,553
Loans and advances to banks	2,028,021	-	603,444	57,993
Loans and advances to customers	8,067,495	33,067,861	9,574,595	28,927,861
Finance lease receivables	465,585	835,795	408,629	709,304
Property and equipment	-	863,743	-	937,267
Investment property	-	171,860	-	161,181
Intangible assets	-	348,900	-	359,085
Investments in joint ventures and associates	-	39,031	-	24,553
Current tax assets	230,979	-	238,752	-
Deferred tax assets	-	173,378	-	183,857
Assets held for sale	625,253	-	646,396	-
Trade and other receivables	418,880	145,005	423,641	1,419
Other assets	182,360	67,070	197,168	100,436
Total assets	**29,438,391**	**52,548,281**	**25,234,439**	**49,703,920**
Financial liabilities held for trading	24,807	27,244	73,498	-
Derivatives	24,807	27,244	73,498	-
Financial liabilities measured at amortised cost	65,612,716	4,234,369	58,680,645	4,998,010
Deposits from banks	2,317,062	1,289,712	1,946,040	2,493,120
Deposits from customers	62,542,090	2,334,684	55,906,766	1,885,014
Debt securities issued	13,394	601,407	170,369	614,033
Other financial liabilities	740,170	8,566	657,470	5,843
Finance lease liabilities	60,597	368,140	44,608	282,442
Provisions	688,088	1,169,545	721,972	1,057,639
Current tax liabilities	2,985	-	2,882	-
Deferred tax liabilities	-	11,833	-	8,303
Liabilities associated with assets held for sale	150,294	-	29,506	214,687
Other liabilities	289,922	1,211	352,457	-
Total Liabilities	**66,829,409**	**5,812,342**	**59,905,568**	**6,561,081**

The amounts over one year related to those derivatives classified in the category 'held for trading' which are hedging instruments from an economic but not from accounting point of view.

45. Split between current and non-current assets and liabilities (*continued*)

Expected remaining maturities of assets and liabilities

				Bank
	31.12.2020		31.12.2019	
in RON thousands	**Current**	**Non - current**	**Current**	**Non - current**
Cash and cash equivalents	10,193,736	-	8,724,971	-
Financial assets held for trading	1,222,846	25,976	429,356	-
Derivatives (i)	13,915	25,976	40,100	-
Other financial assets held for trading	1,208,931	-	389,256	-
Non-trading financial assets mandatorily at fair value through profit or loss	29,706	74,798	1,508	92,112
Financial assets at fair value through other comprehensive income	2,500,669	5,010,856	1,801,856	4,314,046
Finance lease receivables	4,110	10,996	431	2,968
Financial assets at amortised cost	13,586,349	43,786,307	11,761,524	41,257,789
Debt securities	2,330,894	11,656,097	1,316,427	13,106,361
Loans and advances to banks	2,026,052	156	603,093	57,993
Loans and advances to customers	9,229,403	32,130,054	9,842,004	28,093,435
Property and equipment	-	803,005	-	837,505
Investment property	-	171,860	-	161,181
Intangible assets	-	339,662	-	348,582
Investments in joint ventures and associates	-	33,470	-	17,035
Current tax assets	227,831	-	235,928	-
Deferred tax assets	-	165,784	-	172,780
Assets held for sale	192,247	-	198,804	11,900
Trade and other receivables	406,773	141,324	408,778	-
Investments in subsidiaries	-	448,521	-	488,077
Other assets	161,407	-	173,821	-
Total assets	**28,525,674**	**51,012,559**	**23,736,977**	**47,703,975**
Financial liabilities held for trading	24,807	27,244	73,498	-
Derivatives	24,807	27,244	73,498	-
Financial liabilities measured at amortised cost	64,835,240	3,692,759	57,805,352	3,590,606
Deposits from banks	2,755,283	823,941	2,656,018	1,518,165
Deposits from customers	61,332,873	2,258,845	54,322,859	1,452,565
Debt securities issued	13,394	601,407	170,369	614,033
Other financial liabilities	733,690	8,566	656,106	5,843
Finance lease liabilities	71,221	355,203	52,469	271,252
Provisions	-	1,145,984	-	1,049,481
Other liabilities	234,409	-	293,240	-
Total Liabilities	**65,165,677**	**5,221,190**	**58,224,559**	**4,911,339**

(i) The amounts over one year related to those derivatives classified in the category 'held for trading' which are hedging instruments from an economic, but not from accounting point of view.

46. Own funds and capital requirements

Own funds disclosure

Regulatory Requirements

Since 1 January 2014, Group has been calculating the regulatory capital and the regulatory capital requirements according to Basel 3. The requirements have been implemented within the EU by the CRR and the CRD IV as well as within various technical standards issued by European Bank Authority, which were enacted in national law in the National Bank of Romania, Regulation No 5/2013 with further modifications and amendments.

All requirements as defined in the CRR, the NBR and the aforementioned technical standards are fully applied by the Group and the Bank.

	Group		Bank	
in RON thousands	**31.12.2020**	**31.12.2019**	**31.12.2020**	**31.12.2019**
Tier 1 Capital	7,256,324	7,727,216	7,128,258	7,584,620
Tier 2 Capital	232,163	438,617	232,163	438,617
Total own funds	**7,488,487**	**8,165,833**	**7,360,421**	**8,023,237**
Risk Weighted Exposure Amounts For Credit, Counterparty Credit And Dilution Risks And Free Deliveries	30,493,637	32,568,359	28,148,820	30,456,845
Total Risk Exposure Amount for Position, Foreign Exchange and Commodities Risks	208,349	233,924	208,349	139,129
Total Risk Exposure Amount for Operational Risk	7,836,738	7,674,054	7,512,134	7,321,230
Total Risk Exposure Amount for Credit Valuation Adjustment	20,018	16,699	20,018	16,699
Total Risk Exposure Amount	**38,558,742**	**40,493,036**	**35,889,321**	**37,933,903**
Capital Ratios				
Total capital ratio	19.42%	20.17%	20.51%	21.15%
T1 Capital ratio	18.82%	19.08%	19.86%	19.99%

Note: The profit of the year 2020 is not included in Total own funds. In own funds for 2019, it is included the remaining part of the audited profit after the foreseeable dividends that BCR intends to distribute after the expiry of the NBR's recommendations.

During 2020, the Group and also the Bank were fully compliant with the limits imposed by the above regulations.

47. Country by country reporting

			Group	31.12.2020
Country	**Operating income**	**Pre-tax result from continuing operations**	**Taxes on income**	**Taxes paid**
Romania	3,519,864	1,058,934	(250,720)	(241,440)
Moldova	26,434	6,175	(281)	(372)
Total	**3,546,298**	**1,065,109**	**(251,001)**	**(241,812)**

			Group	31.12.2019
Country	**Operating income**	**Pre-tax result from continuing operations**	**Taxes on income**	**Taxes paid**
Romania	3,463,656	888,800	(302,048)	(380,964)
Moldova	26,762	6,961	(447)	(344)
Total	**3,490,418**	**895,761**	**(302,495)**	**(381,308)**

48. Events after the balance sheet date

The Romanian Government repeatedly extended the alert state during 2021, which was instated by Government Decision no.394/2020 in respect of alert state and measures applicable during this period for prevention of COVID-19 pandemic effects, approved with subsequent modifications.

By Emergency Ordinance 227/2020, issued by the Romanian Government with applicability from January 1, 2021, Emergency Ordinance 37/2020 is amended regarding the public moratoria.

Thus, the public moratoria is prolonged in 2021, the Bank's customers can benefit from payments deferals up to a total of 9 months, including, where is the case, the postponement period already obtained in the moratoria in 2020. The customers can opt for this facility until 15 of March 2021 and the credit institutions are required to review and to respond to these requests by March 31, 2021.

As of the date of approval of the financial statements, the Group has not received a significant volume of such requests and also no significant increases have been identified in terms of the number and value of new non-performing exposures and no significant increases in past-due days, at the level of the loan portfolio.

The government has recently initiated fiscal consolidation measures, including postponing pension increases until April 2022, initiating procedures to limit salaries costs. Further, measures to mitigate the effects of the pandemic on the economy are active, such as supporting the hospitality sector.

In the first monetary policy meeting of 2021, on January 15, 2021, the National Bank of Romania decided to reduce the monetary policy interest rate to 1.25%. The decision was influenced by the declining dynamics of inflation observed during 2020 and its prospects, as well as the relaxed monetary conditions practiced by other central banks in the region, in a global monetary easing in response to the shock of the coronavirus pandemic .

The above mentioned events do not have a significant negative impact on the Bank or the Group.

AUTHORISED PERSON,
First name and name
Signature

Executive Vice-President,

Elke Meier

AUTHORISED PERSON,
First name and name
Signature

Executive Director Accounting Division,

Gina Badea

Banca Comercială Română S. A.
No. CEO Office: 7 /22.03.2021
Supervisory Board

Banca Comercială Română S.A.

Administrators' Report Consolidated and Separate (The Group and the Parent Bank)

31 December 2020

Administrators' report
Consolidated and Separate for the year ended 31 December 2020

Contents of the Administrators' report

1. Macroeconomic developments

Economic growth delivered a huge positive surprise in 4th quarter of 2020 (4Q20) coming in at +5.3% quarter on quarter (q/q) and -1.5% y/y, with full-year economic growth at -3.9% in 2020. The impact of the second pandemic wave in terms of economic growth was almost inexistent due to milder restrictions compared to other countries. The magnitude of the positive surprise delivered by the q/q growth suggests a large one-off Gross Domestic Product (GDP) driver, possibly the fiscal impulse of 3.3pp of GDP in 4Q20. At the same time, we note that the recovery in 3Q20 was significantly smaller than expected and a redistribution of growth from 3Q20 to 4Q20 is not ruled out. Full GDP recovery from the corona crisis might take place by early 2022, sooner than previously expected.

The inflation rate stood at 2.1% year on year (y/y) in December 2020, down from 4.% y/y in December 2019. Adjusted Core 2 inflation (CPI less administered, volatile food and fuel, tobacco and alcohol prices) remained above headline inflation throughout 2020 and ended the year at 3.3% y/y.

Beginning in March 2020, the National Bank of Romania (NBR) took a series of unprecedented monetary easing measures to fight the COVID-19 crisis. A government bond buying program was launched, the key rate was cut in more steps to 1.50% by the end of 2020, the symmetrical corridor of interest rates for the NBR's standing facilities was narrowed to ±50bp from ±100bp and the central bank pledged to provide liquidity to banks via repos. The size of the NBR's ROMGBs buying program is relatively small, standing at RON 5.3bn (0.5% of GDP) at the end of 2020. This suggests that the NBR is aiming to keep yields in check rather than chase them lower.

Short-term money market rates fell gradually in 2020, mirroring the NBR's key rate cuts and an improvement in market liquidity once the peak of the COVID-19 crisis was left behind. The 3M ROBOR average was 2.04% in December 2020, down from 3.12% in December 2019.

The 12-month rolling current account deficit reached EUR -11bn in 2020 (-5% of GDP) from EUR -10.5bn (-4.7% of GDP) in 2019. The Foreign Direct Investments (FDI) coverage of the current account gap dropped to 17% in 2020 from 49% at the end of 2019. Adjustment of the external shortfall is difficult in the absence of meaningful fiscal consolidation.

The budget deficit reached 9.8% of GDP in 2020. Rigid public spending represented by public wages plus social expenditures accounted for 94.3% of fiscal revenues and social insurance contributions in 2020, up from 81% in 2019. Public expenditures increased significantly faster than revenues (+14.8% vs +0.4%), as the government provided additional resources in the economy during the COVID-19 crisis.

The average unemployment rate was 4.9% in 2020, up from 3.9% in 2019. The support extended by the government to the labor market and the exit of some workers from the active population explain the moderate increase of the unemployment. The recovery of the labor market will take time due to structural changes in the private business environment and pressure on public spending, which should limit hiring in the governmental sector.

After a short period of higher volatility in February-March 2020 when the pandemic crisis struck Europe, the Romanian leu was broadly stable between 2Q20 and 4Q20 and traded within a narrow range of 4.82-4.87 most of the time. The NBR reiterated that it sees leu depreciation against the single currency as unnecessary.

Important events since end of 2020

The NBR cut the key rate by 25bp to 1.25% in January 2021. The central bank is catching up with its regional CEE peers in terms of adjusting interest rates, opening the way for faster convergence in monetary conditions towards CEE norms.

