Banca Transilvania S.A.

CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

Prepared in accordance with the
International Financial Reporting Standards as adopted by the European Union

For the year ended 31 December 2020

Banca Transilvania S.A.

CONTENTS

Consolidated and Separate Statement of Profit or Loss

For the year ended 31 December

		Group		Bank	
	Notes	2020	2019	2020	2019
		RON thousand	*RON thousand*	*RON thousand*	*RON thousand*
Interest income calculated using the effective interest method		3,495,215	3,493,771	3,199,035	3,185,084
Other interest like income		165,210	160,621	11,673	15,553
Interest expense calculated using the effective interest method		(681,981)	(578,712)	(629,232)	(513,775)
Other interest like expense		(1,351)	(1,935)	(1,409)	(1,715)
Net interest income	8	2,977,093	**3,073,745**	**2,580,067**	**2,685,147**
Fee and commission income		1,151,940	1,158,435	986,887	1,013,236
Fee and commission expense		(375,479)	(335,658)	(330,447)	(298,144)
Net fee and commission income	9	**776,461**	**822,777**	**656,440**	**715,092**
Net trading income	10	345,119	410,603	310,121	318,518
Net gain / loss (-) from financial assets measured at fair value through other items of comprehensive income	11	300,665	116,825	300,610	116,804
Net gain / loss (-) from financial assets which are required to be measured at fair value through profit and loss	12	74,110	125,609	42,500	165,060
Contribution to the Bank Deposit Guarantee Fund and to the Resolution Fund	13	(74,446)	(110,965)	(69,795)	(107,615)
Other operating income	14	138,630	168,372	117,261	130,244
Operating income		**4,537,632**	**4,606,966**	**3,937,204**	**4,023,250**
Net expense (-) from impairment allowance, expected losses on assets, provisions for other risks and loan commitments	15	(865,840)	(292,646)	(783,884)	(244,729)
Personnel expenses	16	(1,097,491)	(1,038,289)	(958,853)	(899,058)
Depreciation and amortization		(327,721)	(311,359)	(303,672)	(287,449)
Other operating expenses	17	(624,152)	(833,089)	(519,759)	(704,868)
Operating expenses		**(2,915,204)**	**(2,475,383)**	**(2,566,168)**	**(2,136,104)**
Profit before income tax		**1,622,428**	**2,131,583**	**1,371,036**	**1,887,146**
Income tax expense (-)	18	(198,350)	(283,690)	(173,731)	(266,634)
Net profit for the year		**1,424,078**	**1,847,893**	**1,197,305**	**1,620,512**
Net Profit of the Group attributable to:					
Equity holders of the Bank		1,380,148	1,781,390	-	-
Non-controlling interests		43,930	66,503	-	-
Net Profit for the year		**1,424,078**	**1,847,893**	**1,197,305**	**1,620,512**

Consolidated and Separate Statement of Other Comprehensive Income

For the year ended 31 December

	Notes	Group		Bank	
		2020	**2019**	**2020**	**2019**
		RON thousand	***RON thousand***	***RON thousand***	***RON thousand***
Net Profit for the year		**1,424,078**	**1,847,893**	**1,197,305**	**1,620,512**
Items that will not be reclassified as profit or loss, net of tax		**29,012**	**1,775**	**29,012**	**1,777**
Increase from property and equipment revaluation		34,565	2,216	34,565	2,216
Other elements of comprehensive income		(23)	(81)	(23)	(79)
Tax related to items that will not be reclassified to profit or loss		(5,530)	(360)	(5,530)	(360)
Items which are or may be reclassified to profit or loss		**331,489**	**318,692**	**369,173**	**310,835**
Fair value reserve (financial assets measured at vair value through other items of comprehensive income), of which:		**439,355**	**369,896**	**439,704**	**370,720**
Net gain / loss (-) from disposal of financial assets measured at fair value through other items of comprehensive income, transferred to profit and loss account		(300,665)	(116,825)	(300,610)	(116,804)
Fair value changes of financial assets measured at fair value through other items of comprehensive income		740,020	486,721	740,314	487,524
Translation of financial information of foreign operations to presentation currency		**(45,166)**	**14,372**	**(655)**	**(719)**
Income tax on items which are or may be reclassified to profit or loss		**(62,700)**	**(65,576)**	**(69,876)**	**(59,166)**
Total comprehensive income for the period		**1,784,579**	**2,168,360**	**1,595,490**	**1,933,124**
Total comprehensive income attributable to:					
Equity holders of the Bank		1,740,649	2,101,857	-	-
Non-controlling interest		43,930	66,503	-	-
Total comprehensive income for the period		**1,784,579**	**2,168,360**	**1,595,490**	**1,933,124**
Basic earnings per share		0.2411	0.3423	-	-
Diluted earnings per share		0.2408	0.3415	-	-

The financial statements were approved by the Board of Directors on March 25, 2021 and were signed on its behalf by:

Horia CIORCILĂ
Chairman

George CĂLINESCU
Deputy CEO

Consolidated and Separate Statement of Financial Position

For the year ended 31 December		Group		Bank	
	Note	**2020**	**2019**	**2020**	**2019**
Assets		*RON thousand*	*RON thousand*	*RON thousand*	*RON thousand*
Cash and curent accounts with Central Banks	19	22,133,211	14,583,143	20,978,633	13,480,195
Derivatives	43	22,090	4,803	22,090	4,803
Financial assets held for trading and measured at fair value through profit and loss	21	346,472	272,607	17,572	17,509
Non-trading financial assets mandatorily at fair value through profit or loss	21	1,085,714	877,989	1,349,673	1,148,691
Financial assets measured at fair value through other items of comprehensive income	24	30,877,177	23,658,311	30,850,770	23,637,807
- of which pledged securities (repo agreements)		83,798	-	83,798	-
Financial assets at amortized cost - of which:		49,966,032	49,606,584	47,922,311	47,412,890
- Placements with banks	20	7,223,277	7,775,140	6,636,395	6,995,346
- Loans and advances to customers	22	40,892,544	39,175,404	40,363,909	38,601,915
- Debt instruments	24	990,106	1,968,031	160,874	1,176,834
- Other financial assets	30	860,105	688,009	761,133	638,795
Finance lease receivables	23	1,227,716	1,178,443	-	-
Investments in subsidiaries	25	-	-	499,690	486,360
Investment in associates		1,502	3,316	-	-
Property and equipment and investment property	26	904,297	727,526	619,041	575,038
Intangible assets	27	305,205	235,429	268,651	202,345
Goodwill	27	16,319	10,478	-	-
Right-of-use assets	28	448,852	388,025	708,505	366,212
Current tax receivables		9,654	-	8,585	-
Deferred tax assets	29	-	16,755	-	-
Other non-financial assets	31	148,156	158,872	109,464	106,225
Total assets		**107,492,397**	**91,722,281**	**103,354,985**	**87,438,075**

Consolidated and Separate Statement of Financial Position

For the year ended 31 December	Notes	Group		Bank	
		2020	**2019**	**2020**	**2019**
Liabilities		***RON thousand***	***RON thousand***	***RON thousand***	***RON thousand***
Derivatives	43	34,817	12,331	34,817	12,331
Deposits from banks	32	318,944	296,138	311,822	304,461
Deposits from customers	33	90,942,415	77,037,060	88,297,146	74,353,723
Loans from banks and other financial institutions	34	1,691,668	1,473,920	1,176,066	895,673
Subordinated liabilities	35	1,667,761	1,700,207	1,664,464	1,696,602
Current tax liability		-	42,203	-	38,130
Deferred tax liability		55,015	-	85,665	7,899
Provisions for other risks and loan commitments	36	615,952	533,881	589,237	498,457
Lease liabilities	28	454,792	387,441	709,269	365,931
Other financial liabilities	37	1,161,789	909,100	907,681	689,531
Other non-financial liabilities	38	86,359	112,012	55,949	78,894
Total liabilities excluding financial liabilities to holders of fund units		**97,029,512**	**82,504,293**	**93,832,116**	**78,941,632**
Financial liabilities to holders of fund units		48,527	4,152	-	-
Total liabilities		**97,078,039**	**82,508,445**	**93,832,116**	**78,941,632**
Equity					
Share capital	39	5,824,201	5,302,419	5,824,201	5,302,419
Treasury shares		(15,287)	(63,942)	-	(48,655)
Share premiums		31,235	31,016	28,614	28,396
Retained earnings		2,858,479	2,708,300	2,366,533	2,376,845
Revaluation reserves from tangible assets		45,625	17,818	48,517	20,710
Reserves on financial assets measured at fair value through other items of comprehensive income		517,335	147,904	518,558	148,834
Other reserves		759,715	687,727	736,446	667,894
Total equity attributable to equity holders of the Bank		**10,021,303**	**8,831,242**	**9,522,869**	**8,496,443**
Non-controlling interest	3aii	393,055	382,594	-	-
Total equity		**10,414,358**	**9,213,836**	**9,522,869**	**8,496,443**
Total liabilities and equity		**107,492,397**	**91,722,281**	**103,354,985**	**87,438,075**

The financial statements were approved by the Board of Directors on March 25, 2021 and were signed on its behalf by:

Horia CIORCILĂ
Chairman

George CĂLINESCU
Deputy CEO

Consolidated Statement of Changes in Equity

For the year ended 31 December

Group

In RON thousand	Note	Share capital	Treasury shares	Share premiums	Revaluation reserves	Reserves from financial assets measured at fair value through other items of comprehensive income	Other reserves	Retained earnings	Total attributable to the equity holders of the Bank	Non-controlling interest	Total
		Attributable to the equity holders of the Bank									
Balance as at 01 January 2020		**5,302,419**	**(63,942)**	**31,016**	**17,818**	**147,904**	**687,727**	**2,708,300**	**8,831,242**	**382,594**	**9,213,836**
Profit for the year		-	-	-	-	-	-	1,380,148	1,380,148	43,930	**1,424,078**
Gains from fair value changes of financial assets measured at fair value through other items of comprehensive income, net of deferred tax		-	-	-	-	369,431	-	-	369,431	-	**369,431**
Revaluation of property and equipment, intangible assets, net of tax		-	-	-	29,035	-	-	-	29,035	-	**29,035**
Retained earnings from revaluation reserves		-	-	-	(1,228)	-	-	1,228	-	-	-
Distribution to statutory reserves		-	-	-	-	-	71,988	(71,988)	-	-	-
Foreign currency translation of foreign operations		-	-	-	-	-	-	(37,941)	(37,941)	-	(37,941)
Other items of comprehensive income, net of tax		-	-	-	-	-	-	(24)	(24)	-	**(24)**
Total comprehensive income for the period		**-**	**-**	**-**	**27,807**	**369,431**	**71,988**	**1,271,423**	**1,740,649**	**43,930**	**1,784,579**
Contributions of/distributions to the shareholders											
Increase in share capital through the conversion of retained earnings	39	521,609	-	-	-	-	-	(521,609)	-	-	-
Increase in share capital through the conversion of debt	39	173	-	219	-	-	-	-	392	-	**392**
Acquisition of treasury shares		-	(36,466)	-	-	-	-	-	(36,466)	-	**(36,466)**
Payments of treasury shares		-	85,121	-	-	-	-	-	85,121	-	**85,121**
Dividends distributed to shareholders		-	-	-	-	-	-	(600,000)	(600,000)	-	**(600,000)**
SOP 2020 Scheme		-	-	-	-	-	-	(18,110)	(18,110)	-	**(18,110)**
Transfer of retained earnings to liabilities to holders of fund units		-	-	-	-	-	-	8,274	8,274	-	**8,274**
Other items		-	-	-	-	-	-	10,201	10,201	(33,469)	**(23,268)**
Total contributions of/distributions to the shareholders		**521,782**	**48,655**	**219**	**-**	**-**	**-**	**(1,121,244)**	**(550,588)**	**(33,469)**	**(584,057)**
Balance at 31 December 2020		**5,824,201**	**(15,287)**	**31,235**	**45,625**	**517,335**	**759,715**	**2,858,479**	**10,021,303**	**393,055**	**10,414,358**

Banca Transilvania S.A.

Consolidated Statement of Changes in Equity *(continued)*

For the year ended 31 December

Group

In RON thousand	Notes	Share capital	Treasury shares	Share premiums	Revaluation reserves	Reserves from financial assets measured at fair value through other items of comprehensive income	Other reserves	Retained earnings	Total attributable to the equity holders of the Bank	Non-controlling interest	Total
		Attributable to the equity holders of the Bank									
Balance as at 01 January 2019		**4,898,982**	**(38,558)**	**28,381**	**17,847**	**(162,841)**	**586,660**	**2,257,065**	**7,587,536**	**292,537**	**7,880,073**
Profit for the year		-	-	-	-	-	-	1,781,390	1,781,390	66,503	**1,847,893**
Gains from fair value changes of financial assets measured at fair value through other items of comprehensive income, net of deferred tax		-	-	-	-	310,745	-	-	310,745	-	**310,745**
Revaluation of property and equipment, net of tax		-	-	-	1,856	-	-	-	1,856	-	**1,856**
Retained earnings from revaluation reserves		-	-	-	(1,868)	-	-	1,868	-	-	**-**
Distribution to statutory reserves		-	-	-	-	-	101,231	(101,231)	-	-	**-**
Other items of comprehensive income, net of tax		-	-	-	-	-	-	7,866	7,866	-	**7,866**
Total comprehensive income for the period		**-**	**-**	**-**	**(12)**	**310,745**	**101,231**	**1,689,893**	**2,101,857**	**66,503**	**2,168,360**
Contributions of/distributions to the shareholders											
Increase in share capital through the conversion of retained earnings	39	400,825	-	-	-	-	-	(400,825)	**-**	-	**-**
Increase in share capital through the conversion of merger reserves	39	2,602	-	-	-	-	-	(2,602)	**-**	-	**-**
Increase in share capital through the conversion of debt	39	10	-	15	-	-	-	-	25	-	**25**
Acquisition of treasury shares		-	(93,565)	-	-	-	-	-	(93,565)	-	**(93,565)**
Payments of treasury shares		-	68,181	-	-	-	-	(68,181)	-	-	**-**
Dividends distributed to shareholders		-	-	-	-	-	-	(818,566)	(818,566)	-	**(818,566)**
SOP 2019 Scheme		-	-	-	-	-	-	64,260	64,260	-	**64,260**
Other items		-	-	2,620	(17)	-	(164)	(12,744)	(10,305)	23,554	**13,249**
Total contributions of/distributions to the shareholders		**403,437**	**(25,384)**	**2,635**	**(17)**	**-**	**(164)**	**(1,238,658)**	**(858,151)**	**23,554**	**(834,597)**
Balance at 31 December 2019		**5,302,419**	**(63,942)**	**31,016**	**17,818**	**147,904**	**687,727**	**2,708,300**	**8,831,242**	**382,594**	**9,213,836**

The explanatory notes to the financial statements from page 11 to page 166 are an integral part of these financial statements

Banca Transilvania S.A.

Separate Statement of Changes in Equity

For the year ended 31 December

Bank				Attributable to the equity holders of the Bank					
In RON thousand	**Notes**	**Share capital**	**Treasury shares**	**Share premiums**	**Revaluation reserves**	**Reserves from financial assets measured at fair value through other items of comprehensive income**	**Other reserves**	**Retained earnings**	**Total**
Balance as at January 1, 2020		**5,302,419**	**(48,655)**	**28,396**	**20,710**	**148,834**	**667,894**	**2,376,845**	**8,496,443**
Profit for the year		-	-	-	-	-	-	1,197,305	**1,197,305**
Gains from fair value changes of financial assets measured at fair value through other items of comprehensive income, net of deferred tax		-	-	-	-	369,724	-	-	**369,724**
Revaluation of property and equipment, intangible assets, net of tax		-	-	-	29,035	-	-	-	**29,035**
Retained earnings from revaluation reserves		-	-	-	(1,228)	-	-	1,228	**-**
Distribution to statutory reserves		-	-	-	-	-	68,552	(68,552)	**-**
Other items of comprehensive income, net of tax		-	-	-	-	-		(574)	**(574)**
Statement of comprehensive income for the period		**-**	**-**	**-**	**27,807**	**369,724**	**68,552**	**1,129,407**	**1,595,490**
Contributions of/distributions to the shareholders									
Increase in share capital through the conversion of retained earnings	39	521,609	-	-	-	-	-	(521,609)	**-**
Increase in share capital through the conversion of debt	39	173	-	218	-	-	-	-	**391**
Acquisition of treasury shares		-	(36,466)	-	-	-	-	-	**(36,466)**
Payments of treasury shares to the employees		-	85,121	-	-	-	-	-	**85,121**
Dividends distributed to shareholders		-	-	-	-	-	-	(600,000)	**(600,000)**
SOP 2020 Scheme		-	-	-	-	-	-	(18,110)	**(18,110)**
Other items		-	-	-	-	-	-	-	-
Total contributions of/distributions to the shareholders		**521,782**	**48,655**	**218**	**-**	**-**	**-**	**(1,139,719)**	**(569,064)**
Balance at 31 December 2020		**5,824,201**	**-**	**28,614**	**48,517**	**518,558**	**736,446**	**2,366,533**	**9,522,869**

Separate Statement of Changes in Equity *(continued)*
For the year ended 31 December

Bank		Attributable to the equity holders of the Bank							
In RON thousand	**Notes**	**Share capital**	**Treasury shares**	**Share premiums**	**Revaluation reserves**	**Reserves from financial assets measured at fair value through other items of comprehensive income**	**Other reserves**	**Retained earnings**	**Total**
Balance as at January 1, 2019		**4,898,982**	**(23,271)**	**28,381**	**20,722**	**(162,605)**	**573,537**	**2,075,470**	**7,411,216**
Profit for the year		-	-	-	-	-	-	1,620,512	**1,620,512**
Gains from fair value changes of financial assets measured at fair value through other items of comprehensive income, net of deferred tax		-	-	-	-	311,439	-	-	**311,439**
Revaluation of property and equipment, net of income tax		-	-	-	1,856	-	-		**1,856**
Retained earnings from revaluation reserves		-	-	-	(1,868)	-	-	1,868	**-**
Distribution to statutory reserves		-	-	-	-	-	94,357	(94,357)	**-**
Other items of comprehensive income, net of tax		-	-	-	-	-	-	(683)	**(683)**
Statement of comprehensive income for the period		**-**	**-**	**-**	**(12)**	**311,439**	**94,357**	**1,527,340**	**1,933,124**
Contributions of/distributions to the shareholders									
Increase in share capital through the conversion of retained earnings	39	400,825	-	-	-	-	-	(400,825)	**-**
Increase in share capital through the conversion of merger reserves	39	2,602	-	-	-	-	-	(2,602)	**-**
Increase in share capital through the conversion of debt	39	10	-	15	-	-	-	-	**25**
Acquisition of treasury shares		-	(93,565)	-	-	-	-	-	**(93,565)**
Payments of treasury shares to the employees		-	68,181	-	-	-	-	(68,181)	**-**
Dividends distributed to shareholders		-	-	-	-	-	-	(818,566)	**(818,566)**
SOP 2019 Scheme		-	-	-	-	-	-	64,260	**64,260**
Other items		-	-	-	-	-	-	(51)	**(51)**
Total contributions of/distributions to the shareholders		**403,437**	**(25,384)**	**15**	**-**	**-**	**-**	**(1,225,965)**	**(847,897)**
Balance at 31 December 2019		**5,302,419**	**(48,655)**	**28,396**	**20,710**	**148,834**	**667,894**	**2,376,845**	**8,496,443**

Consolidated and Separate Statement of Cash Flows

For the year ended 31 December

In RON thousand	Note	Group 2020	Group 2019	Bank 2020	Bank 2019
Cash-flow from operating activities					
Profit for the year		**1,424,078**	**1,847,893**	**1,197,305**	**1,620,512**
Adjustments for:					
Depreciation and amortization	26,27	327,721	311,359	303,672	287,449
Impairment allowance, expected losses and write-offs of financial assets, provisions for other risks and loan commitments		1,109,988	556,436	1,011,710	470,342
Adjustment of financial assets at fair value through profit and loss		(74,110)	(125,609)	(42,500)	(165,060)
Income tax expense	18	198,350	283,690	173,731	266,634
Interest income	8	(3,660,425)	(3,654,392)	(3,210,708)	(3,200,637)
Interest expense	8	683,332	580,647	630,641	515,490
Other adjustments		8,377	(76,189)	80,284	78,957
Net profit adjusted with non-monetary elements		**17,311**	**(276,165)**	**144,135**	**(126,313)**
Changes in operating assets and liabilities(*)					
Change in financial assets at amortized cost and placements with banks		117,430	(3,039,021)	(82,198)	(2,787,387)
Change in loans and advances to customers		(2,569,534)	(2,586,340)	(2,539,863)	(2,512,853)
Change in finance lease receivables		(58,891)	(250,861)	-	-
Change in financial assets at fair value through profit or loss		(133,615)	(177,702)	(158,482)	(255,442)
Change in financial assets held for trading and measured at fair value through profit or loss -derivatives		(17,287)	(1,737)	(17,287)	(1,737)
Change in equity instruments		(82,097)	(31,559)	(63)	(4,927)
Changes in debt instruments		8,232	(30,587)	-	-
Change in other financial assets		(216,308)	147,895	(114,776)	166,018
Change in other assets		(39,898)	(9,235)	(47,905)	(32,656)
Change in deposits from customers		13,897,980	11,781,013	13,934,396	11,778,112
Change in deposits from banks		22,816	100,784	7,371	96,870
Change in financial liabilities held-for-trading		22,487	8,105	22,486	8,105
Change in repo operations		83,543	(246,885)	83,543	(246,885)
Change in other financial liabilities		224,731	233,372	193,428	129,708
Change in other liabilities		(25,654)	(19,028)	(22,946)	(36,285)
Income tax (paid)/recovered		(245,552)	(248,487)	(218,086)	(230,661)
Interest received		3,043,464	3,023,551	2,447,359	2,420,781
Interest paid		(593,836)	(419,280)	(557,385)	(379,234)
Net cash-flow from operating activities		**13,455,322**	**7,957,833**	**13,073,727**	**7,985,214**

Consolidated and Separate Statement of Cash Flows

For the year ended 31 December

In RON thousand	Notes	Group 2020	Group 2019	Bank 2020	Bank 2019
Cash-flow used in investment activities					
Acquisition of financial assets measured at fair value through other items of comprehensive income		(28,866,644)	(14,320,803)	(28,857,677)	(14,307,353)
Sale/redemption of financial assets measured at fair value through other items of comprehensive income		21,854,578	12,398,759	21,854,408	12,395,624
Net acquisitions of property and equipment		(269,384)	(233,314)	(130,923)	(154,177)
Net acquisitions intangible assets		(136,436)	(95,137)	(125,661)	(85,543)
Proceeds from disposal of property and equipment and intangible assets		1,144	5,522	853	3,965
Acquisition of equity investments		(23,500)	(7,990)	(11,001)	-
Dividends collected	14	2,974	3,174	6,939	10,707
Interest received		936,870	785,709	935,189	785,510
Net cash-flow used in investment activities		**(6,500,398)**	**(1,464,080)**	**(6,327,873)**	**(1,351,267)**
Cash-flow from financing activities					
Gross proceeds from loans from banks and other financial institutions	44	349,841	305,017	311,976	47,569
Gross payments from loans from banks and other financial institutions	44	(242,654)	(315,955)	(135,009)	(112,379)
Gross payments from subordinated loans from banks and other financial institutions	44	(47,918)	(25)	(47,918)	(25)
Repayment of the principal portion of the lease liabilities		(146,948)	(126,167)	(119,485)	(115,341)
Dividend payments		(596,118)	(813,210)	(596,118)	(813,210)
Payments for treasury shares		(36,466)	(88,643)	(36,466)	(88,643)
Interest paid		(95,039)	(101,160)	(81,505)	(83,365)
Net cash-flow from / (used in) financing activities		**(815,302)**	**(1,140,143)**	**(704,525)**	**(1,165,394)**

(*) Changes in operating assets and liabilities only include the effect of net treasury flows, the non-monetary effect of the merger being eliminated

In RON thousand	Note	Group 2020	Group 2019	Bank 2020	Bank 2019
Cash and cash equivalents at January 1		**20,510,000**	**15,156,390**	**18,761,419**	**13,292,860**
The impact of exchange rate variations on cash and cash equivalents		89,188	198,926	84,456	196,765
Net increase/decrease (-) in cash and cash equivalents		6,050,434	5,154,684	5,956,873	5,271,788
Cash and cash equivalents as at December 31	19	**26,649,622**	**20,510,000**	**24,802,742**	**18,761,413**

Notes to the consolidated and separate financial statements

1. Reporting entity

Banca Transilvania S.A.

Banca Transilvania S.A. (the "Parent company", "BT") is a joint-stock company incorporated in Romania. The Bank started its activity as a banking institution in 1993 and is licensed by the National Bank of Romania ("BNR", the "Central Bank") to conduct banking activities. The Bank started its activity in 1994 and its main operations involve banking services for legal entities and individuals.
Banca Transilvania Group (the "Group") includes the Parent company and its subsidiaries, based in Romania and in the Republic of Moldova. The consolidated and separate financial statements as at 31 December 2020 comprise the Parent company and its subsidiaries (hereinafter referred to as the "Group").

The Group's fields of activity are: banking through Banca Transilvania S.A. and Victoriabank S.A., leasing and consumer finance mainly through BT Leasing Transilvania IFN S.A., BT Direct IFN S.A., BT Microfinanţare IFN S.A. and BT Leasing MD S.R.L., asset management through BT Asset Management S.A.I. S.A. brokerage and investments through BT Capital Partners S.A. and pension funds management BT Pensii S.A. Additionally, the Bank also has control over five investment funds it consolidates.

The Bank carries out its banking activity through its head office located in Cluj-Napoca and 50 branches, 431 agencies, 21 work units, 7 healthcare division units, 2 private banking agencies in Romania, 1 branch in Italy and 1 regional office located in Bucharest (2019: 52 branches, 427 agencies, 20 bank units, 7 healthcare division units, 2 private banking agencies in Romania and Italy and 1 regional office located in Bucharest.

The Group's number of active employees as at 31 December 2020 was 10,009 (2019: 9,690 employees).

The Bank's number of active employees as at 31 December 2020 was 8,359 (2019: 7,997 employees).

The registered address of the Bank is 8 George Baritiu Street, Cluj-Napoca, Romania.

The ownership structure of the Bank is presented below:

	2020	**2019**
NN Group (*)	10.14%	8.12%
The European Bank for Reconstruction and Development ("EBRD")	6.87%	8.60%
Romanian individuals	20.47%	19.79%
Romanian companies	40.10%	37.36%
Foreign individuals	1.09%	1.06%
Foreign companies	21.33%	25.07%
Total	**100%**	**100%**

(*) NN Group N.V. and the pension funds managed by NN Pensii SAFPAP S.A. and NN Asigurări de Viață S.A.

The Bank's shares are listed on the Bucharest Stock Exchange and are traded under the symbol TLV.

Notes to the consolidated and separate financial statements

1. Reporting entity *(continued)*

The Group's subsidiaries are represented by the following entities:

Subsidiary	Field of activity	Percentage of direct and indirect stake 31-12-2020	Percentage of direct and indirect stake 31-12-2019
Victoriabank S.A.	financial and banking activities and investments subject to license	44.63%	44.63%
BT Capital Partners S.A.	Investments	99.59%	99.59%
BT Leasing Transilvania IFN S.A.	leasing	100.00%	100.00%
BT Investments S.R.L.	Investments	100.00%	100.00%
BT Direct IFN S.A.	consumer loans	100.00%	100.00%
BT Building S.R.L.	Investments	100.00%	100.00%
BT Asset Management SAI S.A.	Asset management	90.00%	80.00%
BT Solution Agent de Asigurare S.R.L.	Insurance broker	99.95%	99.95%
BT Asiom Agent de Asigurare S.R.L.	Insurance broker	99.95%	99.95%
BT Safe Agent de Asigurare S.R.L.	Insurance broker	99.99%	99.99%
BT Intermedieri Agent de Asigurare S.R.L.	Insurance broker	99.99%	99.99%
BT Leasing MD S.R.L.	leasing	100.00%	100.00%
BT Microfinanţare IFN S.A.	consumer loans	100.00%	100.00%
Improvement Credit Collection S.R.L.	activities of collection agents and credit reporting bureaus	100.00%	100.00%
VB Investment Holding B.V.	activities of holdings	61.81%	61.81%
Timesafe S.R.L.	Activities of software to order	51.12%	51.12%
Sinteza S.A. (*)	Manufacture of other basic organic chemicals	31.08%	33.87%
BT Pensii S.A.	Activities of pension funds (except those in the public social security system)	90.49%	-

(*) The Group lost control of this subsidiary in October 2019, thus becoming an associate.

BT Leasing Transilvania IFN S.A.

BT Leasing Transilvania IFN S.A. operates through its head office located in Cluj-Napoca, 1 agency and 18 work units (2019: 1 agency and 12 work units) throughout the country. The company is authorized by the National Bank of Romania to provide leases for various types of vehicles, technical and other types of equipment. The number of active employees as at 31 December 2020 was 123 (2019: 120 employees). The registered address of BT Leasing Transilvania IFN S.A. is 74-76 Constantin Brâncuşi Street, 1st floor, Cluj-Napoca, România.

BT Asset Management SAI S.A.

BT Asset Management SAI S.A. is an investment management company, member of Banca Transilvania Financial Group, authorized by the National Securities Commission (currently the Financial Supervisory Authority, also named „ASF") through the decision No, 903/29.03.2005, ASF Public Register No. PJR05SAIR/120016 dated 29.03.2005.
BT Asset Management SAI S.A. manages both open and closed investment funds. As at 31 December 2020, BT Asset Management SAI S.A. managed 16 investment funds, of which: 14 open funds and 2 closed funds.

1. Reporting entity *(continued)*

BT Asset Management SAI S.A. (continued)

BT Asset Management SAI S.A. offers a full range of investment products, from fixed income funds, mixed funds and index funds, to equity funds. The access to the capital market is provided to customers through investments in Romania, as well as in the EU countries (mainly Austria); placements can be made both in lei and in euro.

The number of active employees as at 31 December 2020 was 32 (2019: 32 employees). The company's registered address is in Cluj-Napoca, 22 Emil Racoviţă Street, 1st floor + garret, Cluj county, Romania.

BT Capital Partners S.A.

At the beginning of 2016, BT Securities – the brokerage company of Banca Transilvania Financial Group – became BT Capital Partners S.A., after taking over the investment banking activity of Capital Partners, the most important independent consulting Romanian company in the field of M&A and Corporate Finance, BT Capital Partners is also an exclusive member in Romania of Oaklins, the world's most important alliance of M&A professionals.
In its new formula, BT Capital Partners offers consulting services for raising funds via the capital market, consultancy on mergers and acquisitions, brokerage services, structuring of complex financing schemes, market research and strategic advisory.

At 31 December 2020 the company counted 52 active employees (2019: 55 employees). The company undertakes its activity through its headquarters located in Cluj-Napoca, 74-76 Constantin Brâncuşi Street, ground floor, Cluj county, Romania, and through 8 work units.

BT Direct IFN S.A.

BT Direct IFN S.A. it is authorized by the National Bank of Romania to carry out lending operations to individuals through credit cards as well as through consumer loans, having as object of activity the financing of natural persons.
BT Direct IFN S.A. and ERB Retail Services IFN S.A. have become the same company starting with August 1, 2019, Following the merger by absorption of BT Direct IFN S.A., ERB Retail Services IFN S.A. has become part of the Group keeping the name BT Direct IFN S.A.
As at December 31, 2020, the company has a registered office for the purpose of payroll taxes in Bucharest and another 95 offices in the locations of the main partners (2019: 55 offices).

The number of active employees at 31 December 2020 was 162 (2019: 159 employees). The company operates through its head office located in Cluj-Napoca, 74-76 Constantin Brâncuşi Street, 3rd floor, Cluj county, Romania.

BT Microfinanţare IFN S.A.

BT Microfinanţare IFN S.A. is a non-banking financial institution institution authorized by the National Bank of Roman established in 2016. The company's object of activity is financing small businesses. The company's registered address is Bucharest, 43 Bucureşti – Ploieşti Street.

1. Reporting entity *(continued)*

BT Microfinanţare IFN S.A. (continued)

The number of active employees as at 31 December 2020 was 167 (2019: 160 employees).
In 2020, BT Microfinanţare IFN S.A. financed around 2,923 micro-enterprises (loans for the support and development of current activities, procurement loans, loans for supplier payments, investment loans for existent and/or new work units, loans for the acquisition of machinery/equipment etc.), the outstanding balance for loans at the end of 2020 was RON 515.6 million (2019: RON 481.8 million).

B.C. „VICTORIABANK" S.A.

B.C. „VICTORIABANK" S.A. was founded on 22 December 1989, being the first commercial bank in the Republic of Moldova to be registered with the Central Bank of USSR on 22 February 1990, being reorganized on 26 August 1991 into a joint-stock company (joint-stock commercial bank).

On 29 November 2002, the Bank was re-registered as a commercial bank, open joint-stock company, and its shares were registered and listed on the Moldova Stock Exchange.

The Bank is authorized to carry out banking activities pursuant to its license issued by the National Bank of Moldova.

The Bank carries out its activity through its headquarters located in Chişinău, 31 August 1989 Street No 141, and through 30 branches and 57 agencies throughout the Republic of Moldova (2019: 34 branches and 57 agencies).

The number of active employees as at 31 December 2020 was 1,064 (2019: 1,143 employees).

The share capital of B.C. „VICTORIABANK" S.A. consists of MDL 250,000,910, divided into 25,000,091 class I nominal ordinary shares, with voting rights, at a face value of MDL 10/share. The nominal ordinary shares issued by the bank (ISIN: MD14VCTB1004) are admitted to trading on the regulated market at the Moldova Stock Exchange.

2. Basis of preparation

a) Statement of compliance

The consolidated and separate financial statements of the Group and of the Bank have been prepared in accordance with the International Financial Reporting Standards ("IFRS") as endorsed by the European Union, effective as at the Group's and Bank's annual reporting date, 31 December 2020.

b) Basis of measurement

The consolidated and separate financial statements were prepared on historical cost basis, except for the financial instruments recognized at fair value through profit or loss, the financial instruments at fair value through other items of comprehensive income and the revaluation of property and equipment and investment property.

2. Basis of preparation (*continued)*

c) Functional and presentation currency – “RON”

The items included in the financial statements of each of the Group’s entities are measured using the currency of the primary economic environment in which the entity operates (‘the functional currency’). The functional currency of the entities within the Group is the Romanian leu “RON”, “EUR” and the Moldovan leu “MDL”. The separate and consolidated financial statements are presented in Romanian lei “RON”, rounded to the nearest thousand.

d) Use of estimates and judgements

The preparation of the consolidated and separate financial statements in accordance with the IFRS as endorsed by the European Union implies that the management uses estimations and judgements that affect the application of accounting policies, as well as the reported value of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical data and various other factors that are believed to be relevant under the given circumstances, the result of which forms the basis of the judgements used in assessing the carrying value of the assets and liabilities for which no other evaluation sources are available. Actual results may differ from these estimates.

The estimates and assumptions are reviewed on an ongoing basis.

The review of the accounting estimates is recognized in the period in which the estimate is reviewed, if the review affects only that period, or in the period of the review and future periods if the review affects both current and future periods.

Information about estimates used in the application of the accounting policies which have a significant impact on the consolidated financial statements, as well as the estimates involving a significant degree of uncertainty, are described in Note 5.

3. Significant accounting policies

The significant accounting policies set out below have been applied consistently by the Bank and the Group entities throughout all the periods presented in these consolidated and separate financial statements.

a) Basis for consolidation

According to IFRS 10, control means that an investor has: 1) power over the investee; 2) exposure, or rights to variable returns from its involvement within the investee; 3) the ability to use its power over the investee to affect the amount of the investor's returns. The list of the Group’s subsidiaries is presented in Note 1.

(i) Subsidiaries

The Group’s subsidiaries are the entities under the Group’s direct and indirect management. The management of an entity is reflected by the group’s capacity to exercise its authority in order to influence any variable return to which the Group is exposed based on its involvement in the entity. The factors that the Group must consider when deciding to include an entity in the consolidation are the following:

- the purpose and relevant activity of the entity;
- the entity’s relevant activities and the manner in which they are determined;
- whether the Group’s rights ensure its capacity to manage the entity’s relevant activities;
- whether the Group is exposed or entitled to variable returns;
- whether the Group can use its capacity in order to influence returns.

3. Significant accounting policies *(continued)*

a) Basis of consolidation *(continued)*

(i) Subsidiaries (continued)

If voting rights are relevant, the Group is considered to be in control if it holds, directly or indirectly, more than half of the voting rights of an entity, except when there is proof that another investor has the capacity of control over the relevant activities. Potential voting rights considered as substantial are also taken into account when determining the control of the entity.

Moreover, the Group controls an entity even if it does not hold the majority of the voting rights, but however has the effective capacity to control the entity's relevant activities. This situation may occur when the dimension and dispersion of the shareholders' participations give authority to the Group to control the activities subject to investment.

The subsidiaries are included in the consolidation starting from the date when the control is transferred to the Group.

The Group revaluates on an ongoing basis the control over the entities subject to investment, at least upon each quarterly reporting date. Therefore, any structural modification leading to the change of one or several control parameters is subject to revaluation. Such modification may include the change of the decision-making rights, changes in the contractual terms, financial or capital structure modifications, modifications caused by an event anticipated upon the initial documentation.

(ii) Non-controlling interest

The Group presents the non-controlling interest in its consolidated financial position within equity, separated from the equity of the parent company's owners.

The non-controlling interest is measured proportionally with the percentage held in the net assets of the subsidiary. Changes in ownership interest which do not result in the loss of parent control of the subsidiary, are reflected as equity transactions.

(iii) Loss of control

If the parent loses the control of a subsidiary, it derecognizes the assets (including goodwill), the liabilities and the book value of any non-controlling interest at the date such control is lost. Any gain or loss arising from the loss of control is recognized in the profit or loss account.

Upon the loss of control over a subsidiary, the Group: a) derecognizes the assets (including the attributable goodwill) and liabilities of the subsidiary at their book value, b) derecognizes the book value of any non-controlling interests held in the former subsidiary, c) recognizes the consideration received at fair value, as well as any distribution of the subsidiary's shares, d) recognizes any investment in the former subsidiary at fair value and e) recognizes any difference resulting from the above elements as gain or loss in the income statement. Any amounts recognized in the previous periods as other items of comprehensive income in relation to the respective subsidiary, shall be either reclassified in the consolidated statement of profit or loss or transferred to retained earnings, if required by other IFRS standards.

(iv) Investments in associates

An associate is an entity over which the Group exercises significant influence in terms of financial and operating policy decision making, but without controlling the entity. Significant influence is when the Group holds between 20% and 50% of the voting rights. The existence and impact of the potential rights that are currently enforceable or convertible are also taken into consideration in order to determine whether the Group exercises significant influence.

3. Significant accounting policies *(continued)*

a) Basis of consolidation *(continued)*

(iv) Investments in associates *(continued)*

Other factors taken into consideration in order to determine whether the Group exercises significant influence are the representation in the Board of Directors and the inter-company relevant transactions. The existence of such factors may require the application of the equity method of accounting for a certain investment, even if the Group's investment in voting shares is lower than 20%.

Investments in associates are booked according to the equity method. The share of the Group resulting from the association is adjusted in order to be in line with the Group's accounting policies and is booked in the consolidated statement of profit or loss as net investment income (loss) according to the equity method. The Group's share in the profits or losses of the related parties resulting from inter-company sales is removed from the consolidation basis.

In accordance with the equity method, the Group's investments in associates and jointly controlled entities are initially booked at cost, including any costs directly connected with transactions, and are subsequently increased (or decreased) to reflect both the proportional share of the Group after the acquisition and the net income (or loss) of the related entity or of the jointly controlled entity, as well as other direct changes in the shareholders' equity of the related entity or of the jointly controlled entity. The goodwill generated by the acquisition of a related entity or of a jointly controlled entity is included in the investment book value. Since goodwill is not reported separately, it is not tested for impairment. In fact, the whole investment accounted based on the equity method is tested for depreciation upon each balance sheet preparation.

At the date when the Group ceases to have significant influence on the associates or the jointly controlled entity, the Group shall determine the profit or loss from the assignment of the investment based on the equity method, which shall be equal to the difference between the fair value of each investment held and the income obtained from the sale of the related entity participation, and the investment book value.

(v) Management of investment funds

The Group manages and administrates assets invested in fund units on behalf of investors. The financial statements of these entities are not included in the consolidated financial statements, except when the Group controls the entity by holding authority, exposure or rights over variable incomes based on its participation of more than 50% in the open investment fund units. In line with the Group's strategy to develop open investment funds and to attract new investors, the Group removes from the consolidation basis the open funds managed by BT Asset Management SAI S.A., if the percentage of fund unit holdings decreases below 40% during two financial years.

3. Significant accounting policies *(continued)*

a) Basis of consolidation *(continued)*

(v) Management of investment funds (continued)

As concerns the closed funds managed by BT Asset Management SAI S.A., the Group removes from the consolidation basis the holdings for which there is no significant influence of more than 20%.

If the Group holds units in open or closed investment funds managed by an investment management company which is not included in the consolidation, they shall not be consolidated because the Group does not have the authority and decision-making power regarding the relevant activities of such entity.

(vi) Transactions eliminated from consolidation

Intra-group settlements and transactions, as well as any unrealized gains resulted from the intra-group transactions have been fully eliminated in the preparation of the consolidated financial statements. Unrealized gains resulted from transactions with equity accounted investees are eliminated in correlation with the investment in the related entity. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

(vii) Presentation of the legal merger through absorption in the financial statements

The separate financial statements of the absorbing entity after merger are a continuation of the consolidated financial statements prepared starting with the date of acquisition of the absorbed entity.

The profit or loss and other comprehensive income of the absorbing entity includes the revenues and expenses as they were booked by the absorbed entity at individual level, for the period between the date of gaining the control (or the end of the last financial period) and the merger date.

Due to the lack of specific requirements in the IFRS related to legal mergers through absorption, the Bank decided to present the book value of the acquired identifiable assets and undertaken liabilities in the separate financial statements at the legal merger date, after their initial recognition at fair value at the date when the control was acquired.

b) Foreign currency transactions

(i) Foreign currency transactions

Transactions in foreign currency are recorded in RON at the official exchange rate at the date of the transaction. The exchange rate differences resulting from such transactions denominated in foreign currency are reflected in the statement of profit or loss at the transaction date and using the exchange rate valid at the respective date.

Monetary assets and liabilities denominated in foreign currencies at the date of the consolidated and separate statement of financial position are translated to the functional currency at the exchange rate valid at that date.

FX differences are recognized in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in foreign currency are translated in the functional currency by using the exchange rate at the date of the transaction.

Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to the functional currency at the exchange rate valid at the date when the fair value is determined.

3. Significant accounting policies *(continued)*

b) Foreign currency transactions *(continued)*

(ii) Translation of foreign currency operations

The result and financial position of operations denominated in a currency different from the functional and presentation currency of the Group are translated into the presentation currency as follows:

- the assets and liabilities of this entity, both monetary and non-monetary, were translated at the closing rate at date of the consolidated and separate statement of financial position;
- income and expense items of these operations were translated at the average exchange rate of the period, as an estimate of the exchange rates at the dates of the transactions; and
- all resulting exchange differences have been classified as equity until the disposal of the investment.

The exchange rates for the major foreign currencies were:

Currency	31 December 2020	31 December 2019	Variation %
Euro (“EUR”)	1:RON 4.8694	1:RON 4.7793	1.89%
United States Dollar (“USD”)	1: RON 3.9660	1: RON 4.2608	-6.92%

c) Interest income and expenses

Recognition of interest income and expenses

Interest income and expense are recorded for all loans and debt instruments, other than those at FVTPL, on an accrual basis using the effective interest method. This method defers, as part of interest income or expense, all fees paid or received between the parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

Fees integral to the effective interest rate include origination fees received or paid by the entity relating to the creation or acquisition of a financial asset or issuance of a financial liability, for example fees for evaluating creditworthiness, evaluating and recording guarantees or collateral, negotiating the terms of the instrument and for processing transaction documents. Commitment fees received by the Group to originate loans at market interest rates are integral to the effective interest rate if it is probable that the Group will enter into a specific lending arrangement and does not expect to sell the resulting loan shortly after origination.

The Group does not designate loan commitments as financial liabilities at FVTPL.

For financial assets that are originated or purchased credit-impaired, the effective interest rate is the rate that discounts the expected cash flows (including the initial expected credit losses) to the fair value on initial recognition (normally represented by the purchase price). As a result, the effective interest is credit-adjusted. Interest income is calculated by applying the effective interest rate to the gross carrying amount of financial assets, except for (i) financial assets that have become credit impaired (Stage 3), for which interest revenue is calculated by applying the effective interest rate to their amortised cost, net of the expected credit loss provision, and (ii) financial assets that are purchased or originated credit impaired, for which the original credit adjusted effective interest rate is applied to the amortised cost.

3. Significant accounting policies *(continued)*

d) Fee and commission income

Fee and commission income is recognised over time on a straight line basis as the services are rendered, when the customer simultaneously receives and consumes the benefits provided by the Group's performance. Such income includes fee income in the banking units (transactional fees, brokerage and execution fees, syndication fees etc.), fee income from capital markets (advisory fees which are generated from wealth management services and investment banking advisory services fee, income from investment activities, brokerage and execution fees, underwriting fees, custodial fees), fee income in wealth management, fee income related to leasing activity, etc. Variable fees are recognised only to the extent that management determines that it is highly probable that a significant reversal will not occur.

Other fee and commission income is recognised at a point in time when the Group satisfies its performance obligation, usually upon execution of the underlying transaction. The amount of fee or commission received or receivable represents the transaction price for the services identified as distinct performance obligations. Such income includes fees for arranging a sale or purchase of foreign currencies on behalf of a customer, fees for processing payment transactions, fees for cash settlements, collection or cash disbursements, as well as, commissions and fees arising from negotiating, or participating in the negotiation of a transaction for a third party, such as the acquisition of loans, shares or other securities or the purchase or sale of businesses. Loan syndication fees are recognised as income when the syndication has been completed and the Group retains no part of the loan package for itself, or retains a part at the same effective interest rate as for the other participants.

e) Net trading income

Net trading income represents the difference between the gain and loss related to financial assets held-for trading, foreign exchange transactions, derivatives and foreign exchange position revaluation.

f) Net loss/gain related to financial assets measured at fair value through other items of comprehensive income

The net loss/gain related to financial assets measured at fair value through other items of comprehensive income comprises the gain and loss from the sale of financial assets measured at fair value through other items of comprehensive income. Net gain and loss from the sale of financial assets measured at fair value through other items of comprehensive income are recognized in the income statement at the moment of their sale. They represent the difference between the obtained price and the amortized cost of the financial assets measured at fair value through other items of comprehensive income.

g) Net loss/gain from financial assets which are required to be measured at fair value through profit and loss

The net loss/ gain from financial assets which are required to be measured at fair value through profit and loss includes the gain and loss both from the revaluation at fair value and the sale of financial assets which are required to be measured at fair value through profit and loss.

h) Dividend income

Dividend income is recognized in profit or loss at the date when the right to receive such income is established and it is probable that the dividends will be collected. Dividends are reflected as a component of other operating income.

3. Significant accounting policies *(continued)*

h) Dividend income *(continued)*

For some of the Bank's subsidiaries, the only profit available for distribution is the profit for the year recorded in the Romanian statutory accounts, which differs from the profit in these consolidated and separate financial statements prepared in accordance with IFRS, as endorsed by European Union, due to the differences between the applicable Romanian Accounting Standards and IFRS, as endorsed by the European Union.

i) Contribution to the Bank Deposit Guarantee Fund and to the Resolution Fund

The retail deposits and certain legal entity deposits, including SME deposits, are guaranteed up to EUR 100,000 by the Bank Deposit Guarantee Fund (the "FGDB") according to the regulations in force (Law 311/2015 regarding the deposit guarantee scheme and the Deposit Guarantee Fund).

The Romanian credit institutions are obliged to pay an annual contribution to the Deposit Guarantee Fund ("FGBD-Fondul de Garantare a Depozitelor Bancare"), in order to guarantee the clients' deposits in case of the credit institution's insolvency, as well as an annual contribution to the Resolution Fund ("Fondul de Rezolutie").

The Group and the Bank applied IFRIC 21 "Levies", as this contribution to the FGDB corresponds to a tax that needs to be fully recognized as an expense at the time the obligating event occurs.

j) Lease assets and liabilities

Group applies IFRS 16 provisions to all leases, including leases of right-of-use assets in a sublease, except for:

a) leases to explore for or use minerals, oil, natural gas and similar non-regenerative resources;
b) leases of biological assets within the scope of IAS 41 Agriculture held by a lessee;
c) service concession arrangements within the scope of IFRIC 12 Service Concession Arrangements;
d) licenses of intellectual property granted by a lessor within the scope of IFRS 15 Revenue from Contracts with Customers; and
e) rights held by a lessee under licensing agreements within the scope of IAS 38 Intangible Assets for such items as motion picture films, video recordings, plays, manuscripts, patents and copyrights.

The Group presents in this financial statements, lease assets and liabilities for the following types of transactions:

a) as a lessee:
- Lease of properties used for financial activities;
- Lease of land;
- Lease of vehicles;
- Lease of other low-value items.

b) as a lessor:
- Finance lease of vehicles and equipment;
- Finance lease of real estate.

3. Significant accounting policies *(continued)*

j) Lease assets and liabilities *(continued)*

Identification of a lease contract

A contract is, or contains a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Group reassess whether a contract is, or contains, a lease only if the terms and conditions of the contract are changed.
To assess whether a contract conveys the right to control the use of an identified asset for a period of time, the Group shall assess whether, throughout the period of use, the customer has both of the following:
a) the right to obtain substantially all of the economic benefits from use of the identified asset and
b) the right to direct the use of the identified asset.

a) *The Group as a lessee*

As per IFRS 16 provisions, a lessee no longer differentiates between finance leases and operating leases and is required to recognise a right-of-use asset and a lease liability at the initial recognition of the contract.

Right of use – initial measurement

The right-of-use asset shall comprise:
(a) the amount of the initial measurement of the lease liability;
(b) any lease payments made at or before the commencement date, less any lease incentives received;
(c) any initial direct costs incurred by the lessee; and
(d) an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories.

Lease liability – initial measurement

Represents the present value of the lease payments that are not paid at commencement date. The lease payments shall be discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the lessee shall use the lessee's incremental borrowing rate.

The lease payments included in the measurement of the lease liability comprise the following payments for the right to use the underlying asset during the lease term that are not paid at the commencement date:
(a) fixed payments, less any lease incentives receivable;
(b) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
(c) amounts expected to be payable by the lessee under residual value guarantees;
(d) the exercise price of a purchase option if the lessee is reasonably certain to exercise that option (assessed considering all the relevant factors); and
(e) payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

3. Significant accounting policies *(continued)*

j) Lease assets and liabilities *(continued)*

a) The Group as a lessee (continued)

Subsequent measurement - Right-of-use asset

The Group shall measure the right-of-use asset at cost, less any accumulated depreciation and any accumulated impairment losses, and adjusted for any remeasurement of the lease liability due to lease contract.

If the lease transfers ownership of the underlying asset to the Group as a lessee by the end of the lease term or if the cost of the right-of-use asset reflects that the Group will exercise a purchase option, the Group shall depreciate the right-of-use asset from the commencement date to the end of the useful life of the underlying asset. Otherwise, the Group shall depreciate the right-of-use asset from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

Subsequent measurement - Lease liability

The Group measure the lease liability by:

a) increasing the carrying amount to reflect interest on the lease liability;
b) reducing the carrying amount to reflect the lease payments made; and
c) remeasuring the carrying amount to reflect any reassessment or lease modifications.

After the commencement date, the Group remeasure the lease liability to reflect changes to the lease payments. The Group recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. However, if the carrying amount of the right-of-use asset is reduced to zero and there is a further reduction in the measurement of the lease liability, it recognise any remaining amount of the remeasurement in profit or loss.

b) The Group as a lessor

Initial measurement

At the commencement date, the Group, as a lessor, recognise assets held under a finance lease in its statement of financial position and present them as a receivable at an amount equal to the net investment in the lease. The lessor uses the interest rate implicit in the lease to measure the net investment in the lease.

The interest rate implicit in the lease is defined in such a way that the initial direct costs are included automatically in the net investment in the lease.

The lease payments included in the measurement of the net investment in the lease comprise the following payments for the right to use the underlying asset during the lease term that are not received at the commencement date:

- fixed payments less any lease incentives payable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- any residual value guarantees provided to the lessor by the lessee, a party related to the lessee or a third party unrelated to the lessor that is financially capable of discharging the obligations under the guarantee;
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option;
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

3. Significant accounting policies *(continued)*

j) Lease assets and liabilities *(continued)*

Subsequent measurement
The Group recognise finance income over the lease term, based on a pattern reflecting a constant periodic rate of return on the lessor's net investment in the lease.
The Group aims to allocate finance income over the lease term on a systematic and rational basis and shall apply the lease payments relating to the period against the gross investment in the lease to reduce both the principal and the unearned finance income.

The Group apply the derecognition and impairment requirements in IFRS 9 to the net investment in the lease. It reviews regularly estimated unguaranteed residual values used in computing the gross investment in the lease. If there has been a reduction in the estimated unguaranteed residual value, the Group revise the income allocation over the lease term and recognise immediately any reduction in respect of amounts accrued.

k) Income tax expense

Income tax for the year includes the current tax and the deferred tax. The income tax is recognized in the result for the year or in the shareholders' equity, if the tax is related to shareholders' equity items.
Current tax is the tax payable with respect to the profit for the period, determined based on the percentages applied at the date of the consolidated statement of financial position and all the adjustments related to the previous periods. The adjustments which influence the fiscal base of the current tax are: non-deductible expenses, non-taxable income, similar expense/ income items and other tax deductions.
Deferred tax is determined based on the balance sheet liability method for the temporary differences between the fiscal base for the calculation of the tax on assets and liabilities and their accounting value used for reporting under the consolidated financial statements.
Deferred tax is not recognized for the following temporary differences: initial recognition of goodwill, initial recognition of assets and liabilities resulting from transactions which are not business combinations and do not affect the accounting or tax profit and differences resulting from investments in subsidiaries, provided that they are not reversed in the near future and the moment of reversal is being controlled by the entity.
The temporary differences may arise in a business combination, so that an entity may recognize any resulting deferred tax assets or liabilities as identifiable assets and liabilities at the acquisition date. The temporary differences arise when the tax bases of the identifiable assets acquired and liabilities assumed are not affected by the business combination.

According to the local tax regulations, the fiscal loss of the entity that ceases to exist further to a legal merger through absorption can be acquired and recovered by the absorbing entity. The annual fiscal loss starting 2009, established through the tax statement shall be recovered from the taxable income of the next 7 consecutive years.
To report the unutilized fiscal losses, the deferred tax claims are recognized only to the extent to which it is probable to obtain taxable profit in the future after compensation with the tax loss from the previous years and with the recoverable tax on profit. Deferred tax claims are diminished to the extent to which the related tax benefits are unlikely to be achieved.
For the Bank and its local entities the tax rate used to calculate the current and deferred tax position at 31 December 2020 is 16% (2019: 16%).

3. Significant accounting policies *(continued)*

l) Financial assets

The Group and the Bank classify the financial assets based on the cash flow characteristics of each instrument and the business model within which an asset is held. A business model reflects how the Group and the Bank manage the financial assets in order to achieve its business objectives. There are three types of business models:

"Hold to collect" business model:

This business model refers to financial assets that are classified in order to collect cash flows (for example: loans, government securities, bonds held outside the trading portfolio). If these assets pass the SPPI test, they are measured at amortized cost and included in the periodical calculation of expected credit losses.

There is no requirement that the assets classified in this category should be held until their maturity; sales are acceptable; if they are infrequent (even if significant in value) or insignificant in value both individually and in aggregate (even if frequent), when the risk profile of such instruments increases or is no longer in line with the Group's and the Bank's investment policy. A higher frequency of sales during a certain period is not necessarily in contradiction with this business model, if the Group and the Bank are able to justify the reasons for such sales and to prove that such sales do not reflect a change in the current business model.