In February 2021, the NBR carried out the first liquidity-absorbing depo operation in the last 11 months. Central bank attracted deposits worth RON 4.53bn from 14 banks, with one-week maturity at 1.25%. NBR's spokesman said the central bank decided to attract deposits given the significant excess liquidity in the market, in order to preserve the stability of the main segment of the financial market. In our view this suggests that liquidity management decisions are triggered by FX pressures.

Inflation rate delivered a negative surprise and rose to 3% y/y in January from 2.1% in December. Higher than expected rise in energy prices which jumped by 18.4% m/m in January after the price liberalization stood behind this negative surprise. The impact of the electricity price hike on the headline inflation figure was about 0.9pp.

The government presented some budgetary measures for a gradual shift towards neutral fiscal policy in 2021 from the highly expansionary one of previous years. Public wages were frozen at the previous year's level, a cut in the VAT rate for new houses was postponed and the increase in child allowance was capped. The government targets a budget deficit of close to 7.2% in 2021 from 9.8% in 2020.

2. General presentation

Banca Comercială Română ("BCR" or "Bank") was established in 1990, when it took over the commercial operations of the National Bank of Romania. Today, BCR Group (member of Erste Group) is one of the most important financial group in Romania, including universal banking operations (retail, corporate & investment banking, treasury and capital markets) as well as leasing companies, a private pension fund and a housing bank.

The Bank offers a complete range of financial services, a very developed digital banking ecosystem in George and financial solutions dedicated to each stage of the financial cycle in a lifetime, as a "one-stop shop": savings, investment, lending, consulting and advisory, as well as leasing. BCR encourages long-term relationships with its clients belonging to all segments, offers affordable and transparent products, but also personalized consulting services.

Products & Services

BCR serves the following groups of clients:

Private Individuals: BCR supports its customers to fulfil their aspirations, insuring their current and future financial well-being and provides support for accessing the full digital flow of its products. BCR offers a full range of services and products, from real estate financing (mortgages), personal loans, personal accounts (including packages for entrepreneurs, students, NGOs and Foundations), debit and credit cards, investment and savings products, consultancy and sale of treasury products and financial market access to private customers. BCR offers full Internet banking, Mobile Banking, Phone Banking and E-commerce services. The George digital platform is always available for its customers on their mobile phone, tablets or laptops. The Bank's customers have full control over their financing, anytime and anywhere.

Small and Medium Enterprises as well as large companies: proper financing is essential for the sound development of a business. BCR is dedicated to finding ways to navigate together with customers, through the current challenges. As a leader in many banking areas, BCR plays a key role for the commercial companies' segment by offering customized products, specialized programs and advice to micro-enterprises, small and medium-sized businesses as well as for large commercial companies.

Municipal authorities, public and non-profit sector: thanks to the long and solid relationship with municipal authorities, as well as with the public and non-profit sector, BCR became the first choice for dedicated financial solutions (including special funding for infrastructure projects at national, regional and local level).

Network

BCR provides a full range of financial products and services, through a network of 18 commercial business centres and 16 mobile offices dedicated to companies and 370 retail units located in most cities across the country with over 10,000 inhabitants.

BCR is one of the most important banks in Romania regarding bank transactions, BCR customers having available the largest national network of ATM and multifunctional machines- almost 1,800, more than 13,000 POS and complete services of Internet Banking, Mobile Banking, Phone Banking and E-commerce.

Bank and subsidiaries

During 2020, Banca Comercială Română Group ("BCR Group" or "the Group") comprised the parent Bank, Banca Comercială Română S.A. and its subsidiaries, presented in the following table:

	Company's name	Country of incorporation	Nature of the business	Shareholding		Gross Book Value	Net Book Value	Impaiment
				2020	2019			
1	BCR Chisinau SA	Moldova	Banking	100.00%	100.00%	200,064	38,825	161,239
2	BCR Leasing IFN SA	Romania	Financial leasing	99.97%	99.97%	389,492	226,388	163,104
3	BCR Pensii, Societate de Administrare a Fondurilor de Pensii Private SA	Romania	Pension Fund	99.99%	99.99%	269,820	181,408	88,412
4	BCR Banca pentru Locuinte SA	Romania	Banking	99.99%	99.99%	781,078	-	781,078
5	Suport Colect SRL	Romania	Workout	99.99%	99.99%	983,047	-	983,047
6	CIT One SRL (i)	Romania	Cash processing and storing	-	100.00%	-	-	-
7	BCR Payments Services SRL	Romania	Payments transactions	99.99%	99.99%	1,900	1,900	-
8	BCR Fleet Management SRL (ii)	Romania	Operational leasing	99.97%	99.97%	-	-	-

(i) As of 30 of September 2020, BCR lost control over CIT One SRL following the subscription agreement concluded with 2 other companies, the company has 3 shareholders, each owning 33% of CIT One. Starting with this date, CIT One is a joint venture, consolidated through equity method.
(ii) Company held indirectly by BCR through BCR Leasing SA
The participation held in BCR Fleet Management was reclassified as asset held for sale starting with May 2019.

Investments in other companies, except subsidiaries, associates and joint ventures are in total amount of RON 74,798 thousands (2019: RON: 40,136 thousands) as presented in the statement of financial position as Equity Instruments.

3. 2020 financial and commercial highlights

The BCR impact in the economy

In **retail banking**, BCR generated total new loans to individuals and micro businesses of around RON 8 billion in 2020. BCR gained market share y/y in new consumer loans up to 17.4% (+1.6 pp) and in new mortgage loans up to 20% (+3 pp) despite the adverse pandemic context. Mortgage new sales in local currency increased by 28% y/y, mainly driven by Casa Mea mortgage product which represents 71% of the total production. Also, BCR continued to support the state guaranteed product Noua Casa, reaching a market share of 30%. Stock of mortgage in local currency increased by 20% y/y in 2020, while the stock of consumer loans increased by 8% y/y.

In **corporate banking**, BCR (Bank standalone) approved new corporate loans of RON 9.3 billion in 2020, up by 24.5% y/y. The main driver was the increase of financing granted to SME segment (including BCR Leasing subsidiary) by 14.8% y/y to RON 7 billion (EUR 1.4 billion) as of 31 December 2020, as a result of a high focus on new business including leasing and BCR's participation in SME Invest program. Also, Public Sector financing increased by 21.6% y/y and Real Estate financing by 7% y/y.

The **intelligent banking platform George** exceeded 1 million active users, up by 43% as compared to 2019. George displays online a large number of retail banking products (current accounts, savings, credit, and insurances). In 2020 several unique products were launched on the George platform: online refinancing, online credit card and online overdraft (launched at the end of 2020 – already 50% of credit cards and overdraft contracts were granted on a full digital flow), Multi Protect insurance and credit insurance. George Moneyback, the loyalty program that offers money back in return, as discount, when customers use card payments reached 310,000 users in just five months. Over 95% of new savings accounts in 2020 have been initiated through George.

The Casa Mea App, which runs the document workflow for standard mortgages on mobile phone or tablet, has been used for 40% of the Casa Mea mortgage loans.

The **Money School programme** reached over 30,000 adults and children in 2020, by organizing financial education online sessions and dedicated workshops. The total number of people that have interacted with the program exceeds 430.000. The **BCR Business School**, the entrepreneurial education program reached 10,000 users (entrepreneurs, managers, freelancers, teachers, and students) that have subscribed on the platform or participated at online sessions. Within the **INNOVX-BCR business accelerator program**, last year 62 start-ups (up to EUR 1 million) and scale-ups (companies with turnovers or attracted funds of over EUR 1 million) were accelerated or incubated, from all over the country.

BCR Group performance in 2020

BCR achieved a **net profit** of RON 814.1 million (EUR 168.3 million) in 2020 up from RON 593.3 million (EUR 125.0 million) in 2019 underpinned by strong loan growth and better operating performance, partly offset by higher risk costs. The net profit in 2019 was affected by a significant one-off provision allocation related to the activity of BCR Banca pentru Locuinte booked in Q2 2019.

Operating result improved by 5.1% to RON 1,877.5 million (EUR 388.1 million) in 2020 from to RON 1,786.9 million (EUR 376.5 million) in 2019, on the back of higher operating income along with lower operating expenses.

Net interest income increased by 5.1% to RON 2,371 million (EUR 490.1 million) in 2020, from RON 2,256.3 million (EUR 475.5 million) in 2019, favoured by higher loan and deposit volumes in both retail and corporate, partly offset by impact from lower money market interest rates.

Net fee and commission income decreased by 9%, to RON 710 million (EUR 146.8 million) in 2020, from RON 780.6 million (EUR 164.5 million) in 2019, driven by lower cash withdrawal and waived withdrawal fee at non-BCR ATMs in April and May as support measure during the state of emergency.

Net trading result increased by 1.2%, to RON 356.5 million (EUR 73.7 million) in 2020, from RON 352.4 million (EUR 74.3 million) in 2019, mainly driven by slightly higher trading activity.

Operating income increased by 1.6%, to RON 3,546.3 million (EUR 733 million) in 2020, from RON 3,490.4 million (EUR 735.5 million) in 2019, driven by higher net interest income and net trading result, partly offset by lower fee income.

General administrative expenses reached RON 1,668.8 million (EUR 344.9 million) in 2020, down by 2% in comparison to RON 1,703.5 million (EUR 359 million) in 2019, mainly due to lower contribution to deposit insurance fund in 2020 versus 2019 and lower depreciation, partly offset by higher personnel expenses and costs related to the new head office in 2020.

Foreign exchange rates used for conversion of figures into EURO are the ones provided by the European Central Bank. The income statement is converted using the average exchange rate for 2020 of 4.8381 RON/EUR (2019 of 4.7456 RON/EUR) The balance sheets are converted using the closing exchange rates 4.8683 RON/EUR at 31 December 2020 (31 December 2019: 4.7830 RON/EUR) . All the percentage changes refer to RON figures.

3. 2020 financial and commercial highlights *(continued)*

As such, **cost-income ratio** improved to 47.1% in 2020, versus 48.8% in 2019.

Risk costs and Asset Quality

Impairment result from financial instruments recorded an allocation of RON 521.3 million (EUR 107.7 million) in 2020, as compared to a release of RON 61.8 million (EUR 13 million) in 2019. This result has been influenced by prudent measures taken by the Bank in order to anticipate any potential negative effect of the pandemic context, measures mainly translated into updated risk parameters based on the most recent macroeconomic scenarios and the implementation of stricter rules for credit risk classification under IFRS 9 applied to client exposures affected by the current situation.

The **NPL ratio** reached 4.5% as of December 2020 against 4.1% recorded as of December 2019. This evolution is mainly reflecting the effect of a one-off large default registered in the corporate segment in the second quarter of 2020, as well as higher new NPLs in the retail segment as a result of an assessment for unlikeliness to pay performed in the fourth quarter on clients with still active instalment deferral agreements. At the same time, the NPL provisioning coverage reached 122.5% as of December 2020.

Capital position and funding

The solvency ratio for BCR Bank standalone, according to the capital requirements regulations (CRR) stood at 20.51% as of December 2020, well above the regulatory requirements of the National Bank of Romania. Furthermore, the Tier 1+2 capital ratio of 19.42% (BCR Group) as of December 2020 is clearly reflecting BCR's strong capital and funding positions.

Loans and advances to customers increased by 7.4% to RON 43,002.5 million (EUR 8,833.2 million) as of 31 December 2020 from RON 40,049.0 million (EUR 8,373.2 million) as of 31 December 2019, supported by increases in both retail (+6.9% ytd) and corporate (+7.8% ytd).

Deposits from customers strongly increased by 12.3% to RON 64,876.8 million (EUR 13,326.4 million) as of 31 December 2020 versus 57,791.8 million (EUR 12,082.8 million) as of 31 December 2019, supported by increases in both retail (+10.9% ytd) and corporate (+16.4% ytd) deposits.

4. Outlook for BCR's activity in 2021

4.1. 2021 expected macroeconomic development

BCR forecasts gross domestic product growth to recover in 2021 by +3.9% y/y after a -3.9% contraction in 2020 as both external and domestic demand should be supported by large fiscal and monetary stimulus packages.

Large amounts of EU funds available under the current budgeting exercise and from the EU recovery plan should support investments and prop-up gross domestic product growth offsetting the expected deceleration in wage and pension increase over the next couple of years.

Medium-term, gross domestic product growth should hover around its potential rate of around 3.5%. Near-shoring could bring additional investments as Romania is deeply integrated in the European manufacturing value chains.

4.2. Balance Sheet developments

Loan production will continue to be key growth driver for the balance sheet, BCR Group expecting a high-single digit increase in 2021, sustained by both Retail and Corporate segments.