"Hold to collect and sell" business model:

Under this business model, financial assets are held to collect the contractual cash flows, but they may also be sold in order to cover liquidity requirements or to maintain a certain interest return on the portfolio. They are measured at fair value through other items of comprehensive income (reserves) and may include government securities and bonds.

Other business models: are those which do not meeting the criteria of the business models mentioned above, for example business models in which the primary objective is realizing cash flows through sale, held for trading business models, business models under which assets are managed on a fair value basis, business models under which financial assets are acquired for sale/trading and measured through profit or loss (tradable securities, tradable shares, etc.). The portfolio is managed based on the market value evolution in respect of the assets concerned and includes frequent sales and purchases for the purpose of maximizing profit.

The Group and the Bank recognize all financial assets and liabilities at the transaction date. The transaction date is the date when the Group and the Bank undertake to buy or to sell an asset.

At initial recognition, a financial asset can be classified as:

a) measured at amortized cost, provided that the following conditions are cumulatively fulfilled:

- the asset is held under a business model in which the primary objective is to collect contractual cash flows;
- the contractual terms of the financial asset generate cash flows at specific dates, representing solely payments of principal and interest.

b) measured at fair value through other comprehensive income are provided that the following conditions are cumulatively fulfilled:

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets;
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

3. Significant accounting policies *(continued)*

l) Financial assets

c) measured at fair value through profit and loss, if financial assets do not meet the criteria according to which the contractual cash flows need to be Solely Payments of Principal and Interest (the SPPI test) or if the assets are held for trading (for example derivatives or fund units). Embedded derivatives are no longer separated from the host financial assets, but will be assessed in their entirety together with the non-derivative financial asset, for the purpose of the contractual cash flow characteristics test.

Investments in equity instruments are always measured at fair value through profit and loss. However, provided that such instruments are not held for trading, the Group and Bank management can make an irrevocable election to present changes in fair value in other comprehensive income (except for dividend income which is recognised in profit or loss).

Therefore, if equity instruments are measured at fair value through other comprehensive income, such instruments will not be classified as monetary items and the accumulated profit or loss, including that resulting from currency exchange, will be transferred to the entity's equity upon the derecognition of such instruments.

If the equity instrument is held for trading, changes in fair value are presented in profit or loss. The gains and losses from investments in equity instruments measured at fair value through profit or loss are included in the statement of profit and loss under "Net trading income" for held for trading equity instruments.

Investments in equity instruments, representing usually strategic investments which are not planned to be disposed of in the foreseeable future and are not included in the trading portfolio, have been classified as financial assets required to be measured at fair value through other comprehensive income. In this case, the Group and the Bank have irrevocably decided to present fair value changes under comprehensive income, whereas the gains or losses related to the respective instruments will be transferred directly to the Group's equity, without being reclassified (or recycled) to profit or loss.

Government bonds, municipal bonds and other bonds issued by financial and non-financial institutions are measured at fair value through other items of comprehensive income, under the provisions of the SPPI test criteria and the "hold to collect and sell" business model. Starting from 1 January 2018, the Group and the Bank recognize an allowance for expected credit losses related to such assets measured at fair value through other items of comprehensive income. This provision will be recognized under other comprehensive income and does not diminish the book value of the financial asset.

Bonds issued by credit institutions and other financial institutions which meet the SPPI test criteria and the "hold to collect" business model are measured at amortized cost. The Group and the Bank recognize impairment allowances related to financial assets measured at amortized cost.

Fund units held with mutual funds which fail the solely payments of principal and interest ("SPPI") criterion are mandatorily measured at fair value through profit and loss.
In the separate statement of financial position, equity instruments representing investments in subsidiaries continue to be measured at cost, according to IAS 27 - "Separate Financial Statements".

Derivative instruments are measured at fair value through profit or loss.

3. Significant accounting policies *(continued)*

l) Financial assets *(continued)*

Impairment requirements under IFRS 9 are based on expected credit losses and imply the timely recognition of forthcoming estimated credit losses.

The Group and the Bank assesses on forward-looking basics the expected credit losses ('ECL') associated with its debt instrument assets carried at amortised cost and fair value through other items of the comprehensive income and the exposure from loan commitments and financial guarantee contracts.

In order to measure expected credit losses, the Group and the Bank is grouping its assets into three categories: stage 1 (assets with no increase in credit risk from initial recognition), stage 2 (assets for which significant increase in credit risk from initial recognition has been observed) and stage 3 (credit-impaired – assets that Bank is considering to be nonperforming). More details about how the Group and the Bank are grouping their financial assets can be found in Note 4 "Risk management".

The determination of expected losses at the reporting date relies on the effective interest rate established upon the initial recognition, except financial assets with variable interest rate, for which the expected credit losses must be determined based on the current effective interest rate. As concerns the purchased or originated financial assets that are credit-impaired, the expected credit losses must be determined based on the credit-adjusted effective interest rate established upon the initial recognition.

Under IFRS 9, *a financial asset is credit-impaired* when one or more events have occurred and have a significant impact on the expected future cash flows of the respective financial asset.
The proof that a financial asset is credit-impaired includes observable data about the following events:

- significant financial difficulty of the issuer or borrower;
- a breach of contract, such as a default or past-due event;
- the lender, for economic or contractual reasons relating to the borrower's financial difficulty, grants the borrower a concession that would not otherwise be considered;
- it becomes probable that the borrower will enter bankruptcy or other financial reorganization;
- the disappearance of an active market for the financial asset because of financial difficulties; or
- the purchase or origination of a financial asset at a deep discount that reflects incurred credit losses.

A financial asset classified as impaired upon initial recognition will be maintained as such until its derecognition.
The expected credit losses are calculated at each reporting date and they 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.

Some financial instruments include both a loan and an undrawn commitment component and the Bank's contractual ability to demand repayment and cancel the undrawn commitment does not limit the Group's and the Bank's exposure to credit losses to the contractual notice period.

3. Significant accounting policies *(continued)*

l) Financial assets *(continued)*

For such financial instruments, and only those financial instruments, the Group and the Bank shall measure expected credit losses over the period that the Group and the Bank are exposed to credit risk and expected credit losses would not be mitigated by credit risk management actions, even if that period extends beyond the maximum contractual period. Also, the Group and the Bank recognize a loss allowance for expected credit losses also for financial guarantee accordingly to IFRS9 principles.

Provisions for credit risk associated with loan commitments are considered and recognised at the time when the Group and the Bank records in its off balance sheet records a commitment with the risk of being converted into a loan. The calculation basis for these provisions includes exposures from commitments related to letters of credit, letter of guarantee, uncommitted amount of the loans granted by the Group and the Bank and factoring commitments. The expected credit loss calculation is made according to IFRS 9 and is based on the probability of conversion into credit, the probability of default and loss given default.

Derecognition policy

Financial assets, or a portion thereof, are derecognised when the contractual rights to receive the cash flows from the assets have expired, or when they have been transferred and

- the Group and the Bank transfer substantially all the risks and rewards of ownership, or
- the Group and the Bank neither transfer nor retain substantially all the risks and rewards of ownership and the Group and the Bank did not retain control.

The Group and the Bank enter into transactions where they retain the contractual rights to receive cash flows from assets but assume a contractual obligation to pay those cash flows to other entities and transfer substantially all of the risks and rewards.

The transactions are accounted for as ‘pass through’ transfers that result in derecognition if the Group and the Bank:

- Have no obligation to make payments unless they collect equivalent amounts from the assets;
- Are prohibited from selling or pledging the assets; and
- Have an obligation to remit any cash they collect from the assets without material delay.

Collateral (shares and bonds) furnished by the Group and the Bank under standard repurchase agreements and securities lending and borrowing transactions are not derecognised because the Group and the Bank retain substantially all the risks and rewards on the basis of the predetermined repurchase price, and the criteria for derecognition are therefore not met.

The Bank derecognizes a transferred financial asset if it transfers substantially all the risks and rewards of ownership of the financial asset. The criteria set at Group level to evaluate modifications leading to derecognition of financial assets, are developed having in mind that they must reflect modifications that are substantial enough (either quantitatively or qualitatively) to satisfy the derecognition requirements in IFRS 9.3.2.3. On the quantitative side, these criteria refer to a significance threshold of 10% by analogy to the de-recognition trigger set by IFRS 9.B3.3.6 for modifications of financial liabilities. On the qualitative side, these criteria refer to contractual modifications that are substantially changing the nature of lender’s risks associated with the pre-existing loan contract.

3. Significant accounting policies *(continued)*

m) Financial liabilities *(continued)*

Financial liabilities are classified after the initial measurement at amortized cost, except for derivatives which are measured at fair value through profit or loss. Embedded derivatives are separated from the host contract if the separation criteria mentioned by IFRS 9 are met.
The Group and the Bank do not hold financial liabilities designated at fair value through profit and loss. Financial liabilities cannot be reclassified.

n) Cash and cash equivalents

Cash and cash equivalents include: cash at hand, unrestricted balances held with National Bank of Romania and National Bank of Moldova and highly liquid financial assets with original maturities of less than three months, which are subject to insignificant risk of fair value changes.

Cash and cash equivalents are carried at amortized cost in the consolidated and separate statement of financial position.

o) Tangible assets

(i) Recognition and measurement

Tangible assets are stated at the revalued amount less accumulated depreciation.

Measurement upon initial recognition
The cost of a fixed asset item consists in:

a) the acquisition price, including customs charges and non-refundable acquisition costs, after the deduction of all commercial discounts;
b) any costs directly incurred in order to bring the asset at the adequate location or condition required by the management for proper functioning.

All tangible assets are stated at the revalued amount, less the accumulated depreciation and impairment losses.
The costs of tangible assets under construction are capitalized if the criteria for tangible asset recognition are met, notably: they generate future economic benefits, they can be measured reliably and they lead to the improvement of technical parameters, ensuring an ongoing use of the assets under normal conditions. The costs for maintenance and current repairs are not recognized under assets.
Tangible assets in progress are starting to be depreciated when they are in the location and condition necessary for it to be capable of operating in the manner intended by management. This condition is fulfilled when there is a sign-off for reception and deployment by the asset’s users.
The carrying amounts of assets are analyzed during the revaluation process upon the issuance of the statement of financial position. The Group and the Bank shall annually reassess all tangible assets with an external evaluator, who is not an employee of the Group or the Bank.
For revalued assets, if an asset’s carrying amount is increased as a result of a revaluation, the increase shall be recognized in other comprehensive income. If an asset’s carrying amount is decreased as a result of a revaluation, the decrease shall be recognized in profit or loss, except the case when the decrease shall be recognized in other comprehensive income to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

3. Significant accounting policies *(continued)*

o) Tangible assets *(continued)*

(i) Recognition and measurement (continued)

When an item of property and equipment is revalued, the carrying amount of that asset is adjusted to the revalued amount. At the date of the revaluation, the gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount of the asset. The accumulated depreciation at the date of the revaluation is adjusted to equal the difference between the gross carrying amount and the carrying amount of the asset after taking into account accumulated impairment losses.

The revaluation reserve for premises and equipment included in equity is transferred directly to retained earnings when the revaluation surplus is realized on the retirement or disposal of the asset.

(ii) Subsequent costs

The Group and the Bank recognise in the carrying amount of tangible assets the cost of replacing such an item when that cost is incurred or if it is probable that the future economic benefits embodied with the item may be transferred to the Group and to the Bank and the cost of the item can be measured reliably. All other costs are recognized in the income statement as an expense as incurred.

(iii) Depreciation

Depreciation is calculated on a straight-line basis over the estimated useful life of each item of tangible assets. Land is not depreciated.

The estimated useful lives are as follows:

Buildings	50 years
Leasehold improvements (average)	6 years
Computers	4 years
Equipment	2 - 24 years
Furniture	3 - 20 years
Vehicles	4 - 5 years

The leasehold improvements are depreciated over the lease term, which varies between 1 and 15 years. Depreciation methods, useful lives and residual values are reassessed at the reporting date.

p) Investment property

Investment property is property (land, buildings or parts of a building) held by the Group and the Bank to earn rent, for capital appreciation or both, rather than for:

- the use in production, the supply of goods or services or for administrative purposes; or
- the sale in the ordinary course of business.

(i) Recognition and measurement

Investment property is recognized as an asset when:

- it is probable that the future economic benefits that are associated with the investment may flow to the Group and to the Bank;
- the cost of the investment property can be measured reliably.

An investment property is measured initially at cost, including transaction costs. The cost of an investment property includes its purchase price (if purchased) and other directly attributable expenses (e.g. fees for legal services, property transfer taxes and other transaction costs).

3. Significant accounting policies *(continued)*

p) Investment property *(continued)*

(ii) Subsequent measurement

The accounting policy for the subsequent measurement of the investment properties of the Group and the Bank is based on the fair value model. This policy is applied consistently for all the investment properties held by the Group and the Bank. When the Group and the Bank, as lessees use the fair value model to measure an investment property that is held as a right-of-use asset, they shall measure the right-of-use asset, and not the underlying property, at fair value.
Gains or losses from the change in the fair value of the investment properties are recognized in profit or loss in the period in which they arise.
The fair value of the investment properties reflects the market conditions at the reporting date.

(iii) Transfers

Transfers to or from investment property are made when, and only when, there is a change in use of the asset. For the transfer of an investment property, measured at fair value, to tangible assets, the property's deemed cost for subsequent accounting is its fair value at the date of the change in use.

An investment property is derecognized on disposal or when it is permanently withdrawn from use and no future benefits are expected from its disposal.

The gain or loss on the retirement or disposal of an investment property is recognized in profit or loss in the period of the retirement or disposal.

(iv) Disposals

Derecognition of an investment property will be triggered by a change in use or by sale or disposal or when it is permanently withdrawn from use and has no future economic value, When an investment property is disposed of, it is eliminated from the statement of financial position, while the gain or loss on the retirement or disposal of an investment property is recognized in the statement of profit or loss in the period the disposal is related to, The gain or loss arising on disposal is determined as the difference between any disposal proceeds and the carrying amount.

q) Intangible assets

Upon their initial recognition, intangible assets are measured at cost.

The cost elements of intangible assets under construction are capitalized if criteria for intangible asset recognition is being met: future economic benefits associated with the item will flow to the entity, cost of the item can be reliably measured, the result will increase the future performance rate and the asset is separately identifiable within an economic activity. Maintenance costs and technical support are recognized in profit or loss as these are being incurred. Intangible assets in progress are recognized as intangible assets at the moment of reception and deployment.

(i) Goodwill and negative goodwill

Goodwill and negative goodwill arise on the acquisition of a new subsidiary by means of business combination. Goodwill represents the difference between the cost of acquisition and the net fair value of the acquired identifiable assets, liabilities and contingent liabilities.

3. Significant accounting policies *(continued)*

q) Intangible assets *(continued)*

Subsequent measurement

Goodwill is measured at cost, less accumulated impairment losses. Negative goodwill is immediately recognized in profit and loss (bargain gain), after reanalyzing the manner of identification and fair valuation of the assets, liabilities and identifiable contingent liabilities and the measurement of the acquisition cost.

(ii) Software

Costs associated with the development and maintenance of software programs are recognized as an expense when incurred.
Costs that are directly associated with the production of identifiable and unique software products controlled by the Group and the Bank, and that will probably generate economic benefits exceeding production costs for a period exceeding one year, are recognized as intangible assets.
Subsequent expenditure on software assets is capitalized only if it increases the future performance of such assets, beyond initial specifications and lifespan. All other expenditure is reflected as an expense as incurred.

Amortization is recognized in the income statement on a straight-line basis over the estimated useful life of the intangible asset. The estimated useful lives of intangible assets are reviewed at the reporting date and range between 1 and 5 years. The useful life of intangible assets derived from contractual rights should not exceed the validity period of such contractual rights, but it may be shorter depending on the estimated period of use of such assets by the entity.

Intangible assets in progress are not amortized before they are put into service.

Subsequent measurement

After initial recognition, an intangible asset is carried at revalued amount, which is its fair value at the date of revaluation less accumulated depreciation and impairment adjustments. For the purpose of revaluation, fair value is determined on the basis of data from an active market. The frequency of revaluations depends on the volatility of the fair values of the revalued intangible assets. If the fair value of a revalued intangible asset differs significantly from its carrying amount, a new revaluation is required.

The Group's accounting policy regarding the measurement of intangible assets after initial recognition is the revaluation model

When revaluing an intangible asset, the accumulated depreciation at the revaluation date is recalculated in proportion to the change in the gross carrying amount of the asset, so that the carrying amount of the asset, after revaluation, is equal to its revalued amount.

In this case, the amount of the reserve transferred is the difference between the depreciation calculated on the basis of the revalued carrying amount and the amount of the depreciation calculated on the basis of the initial cost of the asset.

3. Significant accounting policies *(continued)*

r) Fixed assets held-for-sale

An asset is considered as a fixed asset held-for-sale if the following conditions are met: the asset value is recovered through sale and not by its continuous use, the asset must be available for immediate sale and the sale of the asset must be likely to happen. The probability of sale is justified by means of a sales plan at the level of the Group's and the Bank's management and by the active involvement of the Group and the Bank in identifying a buyer.

If the asset is reclassified from tangible assets according to IAS 16, the period between the date of reclassification and the date of sale should not exceed 12 months; the valuation of the asset classified as available-for-sale shall consider the lower value between the book value and the fair value, minus the sales-related costs.

s) Impairment of non-financial assets

An impairment loss is recognized if the carrying amount of the asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable group generating cash flows and largely independent from other assets and groups.
Impairment losses recognized in respect of cash-generating units are allocated to reduce the carrying amount of any goodwill allocated to the respective cash-generating unit (group of units) and then to reduce the carrying amount of any other assets in the unit on a pro rata basis.
The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value, less the cost of sale of such asset or unit. In assessing the value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments and the risks specific to the asset.
In respect of other non-financial assets, impairment losses are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss in other non-financial assets than goodwill is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss on assets is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

t) Deposits from customers

Customer deposits are initially measured at fair value, minus incremental direct transaction costs, and are subsequently measured at amortized cost by using the effective interest method.

u) Issued bonds, loans from banks and financial institutions

Borrowings such as loans from banks and other financial institutions and issued bonds are initially recognized at fair value, notably as proceeds resulting from such instruments (fair value of consideration received), net of transaction costs incurred. Issued bonds and loans from banks and other financial institutions are subsequently carried at amortized cost. The Group and the Bank classify these instruments as financial liabilities or equity instruments in accordance with the contractual terms of the instrument. The outstanding bonds that have not yet reached the maturity or liquidation date can be converted into shares, depending on the option of the holder, according to the issuance prospectus (not all the outstanding bonds are convertible).
The conversion shall be made at a price per share that is established at the price fixing date or at the liquidation date, which is equal to the average of the daily maximum and minimum share price on the regular market, weighted with the daily volume traded on the regular market throughout the 90 days when the shares were transacted on the Bucharest Stock Exchange, immediately prior to the price fixing date of the liquidation date. Share premiums result as a difference between the value of convertible bonds and the value of shares issued.

3. Significant accounting policies *(continued)*

v) Provisions

Provisions are recognized in the consolidated and separate statement of financial position when the Group and the Bank acquire an obligation as a result of a past event and it is probable that an outflow of economic resources may be required in the future to settle the obligation, such obligation being measured reliably. The provisions' value is determined by discounting the expected future cash flows at a pre-tax rate that reflects current market conditions and the risks specific to the respective liability.
Provisions for other risks are recognized in the consolidated and separate statement of financial position when the Group and the Bank acquire an obligation as a result of a past event and it is probable that an outflow of economic resources may be required in the future to settle the obligation, such obligation being measured reliably. The provisions' value is determined by discounting the expected future cash flows at a pre-tax rate that reflects current market conditions and the risks specific to the respective liability.
This category includes mainly provisions for employees benefits (as described in section 3x), for litigations in which the Bank is involved estimated based on the loss probability for the Bank and provisions for abusive clauses of credit contracts (as described in section 5.c).

w) Financial guarantees

Financial guarantees are contracts that require the Group and the Bank to make specific payments to reimburse the holder of the guarantee for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument. Financial guarantee liabilities are initially recognized at their fair value, and the initial fair value is amortized over the lifespan of the financial guarantee. The guarantee liability is subsequently carried at the higher of the amortized amount and the value of the expected credit loss determined in accordance with IFRS 9.

x) Employee benefits

(i) Short-term benefits

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

(ii) Defined contribution plan

In the normal course of business, the Bank and its subsidiaries make payments to the Romanian public pension funds on behalf of their employees for retirement, healthcare and unemployment allowances. All the employees of the Bank and its subsidiaries are members and are also legally obliged to make specific contributions (included in the social security contributions) to the Romanian public pension plan (a State defined contribution plan). All relevant contributions to the Romanian public pension plan are recognized as an expense in the income statement as incurred, The Bank and its subsidiaries do not have any further obligations.

3. Significant accounting policies *(continued)*

x) Employee benefits *(continued)*

(iii) Other benefits

The Bank and its subsidiaries from Romania are enrolled in an optional pension scheme Pillar III, within an established limit, for the employees eligible at the payment date, in accordance with the applicable Romanian legal provisions. The Bank and its subsidiaries, pursuant to the collective employment agreement, must pay the equivalent of three gross monthly salaries to the employees, upon retirement. The debt related to this benefit scheme is calculated on an actuarial basis, considering the salary estimated at the retirement date and the number of activity years of each individual employee.

The fixed and variable remuneration may also be granted by means of a stock option plan, in the form of shares. The variable component of the total remuneration represents the remuneration that can be granted by the Bank in addition to the fixed remuneration, on condition that certain performance ratios are achieved. The variable remuneration may be granted either in cash or in the Bank's shares (TLV). In the case of the identified staff, in the establishment of the annual variable remuneration, one shall aim at limiting excessive risk-taking. A substantial part of the variable component of the total remuneration, in all cases at least 40%, is deferred for a period of 3 years and is correlated with the activity nature, the risks and the responsibilities of the respective staff.
Based on the decision of the shareholders, the Board of Directors of the Bank decides in respect of the number of shares included in the employee loyalty plan. The fair value upon the vesting date of share-based awards - stock options – to employees is recognized as personnel expenses, with a corresponding increase in equity, over the period in which the employees become unconditionally entitled to the awards.
The amount recognized as an expense is adjusted to reflect the value of awards for which the related services and non-market related performance conditions are expected to be fulfilled, so that the amount ultimately recognized as an expense is based on the actual compensation for the services and performance conditions which are not related to the market at the vesting date.

y) Segment reporting

An operational segment is a component of the Group and of the Bank:

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

The Group's and the Bank's format for segment reporting is presented in note 6.

z) Earnings per share

The Group and the Bank presents basic and diluted earnings per share ("EPS") for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Bank by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted-average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, which comprise convertible bonds and share options granted to employees.

3. Significant accounting policies *(continued)*

z) Earnings per share *(continued)*

aa) Treasury shares

Repurchased own equity instruments (treasury shares) are deducted from shareholders' equity. No gain or loss is recognized in the income statement from the purchase, sale, re-issue or cancellation of the Bank's own equity instruments.

ab) Business Combinations

A business combination is accounted using the acquisition method at the date when the control is acquired, except for the cases when the combination involves entities or parties under common control or the acquired entity is a subsidiary of an investment entity.

Each identifiable asset and liability is evaluated at fair value at the acquisition date. The non-controlling interests in the acquired entity, which represent current ownership interest and entitle the holder to a proportional share of the entity's net assets in the event of liquidation, are measured either at fair value or proportionally with the acquired ownership interest in the entity's net identifiable assets. Non-controlling interests that are not current ownership interests are measured at fair value.

Goodwill is measured by deducting the identifiable net assets acquired from the aggregate of the consideration transferred, any non-controlling interests in the acquired entity and the fair value at the acquisition date of the equity participation in the acquired entity previously held by the acquiring entity. If the acquirer obtains a gain from a bargain purchase, this gain is recognized in the profit and loss after the management reassesses whether all the assets were acquired and all liabilities and contingent liabilities were assumed based on appropriate measurement.

The consideration transferred in a business combination is measured at the fair value of the assets transferred by the acquirer, the liabilities incurred or assumed and the equity instruments issued, but excludes the costs related to intermediation, advisory, legal, accounting, valuation and other professional or consulting services, general administrative costs that are recognized in the profit or loss.

ac) Implementation of new or reviewed standards and interpretations

The following new standards and interpretations came into force on January 1, 2020:

Amendments to the Conceptual Framework for Financial Reporting (issued on 29 March 2018 and effective for annual periods beginning on or after 1 January 2020)
The reviewed conceptual framework for financial reporting includes a new chapter on measurement, guidance on reporting financial performance, improved definitions - particularly of a liability, - and clarifications in important areas, such as the roles of stewardship, prudence and measurement uncertainty in financial reporting.

3. Significant accounting policies *(continued)*

ac) Implementation of new or reviewed standards and interpretations *(continued)*

"Definition of a Business" - Amendments to IFRS 3 (issued on 22 October 2018 and applicable to acquisitions for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2020)

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

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

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

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

The amendments address issues that might affect financial reporting as a result of the reform of an interest rate benchmark, including the effects of changes to contractual cash flows or hedging relationships arising from the replacement of an interest rate benchmark with an alternative benchmark rate. The amendments provide practical relief from certain requirements in IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 relating to changes in the basis for determining contractual cash flows of financial assets, financial liabilities and lease liabilities and hedge accounting.
The amendments will require an entity to account for a change in the basis for determining the contractual cash flows of a financial asset or financial liability that is required by interest rate benchmark reform by updating the effective interest rate of the financial asset or financial liability.
The amendments will require the Group to disclose additional information to enable users to understand the effect of interest rate benchmark reform on a company's financial instruments, including information about the entity's exposure to risks arising from interest rate benchmark reform and related risk management activities.
The Group plans to apply the amendments from 1 January 2021. Application will don't have impact amounts reported for 2020 or prior periods.

3. Significant accounting policies *(continued)*

ac) Implementation of new or reviewed standards and interpretations *(continued)*

Amendments to IFRS 16 Leases COVID-19-Related Rent Concessions (Effective for annual periods beginning on or after 1 June 2020)

The amendments introduce an optional practical expedient that simplifies how a lessee accounts for rent concessions that are a direct consequence of COVID-19. The resulting accounting will depend on the details of the rent concessioA lessee applies the amendments retrospectively and recognises the cumulative effect of initially applying them in the opening retained earnings of the reporting period in which they are first applied. The Group does not expect that the amendments, when initially applied, could have a material impact on its financial statements .

ad) New or amended standards and interpretations that are effective as of annual period or after 1 January 2021, not yet endorsed by EU

Amendments to IAS 1 Presentation of Financial Statements Classification of Liabilities as Current or Non-current (Effective for annual periods beginning on or after 1 January 2023 early application is permitted)

The amendments clarify that the classification of liabilities as current or non-current shall be based solely on the Entity's right to defer settlement at the end of the reporting period. The company's right to defer settlement for at least 12 months from the reporting date need not be unconditional but must have substance. The classification is not affected by management's intentions or expectations about whether and when the Entity will exercise its right. The amendments also clarify the situations that are considered settlement of a liability. The Group does not expect that the amendments, when initially applied, could have a material impact on its financial statements.

Amendment to IAS 16 Property, Plant and Equipment Property, Plant and Equipment – Proceeds before Intended Use (Effective for annual periods beginning on or after 1 January 2022 early application is permitted)

The amendments must be applied retrospectively, but only to items of property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments. The cumulative effect of initially applying the amendments will be recognised as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the beginning of that earliest period presented (if necessary). The Group does not expect that the amendments, when initially applied, will have a material impact on its financial statements.

Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets Onerous Contracts – Cost of Fulfilling a Contract (Effective for annual periods beginning on or after 1 January 2022 early application is permitted)

An entity shall apply those amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments (the date of initial application). The entity shall not restate comparative information. Instead, the entity shall recognise the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings or other component of equity, as appropriate, at the date of initial application. The Group does not expect that the amendments, when initially applied, will have a material impact on its financial statements.

4. Financial risk management

a) Introduction

The Group and the Bank have exposures to the following risks derived from the use of financial instruments:

- Credit Risk;
- Liquidity risk;
- Market risk;

This note presents information about the Group's and the Bank's exposure to each of the above risks, the Group's and the Bank's objectives, policies and processes for measuring and managing risk. The most important types of financial risk to which the Group and the Bank are exposed: credit risk, liquidity risk and market risk. Market risk includes currency risk, interest rate risk and equity instruments' price risk.