Retail loans portfolio is assumed to increase in 2021 on the account of dynamic consumer lending and strong mortgages, housing standard being predominant within growth composition. **Corporate** is expected to see in 2021 a two-digit increase in lending portfolio, with positive developments in all segments. According to BCR's estimations, Corporate portfolio is expected to grow faster than market over the next years.

On the liabilities side, both Retail and Corporate deposits will continue their strong growth in line with BCR strategy to capitalize on its customer deposit base and with focus on digitalization.

4. Outlook for BCR's activity in 2021 *(continued)*

4.3. Statement of profit or loss

Net interest income is expected to marginally contract in 2021 on the back of loose monetary policy during 2020-2021.

Following the decrease in 2020, second key income component, **net fee and commission income**, is expected to recover in 2021 driven by card payments and brokerage fees despite the challenging environment.

Net trading result backslides in 2021 on base effect due to exceptional results in trading activities of the previous year.

In the current context, **operating income** will stay rather flat in 2021.

Lower **operating expense** in 2021 versus 2020 is targeted in an effort to counterbalance negative effect from COVID-19 crisis.

Risk cost development in 2021 is driven by estimated increased default rates, especially among debtors who requested payment deferrals under COVID-19 crisis, corroborated with the implementation of new default methodology which applies stricter thresholds for marking with default the overdue exposures above 90 days past due (DPD).

5. Statement of financial position of the Group and of the BCR

5.1. Statement of compliance

As of 31 December 2020, BCR prepared separate and consolidated financial statements in compliance with the Accounting Law no. 82/1991, with its subsequent amendments and supplements and with the National Bank of Romania Order no. 27/2010 for approval of Accounting Regulations compliant with International Financial Reporting Standards applicable to credit institutions.

Order no. 27/2010 of the National Bank of Romania further specifies that the separate and consolidated financial statements of credit institutions must be prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union.

Consequently, the separate and consolidated financial statements of BCR Group for the year ended 31 December 2020 were prepared in accordance with IFRS, observing also the specific group accounting policies of Erste Group to which BCR Group belongs.

5.2. Statement of financial position - assets

Total assets of BCR as at 31 December 2020 amounted to RON 79,538,233 thousand, increasing by 11.3% compared to 31 December 2019 (RON 71,440,952 thousand). At BCR Group level, the total assets increased by 9.4% from RON 74,938,359 thousand as at 31 December 2019 to RON 81,986,672 thousand as at 31 December 2020.

Evolution of total assets:

In RON thousands			Group	
2016	2017	2018	2019	2020
67,514,573	70,931,239	71,530,305	74,938,359	81,986,672
			Bank	
2016	2017	2018	2019	2020
64,068,225	67,734,485	67,909,254	71,440,952	79,538,233

5. Statement of financial position of the Group and of the BCR *(continued)*

5.2 Statement of financial position – assets *(continued)*

	Group			Bank		
in RON thousands	**31.12.2020**	**31.12.2019**	**Variance %**	**31.12.2020**	**31.12.2019**	**Variance %**
Assets						
Cash and cash equivalents	10,538,199	9,006,518	17.0%	10,193,736	8,724,971	16.8%
Financial assets held for trading	1,248,822	429,356	190.9%	1,248,822	429,356	190.9%
Derivatives	39,891	40,100	-0.5%	39,891	40,100	-0.5%
Other financial assets held for trading	1,208,931	389,256	210.6%	1,208,931	389,256	210.6%
Non-trading financial assets mandatorily at fair value through profit or loss	104,739	93,872	11.6%	104,504	93,620	11.6%
Equity instruments	75,033	40,388	85.8%	74,798	40,136	86.4%
Debt securities	27,781	49,922	-44.4%	27,781	49,922	-44.4%
Loans and advances to customers	1,925	3,562	-46.0%	1,925	3,562	-46.0%
Financial assets at fair value through other comprehensive income	7,536,126	6,117,844	23.2%	7,511,525	6,115,902	22.8%
thereof pledged as collateral	-	56,341	-100.0%	-	56,341	-100.0%
Debt securities	7,536,126	6,117,844	23.2%	7,511,525	6,115,902	22.8%
Financial assets at amortised cost	57,990,947	54,899,081	5.6%	57,372,656	53,019,313	8.2%
thereof pledged as collateral	421,310	739,503	-43.0%	1,416,847	2,087,276	-32.1%
Debt securities	14,827,570	15,735,188	-5.8%	13,986,991	14,422,788	-3.0%
Loans and advances to banks	2,028,021	661,437	206.6%	2,026,208	661,086	206.5%
Loans and advances to customers	41,135,356	38,502,456	6.8%	41,359,457	37,935,439	9.0%
Finance lease receivables	1,301,380	1,117,933	16.4%	15,106	3,399	344.4%
Property and equipment	863,743	937,267	-7.8%	803,005	837,505	-4.1%
Investment property	171,860	161,181	6.6%	171,860	161,181	6.6%
Intangible assets	348,900	359,085	-2.8%	339,662	348,582	-2.6%
Investments in joint ventures and associates	39,031	24,553	59.0%	33,470	17,035	96.5%
Current tax assets	230,979	238,752	-3.3%	227,831	235,928	-3.4%
Deferred tax assets	173,378	183,857	-5.7%	165,784	172,780	-4.0%
Assets held for sale	625,253	646,396	-3.3%	192,247	210,704	-8.8%
Trade and other receivables	563,885	425,060	32.7%	548,097	408,778	34.1%
Investments in subsidiaries	-	-	-	448,521	488,077	-8.1%
Other assets	249,430	297,604	-16.2%	161,407	173,821	-7.1%
Total assets	**81,986,672**	**74,938,359**	**9.4%**	**79,538,233**	**71,440,952**	**11.3%**

5.3. Statement of financial position – liabilities and equity

in RON thousands **Statement of financial position**		Group			Bank	
Liabilities and Equity	**31.12.2020**	**31.12.2019**	**Variance %**	**31.12.2020**	**31.12.2019**	**Variance %**
Financial liabilities held for trading	52,051	73,498	-29.2%	52,051	73,498	-29.2%
Derivatives	52,051	73,498	-29.2%	52,051	73,498	-29.2%
Financial liabilities measured at amortised cost	69,847,085	63,678,655	9.7%	68,527,999	61,395,958	11.6%
Deposits from banks	1,066,225	1,266,201	-15.8%	2,065,137	2,534,084	-18.5%
Borrowings and financing lines	1,453,289	2,105,646	-31.0%	426,827	572,786	-25.5%
Deposits from customers	64,876,774	57,791,780	12.3%	63,591,718	55,775,424	14.0%
Debt securities issued	614,801	784,402	-21.6%	614,801	784,402	-21.6%
Subordinated loans	1,087,260	1,067,313	1.9%	1,087,260	1,067,313	1.9%
Other financial liabilities	748,736	663,313	12.9%	742,256	661,949	12.1%
Finance lease liabilities	428,737	327,050	31.1%	426,424	323,721	31.7%
Provisions	1,857,633	1,779,611	4.4%	1,145,984	1,049,481	9.2%
Current tax liabilities	2,985	2,882	3.6%	-	-	-
Deferred tax liabilities	11,833	8,303	42.5%	-	-	-
Liabilities associated with assets held for sale	150,294	244,193	-38.5%	-	-	-
Other liabilities	291,133	352,457	-17.4%	234,409	293,240	-20.1%
Total equity	**9,344,921**	**8,471,710**	**10.3%**	**9,151,366**	**8,305,054**	**10.2%**
Share capital	2,952,565	2,952,565	0.0%	2,952,565	2,952,565	0.0%
Retained earnings	4,630,443	3,882,594	19.3%	4,419,688	3,706,526	19.2%
Other reserves	1,761,913	1,636,551	7.7%	1,779,113	1,645,963	8.1%
attributable to non-controlling interest	43	52	-17.3%	-	-	-
attributable to owners of the parent	9,344,878	8,471,658	10.3%	-	-	-
Total liabilities and equity	**81,986,672**	**74,938,359**	**9.4%**	**79,538,233**	**71,440,952**	**11.3%**

6. Statement of profit or loss of the Group and of the BCR

	Group			Bank		
in RON thousands	**31.12.2020**	**31.12.2019**	**Variance %**	**31.12.2020**	**31.12.2019**	**Variance %**
Net interest income (1)	**2,371,025**	**2,256,271**	**5.1%**	**2,248,995**	**2,139,209**	**5.1%**
Interest income	2,721,402	2,661,708	2.2%	2,635,589	2,568,106	2.6%
Other similar income	63,517	86,783	-26.8%	5,631	26,923	-79.1%
Interest expense	(393,464)	(451,566)	-12.9%	(372,153)	(416,360)	-10.6%
Other similar expense	(20,430)	(40,654)	-49.7%	(20,072)	(39,460)	-49.1%
Net fee and commission income (2)	**709,999**	**780,609**	**-9.0%**	**664,455**	**747,972**	**-11.2%**
Fee and commission income	913,890	946,460	-3.4%	856,101	900,910	-5.0%
Fee and commission expense	(203,891)	(165,851)	22.9%	(191,646)	(152,938)	25.3%
Dividend income (3)	3,312	2,569	28.9%	3,683	15,994	-77.0%
Net trading result (4)	345,186	346,346	-0.3%	335,938	337,792	-0.5%
Gains/(losses) from non-trading financial instruments mandatorily measured at fair value through profit or loss (5)	14,608	15,569	-6.2%	14,608	15,569	-6.2%
Foreign currency translation (6)	(3,261)	(9,475)	-65.6%	608	(5,307)	-111.5%
Net result from equity method investments (7)	(2,060)	(390)	428.2%	-	-	-
Rental income from investment properties and other operating leases (8)	107,489	98,919	8.7%	8,298	11,158	-25.6%
Personnel expenses (9)	(804,958)	(775,990)	3.7%	(695,984)	(668,348)	4.1%
Other administrative expenses (10)	(644,115)	(685,214)	-6.0%	(658,967)	(713,793)	-7.7%
Depreciation and amortisation (11)	(219,695)	(242,258)	-9.3%	(206,796)	(211,820)	-2.4%
Operating Income (1+2+3+4+5+6+7+8)	**3,546,298**	**3,490,418**	**1.6%**	**3,276,585**	**3,262,387**	**0.4%**
Operating Expense (9+10+11)	**(1,668,768)**	**(1,703,462)**	**-2.0%**	**(1,561,747)**	**(1,593,961)**	**-2.0%**
Operating Result	**1,877,530**	**1,786,956**	**5.1%**	**1,714,838**	**1,668,426**	**2.8%**
Gains/(losses) from derecognition of financial assets measured at amortised cost	11	(485)	-102.3%	11	(485)	-102.3%
Other gains/(losses) from derecognition of financial instruments not measured at fair value through profit or loss	(59)	(29,413)	-99.8%	(59)	(29,413)	-99.8%
Net impairment loss on financial instruments	(521,271)	61,816	-943.3%	(505,325)	6,273	-8155.6%
Other operating result, out of which	**(291,102)**	**(923,113)**	**-68.5%**	**(192,356)**	**(705,238)**	**-72.7%**
Other income	208,479	286,092	-27.1%	81,192	180,815	-55.1%
Other expense	(499,581)	(1,209,205)	-58.7%	(273,548)	(886,053)	-69.1%
Levies on banking activities	-	(52,003)	-100.0%	-	(52,003)	-100.0%
Pre-tax result from continuing operations	**1,065,109**	**895,761**	**18.9%**	**1,017,109**	**939,563**	**8.3%**
Taxes on income	(251,001)	(302,495)	-17.0%	(237,151)	(287,654)	-17.6%
Net result for the period	**814,108**	**593,266**	**37.2%**	**779,958**	**651,909**	**19.6%**
Net result attributable to non-controlling interests	(9)	6	-250.0%	-	-	-
Net result attributable to owners of the parent	**814,117**	**593,260**	**37.2%**	**779,958**	**651,909**	**19.6%**

7. Equity accounts and profit distribution

7.1. Equity accounts as at 31 December 2020

The Bank's equity as at December 31st 2020, amounts to RON 9,151,366 thousands and is detailed below:

	Bank
in RON thousands	
Share capital[1]	1,625,342
Adjustement of the capital - hyperinflation	1,327,223
Merger premium	395,483
Other reserves	1,197,466
Legal statutory reserves	569,355
General reserve regarding credit risk set up from profit before tax	162,935
Reserve on general banking risks	267,673
Other reserves	197,503
Fair value reserve	186,164
Retained earnings[2]	3,639,730
Net profit for the period	779,958
Total amount of the Bank's equity	**9,151,366**

[1] The share capital represents the subscribed and paid-up share capital at nominal value, consisting of 16,253,416,254 ordinary shares (equal voting rights) with each nominal value of RON 0.1 / share. The Bank and the Group does not hold redeemed own shares.