Risk management is part of all decisional and business processes that take place in the Group's and the Bank's activity. The Board of Directors has the responsibility regarding the definition and monitoring of the general risk management framework for the Group and the Bank.

The risk management in Banca Transilvania S.A. is performed at 2 levels: a strategic level represented by the Board of Directors and the Leaders' Committee and an operational level represented by: Assets - Liabilities Committee ("ALCO"), Credit Policy and Approval Committee, Head Office Credit and Risk Committees (loan approval), Credit and Risk Committee of the branches/agencies, Workout Committee ("CRW"), the Bank's Leaders, Executive Directors and risk management structures within the Bank that are responsible for the definition and/or monitoring of risk management policies in their field of expertise. The Board of Directors periodically reviews the activity of these committees.

The Board of Directors monitors the compliance with the Group's and the Bank's risk policies and the adequacy of the general risk management framework in connection with the risks to which the Group and the Bank are exposed to.

The Risk Management Committee advises the Board of Directors regarding the risk appetite and the global strategy regarding the management of the current and future risks and assists the Board of Directors in overseeing the implementation of the strategy by the Leaders' Committee.

The Group's objective in terms of risk management is to integrate the assumed medium-risk appetite in the decision-making process, by promoting a proper alignment between assumed risks, available capital and performance targets, while also considering the tolerance to financial and non-financial risks. In determining the risk appetite and tolerance, the Group takes into consideration all the material risks it is exposed to, given its specific activity and being mainly influenced by the credit risk.

Risk management policies and systems are reviewed regularly (mainly annually) with the participation of the Leaders' Committee and the responsible persons from different Departments involved, in order to reflect the changes in the market conditions, the products and services provided.

The crisis simulation program (stress testing) is an integral part of the risk management framework and of the internal risk capital adequacy assessment process.

The Bank reviews the crisis simulation program regularly, at least semi-annually, and assesses its efficiency and adequacy to the defined purposes/objectives.

4. Financial risk management *(continued)*

b) Credit risk

The Group's and the Bank's Audit Committee reports to the Board of Directors and is responsible for monitoring compliance with the Bank's risk management procedures. The Audit Committee is assisted in these functions by the Internal Audit. The Internal Audit department undertakes both regular and ad-hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

The Board of Directors and the Management of the subsidiaries which constitute the Group have responsibilities regarding significant risk management in correlation with their specific business characteristics and applicable laws and regulations.

(i) Credit risk management

The objective of the Group and of the Bank as concerns the management of credit risk is to ensure a balanced distribution of capital among various business lines, which allows the achievement of comfortable RAROC (Risk-adjusted return on capital) levels considering the proportion of the lending activity in the Bank's assets and its commercial bank profile.

The Group and the Bank are exposed to credit risk through the trading, lending, investment and guarantee issuing activities. The credit risk arising from trading and investment activities is mitigated by selecting only counterparties with good credit standing and by monitoring their activities and ratings, by using exposure limits and, when necessary, by requesting collaterals.
The Group's and the Bank's primary exposure to credit risk arises from loans and advances to customers.

The amount of credit risk exposure is represented by the carrying amounts of the assets on the separate individual and consolidated statement of financial position. The Group and the Bank are exposed to credit risk derived from other financial assets, including derivative instruments and debt investments; the current credit risk exposure in respect of these instruments is equal to the carrying amount of the assets in the consolidated and separate statement of financial position.

In addition, the Group and the Bank are exposed to off balance sheet credit risk from credit and guarantee commitments (see Note 41).

In order to minimize the risk, the Group and the Bank have defined procedures to assess customers before loan granting, to monitor their capacity to reimburse the principal and related interest during the entire loan period and to define exposure limits. In addition, the Group and the Bank have implemented procedures for monitoring the risks related to the loan portfolio and have defined exposure limits by types of loans, economic sectors, types of collateral, maturity, etc.

The Board of Directors has assigned the responsibility for credit risk management to the Leaders' Committee, Credit Policy and Approval Committee, Head Office Credit and Risk committees (credit approval), Remedy and Workout Committee at HQ level and Credit and Risk Committees in branches/ agencies. Moreover, several departments with risk attributions operate within the Bank, reporting to the Head Office Committees with respect to:

- The analysis, assessment and monitoring of specific risks within the lending activity;
- The risk analysis of the loan portfolio/large exposures, with recommendations submitted to the Leaders' Committee/Board of Directors;
- Monitoring the observance of internal policies specific to the lending activities;

4. Financial risk management *(continued)*

b) Credit risk *(continued)*

(i) Credit risk management (continued)

- Elaborating proposals for the reduction of specific risks, in order to maintain healthy standards in the lending activity;
- Elaborating an efficient credit risk rating process capable of rendering the variable level, nature and determining factors related to credit risk, which could occur in time, so as to ensure in a reasonable manner that all the credit exposures are properly monitored and the ECL-related allowances are properly measured;
- Monitoring the granted loans, in accordance with the client's financial performance, loan type, collateral type and debt service, in accordance with the internal lending policies and procedures;
- The approval and monitoring of ratios related to the establishment/modification of the branches' lending competences, according to specific internal policies;
- The periodic reviews and recommendations to the Leaders' Committee on the risk levels accepted by the Group and the Bank;
- Identifying, monitoring and controlling the credit risk at branch level and subsidiary level;
- The risk analysis with respect to new lending products/changes of loan products, including recommendations to the involved Departments;
- The periodical reporting to the Deputy CEO - Chief Risk Officer, Leaders' Committee, Risk Management Committee and the Board of Directors on the evolution of significant risks (the implications of risk correlation, forecasts etc.);
- Elaborating the methodology for the early identification of credit risks deterioration (early warning system);
- Elaborating processes to be systematically and consistently applied in order to establish proper allowances for the loss in accordance with the applicable accounting regulations in the field of credit risk;
- Establishing and reviewing the back-testing methodology regarding the adequacy of the default probability parameter, the non-repayment status and the provision level related to the Bank's loan portfolio.

Each branch/agency implements at local level the Group's and the Bank's policies and regulations regarding credit risk, having loan approval competences established by the Leaders' Committee. Each branch/agency is responsible for the quality and performance of its loan portfolio and for monitoring and controlling all credit risks in its portfolios, including those subject to Head Office approval.

The Internal Audit Department and the Internal Control Department carry out periodical reviews of the branches and agencies.

(ii) Credit risk exposure

Concentrations of credit risk that arise from financial instruments exist for groups of counterparties when they have similar economic characteristics that would cause their ability to meet contractual obligations to be similarly affected by changes in economic or other conditions. The major concentrations of credit risk arise by individual counterparty and by type of customer in relation to the Group's and the Bank's loans and advances, loan commitments, finance lease and guarantees issued.

4. Financial risk management *(continued)*

b) Credit risk *(continued)*

(ii) Credit risk exposure (continued)

The table below contains the on-balance and off-balance sheet exposures (loans and advances to customers and financial lease receivables), split by economic sector concentration:

	Group		Bank	
In RON thousand	**2020**	**2019**	**2020**	**2019**
Retail	53.57%	53.80%	53.01%	53.47%
Trading	11.60%	10.70%	11.03%	10.08%
Production	8.28%	9.06%	8.03%	8.92%
Constructions	3.93%	4.07%	3.68%	3.84%
Agriculture	3.80%	3.89%	3.73%	3.80%
Services	4.77%	3.94%	4.58%	3.76%
Real estate	3.08%	3.54%	3.43%	3.61%
Transportation	4.05%	3.38%	3.49%	2.69%
Others	1.99%	1.79%	1.86%	1.75%
Self-employed	1.51%	1.62%	1.22%	1.37%
Financial institutions	1.22%	1.40%	3.81%	3.92%
Energy	1.18%	1.33%	1.24%	1.41%
Telecommunications	0.20%	0.80%	0.19%	0.76%
Mining	0.30%	0.32%	0.24%	0.26%
Chemical industry	0.21%	0.19%	0.22%	0.20%
Government institutions	0.27%	0.14%	0.20%	0.13%
Fishing	0.04%	0.03%	0.04%	0.03%
	100.00%	**100.00%**	**100.00%**	**100.00%**

The table below presents the concentration by class of the on-balance sheet exposures related to the Bank's and Group's loan and leasing portfolio:

	Group		Bank	
RON thousand	**2020**	**2019**	**2020**	**2019**
Corporate	12,368,857	11,812,154	13,361,424	12,710,902
Small and medium enterprises	6,245,232	5,675,248	6,148,658	5,441,946
Consumer loans and card loans granted to retail customers	10,949,378	11,284,102	10,742,582	11,114,320
Mortgage loans	13,568,648	12,041,262	13,266,162	11,835,135
Loans and finance lease receivables granted by non-banking financial institutions	2,445,052	2,272,415	-	-
Other	41,391	49,697	35,135	32,285
Total loans and advances to customers and financial lease receivables before impairment allowance	**45,618,558**	**43,134,878**	**43,553,961**	**41,134,588**
Allowances for impairment losses on loans and financial lease receivables	(3,498,298)	(2,781,031)	(3,190,052)	(2,532,673)
Total loans and advances to customers and financial lease receivables net of impairment allowance	**42,120,260**	**40,353,847**	**40,363,909**	**38,601,915**

4. Financial risk management *(continued)*

b) Credit risk *(continued)*

(ii) Credit risk exposure (continued)

At 31 December 2020, the total irrevocable on-balance and off-balance sheet exposure was of RON 47,954,924 thousand (2019: RON 45,568,143 thousand) for the Group and RON 45,339,625 thousand (2019: RON 42,981,108 thousand) for the Bank. The amounts presented above reflect the maximum accounting loss that would be recognized at the reporting date if the customers failed completely to perform their contractual obligations and if any collateral or security proved to be of no value.

The Group and the Bank hold guarantees for loans and advances to customers in the form of pledge over cash deposits, mortgage over property, guarantees and other pledges over equipment and/or receivables. The estimates of fair value are based on the collateral value assessed at the date of lending, except when a loan is individually assessed subsequently. Collateral is generally not held over loans and advances to banks.

The Group and the Bank use risk grades for loans both individually and collectively assessed. According to the Group's and the Bank's policies, a loan can be assigned a corresponding risk grade based on a 6-level classification: very low risk, low risk, moderate risk, sensitive risk, high risk and the highest risk for non-performing loans (default).

The classification of loans into groups is mainly based on the client scoring systems of the Group and the Bank.

Notes to the consolidated and separate financial statements

4. Financial risk management *(continued)*

b) Credit risk *(continued)*

(ii) Credit risk exposure (continued)

The exposures to credit risk for loans and advances to customers and financial lease receivables at **Group** consolidated level, as at **31 December 2020**, are presented below:

At amortized cost	Assets for which the credit risk has not increased significantly since the initial recognition (Stage 1)	Assets for which the credit risk has significantly increased since the initial recognition, but which are not impaired (Stage 2)	Assets impaired at the reporting date (Stage 3)	Assets impaired on initial recognition (POCI)	Total 2020
In RON thousand					
Corporate	8,727,385	2,432,789	1,006,758	201,925	**12,368,857**
Small and medium enterprises	4,399,455	1,489,405	324,900	31,472	**6,245,232**
Consumer loans and card loans granted to retail customers	8,778,977	1,377,463	690,472	102,466	**10,949,378**
Mortgage loans	12,642,711	679,781	200,669	45,487	**13,568,648**
Loans and finance lease receivables granted to non-banking financial institutions	434,693	1,719,595	259,020	31,744	**2,445,052**
Other	201	34,846	4,140	2,204	**41,391**
Total loans and advances to customers and financial lease receivables before impairment allowance	**34,983,422**	**7,733,879**	**2,485,959**	**415,298**	**45,618,558**
Allowances for impairment losses on loans and financial lease receivables	(712,219)	(1,162,281)	(1,533,024)	(90,774)	**(3,498,298)**
Total loans and advances to customers and financial lease receivables net of impairment allowance	**34,271,203**	**6,571,598**	**952,935**	**324,524**	**42,120,260**

Notes to the consolidated and separate financial statements

4. Financial risk management (*continued*)

b) Credit risk *(continued)*

(ii) Credit risk exposure (continued)

Gross value of loans and advances, lease receivables granted to clients, not impaired, Stage 1	**Very low risk**	**Low risk**	**Moderate risk**	**Sensitive risk**	**Total 2020**
Corporate	1,883,475	4,781,894	2,018,294	43,722	**8,727,385**
Small and medium enterprises	2,630,204	1,394,472	352,704	22,075	**4,399,455**
Consumer loans and card loans granted to retail customers	3,955,078	4,360,734	338,869	124,296	**8,778,977**
Mortgage loans	4,892,303	7,311,840	337,827	100,741	**12,642,711**
Loans and finance lease receivables granted by non-banking financial institutions	-	434,693	-	-	**434,693**
Other	-	-	18	183	**201**
Total loans and advances to customers and financial lease receivables before impairment allowance	**13,361,060**	**18,283,633**	**3,047,712**	**291,017**	**34,983,422**
Allowances for impairment losses on loans and financial lease receivables	(137,288)	(353,071)	(204,079)	(17,781)	**(712,219)**
Total loans and advances to customers and financial lease receivables net of impairment allowance	**13,223,772**	**17,930,562**	**2,843,633**	**273,236**	**34,271,203**

Gross value of loans and advances, lease receivables granted to clients, not impaired, Stage 1	**0 days**	**1-15 days**	**16-30 days**	**Total 2020**
Corporate	8,725,052	2,333	-	**8,727,385**
Small and medium enterprises	4,374,193	23,641	1,621	**4,399,455**
Consumer loans and card loans granted to retail customers	8,443,269	272,090	63,618	**8,778,977**
Mortgage loans	12,340,806	237,638	64,267	**12,642,711**
Loans and finance lease receivables granted by non-banking financial institutions	403,701	23,255	7,737	**434,693**
Other	201	-	-	**201**
Total loans and advances to customers and financial lease receivables before impairment allowance	**34,287,222**	**558,957**	**137,243**	**34,983,422**
Allowances for impairment losses on loans and financial lease receivables	(702,154)	(8,030)	(2,035)	**(712,219)**
Total loans and advances to customers and financial lease receivables net of impairment allowance	**33,585,068**	**550,927**	**135,208**	**34,271,203**

Notes to the consolidated and separate financial statements

4. Financial risk management *(continued)*

b) Credit risk *(continued)*

(ii) Credit risk exposure (continued)

Gross value of loans and advances, lease receivables granted to clients, not impaired, Stage 2	**Low-moderate risk**	**Sensitive risk**	**High risk**	**Total 2020**
Corporate	1,935,904	397,144	107,620	**2,440,668**
Small and medium enterprises	472,259	790,945	234,858	**1,498,062**
Consumer loans and card loans granted to retail customers	588,130	502,771	318,846	**1,409,747**
Mortgage loans	307,546	265,444	123,512	**696,502**
Loans and finance lease receivables granted by non-banking financial institutions	1,691,825	21,785	5,985	**1,719,595**
Other	4,654	30,202	-	**34,856**
Total loans and advances to customers and financial lease receivables before impairment allowance	**5,000,318**	**2,008,291**	**790,821**	**7,799,430**
Allowances for impairment losses on loans and financial lease receivables	(446,270)	(478,799)	(247,218)	**(1,172,287)**
Total loans and advances to customers and financial lease receivables net of impairment allowance	**4,554,048**	**1,529,492**	**543,603**	**6,627,143**

Gross value of loans and advances, lease receivables granted to clients, not impaired, Stage 2	**0-30 days**	**31-60 days**	**61-90 days**	**Total 2020**
Corporate	2,438,390	1,819	459	**2,440,668**
Small and medium enterprises	1,467,773	23,127	7,162	**1,498,062**
Consumer loans and card loans granted to retail customers	1,324,411	69,738	15,598	**1,409,747**
Mortgage loans	647,776	43,727	4,999	**696,502**
Loans and finance lease receivables granted by non-banking financial institutions	1,691,825	19,045	8,725	**1,719,595**
Other	34,822	28	6	**34,856**
Total loans and advances to customers and financial lease receivables before impairment allowance	**7,604,997**	**157,484**	**36,949**	**7,799,430**
Allowances for impairment losses on loans and financial lease receivables	(1,121,357)	(36,725)	(14,205)	**(1,172,287)**
Total loans and advances to customers and financial lease receivables net of impairment allowance	**6,483,640**	**120,759**	**22,744**	**6,627,143**

Notes to the consolidated and separate financial statements

4. Financial risk management *(continued)*

b) Credit risk *(continued)*

(ii) Credit risk exposure (continued)

Gross value of loans and advances, lease receivables granted to clients, impaired, Stage 3 and defaulted POCI	**0-30 days**	**31-60 days**	**61-90 days**	**Over 90 days**	**Total 2020**
Corporate	784,459	20,678	7,625	388,042	**1,200,804**
Small and medium enterprises	124,230	17,412	16,207	189,866	**347,715**
Consumer loans and card loans granted to retail customers	265,516	67,274	46,630	381,234	**760,654**
Mortgage loans	126,091	18,418	9,546	75,380	**229,435**
Loans and finance lease receivables granted by non-banking financial institutions	70,066	7,285	9,693	203,720	**290,764**
Other	3,076	-	-	3,258	**6,334**
Total loans and advances to customers and financial lease receivables before impairment allowance	**1,373,438**	**131,067**	**89,701**	**1,241,500**	**2,835,706**
Allowances for impairment losses on loans and financial lease receivables	(683,327)	(58,049)	(45,380)	(827,036)	**(1,613,792)**
Total loans and advances to customers and financial lease receivables net of impairment allowance	**690,111**	**73,018**	**44,321**	**414,464**	**1,221,914**

Notes to the consolidated and separate financial statements

4. Financial risk management *(continued)*

b) Credit risk *(continued)*

(ii) Credit risk exposure (continued)

The exposures to credit risk for loans and advances to customers and financial lease receivables at **Group** consolidated level, as at **31 December 2019**, are presented below:

At amortized cost	Assets for which the credit risk has not increased significantly since the initial recognition (Stage 1)	Assets for which the credit risk has significantly increased since the initial recognition, but which are not impaired (Stage 2)	Assets impaired at the reporting date (Stage 3)	Assets impaired on initial recognition (POCI)	Total 2019
In RON thousand					
Corporate	9,194,198	1,075,464	1,369,239	173,253	**11,812,154**
Small and medium enterprises	3,973,260	1,318,988	284,370	98,630	**5,675,248**
Consumer loans and card loans granted to retail customers	9,282,956	1,298,246	596,465	106,435	**11,284,102**
Mortgage loans	11,157,607	642,478	195,767	45,410	**12,041,262**
Loans and finance lease receivables granted to non-banking financial institutions	234,932	1,808,898	191,435	37,150	**2,272,415**
Other	1,598	44,032	3,222	845	**49,697**
Total loans and advances to customers and financial lease receivables before impairment allowance	**33,844,551**	**6,188,106**	**2,640,498**	**461,723**	**43,134,878**
Allowances for impairment losses on loans and financial lease receivables	(453,853)	(625,501)	(1,593,360)	(108,317)	**(2,781,031)**
Total loans and advances to customers and financial lease receivables net of impairment allowance	**33,390,698**	**5,562,605**	**1,047,138**	**353,406**	**40,353,847**

Notes to the consolidated and separate financial statements

4. Financial risk management (*continued*)

b) Credit risk *(continued)*

(ii) Credit risk exposure (continued)

Gross value of loans and advances, lease receivables granted to clients, not impaired, Stage 1	**Very low risk**	**Low risk**	**Moderate risk**	**Sensitive risk**	**Total 2019**
Corporate	1,613,779	4,643,173	2,881,921	55,325	**9,194,198**
Small and medium enterprises	2,095,459	1,197,057	389,051	291,693	**3,973,260**
Consumer loans and card loans granted to retail customers	3,729,746	4,852,540	455,814	244,856	**9,282,956**
Mortgage loans	4,137,587	6,561,789	353,665	104,566	**11,157,607**
Loans and finance lease receivables granted by non-banking financial institutions	-	233,898	-	1,034	**234,932**
Other	276	1,204	3	115	**1,598**
Total loans and advances to customers and financial lease receivables before impairment allowance	**11,576,847**	**17,489,661**	**4,080,454**	**697,589**	**33,844,551**
Allowances for impairment losses on loans and financial lease receivables	(65,615)	(176,829)	(154,748)	(56,661)	**(453,853)**
Total loans and advances to customers and financial lease receivables net of impairment allowance	**11,511,232**	**17,312,832**	**3,925,706**	**640,928**	**33,390,698**

Gross value of loans and advances, lease receivables granted to clients, not impaired, Stage 1	**0 days**	**1-15 days**	**16-30 days**	**Total 2019**
Corporate	9,186,237	6,476	1,485	**9,194,198**
Small and medium enterprises	3,900,815	67,028	5,417	**3,973,260**
Consumer loans and card loans granted to retail customers	8,794,573	389,925	98,458	**9,282,956**
Mortgage loans	10,739,427	317,198	100,982	**11,157,607**
Loans and finance lease receivables granted by non-banking financial institutions	222,079	7,981	4,872	**234,932**
Other	1,563	35	-	**1,598**
Total loans and advances to customers and financial lease receivables before impairment allowance	**32,844,694**	**788,643**	**211,214**	**33,844,551**
Allowances for impairment losses on loans and financial lease receivables	(446,622)	(5,222)	(2,009)	**(453,853)**
Total loans and advances to customers and financial lease receivables net of impairment allowance	**32,398,072**	**783,421**	**209,205**	**33,390,698**

Notes to the consolidated and separate financial statements

4. Financial risk management *(continued)*

b) Credit risk *(continued)*

(ii) Credit risk exposure (continued)

Gross value of loans and advances, lease receivables granted to clients, not impaired, Stage 2	**Low-moderate risk**	**Sensitive risk**	**High risk**	**Total 2019**
Corporate	617,167	310,255	151,850	**1,079,272**
Small and medium enterprises	898,590	208,411	226,026	**1,333,027**
Consumer loans and card loans granted to retail customers	531,242	455,409	336,425	**1,323,076**
Mortgage loans	280,322	259,105	116,655	**656,082**
Loans and finance lease receivables granted by non-banking financial institutions	1,774,154	25,607	9,099	**1,808,860**
Other	15,207	28,803	21	**44,031**
Total loans and advances to customers and financial lease receivables before impairment allowance	**4,116,682**	**1,287,590**	**840,076**	**6,244,348**
Allowances for impairment losses on loans and financial lease receivables	(203,638)	(231,574)	(196,534)	**(631,746)**
Total loans and advances to customers and financial lease receivables net of impairment allowance	**3,913,044**	**1,056,016**	**643,542**	**5,612,602**

Gross value of loans and advances, lease receivables granted to clients, not impaired, Stage 2	**0-30 days**	**31-60 days**	**61-90 days**	**Total 2019**
Corporate	1,078,252	803	217	**1,079,272**
Small and medium enterprises	1,258,721	54,109	20,197	**1,333,027**
Consumer loans and card loans granted to retail customers	1,122,750	159,136	41,190	**1,323,076**
Mortgage loans	561,097	81,559	13,426	**656,082**
Loans and finance lease receivables granted by non-banking financial institutions	1,774,116	24,469	10,275	**1,808,860**
Other	44,000	23	8	**44,031**
Total loans and advances to customers and financial lease receivables before impairment allowance	**5,838,936**	**320,099**	**85,313**	**6,244,348**
Allowances for impairment losses on loans and financial lease receivables	(550,400)	(54,620)	(26,726)	**(631,746)**
Total loans and advances to customers and financial lease receivables net of impairment allowance	**5,288,536**	**265,479**	**58,587**	**5,612,602**

Notes to the consolidated and separate financial statements

4. Financial risk management *(continued)*

b) Credit risk *(continued)*

(ii) Credit risk exposure (continued)

Gross value of loans and advances, lease receivables granted to clients, impaired, Stage 3 and defaulted POCI	**0-30 days**	**31-60 days**	**61-90 days**	**Over 90 days**	**Total 2019**
Corporate	914,991	38,573	12,014	573,106	**1,538,684**
Small and medium enterprises	103,019	24,460	24,694	216,788	**368,961**
Consumer loans and card loans granted to retail customers	186,261	62,902	52,370	376,537	**678,070**
Mortgage loans	84,932	22,977	25,932	93,732	**227,573**
Loans and finance lease receivables granted by non-banking financial institutions	65,208	3,581	11,939	147,895	**228,623**
Other	-	-	-	4,068	**4,068**
Total loans and advances to customers and financial lease receivables before impairment allowance	**1,354,411**	**152,493**	**126,949**	**1,412,126**	**3,045,979**
Allowances for impairment losses on loans and financial lease receivables	(654,806)	(70,469)	(49,242)	(920,915)	**(1,695,432)**
Total loans and advances to customers and financial lease receivables net of impairment allowance	**699,605**	**82,024**	**77,707**	**491,211**	**1,350,547**

Notes to the consolidated and separate financial statements

4. Financial risk management *(continued)*

b) Credit risk *(continued)*

(ii) Credit risk exposure (continued)

The exposures to credit risk for loans and advances to customers at **Bank** level, as at **31 December 2020**, are presented below:

At amortized cost	Assets for which the credit risk has not increased significantly since the initial recognition (Stage 1)	Assets for which the credit risk has significantly increased since the initial recognition, but which are not impaired (Stage 2)	Assets impaired at the reporting date (Stage 3)	Assets impaired on initial recognition (POCI)	Total 2020
In RON thousand					
Corporate	9,955,054	2,316,808	974,340	115,222	**13,361,424**
Small and medium enterprises	4,344,865	1,455,709	319,086	28,998	**6,148,658**
Consumer loans and card loans granted to retail customers	8,590,139	1,373,518	676,938	101,987	**10,742,582**
Mortgage loans	12,348,376	676,371	196,102	45,313	**13,266,162**
Other	201	30,371	4,081	482	**35,135**
Total loans and advances to customers before impairment allowance	**35,238,635**	**5,852,777**	**2,170,547**	**292,002**	**43,553,961**
Allowances for impairment losses on loans	(718,881)	(1,068,022)	(1,348,193)	(54,956)	**(3,190,052)**
Total loans and advances to customers net of impairment allowance	**34,519,754**	**4,784,755**	**822,354**	**237,046**	**40,363,909**

Notes to the consolidated and separate financial statements

4. Financial risk management (*continued*)

b) Credit risk *(continued)*

(ii) Credit risk exposure (continued)

Gross value of loans and advances granted to clients, not impaired, Stage 1	**Very low risk**	**Low risk**	**Moderate risk**	**Sensitive risk**	**Total 2020**
Corporate	2,401,118	5,491,920	2,018,294	43,722	**9,955,054**
Small and medium enterprises	2,630,204	1,339,882	352,704	22,075	**4,344,865**
Consumer loans and card loans granted to retail customers	3,955,235	4,173,768	336,844	124,292	**8,590,139**
Mortgage loans	4,892,305	7,019,899	335,431	100,741	**12,348,376**
Other	-	-	18	183	**201**
Total loans and advances to customers before impairment allowance	**13,878,862**	**18,025,469**	**3,043,291**	**291,013**	**35,238,635**
Allowances for impairment losses on loans	(152,826)	(344,365)	(203,909)	(17,781)	**(718,881)**
Total loans and advances to customers net of impairment allowance	**13,726,036**	**17,681,104**	**2,839,382**	**273,232**	**34,519,754**

Gross value of loans and advances granted to clients, not impaired, Stage 1	**0 days**	**1-15 days**	**16-30 days**	**Total 2020**
Corporate	9,953,729	1,325	-	**9,955,054**
Small and medium enterprises	4,320,940	22,325	1,600	**4,344,865**
Consumer loans and card loans granted to retail customers	8,263,547	264,999	61,593	**8,590,139**
Mortgage loans	12,057,182	229,322	61,872	**12,348,376**
Other	201	-	-	**201**
Total loans and advances to customers before impairment allowance	**34,595,599**	**517,971**	**125,065**	**35,238,635**
Allowances for impairment losses on loans	(712,317)	(5,030)	(1,534)	**(718,881)**
Total loans and advances to customers net of impairment allowance	**33,883,282**	**512,941**	**123,531**	**34,519,754**

Notes to the consolidated and separate financial statements

4. Financial risk management *(continued)*

b) Credit risk *(continued)*

(ii) Credit risk exposure (continued)

Gross value of loans and advances granted to clients, not impaired, Stage 2	**Low-moderate risk**	**Sensitive risk**	**High risk**	**Total 2020**
Corporate	1,820,874	397,144	106,668	**2,324,686**
Small and medium enterprises	439,325	790,945	234,096	**1,464,366**
Consumer loans and card loans granted to retail customers	586,597	500,359	318,846	**1,405,802**
Mortgage loans	305,904	263,675	123,512	**693,091**
Other	178	30,202	-	**30,380**
Total loans and advances to customers before impairment allowance	**3,152,878**	**1,982,325**	**783,122**	**5,918,325**
Allowances for impairment losses on loans	(357,830)	(473,435)	(246,765)	**(1,078,030)**
Total loans and advances to customers net of impairment allowance	**2,795,048**	**1,508,890**	**536,357**	**4,840,295**

Gross value of loans and advances granted to clients, not impaired, Stage 2	**0-30 days**	**31-60 days**	**61-90 days**	**Total 2020**
Corporate	2,323,360	867	459	**2,324,686**
Small and medium enterprises	1,434,839	22,560	6,967	**1,464,366**
Consumer loans and card loans granted to retail customers	1,322,878	67,326	15,598	**1,405,802**
Mortgage loans	646,135	42,344	4,612	**693,091**
Other	30,346	28	6	**30,380**
Total loans and advances to customers before impairment allowance	**5,757,558**	**133,125**	**27,642**	**5,918,325**
Allowances for impairment losses on loans	(1,032,921)	(32,291)	(12,818)	**(1,078,030)**
Total loans and advances to customers net of impairment allowance	**4,724,637**	**100,834**	**14,824**	**4,840,295**

Notes to the consolidated and separate financial statements

4. Financial risk management *(continued)*

b) Credit risk *(continued)*

(ii) Credit risk exposure (continued)

Gross value of loans and advances granted to clients, impaired, Stage 3 and defaulted POCI	**0-30 days**	**31-60 days**	**61-90 days**	**over 90 days**	**Total 2020**
Corporate	780,272	20,678	7,625	273,109	**1,081,684**
Small and medium enterprises	121,010	17,388	16,207	184,822	**339,427**
Consumer loans and card loans granted to retail customers	262,274	66,363	44,840	373,164	**746,641**
Mortgage loans	124,825	18,194	9,345	72,331	**224,695**
Other	3,077	-	-	1,477	**4,554**
Total loans and advances to customers before impairment allowance	**1,291,458**	**122,623**	**78,017**	**904,903**	**2,397,001**
Allowances for impairment losses on loans	(656,950)	(53,418)	(37,702)	(645,071)	**(1,393,141)**
Total loans and advances to customers net of impairment allowance	**634,508**	**69,205**	**40,315**	**259,832**	**1,003,860**

The exposures to credit risk for loans and advances to customers at **Bank** level, as at **31 December 2019**, are presented below:

At amortized cost	**Assets for which the credit risk has not increased significantly since the initial recognition (Stage 1)**	**Assets for which the credit risk has significantly increased since the initial recognition, but which are not impaired (Stage 2)**	**Assets impaired at the reporting date (Stage 3)**	**Assets impaired on initial recognition (POCI)**	**Total 2019**
In RON thousand					
Corporate	10,265,861	964,802	1,365,765	114,474	**12,710,902**
Small and medium enterprises	3,853,586	1,279,897	276,702	31,761	**5,441,946**
Consumer loans and card loans granted to retail customers	9,120,517	1,294,998	592,910	105,895	**11,114,320**
Mortgage loans	10,958,278	639,326	192,485	45,046	**11,835,135**
Other	1,602	28,890	948	845	**32,285**
Total loans and advances to customers before impairment allowance	**34,199,844**	**4,207,913**	**2,428,810**	**298,021**	**41,134,588**
Allowances for impairment losses on loans	(466,217)	(527,633)	(1,467,871)	(70,952)	**(2,532,673)**
Total loans and advances to customers net of impairment allowance	**33,733,627**	**3,680,280**	**960,939**	**227,069**	**38,601,915**

Notes to the consolidated and separate financial statements

4. Financial risk management (*continued*)

b) Credit risk *(continued)*

(ii) Credit risk exposure (continued)

Gross value of loans and advances granted to clients, not impaired, Stage 1	**Very low risk**	**Low risk**	**Moderate risk**	**Sensitive risk**	**Total 2019**
Corporate	2,427,235	4,901,380	2,881,921	55,325	**10,265,861**
Small and medium enterprises	2,097,455	1,075,387	389,051	291,693	**3,853,586**
Consumer loans and card loans granted to retail customers	3,729,746	4,692,028	453,887	244,856	**9,120,517**
Mortgage loans	4,137,586	6,363,748	352,378	104,566	**10,958,278**
Other	291	1,193	-	118	**1,602**
Total loans and advances to customers before impairment allowance	**12,392,313**	**17,033,736**	**4,077,237**	**696,558**	**34,199,844**
Allowances for impairment losses on loans	(73,951)	(180,912)	(154,745)	(56,609)	**(466,217)**
Total loans and advances to customers net of impairment allowance	**12,318,362**	**16,852,824**	**3,922,492**	**639,949**	**33,733,627**

Gross value of loans and advances granted to clients, not impaired, Stage 1	**0 days**	**1-15 days**	**16-30 days**	**Total 2019**
Corporate	10,259,518	4,858	1,485	**10,265,861**
Small and medium enterprises	3,787,805	60,364	5,417	**3,853,586**
Consumer loans and card loans granted to retail customers	8,640,404	383,583	96,530	**9,120,517**
Mortgage loans	10,549,434	309,149	99,695	**10,958,278**
Other	1,567	35	-	**1,602**
Total loans and advances to customers before impairment allowance	**33,238,728**	**757,989**	**203,127**	**34,199,844**
Allowances for impairment losses on loans	(459,458)	(4,929)	(1,830)	**(466,217)**
Total loans and advances to customers net of impairment allowance	**32,779,270**	**753,060**	**201,297**	**33,733,627**

Notes to the consolidated and separate financial statements

4. Financial risk management *(continued)*

b) Credit risk *(continued)*

(ii) Credit risk exposure (continued)

Gross value of loans and advances granted to clients, not impaired, Stage 2	**Low-moderate risk**	**Sensitive risk**	**High risk**	**Total 2019**
Corporate	506,505	310,255	151,850	**968,610**
Small and medium enterprises	862,534	208,411	218,653	**1,289,598**
Consumer loans and card loans granted to retail customers	529,651	453,751	336,425	**1,319,827**
Mortgage loans	279,158	256,958	116,655	**652,771**
Other	66	28,803	21	**28,890**
Total loans and advances to customers before impairment allowance	**2,177,914**	**1,258,178**	**823,604**	**4,259,696**
Allowances for impairment losses on loans	(112,191)	(226,274)	(195,417)	**(533,882)**
Total loans and advances to customers net of impairment allowance	**2,065,723**	**1,031,904**	**628,187**	**3,725,814**

Gross value of loans and advances granted to clients, not impaired, Stage 2	**0-30 days**	**31-60 days**	**61-90 days**	**Total 2019**
Corporate	967,590	803	217	**968,610**
Small and medium enterprises	1,222,665	46,736	20,197	**1,289,598**
Consumer loans and card loans granted to retail customers	1,121,158	157,489	41,180	**1,319,827**
Mortgage loans	559,933	80,497	12,341	**652,771**
Other	28,859	23	8	**28,890**
Total loans and advances to customers before impairment allowance	**3,900,205**	**285,548**	**73,943**	**4,259,696**
Allowances for impairment losses on loans	(458,962)	(49,285)	(25,635)	**(533,882)**
Total loans and advances to customers net of impairment allowance	**3,441,243**	**236,263**	**48,308**	**3,725,814**

Notes to the consolidated and separate financial statements

4. Financial risk management *(continued)*

b) Credit risk *(continued)*

(ii) Credit risk exposure (continued)

Gross value of loans and advances granted to clients, impaired, Stage 3 and defaulted POCI	**0-30 days**	**31-60 days**	**61-90 days**	**over 90 days**	**Total 2019**
Corporate	911,326	38,573	12,014	514,518	**1,476,431**
Small and medium enterprises	98,318	18,529	18,470	163,445	**298,762**
Consumer loans and card loans granted to retail customers	186,122	62,825	51,376	373,653	**673,976**
Mortgage loans	84,882	22,893	25,932	90,379	**224,086**
Other	-	-	-	1,793	**1,793**
Total loans and advances to customers before impairment allowance	**1,280,648**	**142,820**	**107,792**	**1,143,788**	**2,675,048**
Allowances for impairment losses on loans	(622,935)	(69,369)	(43,022)	(797,248)	**(1,532,574)**
Total loans and advances to customers net of impairment allowance	**657,713**	**73,451**	**64,770**	**346,540**	**1,142,474**

As at 31 December 2020, the financial assets which are required to be measured at fair value through other items of comprehensive income include treasury bills and bonds issued by the Government of Romania, with BBB- rating issued b Standard&Poor's, bonds issued by the Ministry of Finance of the Republic of Moldova with a sovereign rating B3 by Standard and Poor's, bonds issued by the Ministry of Finance of Italy with a rating of BBB-, bonds issued by municipalities with a rating of BBB- and BB+, bonds issued by credit institutions and other financial institutions rated A, A-, A+, BBB, BBB- and BBB+ and bonds issued by other non-financial institutions rated B- (note 24).

As at 31 December 2019, the financial assets which are required to be measured at fair value through other items of comprehensive income include treasury bills and bonds issued by the Government of Romania, with BBB- rating, bonds issued by the Ministry of Finance of the Republic of Moldova with a sovereign rating B, bonds issued by the Ministry of Finance of Italy with a rating of BBB-, bonds issued by municipalities with a rating of BBB-, BB+ and BB-, bonds issued by credit institutions and other financial institutions rated A-, A+, BBB, BBB- and BBB+ and bonds issued by other non-financial institutions rated B (note 24).

Notes to the consolidated and separate financial statements

4. Financial risk management (*continued*)

b) Credit risk *(continued)*

(ii) Credit risk exposure (continued)

Impairment allowances

Based on future scenarios, the Group assesses the expected credit loss ("ECL") related to the loans and advances to customers and financial lease receivables, assets in the form debt instruments measured at amortized cost.

Loan collateral policy
The Group and the Bank hold collateral against loans and advances to customers in the form of mortgages over land and buildings, pledges on equipment and inventories, letter of guarantees, insurance policies and other guarantees. The Group and the Bank have ownership rights over these guarantees until the end of the contract. The estimates of fair value are based on the collateral value assessed on the loan granting date and periodically updated afterwards.

The pledges presented below comprise pledged without dispossession and do not include guarantees related to the lease contracts granted by BT Leasing IFN S.A.

Property includes land, residential and commercial buildings, "Security interests in movable property" includes pledges on movable assets (cars, equipment, inventories etc.) and the category "Other collateral" includes collateral deposits and other guarantees received.

An analysis of the collateral values split per types of loans and advances and lease receivables granted to customers is presented below:

	Group		Bank	
In RON thousand	**2020**	**2019**	**2020**	**2019**
Collaterals related to loans and lease receivables with moderate, sensitive and high risk and impaired loans				
Property	7,896,883	7,126,392	7,441,712	6,652,507
Security interests in movable property	965,493	828,717	908,126	705,621
Other collateral	734,801	358,715	566,497	227,248
Total	**9,597,177**	**8,313,824**	**8,916,335**	**7,585,376**
Collaterals related to loans and lease receivables with low risk				
Property	29,924,177	29,572,842	29,522,793	29,137,465
Security interests in movable property	1,130,415	1,657,785	1,112,411	1,657,785
Other collateral	4,799,175	2,779,404	4,702,816	2,717,782
	35,853,767	**34,010,031**	**35,338,020**	**33,513,032**
Total	**45,450,944**	**42,323,855**	**44,254,355**	**41,098,408**

The financial effect of the Group collateral is presented separately highlighting the collateral values, as follows:

(i) for those assets in which the collateral is equal to or higher than the book value of the asset ("over-collateralization of assets") and
(ii) for those assets in which the collateral is lower than the book value of the asset ("under-collateralization of assets"),

Notes to the consolidated and separate financial statements

4. Financial risk management (*continued*)

b) Credit risk *(continued)*

(ii) Credit risk exposure (continued)

The financial effect of the **Group** guarantee as at **31 December 2020** is the following:

	Group 2020					
	Exposures stage 1		Exposures stage 2		Exposures stage 3	
In RON thousand	Under-collateralization	Over-collateralization	Under-collateralization	Over-collateralization	Under-collateralization	Over-collateralization
Corporate						
- Gross exposure	6,488,541	2,238,844	1,273,546	1,167,121	700,652	500,153
- Collateral	2,339,673	4,083,842	507,310	2,383,903	313,125	882,724
Small and medium enterprises						
- Gross exposure	3,082,197	1,317,258	993,317	504,743	209,103	138,614
- Collateral	1,434,740	2,730,684	320,003	1,239,018	47,963	381,277
Consumer loans and card loans granted to retail customers						
- Gross exposure	6,825,521	1,953,456	854,041	555,707	539,014	221,639
- Collateral	174,965	5,493,063	234,214	1,197,976	104,186	504,337
Mortgage loans						
- Gross exposure	675,130	11,967,581	181,858	514,645	97,316	132,118
- Collateral	536,478	19,060,322	127,365	826,568	55,600	239,916
Loans and finance lease receivables granted by non-banking financial institutions						
- Gross exposure	434,693	-	1,698,101	21,495	289,253	1,510
- Collateral	-	-	169,189	46,434	4,178	3,583
Other						
- Gross exposure	201	-	31,229	3,622	6,339	-
- Collateral	-	-	634	7,674	-	-

Notes to the consolidated and separate financial statements

4. Financial risk management (*continued*)

b) Credit risk *(continued)*

(ii) Credit risk exposure (continued)

The financial effect of the **Group** guarantee as at **31 December 2019** is the following:

	Group 2019					
	Exposures stage 1		**Exposures stage 2**		**Exposures stage 3**	
In RON thousand	**Under-collateralization**	**Over-collateralization**	**Under-collateralization**	**Over-collateralization**	**Under-collateralization**	**Over-collateralization**
Corporate						
- Gross exposure	5,849,652	3,344,546	502,847	576,425	962,768	575,916
- Collateral	1,512,181	5,842,301	144,473	1,204,829	378,757	1,031,467
Small and medium enterprises						
- Gross exposure	2,479,376	1,493,884	707,532	625,495	142,606	226,355
- Collateral	391,908	3,092,879	78,467	1,446,142	37,865	542,728
Consumer loans and card loans granted to retail customers						
- Gross exposure	7,121,835	2,161,121	755,608	567,468	448,130	229,940
- Collateral	247,788	5,817,661	248,800	1,263,989	117,507	480,306
Mortgage loans						
- Gross exposure	647,525	10,510,082	204,599	451,483	107,413	120,160
- Collateral	491,544	16,613,769	143,639	729,891	63,687	218,536
Loans and finance lease receivables granted by non-banking financial institutions						
- Gross exposure	234,932	-	1,787,374	21,486	227,372	1,251
- Collateral	-	-	104,372	42,649	1,696	2,567
Other						
- Gross exposure	1,598	-	31,567	12,464	4,068	-
- Collateral	-	-	2,498	28,959	-	-

Notes to the consolidated and separate financial statements

4. Financial risk management (*continued*)

b) Credit risk *(continued)*

(ii) Credit risk exposure (continued)

The financial effect of the **Bank** guarantee as at **31 December 2020** is the following:

	Bank 2020					
	Exposures stage 1		**Exposures stage 2**		**Exposures stage 3**	
In RON thousand	**Under-collateralization**	**Over-collateralization**	**Under-collateralization**	**Over-collateralization**	**Under-collateralization**	**Over-collateralization**
Corporate						
- Gross exposure	7,746,564	2,208,490	1,238,516	1,086,170	651,463	430,221
- Collateral	2,314,138	4,010,728	492,481	2,156,408	280,870	778,305
Small and medium enterprises						
- Gross exposure	3,042,059	1,302,806	971,815	492,549	206,272	133,157
- Collateral	1,420,853	2,675,313	309,790	1,208,739	46,079	372,807
Consumer loans and card loans granted to retail customers						
- Gross exposure	6,643,404	1,946,735	850,302	555,501	526,060	220,580
- Collateral	172,739	5,478,272	234,139	1,197,634	103,683	500,350
Mortgage loans						
- Gross exposure	466,758	11,881,618	180,971	512,121	93,841	130,853
- Collateral	356,553	18,909,424	126,565	819,669	52,984	235,832
Other						
- Gross exposure	201	-	30,377	-	4,557	-
- Collateral	-	-	-	-	-	-

Notes to the consolidated and separate financial statements

4. Financial risk management (*continued*)

b) Credit risk *(continued)*

(ii) Credit risk exposure (continued)

The financial effect of the **Bank** guarantee as at **31 December 2019** is the following:

	Bank 2019					
	Exposures stage 1		**Exposures stage 2**		**Exposures stage 3**	
In RON thousand	**Under-collateralization**	**Over-collateralization**	**Under-collateralization**	**Over-collateralization**	**Under-collateralization**	**Over-collateralization**
Corporate						
- Gross exposure	6,954,332	3,311,529	477,904	490,706	940,973	535,458
- Collateral	1,481,287	5,769,544	130,595	969,600	364,502	981,192
Small and medium enterprises						
- Gross exposure	2,417,636	1,435,950	688,084	601,515	137,815	160,946
- Collateral	366,943	2,953,759	67,011	1,400,374	35,750	417,770
Consumer loans and card loans granted to retail customers						
- Gross exposure	6,966,718	2,153,799	752,431	567,396	444,991	228,985
- Collateral	246,349	5,833,133	248,800	1,228,499	117,263	478,473
Mortgage loans						
- Gross exposure	524,192	10,434,086	204,133	448,638	104,889	119,197
- Collateral	393,600	16,468,417	143,230	723,728	61,647	216,942
Other						
- Gross exposure	1,602	-	28,890	-	1,793	-
- Collateral	-	-	-	-	-	-

Notes to the consolidated and separate financial statements

4. Financial risk management (*continued*)

b) Credit risk *(continued)*

(ii) Credit risk exposure (continued)

The exposure representing credit risk refers to the following balance-sheet and off balance-sheet items:

- Cash with Central Banks and Deposits with banks;
- Financial assets measured at amortized cost - debt securities;
- Financial assets measured at FVOCI- debt securities (see note 24a);
- Contingent liabilities representing credit risk (irrevocable financial guarantees and uncommitted irrevocable loan commitments).

The tables below show the reconciliation between the gross carrying amount and the net carrying amount of the individual components, of the risk exposure, **consolidated** as at **31 December 2020** and **31 December 2019**:

		Group					
In RON thousand		**2020**			**2019**		
Assets	Notes	**Gross carrying amount**	**Loss allowance**	**Carrying amount**	**Gross carrying amount**	**Loss allowance**	**Carrying amount**
Cash and curent accounts with Central Banks	19	19,290,211	993	19,289,218	11,392,140	1,033	11,391,107
Placements with banks	20	7,223,906	629	7,223,277	7,775,668	528	7,775,140
Loans and advances to customers	22	44,286,658	3,394,114	40,892,544	41,872,385	2,696,981	39,175,404
Finance lease receivables	23	1,331,900	104,184	1,227,716	1,262,493	84,050	1,178,443
Financial assets measured at amortized cost - debt securities	24	997,409	7,303	990,106	1,973,674	5,643	1,968,031
Total on-balance sheet		**73,130,084**	**3,507,223**	**69,622,861**	**64,276,360**	**2,788,235**	**61,488,125**
Irrevocable commitments given		619,781	17,873	601,908	707,154	26,025	681,129
Irrevocable financial guarantees given		3,367,483	137,967	3,229,516	3,073,823	99,697	2,974,126
Total off-balance sheet		**3,987,264**	**155,840**	**3,831,424**	**3,780,977**	**125,722**	**3,655,255**
Total on and off-balance sheet		**77,117,348**	**3,663,063**	**73,454,285**	**68,057,337**	**2,913,957**	**65,143,380**

Notes to the consolidated and separate financial statements

4. Financial risk management (*continued*)

b) Credit risk *(continued)*

(ii) Credit risk exposure (continued)

The tables below show the reconciliation between the Gross carrying amount and the net book value of the individual components, of the risk exposure, **separate** as at **31 December 2020** and **31 December 2019**:

		Bank					
In RON thousand		2020			2019		
Assets	Notes	**Gross carrying amount**	**Loss allowance**	**Carrying amount**	**Gross carrying amount**	**Loss allowance**	**Carrying amount**
Cash and curent accounts with Central Banks	19	18,559,012	272	18,558,740	10,585,883	167	10,585,716
Placements with banks	20	6,636,731	336	6,636,395	6,995,383	37	6,995,346
Loans and advances to customers	22	43,553,961	3,190,052	40,363,909	41,134,588	2,532,673	38,601,915
Financial assets measured at amortized cost - debt securities	24	160,887	13	160,874	1,176,847	13	1,176,834
Total on-balance sheet		**68,910,591**	**3,190,673**	**65,719,918**	**59,892,701**	**2,532,890**	**57,359,811**
Irrevocable commitments given		96,941	11,699	85,242	136,928	15,772	121,156
Irrevocable financial guarantees given		3,339,621	137,301	3,202,320	3,057,330	99,231	2,958,099
Total off-balance sheet		**3,436,562**	**149,000**	**3,287,562**	**3,194,258**	**115,003**	**3,079,255**
Total on and off-balance sheet		**72,347,153**	**3,339,673**	**69,007,480**	**63,086,959**	**2,647,893**	**60,439,066**

Below we present the gross book value and the provisions related to the exposure of off-balance sheet risk at consolidated and individual level as of December 31, 2020:

	Grup				Bancă			
In RON thousand	**Stage 1**	**Stage 2**	**Stage 3**	**Total**	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Irrevocable commitments given								
- Gross carrying amount	482,648	97,667	39,466	619,781	65,935	19,264	11,742	96,941
- Loss allowance	(2,102)	(2,722)	(13,049)	(17,873)	(522)	(33)	(11,144)	(11,699)
Irrevocable financial guarantees given								
- Gross carrying amount	3,054,171	191,644	121,668	3,367,483	3,026,310	191,644	121,667	3,339,621
- Loss allowance	(43,320)	(9,031)	(85,616)	(137,967)	(2,654)	(9,031)	(85,616)	(137,301)

Notes to the consolidated and separate financial statements

4. Financial risk management (*continued*)

b) Credit risk *(continued)*

Exposure to high-risk Eurozone countries

The economy of Euroland (the main economic partner of Romania) contracted by the most severe pace in the history of the region in 2020, due to the outbreak of the pandemic and the consequences of this unprecedented shock.

According to the preliminary estimates of Eurostat, the GDP of Eurozone declined by 6.8% YoY in 2020, an evolution mainly determined by the adjustment of the domestic demand (the fixed investments and the private consumption), after the incidence of the health crisis and the implementation of restrictions to counter it. We point out that the countries across the region reintroduced restrictions at the end of 2020, in the context of intensifying pandemic.

As regards the financial dimension of the economy there can be noticed the deceleration of the inflation, from 1.2% in 2019 to 0.3% in 2020, the lowest level since 2016. This evolution was determined by the slowing-down of the core component (from 1% YoY in 2019 to 0.7% YoY in 2020, a record low level) and by the adjustment of the international oil prices.

Following the outbreak of the pandemic the European Central Bank (ECB) implemented additional non-standard measures, including the launch of special programs (such as the pandemic emergency purchase program, with a total volume of EUR 1,850bn, available until March 2022). In this context, the levels of EURIBOR and the interest rates on sovereign bonds declined to record low levels in 2020.

Measurement of the expected credit loss allowance

The measurement of the expected credit loss allowance for financial assets is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behavior (e.g. the likelihood of customers defaulting and the resulting losses).
The financial assets that are the subject of this chapter are:

- loan and advances to customers at amortized cost
- lending commitments and financial guarantees offered by the Bank (e.g. letter of credit, letter of guarantees)
- placements made in other banks, including mandatory minimum reserves (RMO) and loans to other bank institutions
- portfolio of financial instruments measured at FVOCI (e.g. government bonds, corporate or municipal bonds, etc.)
- financial instrument portfolio measured at amortized cost (corporate bonds)

A number of significant judgements are also required in applying the accounting requirements for measuring ECL, such as:

- Establishing groups of similar financial assets for the purposes of measuring ECL;
- Determining criteria for significant increase in credit risk;
- Choosing appropriate models and assumptions for the measurement of ECL;
- Establishing the number and relative weightings of forward-looking scenarios for ECL

4. Financial risk management (*continued*)

b) Credit risk *(continued)*

Measurement of the expected credit loss allowance (continued)

IFRS 9 outlines a 'three-stage' model for impairment based on changes in credit quality since initial recognition as summarized below:

- A financial instrument that is not credit-impaired on initial recognition or, for that assets there are no indicators fulfilled to presume that has been "an increase in credit risk" is classified in 'Stage 1';
- If a significant increase in credit risk ('SICR') since initial recognition is identified, the financial instrument is moved to 'Stage 2' but is not yet deemed to be credit-impaired;
- If the financial instrument is credit-impaired, the financial instrument is then moved to 'Stage 3'.

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. Instruments in Stages 2 or 3 have their ECL measured based on expected credit losses on a lifetime basis.

A general approach in measuring ECL in accordance with IFRS 9 is that it should consider forward-looking information.

Purchased or originated credit-impaired financial assets are those financial assets that are credit-impaired on initial recognition. Their ECL is always measured on a lifetime basis.

The following diagram summarizes the impairment requirements under IFRS 9 (other than purchased or originated credit-impaired financial assets):

Change in credit quality since initial recognition

Stage 1	Stage 2	Stage 3
(Initial recognition)	(Significant increase in credit risk since initial recognition)	(Credit-impaired assets)
12-month expected credit losses	Lifetime expected credit losses	Lifetime expected credit losses

Expected credit losses are the discounted product of the Probability of Default (PD). Exposure at Default (EAD), and Loss Given Default (LGD), defined as follows:

The PD represents the likelihood of a borrower defaulting on its financial obligation (as per "Definition of default and credit-impaired "above), either over the next 12 months (12M PD), or over the remaining lifetime (Lifetime PD) of the obligation.

EAD is based on the amounts the Group expects to be owed at the time of default, over the next 12 months (12M EAD) or over the remaining lifetime (Lifetime EAD).

Loss Given Default (LGD) represents a Group's expectation of the extent of loss on a defaulted exposure. LGD varies by type of counterparty and availability of collateral or other credit support.

The ECL is determined by projecting the PD, LGD and EAD for each future month and for each individual exposure. The ECL for each future month is then discounted back to the reporting date and summed.

The discount rate used in the ECL calculation is the original effective interest rate or an approximation thereof.

4. Financial risk management (*continued*)

b) Credit risk *(continued)*

Measurement of the expected credit loss allowance (continued)

The 12-month and lifetime EADs are determined based on the expected payment profile, which varies by product type.

- For amortizing products and bullet repayment loans, this is based on the contractual repayments owed by the borrower over a 12months or lifetime basis.
- For revolving products and other commitments, for determining the exposure in default, the unused part is taken into account, being applied a credit conversion factor, estimated by the Bank, based on its own historical analysis.

Significance increase in Credit Risk

In determining whether a significant increase in credit risk occurred since initial recognition the Group considers reasonable and supportable information that is relevant and can be obtained without undue cost and effort.

The Group considers a financial instrument to have experienced a significant increase in credit risk when one or more of the following quantitative, qualitative or backstop criteria have been met:

Quantitative criteria:

The remaining Lifetime PD at the reporting date has increased, compared to the residual Lifetime PD expected at the reporting date when the exposure was first recognized, so that it exceeds the relevant threshold (assessed also via the movements between various rating notches and also via comparing the PD curves).

These thresholds (relative and absolutes levels) have been determined separately for different portfolio types, by assessing how the Lifetime PD moves prior to an instrument becoming delinquent. The Lifetime PD movements on instruments which do not subsequently become delinquent have also been assessed, to identify the ‘natural’ movement in Lifetime PD which is not indicative of a significant increase in credit risk.