[2] Include also undistributed proposed dividends from 2019 profit in amount of RON 325,954,833. Due to COVID-19 pandemic effects and based on the recommendations received from ECB/NBR, approval of dividends distribution proposed for 2019 financial year, in amount of RON 325,954,833 was not approved in GSM meeting held on 26 June 2020. The GSM resolution mentions the intention to postpone the dividend distribution decision as initially proposed and, consequently, the amount was registered within retained earnings

Erste Bank is the direct parent of the Bank and holds 99.8828% of share capital at 31st December 2020.

7. Equity accounts and profit distribution *(continued)*

7.2. Profit distribution

The net profit of the Bank for the financial year ended 31 December 2020, amounting to RON 779,958,198 will be distributed according to the law.

The Proposal for the distribution of profit, in accordance with: art. 29 para. 1 of the Accounting Law no. 82/1991, republished as subsequently amended and supplemented, para. 67 of the Law no. 31/1990, republished as subsequently amended and supplemented and para. 27 of BCR Charter. The Supervisory Board proposes to the General Meeting of Shareholders the distribution of 2020 net profit as follows:

Item	Amount - in RON
Other reserves[1]	24,910,608
Dividend distribution	71,778,644
Result reported [2]	683,268,946
Total	**779,958,198**

[1]The amount of RON 24,910,608 represents the reinvested accounting profit of BCR which was exempt from applying corporate income tax, in accordance with the provisions of the Fiscal Code in force and which should be mandatorily allocated to Reserves.

[2] The retained earnings totalling RON 683,268,946 will be used in accordance with the Bank's business and capital planning strategy.

Total potential dividend planned according to capital strategy is 70% of 2020 net profit, amounting to RON 545,970,739.

However, at the end of 2020, NBR issued the letter no. 788/21.12.2020 recommending measures to maintain own funds at an adequate level according to Bank's risk profile. From this perspective, dividend distribution should be prudent, at least until 30.09.2021, as follows: 15% of the cumulative profits 2019 and 2020, but not more than 20 bps of CET 1 ratio as at 31.12.2020. Maximum distribution allowed before 30.09.2021 as per NBR's recommendation is RON 71,778,644. NBR should be notified on the distribution intention.

7.3. Own funds elements

Pursuant to Regulation 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No. 648/2012, Chapter II "Basic Tier 1 Own Funds", Article 26, paragraph 1, the main own funds items other than share capital instruments are: retained earnings, other items of accumulated comprehensive income, other reserves and funds for general banking risks. Eligible own funds items are included net of potential obligations (foreseeable dividends, taxation effects). In case of reinvested accounting profit, the amount included in own funds will be net of any potential tax charge at the moment of its calculation. The taxation effect will be maintained until the full amortization (useful life expiry) of assets for which fiscal facility was calculated.

These items are considered Own Funds Common Equity Tier 1 only if they are available to the Bank for unrestricted and immediate use in order to cover risks or losses as soon as they appear.

8. Subsidiaries business performance overview and predictions

8.1. BCR Chisinau SA

BCR Chisinau is a universal bank, subsidiary of BCR with strategic focus on corporate clients, their employees and partners.

In 2020, BCR Chisinau registered an increase of its assets of 27.7%) compared to 2019. This result was possible thanks to the confidence of the clients towards the bank, BCR Chisinau increasing its portfolio of attracted deposits by 35.5%. The volume of loans registered an increase of 30.3%, the main increase being due to the SME segment (64.6% of the total increase on the Bank). As a result of the Retail project initiation, the private individual portfolio significantly increased by 57.5% compared to the end of 2019 (22.2% of the total increase on the BCR Chisinau).

8. Subsidiaries business performance overview and predictions *(continued)*
8.1 BCR Chisinau SA *(continued)*

During 2020, BCR Chisinau managed to improve significantly the digital services offered to customers by implementing the possibility of performing operations 24/24, implementing Face ID and setting up deposits through Mobile Banking. Additionally the self-service areas within the branches in Chisinau were created, by installing Cash In and Cash Depository terminals.

The share of Non-performing loans decreased in 2020 to 4.7% from 6% in 2019 (the NPLs are concentrated in a limited number of loans of a single client and mostly provisioned). As a core part of its risk management strategy, BCR Chisinau maintained a prudential approach by increasing its provisions, calculated in accordance with International Financial Reporting Standards (IFRS) and in accordance with the requirements applied in BCR/ Erste Group. In this context, the coverage rate on non-performing loans has increased from 94.8% in 2019 to 98.5% in 2020.

BCR Chisinau registered a Net Profit in 2020 of MDL 23.7 mn (RON 5.8 mn) driven by the increase in its operating result (in 2019: MDL 19.1 mn or RON 4.6 mn).

Following the successful completion of the Financial Independence strategic pillar, it has been replaced by a new strategic pillar - Diversification. In addition to this, BCR Chisinau's strategy for 2021 is based on the following existing pillars: increasing revenues from operational activity, increasing the level of automation and continuous alignment with the requirements of the local regulator and group policies.

8.2. BCR Leasing IFN SA

BCR Leasing provides financial leasing products, such as leasing for cars, industrial equipment and car fleets.

In 2020, BCR Leasing focused on consolidating its activity, investing in both new and existing projects, focusing mainly on the IT infrastructure area, streamlining processes and partnerships. The total assets of BCR Leasing increased by 11% compared to the previous year, reaching RON 2.5 billion based on new sales volumes of EUR 231.7 mn, as well as the quality of the existing portfolio. The share of non-performing exposures remained at a low level of 4.07% (3.51% in 2019), reflecting the efforts to improve the quality of the portfolio, as well as the quality of new sales.

The operating result increased by 7% compared to the previous year (RON 73 mn in 2020 vs. RON 68 mn in 2019), mainly due to the increase in net interest income by 4% (RON 78 mn in 2020 vs. RON 75 mn in 2019). In 2020, the cost/income ratio improved from 32.1% in 2019 to 31.7%, reflecting the company's efficiency.

The sales volume continued to be stimulated by both sales channels, the Bank and the partnerships with dealers / importers.

In 2021, BCR Leasing will go through a process of improving operational efficiency by adjusting processes and workflows, while continuing its strategy to increase sales volumes.

8.3. BCR Pensii, Societate de Administrare a Fondurilor de Pensii Private ("SAFPP") SA

BCR Pensii SAFPP is a company that performs its activity on the private pensions market in Romania, including mandatory (Pillar II) and voluntary private pensions (Pillar III).

At the end of 2020, according to the statistics published on website of Financial Supervisory Authority, the company ranked 6th in the top of mandatory private pension funds management companies acting on the Romanian market, in terms of total number of subscribers, with a market share of 9.07% and 692,213 subscribers.

In terms of total number of subscribers for voluntary pensions funds, BCR Pensii SAFPP ranked 2nd, with a market share of 26.36% corresponding to a number of 139,025 participants.

The strategy of the subsidiary is to promote its two funds towards an increased number of eligible prospects and to promote the benefits of the supplementary pension as a long-term saving product. Regarding the sales strategy for Pillar III, it is based on improving the quality of the portfolio by continuing the actions of reactivating the payments for suspended contributions and ensuring quality sales through constant sales management actions.

The BCR Pensii strategy continues in 2021 with the pursue of increasing the number of participants to the voluntary pension fund BCR Plus improving the quality of the products and services offered to the participants, as well as gaining participants' loyalty through the continuous improvement of the communication channels.

8. Subsidiaries business performance overview and predictions *(continued)*

8.4. BCR Banca pentru Locuinte SA

The activity of BCR Banca pentru Locuinte SA consists in the sale and management of savings and loan products for housing purposes (type Bauspar).

The total portfolio of BCR Banca pentru Locuinte SA (saving contracts) as of 31 December 2020 is 84.208 number of contracts and customers have realized savings in amount of RON 1.04 billion vs.1.82 billion as of 31 December 2019, considering that the activity of selling new lending-saving contracts ("ECDL contracts") was suspended in February 2016.

Lending activity, for approved loans, has dropped by 97.6% at the end of 2020 (RON 0.68 mn) compared to the end of 2019 (RON 28.85 mn).

The financial result for the year 2020 is a loss.

The audit mission of the Romanian Court of Accounts – BCR Banca pentru Locuinte ("BpL")

In 2015, the Romanian Court of Accounts (hereinafter referred to as 'the CoA') conducted a control at the BpL. Following the mission, the CoA claims that several deficiencies were identified, the vast majority grounded on a different interpretation of the applicable legal provisions. On 15 December 2015, the CoA issued the Decision no. 17, maintaining all the claims included in their initial report and requested BpL to establish exactly the amount of the prejudice. On December 23, 2015, BpL appealed the Decision no. 17 of the CoA, appeal that was rejected by the Commission for Solving Claims of the CoA through Decision No 2/29 February 2016, maintaining as such the Decision no. 17/2015.

Court of Appeal pronounced its resolution on March 1st 2017 and decided in favour of BpL for 5 out of 8 claims. Both BpL and CoA filed second appeal against this decision and, on June 21, 2019 High Court of Cassation and Justice (HCCJ) decided as follows:

- Both second appeals were admitted and the decision of the first court was annulled; as a consequence, the HCCJ re-judged the request of BpL and annulled only two measures, maintaining 6 of them;
- The maintained measures relate to the incorrect calculation of State premium by BpL.

BpL received on 18th of July 2019, the motivation of the High Court of Justice decision.

As a consequence, BCR Banca Pentru Locuinte S.A. started the process for establishing all the amounts that should be part of a future potential outflow related to the litigation with CoA, in accordance with the Court of Justice final decision (consisting of state premiums, interest and penalties). The potential future outflow of resources was estimated and booked as a provision in accordance with IAS 37 requirements. An additional provision, for covering "WHT" associated to the claimed prejudice, was set in December 2019. The provision for withholding tax ("WHT provision") is not strictly related to the litigation, it derives from the fiscal regime that might be applicable by the State in case of possible fiscal reinterpretation.

This additional provision has been aggregated in the one set for the alleged prejudice, in the same category, named 'Other Provisions / CoA Litigation' (Total CoA Provision) and total resulted value as of 31.12.2020 is RON 689,352,217 (RON 689,636,173 as of 31.12.2019).

On the other hand, BCR BpL partially implemented the Court of Account decision, paying until now the amount of RON 50.9 mn representing part of the alleged prejudice and fiscal accessories; namely, the equivalent of client's savings used to cover the bank's fees included in the calculation basis for state premiums.

For the rest of covering the remaining alleged prejudice - of approx. RON 689.3mn (as of the end of 2020), in accordance with the measures to be implemented according to CoA Decision, the Bank obtained a postponement of the decision implementation until February 02, 2021. BpL asked for a prolongation of this term. Up till now was received no answer.

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: with next hearing on the merits on May 13, 2021 by the High Court of Cassation and Justice in Romania;
  - Contesting for Annulment: Court hearing established for March 31, 2021 by the High Court of Cassation and Justice.
- At European level: BpL raised the case to the European Court for Human Rights by submitting the relevant documents for the case on 17.01.2020.

8. Subsidiaries business performance overview and predictions *(continued)*

With respect of the CoA Decision's point concerning the damage collection, i.e. approx. RON 689.3mn (as of the end of 2020), BpL performed the necessary formalities towards the Ministry of Development for the process of collection of the amounts (representing state premiums paid to clients and related accessories). Depending on the State's answer, BpL will decide the next actions.

Consequently, the going concern basis for preparing its financial statements as of 31.12.2020 was assessed as appropriate.

8.5. Suport Colect SRL

In 2020, Suport Colect continued performing its core business activity represented by the collection of the loans receivables portfolio owned, including cash collections from receivables, or through properties obtained as debt to asset swaps, either amiable or in enforcement or sale of receivables.

In 2020, the Company reported under IFRS standalone a net profit amount of RON 8.8 mn (2019: RON 9.4 mn) mainly due to positive effect obtained from collection activity on the portfolio of loan receivables and to the litigations provisions release.

In 2021, the action plans are focused on the following main aspects: sale of the properties owned, continue the efforts to realize recoveries on the loans receivables portfolio and close the related processes (having the enforcement process closed, collateral sold, close litigations).

8.6. BCR Fleet Management SRL

BCR Fleet Management started its operations in 2012, providing operational leasing and fleet management services for corporate clients with large fleets. BCR Fleet Management developed partnerships with the most important passenger cars and commercial vehicles dealers and importers in Romania, being able to provide its services for almost any passenger car or commercial vehicles.