Qualitative criteria for retail portfolios (individuals):

- Significant increase in credit risk perceived by the risk analysis team for individually assessed exposures;
- It is classified as performing restructured;
- LTV analysis for secured retail loans (above a relative threshold combined with days past due indicator);
- Denominated in high-risk currency category;
- Change in rating grade.

Qualitative criteria for company portfolios:

- Significant increase in credit risk perceived by the risk analysis team for individually assessed exposures;
- Significant adverse changes in business, financial and/or economic conditions in which the borrower operates (rating deterioration);
- Actual or expected forbearance operation;

4. Financial risk management (*continued*)

b) Credit risk *(continued)*

Measurement of the expected credit loss allowance (continued)

- Early signs of cash flow/liquidity problems such as delay in servicing of trade creditors/loans;
- The borrower is assigned to Remediation department.

The assessment of SICR incorporates forward-looking information.
If there is evidence that the SICR criteria are no longer met, the instrument is transferred back to Stage 1. If an exposure has been transferred to Stage 2 based on a mentioned indicator, the Group monitors whether that indicator continues to exist or has changed.
In relation to Treasury financial instruments, where a Watchlist is used to monitor credit risk, this assessment is performed at the counterparty level and on a periodic basis. The criteria used to identify SICR are monitored and reviewed periodically for appropriateness by the independent Credit Risk team.
If the contractual cash flows on a financial asset have been renegotiated or modified and the financial asset was not derecognized, the Bank assess whether there has been a significant increase in the credit risk of the financial instrument, compared to:

a) the risk of a default occurring at the reporting date (based on the modified contractual terms); and
b) the risk of a default occurring at initial recognition (based on the original, unmodified contractual terms).

Especially for forborne loans (restructured operation made for debtors that are facing financial difficulties), the Bank considers them to have "significant increase in credit risk" implied. Having this said, these types of operations determining that those assets are classified as stage 2 or stage 3 and the ECL is calculate on lifetime basis. For forborne financial assets, the Bank establish a healing period (at least 2 years after the concluding event), in which the ECL lifetime mode is kept. After those 2 years mentioned, the Bank is analyzing the financial standing of the borrower and the payments that have been made after the event (frequency and volume) and is concluding if the status should be changed and if so, then ECL calculation is made on 12months basis.

Backstops

A backstop is applied and the financial instrument considered to have experienced a significant increase in credit risk if the borrower is more than 30 days past due on its contractual payments.
Also, when the whole outstanding amount of the loan becomes overdue (its final maturity date is passed), then it will be classified in stage 2.

Low credit risk exemption

The Group is using the low credit risk exemption for debt financial instruments (e.g. sovereign bonds, municipal bonds, corporate bond and bonds issued by financial institutions).

Definition of default and credit-impaired assets

The Group defines a financial instrument as in default, which is fully aligned with the definition of credit- impaired, when it meets one or more of the following criteria:

- The borrower is more than 90 days past due on its contractual payments (also including the new default definition which is referring to significant overdue amount*);
- The borrower meets unlikeliness to pay criteria:
  - Significant financial difficulty of the issuer or the borrower;
  - The borrower is in nonperforming forbearance situation due to concessions that have been made by the Bank relating to the borrower's financial difficulty;

4. Financial risk management (*continued*)
b) Credit risk *(continued)*

Measurement of the expected credit loss Explanation of inputs, assumptions and estimation techniques (continued)

- The borrower is in insolvency status or bankruptcy (or other type of judicial reorganization, both retail and companies) or is becoming probable that the borrower will enter bankruptcy;
- The borrower for whom legal procedures have started (forced execution started by the Bank);
- The borrower and/or the mortgage guarantor sent notification for "payment in kind";
- Write off (total/partial) or sale;
- The borrower is in a breach of a significant financial covenant(s);

- An active market for that financial asset has disappeared because of financial difficulties;
- Financial assets are purchased or originated at a deep discount that reflects the incurred credit losses.

Exposures which are considered to be in default for regulatory purposes (CRR art 178) will always be considered stage 3 exposures. Further on, stage 3 exposure are fully aligned with non-performing exposure (the entire amount of the customer's exposure is considered to be non-performing).

*Bank and its local subsidiaries have implemented at the end of 2020 the European Banking Authority's (the EBA's) definition of default (GL 2016-07), also considering the significance threshold of overdue obligation** established by National Bank of Romania in order to comply with art 178 CRR. This new indicator is considered a new "add-on" to default definition applied by the Group (we do not exclude/ eliminate the day past due indicator considering contractual payment schedules).The criteria above have been applied to all financial instruments held by the Group and are consistent with the definition of default used for internal credit risk management purposes.

** Threshold for assessing the material significance of a credit obligation, as provided for in Article 178 (1) (b) of Regulation (EU) No 1095/2010. 575/2013, consists of an absolute component and a relative component:

- The absolute component is expressed as the maximum value of the sum of all the overdues amounts that a debtor owes to the Bank;
- The relative component is expressed as a percentage that reflects the ratio between the value of the overdues loan obligations and the total exposures to that debtor.

For this indicator, it is considered that the debtor is in default when both the limit expressed as the absolute component of the significance threshold and the limit expressed as the relative component of the significance threshold are exceeded for 90 consecutive days. According to NBR Regulation 5/2018, the level of the relative component and the level of the absolute component of the significance threshold is as follows:

- For retail exposures:
  - The level of the relative component of the significance threshold is 1%;
  - The level of the absolute component of the significance threshold is RON 150.
- For other types of exposures than retail exposures:
  - The level of the relative component of the significance threshold is 1%;
  - The level of the absolute component of the significance threshold is RON 1,000.

The above criteria have been applied to all financial instruments held by the Group and are consistent with the definition of the default condition used for internal credit risk management purposes. An instrument is considered to no longer be in default (i.e. has been "cured") when it no longer meets any of the default criteria for a consistent period of time, depending on the main trigger for the default classification.

4. Financial risk management *(continued)*

b) Credit risk *(continued)*

Measurement of the expected credit loss Explanation of inputs, assumptions and estimation techniques (continued)

This period has been determined based on an analysis which considers the likelihood of a financial instrument returning to default status after cure using different possible cure definitions and also expert opinion. For example, the healing period for days past due criteria start at 3 months while the healing period for nonperforming forborne asset start at one year.

Forward-looking economic information is also included in determining the 12-months and lifetime ECL. These assumptions vary by product type.

In normal market conditions, the assumptions underlying the ECL are monitored and reviewed on a bi-annual basis. During 2020, considering the corona event and the impact to the economic condition, the Group decide to review and update the macroeconomic analysis on a quarterly basis.

Forward-looking information incorporated in the ECL models

The assessment of SICR and measurement of ECL incorporates forward-looking information.

The Group has performed historical analysis and identified the key economic variables impacting credit risk and expected credit losses for each portfolio. Expert judgment has also been applied in this process.

Forecasts of these economic variables are provided by the Group's Economics Research team and provide the best estimate view of the economy over the next three years. After three years, to project the economic variables out for the full remaining lifetime of each instrument, a mean reversion approach has been used. The impact of these economic variables has been determined by performing statistical regression analysis.
The estimation of expected credit losses involves forecasting future economic conditions over 3 years. The incorporation of forward-looking elements reflects the expectations of the Bank and involves the creation of scenarios (base case, optimist and two pessimist), including an assessment of the probability for each scenario.
The macroeconomic scenarios applied have been changed from those applied in Q4 2019, to reflect the worsening of the macroeconomic outlook due to the COVID-19 pandemic.

Usually, the Bank uses three scenarios: base scenario (which is the most probable scenario of the economic environment), optimistic and adverse scenario (for these two scenarios, the probabilities are lower than base scenario). The scenario weightings are determined by a combination of statistical analysis and expert credit judgement, taking into account the range of possible representative outcomes for each chosen scenario.

Due to Covid-19 pandemic, Group decided to be more conscious/prudent regarding the economic recovery and divided the single pessimist scenario in two pessimist scenarios, first pessimist covering a "V" shape evolution and the second pessimist expressing an "U" shape of the GDP evolution.

Scenarios weights, for the Bank:

	Optimist	Base case	Pessimist_1	Pessimist_2
Y2019	10%	50%	40%	NA#
Y2020	5%	50%	25%	20%

4. Financial risk management *(continued)*

b) Credit risk *(continued)*

Measurement of the expected credit loss Explanation of inputs, assumptions and estimation techniques (continued)

The effect of the coronavirus pandemic began to affect the Group's and Bank's loan portfolio in the first quarter of 2020. Based on the measures taken by governments across the countries to contain the virus (aggressive lock down), economies were seeing lower activity in the short term, although the activity in many sectors was back to a normal activity level already in the second quarter of 2020 after the reopening of societies.

However, in the fourth quarter of 2020 a second wave of the Covid-19 pandemic evolved, and new restriction were introduced (not considering a new lockdown). The economies continue to be supported by government support packages. Significant uncertainty still remains as to the effectiveness of actions taken by governments to contain the virus and as to when the roll-out of vaccine programs will have a sufficient coverage to limit the spread of the virus. The economic activity is likely to be impacted in the shorter term and it is yet unknown to which extent governments will continue to support the economies. Further credit deterioration remains to be seen, as the effect is currently limited and mitigated by the continued government support packages. Therefore, comparing with 2019, the scenarios have been adjusted so that the expected credit losses are now based on a central scenario that reflects a significant worsening of economic activity in 2020, followed by a significant recovery in 2021, as well as two pessimistic scenarios that reflect the economic recession in 2 different degrees of severity and recovery (form of "V" or "U" of the GDP indicator evolution) considering that the contribution of certain sectors / industries / components in GDP will be lower, and the governmental measures for recovery will not have the maximum expected effect.
Also, for the pessimistic scenarios, we considered a new wave of the COVID-19 pandemic in 2021 that will strain the economic situation.

The baseline scenario assumes that the recovery process (which began in Q3 and Q4 2020) will continue, with economic growth rates gradually approaching more common values. The vaccination process will give the necessary impetus to economic activities, along with the recovery of western European markets to which we are significantly connected. In the pessimistic scenarios, the recovery is slower, the business environment and the population will adopt a more cautious behavior and more attentive to the evolution of the pandemic.

In addition to the affected sectors, we assumed that other connected sectors would face similar problems, but to a lesser extent - it is possible that government measures would reach their limits. We believe that the moment will be overcome without fundamentally damaging the economy, which will fully recover by the end of 2022 and 2023, respectively. The optimistic scenario envisages total control of the pandemic and a rapid vaccination process with a positive effect on population confidence (consumption increase) and companies (resume investment process, low risk aversion).

For the Bank and its local entities the most important assumption affecting the ECL allowance are as follows:
<u>For Retail loans:</u>

1. GDP
2. Unemployment rate
3. Interest rate evolution (EURIBOR/ ROBOR)

<u>For Companies:</u>

1. GDP
2. Inflation rate
3. Unemployment rate

4. Financial risk management *(continued)*

b) Credit risk *(continued)*

Measurement of the expected credit loss Explanation of inputs, assumptions and estimation techniques (continued)

Optimist scenario Macro indicators	**2020**	**2021**	**2022**	**2023**
Real GDP (%, YoY)	-3.4	7.0	7.7	5.5
Unemployment rate (%)	4.0	4.0	3.9	3.9
Inflation (HICP) (%)	1.7	1.7	1.8	1.6
Key interest rate ROBOR 3M (%)	1.8	0.9	0.8	0.6
Key interest rate EURIBOR 3M (%)	-0.4	-0.4	-0.4	-0.4

Base/central scenario Macro indicators	**2020**	**2021**	**2022**	**2023**
Real GDP (%, YoY)	-4.5	4.5	5.1	4.1
Unemployment rate (%)	5.7	5.7	5.7	5.6
Inflation (HICP) (%)	1.9	2.5	2.8	2.8
Key interest rate ROBOR 3M (%)	2.1	1.8	1.8	1.8
Key interest rate EURIBOR 3M (%)	-0.5	-0.5	-0.5	-0.5

Pessimist V-shape scenario Macro indicators	**2020**	**2021**	**2022**	**2023**
Real GDP (%, YoY)	-5.6	2.4	4.5	3.9
Unemployment rate (%)	7.4	7.4	7.4	7.4
Inflation (HICP) (%)	2.2	2.9	3.1	3.1
Key interest rate ROBOR 3M (%)	2.4	2.1	2.1	2.1
Key interest rate EURIBOR 3M (%)	-0.6	-0.6	-0.5	-0.5

Pessimist U-shape scenario Macro indicators	**2020**	**2021**	**2022**	**2023**
Real GDP (%, YoY)	-5.6	0.2	4.2	3.9
Unemployment rate (%)	7.4	7.4	7.4	7.4
Inflation (HICP) (%)	2.6	3.2	3.4	3.4
Key interest rate ROBOR 3M (%)	2.7	2.5	2.4	2.4
Key interest rate EURIBOR 3M (%)	-0.6	-0.6	-0.5	-0.5

The table below illustrates the impact of changing scenarios weights for optimistic and adverse scenario, at the Bank level:

Changes in weights	100% pessimist U shape	100% pessimist V shape	100% baseline	100% optimistic
ECL movement	+279.6 mill RON	+222.2 mill RON	(113.3) mill RON	(303.4) mill RON

Considering that the applied scenarios differ from the scenarios used at 31 December 2019, the changes in sensitivities from end of 2019 to end of 2020 are therefore not directly comparable.

4. Financial risk management *(continued)*

b) Credit risk *(continued)*

Measurement of the expected credit loss Explanation of inputs, assumptions and estimation techniques (continued)

For example, the macroeconomic indicators used in the financial year 2019, for the baseline scenario are:

	2020	**2021**	**2022**
Real GDP (%, YoY)	3.1	4.0	4.3
Unemployment rate (%)	4.2	4.4	4.5
Inflation (HICP) (%)	2.9	3.4	3.1
Key interest rate ROBOR 3M (%)	2.8	2.9	3.1
Key interest rate EURIBOR 3M (%)	-0.5	-0.3	-0.3

For all portfolios the Group concluded that these scenarios captured appropriately non-linearities. As with any economic forecasts, the projections and likelihoods of occurrence are subject to a high degree of inherent uncertainty and therefore the actual outcomes may be significantly different to those projected. The Group considers these forecasts to represent its best estimate of the possible outcomes and has analyzed the non-linearities and asymmetries within the Group's different portfolios to establish that the chosen scenarios are appropriately representative of the range of possible scenarios.

c) Liquidity risk

Liquidity risk represents the current or future risk that the profit and capital may be negatively affected as a result of the Bank's incapacity to pay its due and payable debts when they become due.

Liquidity risk has 2 components: the difficulty in procuring funds at maturity in order to refinance current assets or the inability to convert an asset into cash at a value near its fair value in a reasonable period of time.

The purpose of the liquidity risk management is to obtain the expected return on assets, through a proper management of the liquidities, consciously assumed and adapted to the domestic and international market conditions, the growth of the institution and the general current legal framework.

The Group and the Bank are continuously acting to manage this type of risk.

The Group and the Bank have access to a diverse funding base. Funds are raised by using a broad range of instruments, including deposits from customers or from banks, loans from development institutions and financial institutions and share capital. Access to diverse funding sources improves the flexibility to attract funds, limiting the dependence on one type of financing and on one type of partner and leading to an overall decrease of financing costs.

The Group and the Bank try to maintain a balance between continuity and flexibility in attracting funds, by signing financing contracts with different maturities and in different currencies. The Group and the Bank continually assess liquidity risk by identifying and monitoring changes in the financing contracts, and by diversifying the funding sources.

The operational liquidity management is also performed intraday, so as to ensure all the settlements/payments assumed by the Group and the Bank, on their own behalf or on behalf of their clients, in RON or FCY, on account or in cash, within the internal, legal and mandatory limits.

4. Financial risk management *(continued)*

c) Liquidity risk *(continued)*

The Assets and Liabilities Management Committee of the Bank is responsible with the periodic review of liquidity indicators and with the establishment of corrective measures regarding balance sheet figures, so as to eliminate unacceptable deviations in terms of liquidity risk.

Crisis simulation scenarios have been elaborated by considering various severity levels, various probabilities and different periods of occurrence. Their purpose is to identify / assess potential losses, the potential impact of events or the factors that may generate a liquidity crisis. Additionally, they offer information regarding the impact of liquidity risk determinants on the Group's and Bank's capacity to provide liquidity to its customers and to maintain adequate liquidity levels.

Notes to the consolidated and separate financial statements

4. Financial risk management (*continued*)

c) Liquidity risk *(continued)*

The assets and liabilities of the **Group** as at **31 December 2020**, analyzed as per the period remaining until the contractual maturity, on models based on the contractual maturity related to the liquidity band, are the following:

Group - *In RON thousand*	**Carrying amount**	**Gross value (inflow /outflow)**	**Up to 3 months**	**3-6 months**	**6-12 months**	**1-3 years**	**3 - 5 years**	**Over 5 years**	**No maturity**
Financial liabilities									
Deposits from banks	318,944	(318,948)	(198,937)	-	(24,347)	(95,664)	-	-	-
Deposits from customers	90,942,415	(91,111,321)	(49,944,419)	(5,326,274)	(7,791,230)	(25,179,633)	(2,188,194)	(681,571)	-
Loans from banks and other financial institutions	1,691,668	(1,736,227)	(239,779)	(67,468)	(134,942)	(492,415)	(537,859)	(263,764)	-
Subordinated liabilities and issued bonds	1,667,761	(2,110,127)	-	(34,777)	(35,003)	(417,092)	(105,674)	(1,517,581)	-
Financial liabilities held-for-trading	34,817	(34,817)	(621)	(626)	(383)	(13,558)	(18,866)	(763)	-
Lease liabilities	454,792	(457,105)	(29,904)	(28,636)	(58,202)	(198,369)	(105,163)	(36,831)	-
Other financial liabilities	1,161,789	(1,161,789)	(1,161,738)	(32)	(6)	(13)	-	-	-
Total financial liabilities	**96,272,186**	**(96,930,334)**	**(51,575,398)**	**(5,457,813)**	**(8,044,113)**	**(26,396,744)**	**(2,955,756)**	**(2,500,510)**	**-**
Financial assets									
Cash and curent accounts with Central Banks	22,133,211	22,134,204	22,134,204	-	-	-	-	-	-
Placements with banks	7,223,277	7,227,762	5,395,599	555,593	35,986	1,218,697	-	21,887	-
Financial assets held for trading and measured at fair value through profit and loss	346,472	346,472	185,269	-	-	-	-	-	161,203
Derivatives	22,090	22,090	7,016	6,443	383	8,189	49	10	-
Loans and advances to customers	40,892,544	57,052,521	4,227,284	3,388,382	6,842,719	15,026,706	6,942,586	20,624,844	-
Finance lease receivables	1,227,716	1,455,167	201,664	130,010	247,728	650,926	221,336	3,503	-
Financial assets measured at fair value through other items of comprehensive income	30,877,177	32,294,280	26,437,055	368,383	592,354	3,220,389	1,211,985	431,427	32,687
Financial assets which are required to be measured at fair value through profit or loss	1,085,714	1,086,880	647,135	1,067	1,373	117,181	-	-	320,124
Financial assets at amortized cost - debt instruments	990,106	1,038,448	335,671	197,554	285,445	130,408	88,354	1,016	-
Other financial assets	860,105	880,170	808,943	34,849	35,268	818	292	-	-
Total financial assets	**105,658,412**	**123,537,994**	**60,379,840**	**4,682,281**	**8,041,256**	**20,373,314**	**8,464,602**	**21,082,687**	**514,014**
Net balance sheet position		**26,607,660**	**8,804,442**	**(775,532)**	**(2,857)**	**(6,023,430)**	**5,508,846**	**18,582,177**	**514,014**

Notes to the consolidated and separate financial statements

4. Financial risk management (*continued*)

c) Liquidity risk *(continued)*

Group - *In RON thousand*	**Carrying amount**	**Gross value (inflow /outflow)**	**Up to 3 months**	**3-6 months**	**6-12 months**	**1-3 years**	**3 - 5 years**	**Over 5 years**	**No maturity**
31 December 2020									
Off-balance sheet									
Irrevocable commitments given	601,908	619,781	238,650	43,540	117,686	107,502	73,419	38,984	-
Irrevocable financial guarantees given	3,229,516	3,367,483	337,664	205,126	655,964	1,324,244	573,675	270,810	-
Gross value of swap and forward contracts									
- Deliverable amounts	(4,403,444)	(4,403,444)	(2,691,477)	(458,545)	-	(964,122)	(289,300)	-	-
- Receivable amounts	4,683,806	4,683,806	2,704,189	464,852	138,836	1,011,960	327,878	36,091	-
Net position of derivatives	280,362	280,362	12,712	6,307	138,836	47,838	38,578	36,091	-
Total off-balance sheet	**4,111,786**	**4,267,626**	**589,026**	**254,973**	**912,486**	**1,479,584**	**685,672**	**345,885**	**-**
Total net on- and off-balance sheet position		**30,875,286**	**9,393,468**	**(520,559)**	**909,629**	**(4,543,846)**	**6,194,518**	**18,928,062**	**514,014**

The assets and liabilities of the **Group** as at **31 December 2019**, analyzed based on the period remaining until the contractual maturity, on models reflecting the customer's historic behavior typologies and on conventional assumptions concerning certain balance sheet items are the following:

Group - *In RON thousand*	**Carrying amount**	**Gross value (inflow /outflow)**	**Up to 3 months**	**3-6 months**	**6-12 months**	**1-3 years**	**3 - 5 years**	**Over 5 years**	**No maturity**
Financial liabilities									
Deposits from banks	296,138	(296,161)	(201,870)	-	-	(94,291)	-	-	-
Deposits from customers	77,037,060	(77,259,437)	(41,267,767)	(5,600,471)	(7,657,340)	(19,737,400)	(2,364,410)	(632,049)	-
Loans from banks and other financial institutions	1,473,920	(1,532,622)	(66,619)	(59,451)	(122,818)	(551,127)	(356,736)	(375,871)	-
Subordinated liabilities and issued bonds	1,700,207	(2,218,829)	(1,428)	(84,557)	(36,297)	(144,713)	(410,803)	(1,541,031)	-
Financial liabilities held-for-trading	12,331	(12,331)	(4,875)	(1,811)	-	(758)	(4,277)	(610)	-
Lease liabilities	387,441	(391,257)	(28,308)	(26,536)	(53,159)	(163,160)	(88,715)	(31,379)	-
Other financial liabilities	909,100	(909,100)	(876,146)	-	(32,954)	-	-	-	-
Total financial liabilities	**81,816,197**	**(82,619,737)**	**(42,447,013)**	**(5,772,826)**	**(7,902,568)**	**(20,691,449)**	**(3,224,941)**	**(2,580,940)**	**-**

Notes to the consolidated and separate financial statements

4. Financial risk management (*continued*)

c) Liquidity risk *(continued)*

Group - *In RON thousand*	**Carrying amount**	**Gross value (inflow /outflow)**	**Up to 3 months**	**3-6 months**	**6-12 months**	**1-3 years**	**3 - 5 years**	**Over 5 years**	**No maturity**
Financial assets									
Cash and curent accounts with Central Banks	14,583,143	14,584,176	14,584,176	-	-	-	-	-	-
Placements with banks	7,775,140	7,778,698	7,536,446	204,165	38,087	-	-	-	-
Financial assets held for trading and measured at fair value through profit and loss	272,607	272,608	149,161	-	-	-	-	-	123,447
Derivatives	4,803	4,803	1,279	218	-	3,306	-	-	-
Loans and advances to customers	39,175,404	55,779,119	4,667,350	3,450,052	6,784,633	12,858,808	7,475,756	20,542,520	-
Finance lease receivables	1,178,443	1,388,955	175,150	124,928	240,868	651,176	186,307	10,526	-
Financial assets measured at fair value through other items of comprehensive income	23,658,311	25,295,199	20,472,816	379,871	522,913	1,848,321	1,483,980	562,245	25,053
Financial assets which are required to be measured at fair value through profit or loss	877,989	889,733	517,590	755	1,500	31,975	77,846	-	260,067
Financial assets at amortized cost - debt instruments	1,968,031	2,005,183	464,977	113,600	1,131,914	161,560	105,026	28,106	-
Other financial assets	688,009	704,012	679,690	18,752	-	5,570	-	-	-
Total financial assets	**90,181,880**	**108,702,486**	**49,248,635**	**4,292,341**	**8,719,915**	**15,560,716**	**9,328,915**	**21,143,397**	**408,567**
Net balance sheet position		**26,082,749**	**6,801,622**	**(1,480,485)**	**817,347**	**(5,130,733)**	**6,103,974**	**18,562,457**	**408,567**
Off-balance sheet									
Irrevocable commitments given	681,129	707,154	6,511	10,674	20,583	488,968	110,858	69,560	-
Irrevocable financial guarantees given	2,974,126	3,073,823	594,442	279,198	1,412,458	539,907	66,839	180,979	-
Gross value of swap and forward contracts									
- Deliverable amounts	(1,436,968)	(1,436,968)	(171,274)	(581,354)	-	(350,000)	(334,340)	-	
- Receivable amounts	1,703,559	1,703,559	169,536	581,775	-	530,289	379,789	42,170	
Net position of derivatives	266,591	266,591	(1,738)	421	-	180,289	45,449	42,170	-
Total off-balance sheet	**3,921,845**	**4,047,568**	**599,215**	**290,293**	**1,433,041**	**1,209,164**	**223,146**	**292,709**	**-**
Total net on- and off-balance sheet position		**30,130,317**	**7,400,837**	**-1,190,192**	**2,250,388**	**-3,921,569**	**6,327,120**	**18,855,166**	**408,567**

Notes to the consolidated and separate financial statements

4. Financial risk management (*continued*)

c) Liquidity risk *(continued)*

The assets and liabilities of the **Bank** as at **31 December 2020**, analyzed based on the period remaining until the contractual maturity, on models reflecting the customer's historic behavior typologies and on conventional assumptions concerning certain balance sheet items are the following:

Bank – *In RON thousand*	**Carrying amount**	**Gross value (inflow /outflow)**	**Up to 3 months**	**3-6 months**	**6-12 months**	**1-3 years**	**3 - 5 years**	**Over 5 years**	**No maturity**
Financial liabilities									
Deposits from banks	311,822	(311,825)	(191,814)	-	(24,347)	(95,664)	-	-	-
Deposits from customers	88,297,146	(88,464,198)	(47,944,522)	(5,189,646)	(7,469,668)	(25,010,203)	(2,170,212)	(679,947)	-
Loans from banks and other financial institutions	1,176,066	(1,196,984)	(106,424)	(43,516)	(80,026)	(372,202)	(332,132)	(262,684)	-
Subordinated liabilities and issued bonds	1,664,464	(2,106,830)	-	(34,778)	(35,003)	(417,092)	(105,674)	(1,514,283)	-
Financial liabilities held-for-trading	34,817	(34,818)	(621)	(626)	(383)	(13,559)	(18,866)	(763)	-
Lease liabilities	709,270	(755,927)	(34,591)	(33,249)	(67,231)	(230,574)	(145,276)	(245,006)	-
Other financial liabilities	907,681	(907,681)	(907,681)	-	-	-	-	-	-
Total financial liabilities	**93,101,266**	**(93,778,263)**	**(49,185,653)**	**(5,301,815)**	**(7,676,658)**	**(26,139,294)**	**(2,772,160)**	**(2,702,683)**	**-**
Financial assets									
Cash and curent accounts with Central Banks	20,978,633	20,978,904	20,978,904	-	-	-	-	-	-
Placements with banks	6,636,395	6,640,464	4,885,963	523,716	12,088	1,218,697	-	-	-
Financial assets at amortized cost - debt instruments	160,874	175,116	1,290	1,329	98,814	7,310	66,373	-	-
Derivatives	22,090	22,090	7,016	6,443	383	8,189	49	10	-
Equity instruments	17,572	17,572	8,786	-	-	-	-	-	8,786
Loans and advances to customers	40,363,909	55,731,097	3,856,200	3,303,985	6,718,760	14,672,428	6,785,772	20,393,952	-
Financial assets measured at fair value through other items of comprehensive income	30,850,770	32,266,914	26,431,822	367,662	591,281	3,219,005	1,211,539	430,789	14,816
Financial assets which are required to be measured at fair value through profit or loss	1,349,673	1,350,840	805,548	1,067	1,373	117,181	-	-	425,671
Equity investments	499,690	499,690	-	-	-	-	-	-	499,690
Other financial assets	761,133	776,494	705,595	34,849	35,265	785	-	-	-
Total financial assets	**101,640,739**	**118,459,181**	**57,681,124**	**4,239,051**	**7,457,964**	**19,243,595**	**8,063,733**	**20,824,751**	**948,963**
Net balance sheet position		**24,680,918**	**8,495,471**	**(1,062,764)**	**(218,694)**	**(6,895,699)**	**5,291,573**	**18,122,068**	**948,963**

Notes to the consolidated and separate financial statements

4. Financial risk management (*continued*)

c) Liquidity risk *(continued)*

Bank – *In RON thousand*	**Carrying amount**	**Gross value (inflow /outflow)**	**Up to 3 months**	**3-6 months**	**6-12 months**	**1-3 years**	**3 - 5 years**	**Over 5 years**	**No maturity**
31 December 2020									
Off-balance sheet									
Irrevocable commitments given	85,242	96,941	4,250	9,009	35,403	10,895	21,676	15,708	-
Irrevocable financial guarantees given	3,202,320	3,339,621	334,786	200,828	641,244	1,318,470	573,483	270,810	-
Gross value of swap and forward contracts									
- Deliverable amounts	(4,403,444)	(4,403,444)	(2,691,477)	(458,545)	-	(964,122)	(289,300)	-	-
- Receivable amounts	4,683,806	4,683,806	2,704,189	464,852	138,836	1,011,960	327,878	36,091	-
Net position of derivatives	280,362	280,362	12,712	6,307	138,836	47,838	38,578	36,091	-
Total off-balance sheet	**3,567,924**	**3,716,924**	**351,748**	**216,144**	**815,483**	**1,377,203**	**633,737**	**322,609**	**-**
Total net on- and off-balance sheet position		**28,397,842**	**8,847,219**	**(846,620)**	**596,789**	**(5,518,496)**	**5,925,310**	**18,444,677**	**948,963**

The negative gaps between various balance sheet and off-balance sheet items, as they are presented above, are easy to manage due to the financial assets measured at fair value through other items of comprehensive income, which ensure a high level of flexibility through their diversification and possibility of trading on an active and liquid market.

The assets and liabilities of the **Bank** as at **31 December 2019**, analyzed based on the period remaining until the contractual maturity, on models reflecting the customer's historic behavior typologies and on conventional assumptions concerning certain balance sheet items are the following:

Bank - *In RON thousand*	**Carrying amount**	**Gross value (inflow /outflow)**	**Up to 3 months**	**3-6 months**	**6-12 months**	**1-3 years**	**3 - 5 years**	**Over 5 years**	**No maturity**
Financial liabilities									
Deposits from banks	304,461	(304,485)	(210,193)	-	-	(94,292)	-	-	-
Deposits from customers	74,353,723	(74,540,072)	(39,481,067)	(5,406,107)	(7,195,935)	(19,484,185)	(2,342,786)	(629,992)	-
Loans from banks and other financial institutions	895,673	(917,504)	(32,446)	(34,282)	(64,641)	(271,540)	(228,360)	(286,235)	-
Subordinated liabilities and issued bonds	1,696,602	(2,215,226)	(1,428)	(84,557)	(36,297)	(144,713)	(410,803)	(1,537,428)	-
Financial liabilities held-for-trading	12,331	(12,331)	(4,875)	(1,811)	-	(758)	(4,277)	(610)	-
Lease liabilities	365,931	(369,705)	(27,858)	(25,960)	(51,665)	(151,325)	(82,233)	(30,664)	-
Other financial liabilities	689,531	(689,531)	(689,531)	-	-	-	-	-	-
Total financial liabilities	**78,318,252**	**(79,048,854)**	**(40,447,398)**	**(5,552,717)**	**(7,348,538)**	**(20,146,813)**	**(3,068,459)**	**(2,484,929)**	**-**

Notes to the consolidated and separate financial statements

4. Financial risk management (*continued*)

c) Liquidity risk *(continued)*

Bank – *In RON thousand*	**Carrying amount**	**Gross value (inflow /outflow)**	**Up to 3 months**	**3-6 months**	**6-12 months**	**1-3 years**	**3 - 5 years**	**Over 5 years**	**No maturity**
Financial assets									
Cash and curent accounts with Central Banks	13,480,195	13,480,362	13,480,362	-	-	-	-	-	-
Placements with banks	6,995,346	6,998,108	6,756,723	204,165	37,220	-	-	-	-
Financial assets at amortized cost - debt instruments	1,176,834	1,195,516	1,418	1,450	1,019,705	103,232	41,605	28,106	-
Derivatives	4,803	4,803	1,279	218	-	3,306	-	-	-
Equity instruments	17,509	17,509	8,754	-	-	-	-	-	8,755
Loans and advances to customers	38,601,915	54,528,702	4,219,174	3,368,781	6,814,654	12,547,900	7,277,885	20,300,308	-
Financial assets measured at fair value through other items of comprehensive income	23,637,807	25,273,360	20,467,858	379,247	522,033	1,846,807	1,483,645	561,601	12,169
Financial assets which are required to be measured at fair value through profit or loss	1,148,691	1,160,437	680,053	755	1,500	31,975	77,846	-	368,308
Equity investments	486,360	486,360	-	-	-	-	-	-	486,360
Other financial assets	638,795	650,214	625,892	18,752	-	5,570	-	-	-
Total financial assets	**86,188,255**	**103,795,371**	**46,241,513**	**3,973,368**	**8,395,112**	**14,538,790**	**8,880,981**	**20,890,015**	**875,592**
Net balance sheet position		**24,746,517**	**5,794,115**	**(1,579,349)**	**1,046,574**	**(5,608,023)**	**5,812,522**	**18,405,086**	**875,592**
Off-balance sheet									
Irrevocable commitments given	121,156	136,928	5,271	5,920	20,264	41,420	3,442	60,611	-
Irrevocable financial guarantees given	2,958,099	3,057,330	590,107	278,738	1,408,939	533,818	64,750	180,978	-
Gross value of swap and forward contracts									
- Deliverable amounts	(1,436,968)	(1,436,968)	(171,274)	(581,354)	-	(350,000)	(334,340)	-	-
- Receivable amounts	1,703,559	1,703,559	169,536	581,775	-	530,289	379,789	42,170	-
Net position of derivatives	266,591	266,591	(1,738)	421	-	180,289	45,449	42,170	-
Total off-balance sheet	**3,345,846**	**3,460,849**	**593,640**	**285,079**	**1,429,203**	**755,527**	**113,641**	**283,759**	**-**
Total net on- and off-balance sheet position		**28,207,366**	**6,387,755**	**(1,294,270)**	**2,475,777**	**(4,852,496)**	**5,926,163**	**18,688,845**	**875,592**

4. Financial risk management (*continued*)

d) Market risk

Market risk represents the risk that the earnings of the Group and the Bank or the value of financial instruments held may be negatively affected by adverse market changes in interest rates, foreign exchange rates or other financial ratios. The objective of market risk management is to monitor and maintain financial instrument portfolio exposures within acceptable risk parameters, while optimizing the return on investments.

d1) Interest rate risk from the banking book

Interest rate risk represents the current or future risk for profit and capital to be negatively affected as a result of adverse changes in interest rates.

The Group and the Bank undertake the interest rate risk resulting from funds raised and placed in relation to non-bank customers (interest rate risk from banking activities).
The main sources of interest rate risk are represented by the imperfect correlation between maturity dates (for fixed interest rates) or pricing reset dates (for variable interest rates) with respect to interest bearing assets and liabilities, the adverse changes of the yield curve (un-parallel shift of interest rate curves related to interest bearing assets and liabilities).

The management of interest bearing assets and liabilities is carried out in the context of the Group's/the Bank's exposure to interest rate fluctuations. The Group and the Bank use a mix of fixed and variable interest bearing instruments to control the mismatch between the dates on which the interest on assets and liabilities is adjusted to the market rates or the maturity mismatch between assets and liabilities.

Interest rate risk is managed by monitoring the interest rate GAP (mismatch) and by means of a system of limits and indicators approved on maturity buckets (time intervals) for interest recalculation.
The Assets and Liabilities Management Committee is the body that monitors the compliance with these limits, being assisted in the daily monitoring by the Treasury Department.

Interest rate risk management within the limits is accompanied by a sensitivity analysis of the Group's/the Bank's financial assets and liabilities to various standard interest rate scenarios.

4. Financial risk management (*continued*)

d) Market risk *(continued)*

d1) Interest rate risk from the banking book (continued)

An analysis of the interest bearing assets' and liabilities' sensitivity to interest rate increases or decreases on the market is set out below at Group/Bank level:

	Group				**Bank**			
In RON thousand	**200 basis points**	**200 basis points**	**100 basis points**	**100 basis points**	**200 basis points**	**200 basis points**	**100 basis points**	**100 basis points**
	Increase	**Decrease**	**Increase**	**Decrease**	**Increase**	**Decrease**	**Increase**	**Decrease**
31 December 2020								
Average for the period	(3,098)	3,098	(1,549)	1,549	(3,274)	3,274	(1,637)	1,637
Minimum for the period	(162,247)	122	(81,123)	61	(163,309)	122	(81,654)	61
Maximum for the period	53,747	(269)	26,874	(135)	50,569	(269)	25,285	(135)
31 December 2019								
Average for the period	(2,299)	2,299	(1,150)	1,150	(2,458)	2,458	(1,229)	1,229
Minimum for the period	(121,305)	79	(60,652)	39	(122,083)	79	(61,041)	39
Maximum for the period	63,730	(185)	31,865	(92)	61,521	(189)	30,760	(94)

In the sensitivity analysis regarding interest rate variation, the Group and the Bank have calculated the impact of potential market interest rate changes on the interest margin for the future financial periods, by taking into consideration the interest rate resetting / re-fixing date with respect to the balance sheet assets and liabilities.

The potential change of the **Bank**'s economic value due to changes of the interest rate levels based on the standardized method is presented in the table below:

In RON thousand	**2020**	**2019**
Own funds	10,404,627	8,328,805
Potential decline in ec value +/- 200bp		
Absolute value	255,719	213,384
Impact on own funds	2.46%	2.56%

The potential change of the **Group**'s economic value based on the standardized method is presented in the table below:

In RON thousand	**2020**	**2019**
Own funds	10,717,290	8,481,438
Potential decline in ec value +/- 200bp		
Absolute value	251,607	207,422
Impact on own funds	2.35%	2.45%

By undertaking GAP analyses, the Group and the Bank intended to reduce the gap between assets and liabilities that are sensitive to interest rate fluctuations, both overall and on various time intervals, so that the impact of interest rate fluctuations on the net incomes should be minimized.

Notes to the consolidated and separate financial statements

4. Financial risk management (*continued*)

d) Market risk *(continued)*

d1) Interest rate risk from the banking book (continued)

The table below presents the aggregated amounts of the **Group**'s banking book at carrying amounts, categorized based on the earlier date between the interest modification date and the maturity date, as at **31 December 2020**:

In RON thousand	Up to 6 months	6 - 12 months	1-3 years	3 - 5 years	Over 5 years	Non-interest bearing	Total
Financial assets							
Cash and curent accounts with Central Banks	22,133,211	-	-	-	-	-	**22,133,211**
Placements with banks	6,214,795	34,613	973,869	-	-	-	**7,223,277**
Financial assets measured at amortized cost - debt instruments	529,394	270,511	107,954	81,296	951	-	**990,106**
Loans and advances to customers	33,694,925	2,751,427	2,789,535	1,285,168	371,489	-	**40,892,544**
Finance lease receivables	366,061	182,404	495,316	180,858	3,077	-	**1,227,716**
Other financial assets	182,821	2,995	-	-	-	674,289	**860,105**
Total financial assets	**63,121,207**	**3,241,950**	**4,366,674**	**1,547,322**	**375,517**	**674,289**	**73,326,959**
Financial liabilities							
Deposits from banks	198,933	24,347	95,664	-	-	-	**318,944**
Deposits from customers	77,515,916	11,154,643	2,177,276	19,640	74,940	-	**90,942,415**
Loans from banks and other financial institutions, subordinated debt and issued bonds	2,388,080	72,390	339,146	299,643	260,170	-	**3,359,429**
Lease liabilities	58,079	57,795	197,447	104,792	36,679	-	**454,792**
Other financial liabilities	-	-	-	-	-	1,161,789	**1,161,789**
Total financial liabilities	**80,161,008**	**11,309,175**	**2,809,533**	**424,075**	**371,789**	**1,161,789**	**96,237,369**
Net position	**(17,039,801)**	**(8,067,225)**	**1,557,141**	**1,123,247**	**3,728**	**(487,500)**	**(22,910,410)**
Irrevocable commitments given	278,745	116,890	105,176	73,281	27,816	-	**601,908**
Irrevocable financial guarantees given	485,111	610,046	1,299,802	570,378	264,179	-	**3,229,516**
Total off-balance sheet	**763,856**	**726,936**	**1,404,978**	**643,659**	**291,995**	**-**	**3,831,424**
Net position on- and off-balance sheet	**(16,275,945)**	**(7,340,289)**	**2,962,119**	**1,766,906**	**295,723**	**(487,500)**	**(19,078,986)**

4. Financial risk management (*continued*)

d) Market risk *(continued)*

d1) Interest rate risk from the banking book (continued)

The table below presents the aggregated amounts of the **Group**'s banking book at carrying amounts, categorized based on the earlier date between the interest modification date and the maturity date, as at **31 December 2019**:

In RON thousand	Up to 6 months	6 - 12 months	1-3 years	3 - 5 years	Over 5 years	Non-interest bearing	Total
Financial assets							
Cash and curent accounts with Central Banks	14,583,143	-	-	-	-	-	**14,583,143**
Placements with banks	7,737,919	37,221	-	-	-	-	**7,775,140**
Financial assets measured at amortized cost - debt instruments	1,533,766	167,458	188,244	51,652	26,911	-	**1,968,031**
Loans and advances to customers	31,321,533	2,992,331	2,709,796	1,714,503	437,241	-	**39,175,404**
Finance lease receivables	1,160,921	1,887	4,063	8,227	3,345	-	**1,178,443**
Other financial assets	180,734	-	5,264	-	-	502,011	**688,009**
Total financial assets	**56,518,016**	**3,198,897**	**2,907,367**	**1,774,382**	**467,497**	**502,011**	**65,368,170**
Financial liabilities							
Deposits from banks	201,847	-	94,291	-	-	-	**296,138**
Deposits from customers	64,272,770	10,723,532	1,963,133	6,318	71,307	-	**77,037,060**
Loans from banks and other financial institutions, subordinated debt and issued bonds	3,147,426	-	-	-	26,701	-	**3,174,127**
Lease liabilities	54,544	52,427	161,360	88,084	31,026	-	**387,441**
Other financial liabilities	-	-	-	-	-	909,100	**909,100**
Total financial liabilities	**67,676,587**	**10,775,959**	**2,218,784**	**94,402**	**129,034**	**909,100**	**81,803,866**
Net position	**(11,158,571)**	**(7,577,062)**	**688,583**	**1,679,980**	**338,463**	**(407,089)**	**(16,435,696)**
Irrevocable commitments given	16,781	20,532	479,079	110,715	54,022	-	**681,129**
Irrevocable financial guarantees given	820,443	1,382,469	526,936	64,095	180,183	-	**2,974,126**
Total off-balance sheet	**837,224**	**1,403,001**	**1,006,015**	**174,810**	**234,205**	**-**	**3,655,255**
Net position on- and off-balance sheet	**(10,321,347)**	**(6,174,061)**	**1,694,598**	**1,854,790**	**572,668**	**(407,089)**	**(12,780,441)**

4. Financial risk management (*continued*)

d) Market risk *(continued)*

d1) Interest rate risk from the banking book (continued)

The table below presents the aggregated amounts of the **Bank**'s banking book at carrying amounts, categorized based on the earlier date between the interest modification date and the maturity date, as at **31 December 2020**:

In RON thousand	Up to 6 months	6 - 12 months	1-3 years	3 - 5 years	Over 5 years	Non-interest bearing	Total
Financial assets							
Cash and curent accounts with Central Banks	20,978,633	-	-	-	-	-	**20,978,633**
Placements with banks	5,651,685	10,841	973,869	-	-	-	**6,636,395**
Financial assets at amortized cost - debt instruments	1,969	97,382	-	61,523	-	-	**160,874**
Loans and advances to customers	33,385,178	2,692,892	2,671,247	1,243,801	370,791	-	**40,363,909**
Net lease investments	-	-	-	-	-	-	-
Other financial assets	182,821	2,995	-	-	-	575,317	**761,133**
Total financial assets	**60,200,286**	**2,804,110**	**3,645,116**	**1,305,324**	**370,791**	**575,317**	**68,900,944**
Financial liabilities							
Deposits from banks	191,811	24,347	95,664	-	-	-	**311,822**
Deposits from customers	74,869,674	11,157,387	2,176,873	18,272	74,940	-	**88,297,146**
Loans from banks and other financial institutions, subordinated debt and issued bonds	1,950,954	49,485	280,278	299,643	260,170	-	**2,840,530**
Lease liabilities	64,689	64,080	219,515	136,270	224,715	-	**709,269**
Other financial liabilities	-	-	-	-	-	907,681	**907,681**
Total financial liabilities	**77,077,128**	**11,295,299**	**2,772,330**	**454,185**	**559,825**	**907,681**	**93,066,448**
Net position	**(16,876,842)**	**(8,491,189)**	**872,786**	**851,139**	**(189,034)**	**(332,364)**	**(24,165,504)**
Irrevocable commitments given	13,010	35,001	10,894	21,676	4,661	-	85,242
Irrevocable financial guarantees given	478,035	595,800	1,294,108	570,198	264,179	-	3,202,320
Total off-balance sheet	**491,045**	**630,801**	**1,305,002**	**591,874**	**268,840**	**-**	**3,287,562**
Net position on- and off-balance sheet	**(16,385,797)**	**(7,860,388)**	**2,177,788**	**1,443,013**	**79,806**	**(332,364)**	**(20,877,942)**

4. Financial risk management (*continued*)

d) Market risk *(continued)*

d1) Interest rate risk from the banking book (continued)

The table below presents the aggregated amounts of the **Bank**'s banking book at carrying amounts, categorized based on the earlier date between the interest modification date and the maturity date, as at **31 December 2019**:

In RON thousand	**Up to 6 months**	**6 – 12 months**	**1-3 years**	**3 – 5 years**	**Over 5 years**	**Non-interest bearing**	**Total**
Financial assets							
Cash and curent accounts with Central Banks	13,480,195	-	-	-	-	-	**13,480,195**
Placements with banks	6,958,993	36,353	-	-	-	-	**6,995,346**
Financial assets at amortized cost – debt instruments	957,881	62,131	95,581	34,330	26,911	-	**1,176,834**
Loans and advances to customers	31,045,965	2,938,670	2,530,582	1,650,207	436,491	-	**38,601,915**
Net lease investments	-	-	-	-	-	-	**-**
Other financial assets	180,733	-	5,264	-	-	452,798	**638,795**
Total financial assets	**52,623,767**	**3,037,154**	**2,631,427**	**1,684,537**	**463,402**	**452,798**	**60,893,085**
Financial liabilities							
Deposits from banks	210,170	-	94,291	-	-	-	**304,461**
Deposits from customers	61,568,098	10,703,098	1,994,782	16,438	71,307	-	**74,353,723**
Loans from banks and other financial institutions, subordinated debt and issued bonds	2,565,574	-	-	-	26,701	-	**2,592,275**
Lease liabilities	53,127	51,030	149,753	81,710	30,311	-	**365,931**
Other financial liabilities	-	-	-	-	-	689,531	**689,531**
Total financial liabilities	**64,396,969**	**10,754,128**	**2,238,826**	**98,148**	**128,319**	**689,531**	**78,305,921**
Net position	**(11,773,202)**	**(7,716,974)**	**392,601**	**1,586,389**	**335,083**	**(236,733)**	**(17,412,836)**
Irrevocable commitments given	11,014	20,212	41,416	3,442	45,072	-	**121,156**
Irrevocable financial guarantees given	815,783	1,379,165	520,916	62,053	180,182	-	**2,958,099**
Total off-balance sheet	**826,797**	**1,399,377**	**562,332**	**65,495**	**225,254**	**-**	**3,079,255**
Net position on- and off-balance sheet	**(10,946,405)**	**(6,317,597)**	**954,933**	**1,651,884**	**560,337**	**(236,733)**	**(14,333,581)**

Notes to the consolidated and separate financial statements

4. Financial risk management (*continued*)

d) Market risk *(continued)*

d2) Currency risk

The Group and the Bank are exposed to currency risk through open positions generated by FX transactions. There is also a risk that the net values of monetary assets and liabilities in foreign currency may change, as a result of exchange rate variation.

The Group and the Bank manage the currency risk based both on classic approach as strict currency position and "stop-loss" limits monitored in real time but also based on VaR type calculations to assess possible changes in the assets and liabilities values.

The **Group**'s monetary assets and liabilities denominated in RON and FCY at **31 December 2020** are presented below:

In RON thousand	**RON**	**EUR**	**USD**	**Other currencies**	**Total**
Monetary assets					
Cash and curent accounts with Central Banks	7,981,161	13,073,700	174,605	903,745	**22,133,211**
Placements with banks	1,607,811	3,410,304	1,564,021	641,141	**7,223,277**
Financial assets held for trading and measured at fair value through profit and loss	92,342	27,993	-	-	**120,335**
Derivatives	21,870	220	-	-	**22,090**
Loans and advances to customers	32,420,438	7,056,849	197,139	1,218,118	**40,892,544**
Finance lease receivables	215,290	1,012,077	349	-	**1,227,716**
Financial assets measured at fair value through other items of comprehensive income	18,018,477	11,152,504	1,669,637	3,872	**30,844,490**
Financial assets which are required to be measured at fair value through profit or loss	382,612	464,499	21,039	-	**868,150**
Financial assets at amortized cost - debt instruments	52,331	172,222	-	765,553	**990,106**
Other financial assets	654,074	123,254	65,985	16,792	**860,105**
Total monetary assets	**61,446,406**	**36,493,622**	**3,692,775**	**3,549,221**	**105,182,024**
Monetary liabilities					
Deposits from banks	155,474	32,482	130,726	262	**318,944**
Deposits from customers	53,127,989	31,897,871	3,438,065	2,478,490	**90,942,415**
Loans from banks and other financial institutions, subordinated debt	256,091	2,939,574	160,242	3,522	**3,359,429**
Financial liabilities held-for-trading	34,368	151	298	-	**34,817**
Lease liabilities	12,838	439,642	1,354	958	**454,792**
Other financial liabilities	999,809	103,441	32,145	26,394	**1,161,789**
Total monetary liabilities	**54,586,569**	**35,413,161**	**3,762,830**	**2,509,626**	**96,272,186**
Net currency position	**6,859,837**	**1,080,461**	**(70,055)**	**1,039,595**	**8,909,838**
Gross value of swap and forward contracts					
- Deliverable amounts	(1,228,805)	(2,657,491)	(140,355)	(376,793)	**(4,403,444)**
- Receivable amounts	2,741,493	1,941,123	1,190	-	**4,683,806**
Net position of derivatives	**1,512,688**	**(716,368)**	**(139,165)**	**(376,793)**	**280,362**
Net on- and off-balance sheet position	**8,372,525**	**364,093**	**(209,220)**	**662,802**	**9,190,200**

4. Financial risk management (*continued*)

d) Market risk *(continued)*

d2) Currency risk (continued)

The **Group**'s monetary assets and liabilities denominated in RON and FCY at **31 December 2019** are presented below:

In RON thousand	**RON**	**EUR**	**USD**	**Other currencies**	**Total**
Monetary assets					
Cash and curent accounts with Central Banks	6,285,087	6,874,495	131,791	1,291,770	**14,583,143**
Placements with banks	2,153,037	3,920,313	1,512,629	189,161	**7,775,140**
Financial assets held for trading and measured at fair value through profit and loss	128,567	-	-	-	**128,567**
Derivatives	4,527	276	-	-	**4,803**
Loans and advances to customers	30,153,163	7,698,534	157,142	1,166,565	**39,175,404**
Finance lease receivables	229,841	947,733	869	-	**1,178,443**
Financial assets measured at fair value through other items of comprehensive income	13,956,714	8,501,831	1,171,475	3,237	**23,633,257**
Financial assets which are required to be measured at fair value through profit or loss	367,502	344,987	21,568	-	**734,057**
Financial assets at amortized cost - debt instruments	54,702	1,181,290	-	732,039	**1,968,031**
Other financial assets	571,166	90,793	12,079	13,971	**688,009**
Total monetary assets	**53,904,306**	**29,560,252**	**3,007,553**	**3,396,743**	**89,868,854**
Monetary liabilities					
Deposits from banks	255,825	28,193	10,899	1,221	**296,138**
Deposits from customers	44,684,504	27,240,802	2,838,886	2,272,868	**77,037,060**
Loans from banks and other financial institutions, subordinated debt	184,805	2,814,787	172,460	2,075	**3,174,127**
Financial liabilities held-for-trading	12,287	44	-	-	**12,331**
Lease liabilities	16,636	368,696	957	1,152	**387,441**
Other financial liabilities	635,040	174,422	49,525	50,113	**909,100**
Total monetary liabilities	**45,789,097**	**30,626,944**	**3,072,727**	**2,327,429**	**81,816,197**
Net currency position	**8,115,209**	**(1,066,692)**	**(65,174)**	**1,069,314**	**8,052,657**
Gross value of swap and forward contracts					
- Deliverable amounts	(732,270)	(210,466)	(9,479)	(484,753)	**(1,436,968)**
- Receivable amounts	310,175	1,393,384	-	-	**1,703,559**
Net position of derivatives	**(422,095)**	**1,182,918**	**(9,479)**	**(484,753)**	**266,591**
Net on- and off-balance sheet position	**7,693,114**	**116,226**	**(74,653)**	**584,561**	**8,319,248**

Notes to the consolidated and separate financial statements

4. Financial risk management (*continued*)

d) Market risk *(continued)*

d2) Currency risk (continued)

The **Bank**'s monetary assets and liabilities denominated in RON and foreign currencies at **31 December 2020** are presented below:

In RON thousand	RON	EUR	USD	Other currencies	Total
Monetary assets					
Cash and curent accounts with Central Banks	7,980,179	12,724,152	68,354	205,948	20,978,633
Placements with banks	1,473,971	3,112,717	1,412,067	637,640	6,636,395
Financial assets at amortized cost - debt instruments	48,724	112,150	-	-	160,874
Derivatives	21,870	220	-	-	22,090
Loans and advances to customers	32,193,785	7,526,152	169,741	474,231	40,363,909
Financial assets measured at fair value through other items of comprehensive income	18,013,814	11,152,504	1,669,637	-	30,835,955
Financial assets which are required to be measured at fair value through profit or loss	627,450	484,787	20,244	-	1,132,481
Other financial assets	640,245	110,387	10,365	136	761,133
Total monetary assets	**61,000,038**	**35,223,069**	**3,350,408**	**1,317,955**	**100,891,470**
Monetary liabilities					
Deposits from banks	156,113	36,989	117,469	1,251	311,822
Deposits from customers	53,191,642	31,079,279	3,151,549	874,676	88,297,146
Loans from banks and other financial institutions, subordinated debt	102,929	2,577,526	160,075	-	2,840,530
Financial liabilities held-for-trading	34,368	151	298	-	34,817
Lease liabilities	12,838	695,086	1,346	-	709,270
Other financial liabilities	793,070	77,794	28,563	8,254	907,681
Total monetary liabilities	**54,290,960**	**34,466,825**	**3,459,300**	**884,181**	**93,101,266**
Net currency position	**6,709,078**	**756,244**	**(108,892)**	**433,774**	**7,790,204**
Gross value of swap and forward contracts					
- Deliverable amounts	(1,228,805)	(2,657,491)	(140,355)	(376,793)	**(4,403,444)**
- Receivable amounts	2,741,493	1,941,123	1,190	-	**4,683,806**
Net position of derivatives	**1,512,688**	**(716,368)**	**(139,165)**	**(376,793)**	**280,362**
Net on- and off-balance sheet position	**8,221,766**	**39,876**	**(248,057)**	**56,981**	**8,070,566**

Notes to the consolidated and separate financial statements

4. Financial risk management (*continued*)

d) Market risk *(continued)*

d2) Currency risk (continued)

The **Bank**'s monetary assets and liabilities denominated in RON and foreign currencies at **31 December 2019** are presented below:

In RON thousand	RON	EUR	USD	Other currencies	Total
Monetary assets					
Cash and curent accounts with Central Banks	6,282,834	6,678,730	55,951	462,680	**13,480,195**
Placements with banks	2,042,642	3,482,373	1,282,825	187,506	**6,995,346**
Financial assets at amortized cost - debt instruments	48,709	1,128,125	-	-	**1,176,834**
Derivatives	4,527	276	-	-	**4,803**
Loans and advances to customers	30,006,159	7,955,694	113,020	527,042	**38,601,915**
Financial assets measured at fair value through other items of comprehensive income	13,952,332	8,501,831	1,171,475	-	**23,625,638**
Financial assets which are required to be measured at fair value through profit or loss	628,167	355,421	21,568	-	**1,005,156**
Other financial assets	551,928	79,056	7,680	131	**638,795**
Total monetary assets	**53,517,298**	**28,181,506**	**2,652,519**	**1,177,359**	**85,528,682**
Monetary liabilities					
Deposits from banks	256,074	44,272	1,290	2,825	**304,461**
Deposits from customers	44,802,328	26,405,932	2,500,056	645,407	**74,353,723**
Loans from banks and other financial institutions, subordinated debt	26,701	2,393,378	172,196	-	**2,592,275**
Financial liabilities held-for-trading	12,287	44	-	-	**12,331**
Lease liabilities	11,829	353,174	928	-	**365,931**
Other financial liabilities	495,530	115,834	42,773	35,394	**689,531**
Total monetary liabilities	**45,604,749**	**29,312,634**	**2,717,243**	**683,626**	**78,318,252**
Net currency position	**7,912,549**	**(1,131,128)**	**(64,724)**	**493,733**	**7,210,430**
Gross value of swap and forward contracts					
- Deliverable amounts	(732,270)	(210,466)	(9,479)	(484,753)	**(1,436,968)**
- Receivable amounts	310,175	1,393,384	-	-	**1,703,559**
Net position of derivatives	**(422,095)**	**1,182,918**	**(9,479)**	**(484,753)**	**266,591**
Net on- and off-balance sheet position	**7,490,454**	**51,790**	**(74,203)**	**8,980**	**7,477,021**

By determining and monitoring the net FCY positions and the exchange rate volatility, the Bank has aimed to create a portfolio that is optimally correlated in terms of FCY assets and liabilities, as well as a balanced approach to trading operations on the foreign exchange market.