During the last 8 years, BCR Fleet Management has become an important player in the operational leasing market with a total fleet of over 5,000 vehicles and total asset size of RON 430 mn at the end of 2020, showing an increase of 7% compared to last year. BCR Fleet Management's clients are mostly multinational corporations or large Romanian companies, as well as public sector organizations.

The operating income of the company reached RON 71 mn, up 14% compared to last year sustained through increased rent revenue by new sales volume of approximately RON 135 mn. The net loss in 2020 was RON 8.1 mn under IFRS standalone.

During 2019, the Management Board approved the sale process of investment in shares in BCR Fleet Management. The BCR's Management Board maintained the commitment to sell the investment. As at year end 2020 the procedure for obtaining offers for investor selection was in progress, negative impacted by pandemic context.

However, until the sale of the company is finalized, for 2021, BCR Fleet Management commercial strategy will be focused on developing further the corporate clients segment, as well as diversifying the portfolio in the retail. Apart for that, BCR Fleet Management will aim to improve operational efficiency by adjusting its processes and workflows to its actual size, developing its infrastructure.

8.7. BCR Payments Services SRL

BCR Payments Services SRL is a subsidiary of the BCR Group, founded in 2011, following the outsourcing of payment processing which were made until then integrated into the same unit BCR Sibiu Processing Centre of the Banking Operations Department. The company is responsible for centralized processing of payment transactions in local and foreign currency, debt instruments in local currency and foreign currency, accounts opening and maintenance.

BCR Payments Services serves all local units of BCR, Banking Operations Division, and other BCR divisions, on the base of the outsourcing contract signed between the two parties. During 2020, 3.7mn transactions were processed and the company's net profit at 31 December 2020 amounted RON 772 thousand under IFRS standalone.

In 2021, BCR Payments Services SRL will focus on extending the range of services provided as well as further improvement of internal efficiency.

9. The Bank's and Group risk profile

9.1. Overview

The overall focus of risk and capital management throughout 2020 was maintaining BCR's Group risk profile in line with BCR Risk Strategy, increasing the capital base and supporting the strategic management initiatives with the focus on balance sheet optimization.

BCR Group uses a risk management and control system that is forward-looking and tailored to its business and risk profile. This system is based on a clear risk strategy that is consistent with the business strategy and focused on early identification and management of risks and trends. The overall risk profile for BCR Group, as well as the individual risk profiles are implemented through the BCR Group Risk Strategy and are subject to an annual comprehensive review process. A quarterly assessment of the risk profiles checks if there are changes in respect of the risk materiality or if new risks occurred in the Bank's activity.

Given BCR Group business strategy, the key risks for BCR Group are credit risk, market risk (including interest rate risk in the banking book), liquidity and funding risk and operational risk. All material risks are covered by BCR Group's control and risk management framework.This entails a set of different tools and governance to ensure adequate oversight of the overall risk profile and sound execution of the risk strategy, including appropriate monitoring and escalation of issues that could materially impact the risk profile of BCR Group.

Based on the BCR Group Risk Strategy and BCR Group overall and individual risk profiles, BCR Group subsidiaries, including BCR, set up their local risk profile. Also, BCR Group's capital management framework serves to ensure that the BCR group and its subsidiaries are capitalized in line with the risk profile, regulatory requirements and economic capital requirements.

As part of its risk strategy, BCR Group analyses its actual risk profile and determines a target risk profile based on its strategic goals. The target risk profile is a result of the risk assessment process in combination with the boundaries set by the business strategy and the risk appetite framework. In terms of governance, full oversight of the risk profile and a sound execution of the risk strategy is ensured including appropriate monitoring and escalation of issues that could materially impact the risk profile of the Group.

9.2. Proportionality Principles

The proportionality principle is a crucial and integral part of BCR Group's overall risk framework and strategy. The proportionality principle is applied for the core components of BCR Group ICAAP framework (Risk Materiality Assessment/Risk taxonomy, Risk-bearing Capacity Calculation, Risk Appetite & Risk Profile, Stress testing, Risk Concentration Analysis, and Recovery Plan).

BCR Group level risk management principles, concepts and processes are generally designed, developed and implemented to address over-arching organizational needs across both group and local entities/subsidiaries reflecting a high degree of granularity and detail.

However, subsequent implementation and application at BCR Group subsidiaries requires an approach that takes differences in business structures, size, complexity and relevance into account. This will ensure a meaningful, suitable and adequate application across BCR Group in line with local needs and capabilities while still fulfilling overall BCR Group level requirements and standards.

The evaluation of proportionality criteria is reviewed on an annual basis and included in the Risk Strategy. In addition, a reassessment might be carried out outside the annual review cycle if changed business parameters indicate a need for a respective reclassification.

9.3. Risk Profile

Starting from the volume and nature of BCR activity as part of BCR Group, the risk profile of BCR Group is driven by the Bank risk profile. Thus, the Risk Profile for BCR Group follows in general the same directions as the Bank, both with regard to overall risk profile and individual risks profiles based on the following considerations:

- the volume and nature of BCR activity as part of BCR Group;
- the categorization of BCR as a full subsidiary based on the Proportionality Principles.

9. The Bank's and group risk profile *(continued)*

9.4. Individual risk profiles for the key risk types

9.4.1. Credit Risk

Credit risk is defined as the current or prospective risk to earnings and capital arising from a borrower's failure to meet the terms of any contract with the credit institution or its failure to perform as agreed.

In respect of the credit risk profile, in order to lower the risk profile for this risk in 2020, BCR has targeted the following strategic directions:

- Any relaxing of the lending standards which can affect the Credit Risk profile of the Bank have to be benchmarked against the targeted risk profile and operative limits, supporting metrics and in the end against the Risk Appetite Statement;
- An integrated risk management framework where risk appetite is cascaded down to the highest granular level in terms of concentration policy, lending acceptance criteria and business strategy;
- BCR Group continued to refine, update, monitor and redevelop its statistically validated scorings, rating models, risk parameters and tools;
- BCR Group continued to manage the industry concentrations and to align the portfolio composition with the business strategy; perform periodical stress tests/sensitivity analysis related to the impact of credit risk on the Bank and Group.

9.4.2. Concentration risk

The BCR concentration risk framework outlines the standards needed to identify, measure, monitor, and mitigate concentration risks, which implementation is essential to ensure the long-term viability of any financial institution, especially in the case of stressed economic conditions.

In respect of concentration risk management, the Bank has implemented a wide framework of limits which are specific, measurable, frequency-based, reportable, and based on forward looking assumptions in order to facilitate effective monitoring and reporting.

The limit framework includes material risk concentrations at the bank-wide, business line and legal entity levels (e.g. counterparty, industry, region, product) aiming to ensure that the Bank operates within its defined Risk Appetite and they are effective in controlling Risk Tolerance. Dimensions included in the limit framework comprise: industry limits, geographic regions, corporate unsecured loans, corporate and Retail product limits, FX retail limits, as well as concentration risk limits on individual counterparties depending on the ratings (maximum/operational lending limits), market and liquidity risk limits and operational key risk indicators.

9.4.3. Residual risk

This is the risk that the recognized credit risk mitigation techniques (e.g. collateral) employed by the Bank will be less effective than expected.

Collateral and credit enhancement are evaluated pursuant to internally defined rules. Depending on rating grade, purpose and tenor, risk bearing products are protected against losses by stipulating adequate collateral that is fully and indisputably legally enforceable and sufficiently documented for the Bank. Nevertheless, collateral and credit enhancement can never substitute repayment capability.

9.4.4. FX induced credit risk

FX induced credit risk is a risk associated with foreign currency lending to un-hedged borrowers, which arises due to exchange rate fluctuations of the respective foreign currency.

Foreign currency loans are defined as loans that are at least partially receivable in other currencies than the legal tender of the country in which the borrower is domiciled. Un-hedged borrowers mean borrowers without a natural or financial hedge which are exposed to a currency mismatch between the loan currency and the hedge currency. Natural hedges include in particular cases where borrowers receive income in foreign currency (e.g. remittances/export receipts), while financial hedges normally presume there is a contract with a financial institution.

The Bank has in place limits for new retail FX loans (calculated as share of EUR denominated new loan volume in total new acquisitions), in order to decrease the overall retail FX exposures and mitigate FX Induced Credit Risk. FX induced Credit Risk is also estimated through capital requirement under Pillar 2 and monitored by the Bank on a quarterly basis.

9. The Bank's and group risk profile *(continued)*

9.4. Individual risk profiles for the key risk types *(continued)*

9.4.5. Market Risk

Market risk is the risk to incur losses corresponding to on-balance and off-balance positions due to adverse market price movements (such as, for example stock prices, interest rates, commodity prices and foreign exchange rates).

Key principles of BCR Group's market risk management are based on the following pillars:

- identification of market risks – identification of market risks inherent in the investment operations and in new products, and ensuring adequate procedures and controls before these are implemented or undertaken;
- position keeping and Market Data Maintenance – ensuring proper data representation of BB and TB positions and also sourcing of appropriate market data for financial instruments and risk factors including data quality checks and cleansing;
- pricing and valuation – maintenance of appropriate instrument pricing framework and valuation process for the calculation of valuation adjustments;
- risk measurement – calculation of risk exposure using sensitivities, value-at-risk, and stress testing;
- validation - on one hand this concerns Value at Risk ("VaR") back-testing while on the other hand parameters and models used must be validated on a regular basis;
- market Conformity of Trading Activity - assuring that trading activities are performed at market conforming prices and rates;
- market Risk Limits - development of a comprehensive limit system, limit allocation and breach reporting;
- market Risk Monitoring and Reporting – timely and accurate reporting of all relevant information.

9.4.6. Liquidity & Funding Risk

Liquidity Risk is the risk that the Bank is unable to meet its payment obligations when they come due or only being able to meet these obligations at excessive cost.

BCR Group distinguishes between:

- funding liquidity risk (which is the risk that the banks in the group will not be able to meet efficiently both expected and unexpected current and future cash flow and collateral needs without affecting either daily operations or the financial condition of the group members);
- market liquidity risk (which is the risk that the group entities cannot offset or close a position at the market price because of inadequate market depth or market disruption) and
- funding concentration risk (concentration risk arises when funding is sourced from too a small number of clients, or an insufficiently diverse range of market instruments or sectors).

Furthermore, the funding liquidity risk is divided into structural liquidity risk (the long-term risk of losses due to a change in the Bank's own refinancing cost or spread) and insolvency risk (the short-term risk that current or future payment obligations cannot be met in full, on time in an economically justified way).

BCR Group has an appropriate reporting framework for liquidity and funding risk management which includes the scope, possible manifestations and frequency of these risks, and which also designates the entity responsible for preparing the specific reports.

Additionally, BCR Bank and BCR BpL implemented and delivers to the regulator the Additional Liquidity Monitoring Metrics (ALMM) reports, thus benefiting from a more comprehensive analysis of their financing sources.

The Bank has an adequate set of limits on the values of various liquidity risk indicators, which enable it to closely monitor and control liquidity risk. These limits are also cascaded down to the major entities of BCR Group (i.e. BCR BpL and BCR Chisinau), which have also implemented the limits and set their own values, based on prior approval from BCR Bank.

The Bank is also using the Survival Period Analysis ("SPA") as a key tool for measuring liquidity risk; its aim is to assess whether sufficient liquidity can be obtained in order to operate at a level where the Bank can survive for the length of all predefined liquidity crisis scenarios. The analysis is performed per each significant currency (i.e. RON and EUR), and per total currencies.

Another important tool for BCR's funding risk management process is the CFP (Contingency Funding Plan). It provides a useful framework in the event the Bank is unable to fund some or all of its activities in a timely manner, and at a reasonable cost.

9. The Bank's and group risk profile *(continued)*

9.4. Individual risk profiles for the key risk types *(continued)*

9.4.6. Liquidity & Funding Risk *(continued)*

With respect to cash flow risks, BCR is actively managing the intraday liquidity positions, so that it can be able to fulfil at any time the requirements related to payments and settlements, in both normal and crisis conditions.

Thus, BCR has the capacity to:

- measure daily the gross inflows and outflows, to predict as accurately as possible the time of the day when these flows will occur, and to predict any financing deficits that may occur during a day;
- monitor the intraday liquidity positions as compared to the expected activities and available resources (balances, capacity to cover outstanding loans, available collaterals);
- obtain the necessary financing for meeting the intraday liquidity objectives;
- manage the eligible collaterals for obtaining the intraday financing;
- manage the liquidity outflows according to BCR intraday objectives;
- be prepared to face unexpected changes in intraday liquidity flows.

The mechanisms used by BCR in order to calculate the liquidity position are based on the following:

- prediction of cash-flows impacting the current account during the day – as accurately as possible – including prediction of the timing of these flows throughout the day;
- estimation of the possible cash-flow shortages throughout the day;
- ability to monitor the intraday liquidity position and the expected liquidity requirements throughout the day.

Potential measures used by BCR for managing liquidity in order to ensure the intraday availability of funds are:

- the possibility to access intraday liquidity from NBR in case of necessity to cover unexpected amounts during a day;
- making payments based on the available resources (and the liquidity position expected during the day).

9.4.7. Operational Risk

BCR Group's operational risk is governed by an operational risk management policy, which defines:

- the operational risk management structure, hierarchy and governance model ("three lines of defence model");
- the risk appetite setting the limits of residual operational risk tolerance (OpRisk scaling matrix);
- common standards for managing and documenting operational risk within BCR Group;
- the framework that ensure OpRisk (OpRisk concentrations) are adequately identified, assessed, documented and managed.

The quantitative measurement methods are based on internal loss experience data, which are collected across Erste Group using a standard methodology and entered into a central data pool. In addition to the quantitative methods, qualitative methods are also used to determine operational risk, such as risk and control self-assessment, outsourcing risk assessments, scenario analysis etc. BCR Group also reviews certain key indicators periodically to ensure early detection of changes in risk potential that may lead to losses.

To lower the operational risk profile, Bank has undertaken the following measures:

- permanent development and improvement of control environment;
- improvement of operational loss data collection;
- performing periodical stress tests/ sensitivity analysis related to the impact of operational risk on the Bank and Group.

9. The Bank's and group risk profile *(continued)*

9.4. Individual risk profiles for the key risk types *(continued)*

9.4.7 Operational Risk *(continued)*

The Bank and its subsidiaries have implemented a wide range of specific ratios for managing operational risk. The monitoring and regular reporting of operational risk indicators (KRI) is enabling the Bank to detect any change in its exposure to operational risk in due time. Also, the Bank is monitoring the evolution of recorded events, as well as through implementing/ solving corrective measures.

9.4.8. Reputational Risk

Reputational risk is defined as the current or prospective risk to earnings and capital arising from adverse perception of the image of the credit institution on the part of customers, counterparties, shareholders, investors or supervisory authorities.

Reputational risk issues arise from transactions with clients or through different business activities. However, due to its nature, these usually materialize through other risk types. The primary responsibility for the identification, escalation and resolution of reputational risk issues resides with business and the relevant risk type owner supports their resolution.

Reputational risk registered improvements in 2020 based on continuing initiatives / projects begun in the past year, such as the financial education program, strengthening corporate culture, using the risk return decision tool, new product approval process.

10. Risk management

10.1. ICAAP framework

BCR Group has continued to strengthen its ICAAP comprehensive framework. This includes as its fundamental pillar the ICAAP (Internal Capital Adequacy Assessment Process) required under Pillar 2 of the Basel framework.

The ICAAP framework is a holistic steering and management model designed to support BCR Group in managing its risk portfolios and its risk bearing capacity by ensuring that the Bank has, at all times, an adequate coverage potential which ensures the necessary capital adequacy to sustain its business and risk strategy.

A key component of ICAAP is the assessment of the group's capital adequacy using economic capital measures. In the ICAAP, the Group identifies and measures its risks and ensures that it has sufficient capital in relation to its risk profile. The process also ensures that adequate risk management systems are used and further developed. The relevant components of the framework refer to:

- risk profile & risk materiality assessment;
- risk appetite (RAS);
- risk bearing capacity (RCC);
- stress testing;
- risk planning and forecasting;
- recovery and resolution plan.

10.1.1 Risk profile

The risk profile is defined by the Group as the assessment at a given point in time of gross and, where appropriate, net risk exposures (after taking into account risk mitigants), aggregated within and between each relevant risk category, on the basis of current assumptions or anticipatory.

The Group Risk Profile is developed within the Risk Appetite and by evaluating the material risks to which the Bank is exposed. BCR Group ICAAP Report monitors the development of the BCR Group Risk Profile compared with the Risk Appetite and Risk Strategy and it is presented to the Management Board and Supervisory Board on a quarterly basis.

10. Risk management *(continued)*

10.1. ICAAP framework *(continued)*

10.1.2 Risk appetite (RAS)

The Risk Appetite is defined as the aggregate level and types of risk that BCR Group is willing to assume within the limits of its risk capacity, according to its business model, in order to achieve its strategic objectives.

RAS represents a strategic statement expressing the maximum level of risks BCR Group is prepared to accept in order to achieve its business objectives. It consists of a set of core metrics providing quantitative direction for risk steering, as well as qualitative statements in the form of key risk principles that form part of the strategic guidelines for managing risks.

10.1.3 Risk bearing capacity (RCC)

The risk-bearing capacity is defined as the maximum level of risk that BCR Group may assume, taking into account the applicable capital requirements, its own risk management and control capabilities, and its regulatory constraints.

The Risk Bearing Capacity calculation defines the capital adequacy required by ICAAP. Within the RCC the Group's risks measured from an internal economic perspective are summed up to provide the basis to determine BCR Group's Economic Capital. The Economic Capital is then compared to internal capital, as measured by the coverage potential.

The integral forecast, risk appetite limits and the traffic light system support management in its discussions and decision process. The traffic light system embedded in BCR Group's RCC helps to alert the management in case there is need to decide on, plan and execute actions either to replenish the capital base or to take measures for reducing risk.

10.1.4 Stress testing

Stress testing is a vital component of the Risk Management framework within BCR Group and is incorporated into the strategic planning process for business activities, capital and liquidity assessment. The assessment of the ability of the Bank to sustain losses in severe but plausible macroeconomic scenarios provides information on the adequacy of the overall business model and supports the planning of emergency and mitigation measures.

Stress testing results and recommendations are incorporated into the process for defining the RAS, subsequent financial projections and budgeting processes, as well as in the calculation of the risk-bearing capacity and the determination of the economic capital adequacy limit.

10.1.5 Risk Planning and Forecasting

BCR Group has implemented a sound risk planning and forecasting process, which includes both forward and backward looking component, focusing on both portfolio and economic environment changes.

Planning of risk relevant key numbers is also part of BCR Group ICAAP framework and it assures the adequate reflection of risks within the steering and management process of the Group activity.

10.1.6 Recovery and Resolution Plan

The Bank Recovery Plan Governance represents a framework for the drawing up and the implementation of the recovery plan as a main pillar of strengthening the financial resilience of BCR and restoring its financial position following a significant deterioration. It identifies a set of recovery measures which could be taken in order to restore BCR's financial strength and viability when it comes under severe stress.

The Recovery Plan also ensures that proper remediation measures are applied if the Bank starts moving outside of its approved risk appetite in order to recalibrate its risk profile and ensure that can recover on a sustainable basis.

10. Risk management *(continued)*

10.2. Monitoring of the BCR Group Risk Profile

Oversight of the overall risk profile at the BCR Group level consists of both strategic and operational oversight.

10.2.1 Strategic oversight

A major part of the strategic oversight plan is determining the Bank's risk appetite. The Risk Appetite Statement (RAS) sets the boundary for a maximum risk the BCR Group is willing to accept in order to pursue its business objectives; this includes a set of core steering metrics with trigger levels providing strategic guidelines for risk management and planning.

The Risk strategy sets strategic risk targets based on the targeted risk profile of the BCR Group and the RAS and provides a balanced risk-return view considering strategic focus & business plans.

Both are regularly monitored and reported in the BCR ICAAP Report including a traffic light overview together with respective measures to address identified deviations from strategic plans or objectives.

10.2.2 Operational oversight

Operational oversight involves the identification, assessment, and prioritization of risks and the application of resources to minimize, control and mitigate the impact of unfortunate events on business. Risk management by risk type ensures that the risk specific profile remains in line with the risk strategy and operative limits support the achievement of strategic targets. The development of the specific risk profile (i.e. retail credit, corporate credit, operational risk, etc.) is reported through dedicated risk reports in a more granular way and supports risk decision making of the dedicated risk functions to ensure the risk profile remains within risk strategy. These reports also include specific monitoring metrics that provide an early warning signal for adverse developments of, e.g., portfolio quality (client, segment, industries etc.) or risk drivers. In instances where certain risk portfolios or events are identified as potentially in distress, these are closely monitored by the dedicated risk functions to manage the risk impact and to develop effective strategies to minimize potential losses. This process facilitates early risk detection and reaction.

11. Statement regarding corporate governance

11.1. Corporate governance framework

The Bank managed in a two-tier system, carries out its activity based on a corporate governance framework which is in line with the legal and regulatory requirements of the Romanian legislative framework, the Erste Group policies, regulations and guidelines, as well as the best international practices in the industry.

The policy regarding corporate governance at Bank level, in compliance with the provisions of the regulatory framework issued by the National Bank of Romania ("NBR"), is based on the principles stating that the overall management structure and especially the supervisory function have the responsibility to establish, assess and periodically and systemically review: how the Bank's activity is organized, the collective and individual competencies and responsibilities, how the implementation and application of the entire set of regulations is monitored, flows and control keys from the perspective of the undertaken mission and vision, targets' achievement as per the business plans, effective risk management.

The policy and the corporate governance principles on which the policy is based are applicable at the Group level, and Bank management body is assuring that at the group level for Bank subsidiaries there is assured a proper corporate governance framework in order the meet all applicable governance requirements.

Within this framework, the undertaken principles are based on the fact that BCR is part of Erste Group – one of the largest financial services suppliers from Central and Eastern Europe and are aligned with the corporate governance principles applicable at Group level.

From Bank's perspective, corporate governance covers all rules, systems and processes implemented with a view to establish the relation between shareholders, management, clients, employees, suppliers and other parties involved in setting the objectives and the manner to achieve them, for increasing economic performance and, implicitly, the Bank's value. It also highlights the efficiency of the management systems, namely the role of the Supervisory Board and of the Management Board, the responsibilities and remuneration of these structures' members, the creditability of the financial statements and the efficiency of control functions.

Details regarding BCR Corporate Governance Report may be found on the following link: https://www.bcr.ro/en/about-us/corporate-governance.

11.2. General and Extraordinary Meeting of Shareholders

The General Meeting of Shareholders (GMS) is the Bank's highest management and decisional body.

The Ordinary GMS deliberates and decides on:

- discussing, approving or changing the annual financial statements, after analysing the reports of the: Supervisory Board, Management Board and financial auditor, including the reports of Supervisory Board's committees, and setting up the dividends, reserves or other allotments;
- electing and revoking the Supervisory Board members;
- setting up an adequate remuneration for the Supervisory Board members for the current year;
- assessing the activity of Supervisory Board and Management Board's members and discharging them of duty for the previous financial year;
- approving the income and expense budget and, if applicable, the plan of activities for the next financial year;
- approving the pledge, lease or close down of the Bank's units;
- approving the initiation of the legal proceedings against the members of Supervisory Board and the financial auditor and nominating the person empowered to represent the Bank in such legal process;
- appointing and revoking the financial auditor and establishing the minimum duration of the contract concluded with them.

11. Statement regarding corporate governance *(continued)*

11.2 General and Extraordinary Meeting of Shareholders *(continued)*

The Extraordinary GMS deliberates and decides on:

- reducing the share capital or its increase, except the case when the increase is decided by the Management Board;
- reconstituting the share capital in order to meet the minimum capital requirements established by law;
- reshaping the Bank main business activity as set forth in Article 7 of the Charter;
- the merger of the Bank with any other company or the Bank splitting up process;
- the liquidation and dissolution of the Bank;
- issuance of bonds;
- conversion of shares from one class to another;
- re-organizing, consolidating or provision documents regarding to fixed assets, when the value of transactions exceeds 25 (twenty five) percent of the Bank own funds;
- contracts conclusion by the Management Board's members regarding the acquisition, selling, lease, exchange or pledge of the Bank assets if the value of such assets exceeds 50 (fifty) percent of the Bank's assets book value on the date of concluding such legal agreement, based on the last available annual financial statements;
- purchase by the Bank of its own shares, directly or indirectly, in accordance with the law;
- amending the Bank Charter.

All shareholders may attend the general meetings of shareholders, in person or by means of a representative. Shareholders can be represented at the General Meeting of Shareholders based on a special power of attorney lodged with the Bank by at least 2 (two) working days before the relevant meeting.

11.3. The Supervisory Board (SB)

The SB shall supervise the Management Board in its operational management of the Bank and monitors the compliance of the activities performed by the Management Board pursuant to the Applicable Legislation, the Bank's Charter and the General Meeting of Shareholders decisions.

The Supervisory Board is composed of minimum five (5) members and maximum nine (9) members appointed by the ordinary GSM for a maximum three-year (3) term, from among the candidates nominated by the shareholders or by the SB in office, with the possibility of being re-elected for subsequent three-year (3) mandates.

The main responsibilities include:

- establishes, monitors and regularly assesses (at least yearly) the structure and efficacy of the governance framework of the Bank and its subsidiaries, including the policies related to it, reviewing (at least yearly) and considering various risks, both internal, as well as external that the Bank and its subsidiaries are exposed to;
- approves and regularly reviews, (at least annually) the general business strategy, the risk strategy and the general risk management policy at Bank's level and at the level of its subsidiaries;
- approves and periodically reviews the internal audit statute and the internal audit plan, as well as the financial audit scope and the frequency of audit engagements;
- approves and assesses (at least yearly) the policy regarding compliance risk and its implementation;
- approves the guidelines for staff policy and the organizational structure of the Bank down to the level of independent entities inclusively and any changes thereof.

11. Statement regarding corporate governance *(continued)*

11.3. The Supervisory Board (SB) *(continued)*

During 2020, the following changes in the Supervisory Board membership took place:

- Mrs. Alexandra Habeler Drabek took over her responsibilities as Supervisory Board member following the receival of NBR authorization on February 21st 2020;
- Mr. Bernhard Spalt took over his responsibilities as Supervisory Board member following the receival of NBR authorization on February 26th 2020;
- On June 26th, 2020, the General Shareholders Meeting approved the appointment of Mrs. Birte Quitt as member of the Supervisory Board. Mrs. Quitt took over her responsibilities as Supervisory Board member after the receival of NBR authorization on November 3rd 2020.

As of 31.12.2020, the members of the Supervisory Board were:

- Manfred Wimmer – Chairman;
- Alexandra Habeler – Drabek – Deputy Chairwomen;
- Daniela Camelia Istocescu Nemoianu – member;
- Hildegard Gacek – member;
- Elisabeth Krainer Senger – Weiss – member;
- Bernhard Spalt – member;
- Birte Quitt – member.

The Supervisory Board may establish committees as necessary and appropriate consisting of at least three (3) members of the Supervisory Board, the duties of which will include carrying out analysis and drawing up recommendations for the Supervisory Board in the following main areas: audit, remuneration, nomination and risk.

At December 31st, 2020, the Supervisory Board had the following subordinated committees:

- Audit Committee;
- Risk and Compliance Committee;
- Remuneration Committee;
- Nomination Committee.

11.3.1. Audit Committee

The Audit Committee is a consultancy body, which reviews, reports to, advises and assists the Supervisory Board in carrying out its tasks related to internal control and audit, as well as on the quality and performance of Bank's internal accountants and auditors, the reliability of the Bank's financial information, and the adequacy of the Bank's financial controls and policies.

The Audit Committee is made of three (3) members and one (1) additional replacement member elected out of the Supervisory Board members.

Members of the Audit Committee must have basic accounting and financial knowledge and at least one member of the Audit Committee shall have accounting or financial management professional background.

The responsibilities, organization, the operation and the procedures of the Audit Committee are established by the Audit Committee Internal Rules.

11. Statement regarding corporate governance *(continued)*

11.3. The Supervisory Board (SB) *(continued)*

11.3.2. Risk and Compliance Committee

The Risk and Compliance Committee is a consultancy body which review, reports to, advises and assists the Supervisory Board in carrying out tasks related to risk management, internal control and compliance and issues recommendations within its authority limits.

The Risk and Compliance Committee is made of three (3) members and one (1) additional replacement member elected out of the Supervisory Board members.

The responsibilities, organization, the operation and the procedures of the Risk and Compliance Committee are established by the Risk and Compliance Committee Internal Rules.

11.3.3. Remuneration Committee

The Remuneration Committee is a consultancy body which reviews, reports to, advises and assists the Supervisory Board in carrying out its powers and responsibilities with respect to the salary policy, and in particular advises and monitors the remuneration, bonuses and benefits of the members of the Management Board.

The Remuneration Committee is made of three (3) members and one (1) additional replacement member elected out of the Supervisory Board members.

The responsibilities, the organization, the operation and the procedures of the Remuneration Committee are established by the Remuneration Committee Internal Rules.

11.3.4. Nomination Committee

The Nomination Committee is a consultancy body, which reviews, reports to, advises and assists the Supervisory Board in carrying out its tasks related to the nomination and assessment of suitability of the members of the Supervisory Board, the Management Board and of key function holders respectively as well as to the Bank's corporate governance framework.

The Nomination Committee is made of three (3) members and one (1) additional replacement member elected out of the Supervisory Board members.

The responsibilities, the organization, the operation and the procedures of the Nomination Committee are established by the Nomination Committee Internal Rules.

11.4. Management Board (MB)

The Management Board ensures the operational management of the Bank and the effective management of the compliance risk.

The Management Board members are authorized to manage the Bank on a daily basis, and they have authority and power to legally represent and bound the Bank, according to the Bank Charter.

The Management Board has five (5) members appointed by the Supervisory Board, for mandates of maximum four-year (4) period each, one of them being appointed as President of the Management Board. The remuneration of Management Board members is decided by the Supervisory Board.

The President and the other members of the Management Board have competences and assignments established by law and by the Management Board's Internal Rules. Main responsibilities:

- managing the implementation of Bank's financial targets, strategy and business plan;
- systematically and regularly approving and revising the strategies and policies regarding the risk management;
- approving the strategies and policies related to the internal capital and own equity (covering and proportional to the nature, extension and complexity of the activity conducted by the Bank);
- periodically monitoring and assessing the efficiency of the Bank's activity management framework and practices, mainly the management policies regarding the management framework, and reviewing the management framework in order to reflect any changes in the internal and external factors affecting the Bank;
- approving the explicit plan regarding the capital;
- approving and assessing the Bank risk appetite;

11. Statement regarding corporate governance *(continued)*

11.4. Management Board (MB) *(continued)*

- approving the level of interest, commission, fees, costs and other similar bank changes collected and paid by the Bank in line with the budget approved by the General Meeting of Shareholders;
- approving the internal rules of the committees established by the Management Board.

The Members of the Management Board as of 31.12.2020 were as follows:

1. **Sergiu Cristian Manea** – Executive President, Chairman of the Management Board - mandate valid until 28.02.2022;
2. **Elke Meier** – Executive Vice-President coordinating the Financial functional line, Member of the Management Board - mandate valid until 31.12.2023;
3. **Ilinka Kajgana** – Executive Vice-President, coordinator of the Risk functional line, Member of the Management Board - mandate valid until 31.12.2023;
4. **Dana Luciana Dima** - Executive Vice-President coordinating the Retail and Private Banking functional line, Member of the Management Board - mandate valid until 31.10.2021;
5. **Ryszard Ferdynand Drużyński** - Executive Vice-President coordinating the Operations & IT functional line, Member of the Management Board - mandate valid until 31.12.2020. Mr. Drużyński's mandate ended as of December 31st 2020 and the Supervisory Board approved on November 23rd 2020 the appointment of Mr. Thomas Kolarik in the position of Management Board member and Executive Vice-President coordinating the Operations & IT functional line. Currently Mr. Kolarik is under the NBR authorization process.

Management Board members meet the general conditions provided by the law and the special conditions of the Banking Law, National Bank's regulations, and Recruitment and Remuneration Policy of BCR Group management.

Professional experience details of Management Board may be found on the following link: https://www.bcr.ro/en/about-us/bcr-management.

The Management Board may set up committees as it deems necessary and appropriate. Such committee's competencies and authority will be stipulated by the Management Board and responsibilities will be defined by each committee's internal rules.

As at 31.12.2020, the Management Board's Committees are:

11.4.1. Asset and Liabilities Committee (ALCO)

ALCO reviews, reports to, and assists the Management Board in carrying responsibilities as regard asset and liabilities structure management, financing strategy, interest rate policy, liquidity policy, pricing for savings products/ lending products/ cards/ , introducing/ suspension or removal the products and services. The committee is a body for analysis and decision that issues decisions and recommendations according to the established authority limits.

The ALCO consists of the Management Board members.

The responsibilities, organization, working means and procedures of ALCO are established by the ALCO Internal Rules.

11.4.2. Credit Committee

The Credit Committee reviews, reports to, and assists the Management Board in carrying its responsibilities regarding loans granting, changing of terms and conditions for granting, using and/or securing some previously granted loans, concluding agreements, extending their validity periods, issuing letters of guarantee, factoring and other activities, for retail, corporate and workout customers.

The Credit Committee is made of 3 members, namely CRO - chairman, CFO – deputy chairman and CEO/Retail and Private Banking VP – member.

The responsibilities, organization, working means and procedures of Credit Committee are established by the Credit Committee and Subcommittee Internal Rules.

11. Statement regarding corporate governance *(continued)*

11.4. Management Board (MB) *(continued)*

11.4.3. Risk Committee of Management Board

Risk Committee of Management Board is subordinated to the Management Board and is responsible for approval and reviewing the aspects regarding the operational risk administration.

The Risk Committee of Management Board is made of Management Board Members, respective CRO – chairman, CEO – deputy chairman and COO - member. The responsibilities, organization, working means and procedures of Risk Committee of Management Board are established by the MB subcommittees Internal Rules.

11.5. Organization of the internal control system's function

Both supervisory and management functions are responsible for the development and maintenance of a proper internal control system ensuring effective and efficient operations, adequate risk control, prudent business conduct, reliable financial and non-financial information reported at internal and external level, as well as compliance with the on-going laws, regulations and the internal policies and procedures.

The internal control system in BCR Group involves:

a) the existence of a sound internal control framework in place, ensured by:

- clear definition of the role and responsibilities of the management body concerning the internal control;
- identification, assessment and monitoring of significant risks;
- control activities definition, segregation of duties assurance and conflict of interest avoidance;
- a transparent framework for information and communication;
- continuous monitoring of the activities and correcting the deficiencies.

b) the existence of independent control functions in place (the risk management function, compliance function and internal audit function) with direct line of reporting to the management body.

The internal control system is structured on three levels:

- first-level or line controls is designed to ensure that transactions are carried out correctly. Controls are performed by the entities that take the risks and incorporated in specific procedures. The responsibility of this area is allocated to the Business Management;
- second-level of control is the duty of Risk Management Function and Compliance Function;
- third-level controls are performed by Internal Audit Function which assesses and regularly checks the completeness, functionality and adequacy of the internal control system. Internal audit is independent of both first and second-level lines.

12. Social responsibility, diversity & development activities

BCR has implemented a management system of environmental, social responsibility, respect for human rights and fighting corruption and bribery, based on the best practices and the principles published and adopted by institutions such as the European Bank for Reconstruction and Development (EBRD) and International Finance Corporation (IFC).

BCR has an official internal policy aimed at fighting against bribery and corruption. It has implemented regular training and testing for all its employees in order to acknowledge and implement measures against acts of bribery and corruption. The employees are offered the necessary tools to recognize and report.

In Erste Group, there is an official environmental and sustainability policy which is implemented in all the subsidiaries and there is an annual report on the topic.

BCR diversity and inclusion principles are embedded in the Code of Conduct as well as in BCR Diversity and Inclusion Policy which places emphasis on providing a work environment free of discrimination and harassment and valuing the work and worth of each and every person, regardless of gender, age, marital status, sexual orientation, disability, race, skin colour, religious or political affiliation, ethnic background, nationality, citizenship or any other aspect unrelated to employment.

12.1. Corporate Social Responsibility

BCR is an active member of the community who intermediates value and brings prosperity in the communities where it works. BCR's strategic directions regarding community involvement are:

- financial literacy for all ages;
- support and promote leaders and role models;
- civic leadership;
- young people empowerment and supporting youth projects;
- education for soft skills and practical competences.

BCR implements the most complex financial literacy program for all target groups (adults, teenagers and youth, kids) whose purpose is to make people aware of the importance of financial literacy and to help them identify the factors that influence their financial decisions.

Money School is a national financial literacy program for each age group whose purpose is to help Romanians to better understand and manage their budget and to make them aware of the factors that influence their financial decisions. 1,500 BCR employees became financial education teachers through an intensive and out of the box training. They deliver online workshops to clients and non-clients that lasts 1.5-2h online. Participants become more aware of the ways they take their financial decisions and how to make a monthly budget. Launched four years ago, the program delivered training courses to almost half of million Romanians so far. In 2020, all workshops were moved online due to the pandemics and we had 18,000 participants. The participants that took part in these workshops were employees from different companies (client and no-clients), people who registered on the website and wanted to learn more about better money management (each Thursday we organized free workshops for those who registered on our platform www.scoaladebani.ro).

www.scoaladebani.ro platform – is a website where people interested in better management of their finances can attend online free courses like "How to be financially responsible" or "Financial Mindfulness" the first and single program of this kind in Romania where more than 1,800 people already registered.

Money School on Wheels – FLIP truck - is an itinerant financial education exhibition for kids aged 7-14 whose purpose is to teach kids how to manage their money correctly and why it is important to have a financially responsible behaviour. For an hour and a half, kids enter in the "Money World" where they have to pass through 5 steps together with their allies and friends: Games, Interaction and Joy. 20,786 kids have participated to the online workshops that took place in 2020;

The book, **The School of Well-Raised Money**, published in 2019 at Universe Publishing House, is a creative guide to financial education for children. At the School of the Well-Raised Money, the rabbits Muşu and Nuşu, the squirrels Chichi, Richi and Michi, the hedgehog Bobita, the owls Bibina and Georgina teach children aged 7 to 14 how to deal with others and money, how to make a personal budget, but especially how to learn to be good and thoughtful. In 2020, we launched the second volume of the book, with new characters and stories on entrepreneurship and how to get over difficult times and organized online workshops with the writer of the book, Cristina Andone, that reached 6,700 children.

12. Social responsibility, diversity & development activities *(continued)*

12.1. Corporate Social Responsibility *(continued)*

BCR also focuses on civic leadership by supporting projects that help hundreds of NGO's annually and by empowering its employees to become active members of the community and to contribute to increasing people's level of trust in themselves and in the contribution that they can have in the society.

"Bursa Binelui" is a crowd funding platform focusing on campaigns to encourage and teach NGOs to fundraise using the platform. All donations that are made on the platform go directly to the beneficiaries as BCR covers all transactions costs. "Bursa Binelui" connects NGOs which implement projects in the communities with people who want to support them. Donations on Bursa Binelui platform grow constantly, in 2020 the platform reached the highest number of donations since it was launched, 7 years ago. The organizations, that have registered on the platform, have collected over 163,000 EUR, with 20% more than in 2019, from 10,000 donations.

In addition to supporting education projects, BCR continues to implement youth projects, the Youth Capital being the most important of these. In 2019, a series of events and activities were organized in Iasi, the city that has the title of Youth Capital until May 2020. Unfortunately, due to pandemic the events and activities that were supposed to be organised were postponed for 2021.

12.2. BCR policy regarding the environment

Environmental protection and the responsible use of resources are endeavours integrated in the business strategies of environmentally conscious companies world-wide, and in Romania.

Banca Comercială Română:

- admits and accepts the fundamental importance of an integrated approach of the environmental and social factors, as well as of lasting development principles within its financing activity;
- pays adequate attention to its financing processes, securing before making the financing decision, the compliance of the respective projects with the minimal environmental protection, social protection and occupational safety standards applicable in Romania.

BCR does not finance activities which do not meet environmental requirements specified in the Romanian legislation, relevant international conventions and agreements to which Romania adhered expressly. Analysis of environmental issues is part of the lending process and is mandatory for every transaction.

12.3. Diversity and professional development

Key statistics related to BCR's workforce:

- gender distribution: 74.15% women and 25.85% men;
- average age: 40.43 years;
- level of studies: 85.89% employees with higher education and 14.11% employees with secondary education.

Approximately 44% of the employees are part of a trade union.

Work relations between managers and employees are based on mutual professional respect and good cooperation.

12.4. Improvement and professional development

During 2020, there were 14,076 participations in various training sessions and workshops organized in accordance with our annual training plan, of which 44% represents participation in technical training courses.

The total average number of training days was 3.60 days per employee, of which in class or virtual sessions 2.27 days/employee and 1.33 days/employee in e-learning format.

In the context of the COVID-19 pandemic, starting with March 2020, all instructor-led sessions (including the Induction session for new hires) were delivered in a virtual format. All the training topics essential to our colleagues' activity were redesigned for online delivery by using interactive and engaging techniques.

12. Social responsibility, diversity & development activities *(continued)*

12.4. Improvement and professional development *(continued)*

Our e-learning platform is actively used for on-line education as well as for regular testing sessions, such as: prevention and combating money laundering, information security, market abuse, financial sanctions, transparency and consumer protection, health and safety at work (SSM), compliance, data protection etc. Last year we purchased approximately 500 online courses which we made available to all our employees directly on the platform supplied by the training provider. Additionally, some 420 colleagues benefited from online courses on various current topics available on the international Udemy for Business platform.

Employees from our retail units benefited from specialized programs for development of technical skills and other skills necessary in their daily activity in the new work environment. Thus, they participated in virtual courses focused on customer service in light of the Covid-19 generated situation, as well as in courses designed to improve the client-bank relationship.

In 2020, BCR continued the process of transformation in line with worldwide digitalisation trends and ever-changing customer expectations and, for this purpose, a series of events and workshops were organized on relevant topics such as new ways of working, design thinking and agile methodologies.

The Bank continued to focus on management education by providing managers with various courses on management & leadership skills, so as to ensure they are prepared to face the challenges brought about by work from home conditions and contribute to overall achievement of strategic objectives.

12.5. Performance Management and Professional Development

The main purpose of Performance Management and Professional Development is to establish, monitor, measure, enhance targets achievement and facilitate the professional development of BCR Staff.

In BCR, the assessment of the staff professional activity is conducted periodically, evaluated by individual performance evaluation, by measuring the achievement rate of pre-set targets and by assessing the quality level of all staff rendered activities and compliance with the Internal Regulation provisions.

The Performance Management and Professional Development process is continuously supported through Emma PDS application, designed considering the transparency and flexibility needs of the company.

Staff performance evaluation is a key step in the Performance Management and Professional Development process. The feedback as well as the recommendations derived from it are a crucial source of information, both for the manager and the staff. Consequently, it is essential that the evaluation process should be conducted in a transparent way, according to the agreed internal rules and should convey the highest possible objectivity level.

Evaluation is also a process that is very closely linked to other HR tools such as: personal and professional development procedure and remuneration policy. Its results provide the manager a starting point in planning the development as well as in implementing personnel measures (change of position, salary adjustments, improvement action plans etc.).

12.6. Flexible benefits

From the desire to be more flexible, BCR explored creative and friendly solutions to strengthen the spirit of the community within our team.

In order for each of the employees to enjoy a better life, we implement the FLEXIWORK program.

FLEXIWORK is a package of facilities created according to the specific activity of each BCR employee, so that everyone can enjoy a more flexible work schedule.

The package contains:

- flexible program - arrival hours between 8 – 10;
- three free days paid per year for unforeseen events;
- short Friday Late Monday;
- teleworking - through this facility, BCR employees have the opportunity to work outside the office 2 days per month.

Due to the pandemic situation, for 2020 part of the flexible work solutions were adapted in order to fit the new work context.

12. Social responsibility, diversity & development activities *(continued)*

12.7. Flexible benefits using Benefit Online platform

Through this platform, BCR employees can more easily choose the flexible benefits that suit them best.

12.8. Remuneration Policy

The Remuneration Policy seeks to reward the achievement of both corporate and individual goals by linking success in those areas to the Erste Group and BCR Group strategy among others.

Taking a balanced approach to achieve growth, improve productivity, and maintain a sound and effective risk management, all of which help to build a sustainable business with a strong focus on delivering increased shareholder value.

The Remuneration Policy is revised annually, subject to the independent internal review, in order to be compliant with policies and procedures for remuneration adopted by the Supervisory Board, as well as for the alignment of the remuneration principles under the Erste Group's governance framework.

Fixed and variable components of total remuneration are properly balanced so that the remuneration structure does not favour the interests of the Bank and/ or of the relevant persons to the detriment of the client's interests.

The fixed component represents a sufficiently high proportion of total remuneration.

Variable remuneration is linked to a sustainable and risk adjusted performance as well as performance in excess of that required to fulfil the employee's job description, as part of the terms of employment. Variable remuneration is linked to sustainability and ensures that the payments made do not promote any incentive for excessive risk-taking or miss-selling of products.

12.9. Recruitment Policy

The Recruitment, Training and Human Resources Administration Policy sets the general framework, methodology, responsibilities, stages, information flow and necessary documents of the recruitment and selection process for all types of positions within BCR. The Policy also sets forth the base principles guiding the promotion to managerial positions and internal moves processes.

In order to fulfil the professional experience requirements, the candidates should have solid knowledge, both theoretical and practical, about the Bank activity. The incumbents of managerial positions need to have the managerial experience required for both the organizational structure and job profile.

In order to ensure an efficient and constant recruitment and selection process, the following principles shall be taken into consideration:

- selection of the candidates that best match the job profile;
- equal opportunities for all candidates, both internal and external;
- all candidates will be treated equally and non-discriminatory;
- personal data and job application confidentiality is assured;
- promotion of BCR values;
- avoidance of conflict of interest, as outlined within internal documents and legal provisions in force.

The Recruitment, Training and Human Resources Administration Policy is annually revised in order to align internal processes for ensuring the recruitment adaptability to the company needs and the evolution of the labour market. The volume of recruitment activities must be adapted in order to ensure the stability and continuity of the activity, at the same time keeping a balance between external hiring and internal recruitments.

Moreover, in order to increase visibility of BCR's employer brand, we run specific activities of employer branding by using online platforms (e.g. LinkedIn), organizing programs for young graduates and students (Learn@BCR - Internship program, IT Academy, Risk Academy), as well as partnerships with Universities and student non-government organizations (NGOs). As a resultss quality of applications have improved being facilitated the access to specialists, both from banking and IT industry.

Programs and events organized for young graduates aim to promote career opportunities we have in the Bank for young talent, considering the hiring needs for junior positions within different areas of activity.

12. Social responsibility, diversity & development activities *(continued)*

12.9. Recruitment Policy *(continued)*

Moreover, for a good integration to the organizational environment, we organize Induction for all new hires, as well as Onboarding and dedicated training programs customized to the specific activity they will perform in the Bank (e.g. Smart Start for new employees in Retail).

12.10. Organizational Climate – people surveys

In order to evaluate the organizational climate and the leadership at Bank level, the Human Resources Division provides managers with several feedback instruments, each used once a year.

Thus, we run the Employee Engagement Survey, which measures the level of employee engagement as well as how the employees appreciate the organizational climate. For middle and top management, we use a leadership capabilities assessment questionnaire (LEAD) which gathers feedback from superior, team and internal cooperation partners. The cooperation at managerial level, is measured using another feedback instrument, called Net Promoter Score (NPS).

All these climate and leadership surveys are run using a feedback platform. All data resulted by answering questions in the respective surveys and questionnaires are reinforced by open comments and contribute to drafting action plans to enhance the level of employee engagement and improve the leadership capabilities of our managers.

Supervisory Board Chairman,

Manfred WIMMER

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Trade Register Number: J40/90/1991
Registered with the Credit Institution Register: RB-PJR-40-008/18.02.1999

Taxpayer identification number: RO 361757
Share capital: 1,625,341,625.40 lei
SWIFT: RNCB RO BU

STATEMENT

According to the articles 30 and 31 of the Accounting Law no. 82/1991

The "Separate and Consolidated Financial Statements" as at December 31st, 2020 for the Group Banca Comercială Română (the Group) and for the bank individually (Bank) have been prepared in accordance with National Bank of Romania Order no. 27/2010 for the approval of the Accounting Regulations compliant to International Financial Reporting Standards, applicable to credit institutions, as subsequently amended and supplemented.

We, Sergiu Cristian Manea as Executive President and Elke Meier as Executive Vicepresident of Banca Comercială Română SA, undertake the responsibility for the preparation of the Separate and Consolidated Financial Statements as at 31.12.2020 and we confirm the following:

a) The accounting policies applied for the preparation of the separate and consolidated financial statements for the year ended 2020 are in accordance with accounting regulations applicable to credit institutions, correspondingly in accordance with the NBR's Order no. 27/2010;

b) The Annual Separate and Consolidated Financial Statements reflect a true and fair view of the financial position, financial performance and further information related to the activity of the Bank and the Group;

c) Banca Comercială Română SA prepared its Financial Statements and carry on their business on a going concern basis.

Executive President,
Sergiu Cristian Manea

Executive Vicepresident,
Elke Meier

BANCA COMERCIALĂ ROMÂNĂ
BCR
PREȘEDINTE EXECUTIV