The table below presents the Profit/Loss sensitivity in the event of potential changes of the exchange rates applicable at the end of the reporting period in relation to the functional currency of the Group entities, considering that all the other variables remain constant:

	Impact on Profit and Loss	
In RON thousand	**2020**	**2019**
EUR increase by up to 20%	27,709	21,642
EUR decrease by up to 20%	(27,709)	(21,642)
USD increase by up to 20%	8,338	30,220
USD decrease by up to 20%	(8,338)	(30,220)

4. Financial risk management (*continued*)

d) Market risk *(continued)*

d3) Market risk related to trading activity

The main purpose of market risk management is to achieve the expected performance of the trading portfolio, with a proper management of the inherent market risk, consciously assumed and adapted to the market conditions and development of the Bank and the Group, and last but not least to the current legal framework.

General principles applied in order to ensure the adequate management of market risk are:

- Market risk management is adapted and adjusted constantly to the Romanian and the international financial and banking market conditions and to the general economic context.
- In the management of market risk, the Bank applies clear principles regarding the suitability, maturity, diversity and risk degree of the component elements.
- Market risk is analyzed within the stress tests operated on the bond, equity and collective investment units portfolios held by the Bank.

The Group and the Bank manage the exposure to market risk by monitoring on a daily basis the market value of the held-for-trading portfolio in relation to a system of risk limits approved by the Assets and Liabilities Committee. The held-for-trading portfolio includes fixed-income securities issued on the Romanian or the European market (sovereign, municipal and corporate bonds), denominated in RON, EUR and USD, as well as shares issued by Romanian or European entities traded on the Bucharest Stock Exchange or Vienna Stock Exchange (which are not directly exposed to interest rate and currency risk, but are exposed to price risk) and collective investment units issued by Romanian entities.

Exposure to market risk related to trading activities

Exposure represents market risk relates mainly to the following balance sheet items:

- Held-for-trading financial assets measured at fair value through profit or loss;
- Derivatives;
- Financial assets which are required to be measured at fair value through profit or loss;
- Financial assets measured at fair value through other items of comprehensive income.

The risk exposure on a consolidated and separate basis as at 31 December 2020, respectively 31 December 2019 is presented below:

		Group		**Bank**	
In RON thousand		**2020**	**2019**	**2020**	**2019**
Assets	Notes	**Carrying amount**	**Carrying amount**	**Carrying amount**	**Carrying amount**
Held-for-trading financial assets measured at fair value through profit or loss	21	120,335	128,567	-	-
Derivatives	43	22,090	4,803	22,090	4,803
Financial assets which are required to be measured at fair value through profit or loss	21	868,150	734,057	1,132,481	1,005,156
Financial assets measured at fair value through other items of comprehensive income	24	30,844,490	23,633,257	30,835,955	23,625,638
Total on-balance sheet		**31,855,065**	**24,500,684**	**31,990,526**	**24,635,597**

4. Financial risk management (*continued*)

d) Market risk *(continued)*

d3) Market risk related to trading activity (continued)

Exposure to market risk related to trading activities (continued)

The following table presents the sensitivity impact of a possible change in interest rates of + 1.00% and a decrease in market prices of - 10% at equity level and P&L level, all other variables remaining constant:

Group	**31 December 2020**		**31 December 2019**	
In RON thousand	**Impact in profit or loss**	**Impact in equity**	**Impact in profit or loss**	**Impact in equity**
Shares	(1,899)	-	(1,811)	-
OTC derivatives	(84,914)	-	(77,601)	-
Bonds and T-bills	-	(153,944)	-	(460,447)
Total impact	**(86,813)**	**(153,944)**	**(79,412)**	**(460,447)**

Bank	**31 December 2020**		**31 December 2019**	
In RON thousand	**Impact in profit or loss**	**Impact in equity**	**Impact in profit or loss**	**Impact in equity**
Shares	(1,757)	-	(1,751)	-
OTC derivatives	(79,269)	-	(74,135)	-
Bonds and T-bills	-	(152,585)	-	(459,523)
Total impact	**(81,026)**	**(152,585)**	**(75,886)**	**(459,523)**

e) Capital management

The Bank's Board of Directors approves the conceptual design of the internal process for the assessment of the capital adequacy to risks, at least the scope, methodology and general objectives, and establishes the strategy regarding the planning of the capital, own funds and the capital adequacy to risks in Banca Transilvania S.A..

The Board of Directors makes decisions regarding the directions to be followed within the capital adequacy process, establishes the main projects in the field to be implemented, as well as the main objectives to be met for the best control of the correlation of the risks to which the Bank is exposed and the necessary shareholders' equity required to cover them and the development of sound risk management systems. The National Bank of Romania monitors capital requirements both at the Bank and at the Group level.
Capital adequacy is determined according to the Regulation (EU) No 575/2013 of the European Parliament and of the Council and requires a minimum mandatory own funds level of:

- 4.5% for core tier 1 own funds;
- 6.0% for tier 1 own funds;
- 8.0% for total own funds.

4. Financial risk management (*continued*)

e) Capital management (*continued*)

Likewise, pursuant to the regulated approaches for the determination of the minimum capital requirements and the EU Regulation 575/2013 corroborated with the provisions of the NBR Regulation 5/2013 and considering the capital buffers required by the NBR, the Group and the Bank maintain:

- a capital preservation buffer of 2.5% of the total value of the risk-weighted exposures between 01 January 2020-31 December 2020;
- an O-SII buffer of 2% of the total risk weighted exposures;
- a systemic risk buffer of 2% of the total value of the risk-weighted exposures (buffer imposed starting with the adequacy ratio calculated for 30 June 2018).

Own funds adequacy

The Bank and the Group use the following calculation methods in order to determine own fund requirements:

- Credit risk: standardized method;
- Market risk: capital requirements with respect to the foreign exchange risk and the trading portfolio are calculated based on the standard method;
- Operational risk: own fund requirements for the coverage of operational risk are calculated according to the base method.

The Bank and the Group comply with the above regulations, the level of the capital adequacy ratio exceeding the minimum mandatory requirements imposed by the law.
As at 31 December 2019 and 31 December 2020, as well as during the years 2020 and 2019, the Group and the Bank complied with all the capital adequacy requirements.

Under the current capital requirements set by the European Banking Authority, banks have to maintain a ratio of regulatory capital to risk weighted assets ("statutory capital ratio") above a prescribed minimum level.
The amount of capital that the Group managed was RON 12,108,132 thousand as of 31 December 2020 (2019: RON 9,765,025 thousand), regulatory capital amounts to RON 7,192,994 thousand (2019: RON 6,447,630 thousand) and the Group and the Bank have complied with all externally imposed capital requirements throughout 2020 and 2019.

According to the applicable legal requirements on regulatory capital, the Group's and the Bank's own funds include:

- Tier I, which includes subscribed and paid in capital, share premiums, eligible reserves, retained earnings and deductions laid down in the applicable legal provisions;
- Tier II own funds, which include subordinated loans and deductions laid down in the applicable legal provisions;

The Group and the Bank manage its capital base in a flexible manner, by monitoring regulatory capital requirements, by anticipating the adequate adjustments required for the achievement of its objectives as well as by optimizing the structure of assets and shareholders' equity.

The planning and monitoring activity takes into consideration the total own funds, on the one hand and the requirements of own funds, on the other hand.

4. Financial risk management (*continued*)

e) Capital management *(continued)*

The level and the requirements of own funds as at 31 December 2020 and 31 December 2019 are as follow

	Group		Bank	
In RON thousand	**2020**	**2019**	**2020**	**2019**
Tier 1 own funds	10,573,525	8,187,882	10,067,481	7,820,620
Tier 2 own funds	1,534,607	1,577,143	1,534,607	1,577,143
Total own funds	**12,108,132**	**9,765,025**	**11,602,088**	**9,397,763**
Credit risk exposure	38,863,240	35,119,890	35,204,814	30,992,756
Market risk, FX risk, delivery risk exposure	10,664,643	9,209,245	9,716,036	9,019,328
Operational risk exposure	7,984,598	7,230,211	7,221,969	6,955,068
Risk exposure for the adjustment of credit assessment	31,470	21,697	31,470	21,697
Total risk exposure	**57,543,951**	**51,581,043**	**52,174,289**	**46,988,849**

The capital adequacy ratio (CAR) is calculated as a ratio between own funds and total risk-weighted assets:

	Group		Bank	
In %	**2020**	**2019**	**2020**	**2019**
Core tier one ratio	18.37	15.87	19.30	16.64
Tier 1 ratio	18.37	15.87	19.30	16.64
CAR	21.04	18.93	22.24	20.00

Note: The calculation of the Group's and the Bank's own funds takes into account the statutory profit of the Group, respectively of the Bank for the financial years ended on 31 December 2020 and on 31 December 2019. Regulatory capital as at 31 December 2020 and 31 December 2019 was calculated according to the IFRS endorsed by the European Union.

5. Accounting estimates and significant judgements

The Group and the Bank make estimates and assumptions that affect the amounts of assets and liabilities reported within the next financial year. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are considered to be reasonable under the given circumstances.

a) Impairment losses on loans and advances to customers

The Group and the Bank review their loan and finance lease receivables portfolio in order to assess the impairment thereof, at least bi-annually (on a monthly basis for the Bank). In determining whether an impairment loss should be recorded, the Group and the Bank make judgments as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows related to a portfolio of loans and finance lease, before such decrease can be identified with respect to an individual loan/lease investment in that portfolio. For example, the observable data might be the unfavorable changes in the payment behavior of certain debtors within a group or in the economic, national or local circumstances, which correlate with default incidents affecting the debtors' group. When scheduling future cash flows, the management uses estimates based on the past experience related to losses from loans with similar risk characteristics.

5. Accounting estimates and significant judgements *(continued)*

a) Impairment losses on loans and advances to customers (continued)

The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any gaps between estimated losses and actual losses, but also to assess the effects of the local financial market uncertainties on the valuation of assets and the debtors' operating environment. The loan loss estimation considers the visible effects of the current and future expected market conditions on the individual/collective assessment of expected credit losses on loans and advances to customers. Hence, the Group and the Bank have estimated the expected credit losses for loans and advances to customers and receivables from finance lease based on the internal methodology and assessed that no further expected credit losses is required except as already provided for in the consolidated and separate financial statements.

Individually significant assets are assessed and monitored individually, regardless of the stage allocation, determined using the automated criteria. Thus, a specialized team of experts uses professional judgement to assess the unlikeliness to pay and determine the scenarios used to compute the ECL.

The three-stage expected credit loss impairment model in IFRS 9 depends on whether the credit risk has increased significantly since initial recognition. If the credit risk has not increased significantly, the impairment charge equals the expected credit losses resulting from default events that are possible within the next 12 months (stage 1). If the credit risk has increased significantly, the loan is more than 30 days past due, or the loan is in default or otherwise impaired, the impairment charge equals the lifetime expected credit losses.

In determining the impairment for expected credit losses, management incorporates forward-looking information, exercises judgement and uses estimates and assumptions.
The estimation of expected credit losses involves forecasting future economic conditions over 3 years.

The macroeconomic scenarios applied have been changed from those applied in Q4 2019 to reflect the worsening of the macroeconomic outlook due to the COVID 19 pandemic.
More details about assumptions made, scenarios used, weights applied to each scenario is described in Note 4b Credit risk. The incorporation of forward-looking elements reflects the expectations of the Group and the Bank and involves the creation of scenarios, including an assessment of the probability for each scenario. A large part of the impact on the expected credit losses in 2020 is resulting from the COVID-19 pandemic referring to changes to the forward-looking information.

Also, due to the COVID-19 pandemic, management applies supplementary judgement when determining the need for post-model adjustments.

Borrowers could request during 2020, the postponement of rates and interest until the end of 2020. Based on Romanian legislation OUG 37/2020, the government granted to certain categories of debtors, individuals or companies, the possibility to request the suspension of the payment of the due installments related to the loans representing installments of capital, interest and commissions, for up to 9 months, but not more than December 31, 2020. This facility benefited borrowers with outstanding loans, for which the Bank did not denounce the contract (and especially, for companies, is not entered into an insolvency state). The facility could only be granted for loans that did not have overdues or the debtors had paid these arrears until the date of requesting the suspension of the payment obligation and was granted before March 2020.

5. Accounting estimates and significant judgements *(continued)*

a) Impairment losses on loans and advances to customers (continued)

During 2020, over 41,000 individuals and companies benefited from the deferral of installments, with a carrying amount of RON 5.6 billion as of December 31, 2020. Also, over 400,000 cards were exempted for 3 months from the payment of the monthly obligation due to the extended grace period, and under the government program IMM Invest, the Bank provided 10,000 loans, supporting companies that mean over 70,000 jobs, especially in the fields: wholesale and retail trade, transport and construction.

In 2021, the moratorium program was extended (legislation: GEO no. 227/2020), in the sense that the government prolonged the possibility of accessing the deferral of payments until March 15, 2021, up to a maximum of 9 months for each loan subject to moratoria. Therefore, for instance, if a borrower benefited in 2020 from the deferral of installments for 6 months (GEO no. 227/2020), he was able to request this facility for its loans, in 2021, for a period of only 3 months.

The internal analyzes that determined additional adjustments were based on the available information. In this respect, we mention the public centralized information, referring to the companies that requested certificates in the state of emergency, attesting that they faced difficulties, various analyzes of the public institutions (including the N.B.R.). At the same time, we also examined the information from the Bank's own databases, related to the clients who applied to payment deferral program. All this has led to the consideration of some sectors as being more sensitive/affected by pandemic crisis, product portfolios with higher associated credit risk and type of customers with low quality ratings, which could be affected to a greater extent by current events.

During 2020, the Group and the Bank reviewed the rating and PD assumptions to get faster response taking into account the events that occurred (regardless of the crisis severity). The main consideration of the introduction of post-model adjustments is the fact that the prediction of internal rating assessment models can be affected by aid measures provided by governments.

Another factor that determined the increase in the expected credit losses is the individual analysis of significant exposures, performed to reflect and better understand the situations and difficulties faced by borrowers that could affect their ability to meet their obligations. Taking into account the regulations of E.B.A. and N.B.R. the management will continue to carry out these monitoring exercises in the future, considering that this ensures a better assessment of the improbability of payments of borrowers who are subject to deferred payments, offered by moratoria programs.

The Group’s forbearance practices have been updated to pay particular attention to customers affected by the COVID-19 pandemic. These practices include additional guidance to ensure that COVID-19 concessions are fully complied with EBA/ NBR decision on moratoria operations respectively it is considered that the operations will not automatically generate a stricter classification of exposures (should not be considered as an automatic trigger, but should be considered in correlation with other risk indicators), and the Group should develop and strengthen its own mechanisms to identify in early stages, increase of credit risk and unlikeliness to pay situation.

As mentioned, moratoria program did not have an impact on stageing (is not considered a trigger for a significant increase in credit risk). The definition of forborne credit modification was not changed and continues to identify restructuring operation request by clients in financial difficulties who did not access the moratoria program.

5. Accounting estimates and significant judgements *(continued)*

a) Impairment losses on loans and advances to customers (continued)

Due to the COVID-19 pandemic, the financial markets were very volatile during March 2020 producing short-term challenges in cash-flow management and also significant variations in mark to market.

Bank stands on a very good position of liquidity, therefore the market disruptions didn't have a significant impact on it. In terms of interest rate risk, the pressure was felt on net interest margin due to interest rates levels and the provisions regarding payment moratoria.

The trading book of the Group and the Bank consist of bonds, equities, collective investment units and derivatives, whose valuation was affected by market volatilities, especially in March 2020, but subsequently returned to a stabilized trend or quite positive. The most significant part of the trading book is represented by bonds, of which the majority are kept at fair value through other comprehensive income, thus allowing that market-to-market impact to be observable in other comprehensive income and not in Statement of Profit or Loss, Note 4 provides more details on the fair value measurement of financial instruments.

*b)*Anticipated individual fiscal solutions ("AIFS")

The Bank requested the Romanian fiscal authorities to issue an official opinion on the fiscal treatment of the VBRO bargain gain ("AIFS"). The Bank proposed the consideration of the bargain gain as non-taxable income by taking into account all the arguments, calculating a lower tax debt with the amount of RON thousand 264,096.
The Romanian fiscal authorities issued a negative opinion, considering that the bargain gain is taxable (as recorded based on IFRS), the sole argument to sustain this position being that the bargain gain is not included in the list of non-taxable income elements specifically stipulated in the Fiscal Code applicable as of December 31, 2015.

The Bank considered the bargain gain as non-taxable income for the calculation of the comprehensive income, based on solid arguments such as:

- Non-coraltion of the fiscal llegislation with the accounting legislation: The Fiscal Code does not contain specific provisions regarding the merger of two or several taxpayers that apply IFRS as the basis for accounting and the fiscal legislation is not correlated with the accounting legislation;
- Starting 1 Jan 2016, in the Rewritten Fiscal Code, the provisions for domestic mergers were updated and harmonized also in line with Directive 2009/133/EC and in this respect, clearly the intention of the lawmaker was that the specific taxation rules (taking in account the tax neutrality of the merger) should prevail over the general taxation rules.
- The merger with VBRO was based on sound economic grounds (it was not undertaken for certain fiscal benefits). The merger should be neutral from a tax point of view i.e. the bargain gain should not be taxable.
- The fiscal treatment should be balanced: considering the opposite case, whereby the purchase price is higher than the value of acquired identifiable assets and liabilities, a positive goodwill would have been recorded, which, as per Romanian fiscal legislation is not to be amortized for fiscal purposes and hence does not have any fiscal impact;
- Avoidance of double taxation;
- European jurisprudence – which stipulates that the EU legislation should prevail when the fiscal legislation of a member state is unclear or lacks specific provisions.

5. Accounting estimates and significant judgements *(continued)*

***b)*Anticipated individual fiscal solutions ("AIFS")**

The Bank initiated court proceedings in this respect in 2017. The case was submitted to the Court of Appeal of Cluj in April 2017. In November 2017, the Court of Appeal of Cluj admitted the case at trial and issued a judgment in favor of the Bank, confirming the Bank's approach to consider the bargain gain as non-taxable income.

On June 23, 2020, the High Court of Cassation and Justice ruled in the case file pending, admitting ANAF's appeal against the sentence of the Cluj Court of Appeal, quashed the first instance decision, retrialed the case and in retrial rejected the action filed by Banca Transilvania as unfounded.

Based on the information made available by the High Court of Cassation and Justice once the reasoning of the judgment of June 23, 2020 was published, the Bank filed a request for review of this decision, which established the first trial date on March31, 2021. Depending on the result of this request, the Bank will subsequently decide which and if other actions will be necessary in this case.
The Bank has not recognized a provision in this case, but will monitor the evolution of the topic at each reporting date, in accordance with the relevant provisions of the accounting regulations.

c) Risk provisions for abusive clauses

The provision for abusive clauses is an estimated amount for potential litigations facing the Bank derived from the retail credit contracts inherited from Volksbank and Bancpost merger. The provision is periodically reviewed by the Bank by incorporating historical data regarding new litigations in the last years (a show-up ratio) and the loss probability for such cases (calculated as a historical positive versus negative outcome of litigations). The last review for abusive clauses provision has been performed as of 31 December 2020 when the Bank adjusted the provision based on the trend of such new litigations (show-up ratio) and the probability loss estimated at this date.

d) Other significant litigation

The Bank's subsidiary, Victoria Bank SA, was notified on July 6, 2020 that it is being investigated in a case instrumented by the Prosecutor's Office of the Republic of Moldova, and on August 6, 2020, a precautionary seizure was placed on some of the subsidiary's assets. In order to cover the claims in the file - amounting to approximately RON 440 million in equivalent. Given the nature of the case and the legal limitations related to the investigation, the Bank and and its subsidiary possesses limited information about this case, by also considering the lawyers' analysis of the content of the indictment related to these investigations. Given the stage of the investigation, that relates to a period before the Bank was a shareholder of the subsidiary, the Bank and the Group did not recognize a provision for this case, but will monitor the evolution of the topic at each reporting date, in accordance with the relevant provisions of the accounting regulations.

For other significant litigation and regulatory enforcement matters, the Group believes the possibility of an outflow of funds is more than remote but less than probable but the amount is not reliably estimable, and accordingly such matters are not included in the contingent liability estimates.
The Bank and the Group will monitor the evolution of the topics at each reporting date, in accordance with the relevant provisions of the accounting regulations.

6. Segment reporting

The Group segment reporting is compliant with the management requirements use. The reporting segments are presented in a manner which is consistent with the internal reporting documentation submitted to the Leaders' Committee. The Leaders' Committee, with the assistance of the Board of Directors, is responsible for the allocation of resources and the assessment of the reporting segments' performance, being considered as an operational decision making factor.

The reporting format is based on the internal management reporting format. All items of assets and liabilities, incomes and expenses are allocated to the reporting segments either directly or based on reasonable criteria established by the management.

The clients of Victoriabank, are classified according to the Group's standards. The segment "Leasing and loans to non-banking financial institutions" includes the leasing and consumer finance companies, as described in Note 1.

The remaining non-banking subsidiaries are included in the segment "Other-Group". The "Intra-group eliminations & adjustments" segment comprises intra-group operations.

The reporting segments are organized and managed separately, depending on the nature of products and services provided, each segment being specialized on certain products and operating on different markets.

A business segment is a component of the Group and of the Bank:

- That engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses related to transactions with other components of the same entity);
- The operating results of which are reviewed regularly by the entity's decision maker in order to make decisions about resources to be allocated to the segment and to assess its performance;
- For which distinct financial information is available.

The reporting segment of the Group as described below:

Large Corporate Clients („LaCo"): The Group and the Bank include in this category mainly companies/group of companies with an annual turnover exceeding RON 100 million, as well as legal entities created to serve a particular function (SPV), public entities and financial institutions included in this category based on specific classification criteria. The companies in this category usually have specific and sophisticated needs. Through its centralized and customized approach, the Bank seeks to ensure high operational efficiency, a prompt assessment of the specific needs of this type of clients in order to offer the appropriate customized solutions, but also an in-depth perspective of the risk profile in order to maintain a high quality loan portfolio.
The Large Corporate clients have access to an all-inclusive package of banking products and services, the incomes generated by this segment resulting from lending operations, current business operations (transaction banking. Treasury, trade finance and retail products) and other related services (leasing, asset management, consultancy on mergers and acquisitions, capital market advisory services). Through the services provided, the Bank aims at extending its cooperation to the business partners of the LaCo segment - clients/suppliers/employees - by focusing on the increase of non-risk income.

Notes to the consolidated and separate financial statements

6. Segment reporting *(continued)*

Medium Corporate Customers („MidCo”): The Group and the Bank include in this category mainly the companies with an annual turnover between 9 and 100 million RON. By setting such value thresholds in the classification of MidCo clients, the Bank is able to address the most frequent requests coming from this category of clients: tailored financing solutions, access to a wide range of banking services, pricing based on financial performance, dedicated and flexible relationship management, operational agility. Depending on the activity type, the customized approach related to customers is supported by two existent specializations, notably Agribusiness and Healthcare.
The MidCo segment includes also entities operating in the public sector, financial institutions or legal entities serving particular functions, included in this category based on specific classification criteria.

The Bank offers a full array of financial services to its Mid Corporate clients, including lending facilities, current operations, treasury services, but also additional services such as bonus packages for employees, structured finance, co-financing of EU funded projects; the Bank also facilitates the access to the services provided by the Group subsidiaries, such as bancassurance, consultancy on mergers and acquisitions, asset management, financial and operating lease, with the purpose to increase its profitability and non-risk income.

SME clients - companies with an annual turnover between 2 and 9 million RON. These are companies that have undergone the incipient growth stages and whose business activity requires further attention. Consequently, the needs of such companies become more specific, with priority for financing.

Micro Business clients – company customers with an annual turnover up to 2 million RON.
This category comprises the largest number of companies and the most diverse types of entities, such as limited liability companies, freelancers, sole proprietorships, etc.
The business lifespan (many such clients are fresh companies), the entrepreneur’s expertise and the market on which the company operates generate certain needs that the Group and the Bank attempt to serve through product and service packages dedicated to this category of customers, which have become a hallmark in the banking sector over the years.
Lending products are accessed more frequently as the Micro or SME business takes shape: loans for working capital or investments, letters of guarantee, EU project co-financing, credit cards, leasing, invoice discounting or factoring.
Another important category of products refers to general operations, incoming and outgoing payments, cheques, promissory notes, FX operations, salary payment agreements or bancassurance services. Increased attention is given to the digitalization of our products and services, our clients showing more and more interest in internet & mobile banking, e-commerce, last generation POSs and the integration of financial data in the proprietary accounting systems.

Retail customers The Group and the Bank provide individuals with a wide range of banking products and services, including loans (consumer loans, car purchase loans, personal need loans and mortgage loans), savings and deposit accounts, payment services and securities trading.

Treasury: The Group and the Bank comprise in this category the treasury services.

Leasing and consumer finance granted by non-banking financial institutions: the Group includes in this category financial products and services such as lease facilities, consumer loans and microfinance provided by the non-banking financial institutions of the Group.

6. Segment reporting *(continued)*

Other: The Group and the Bank incorporate in this category the services offered by other financial entities within the Group: asset management, brokerage, factoring and real estate.

In terms of geographical distribution, the Group and the Bank cover mainly the Romanian territory, except for the Italy branch operations linked to the Bank while at the Group level there is the banking activity of Victoriabank and the financial lease activity of BT Leasing Moldova; however, the impact of these entities on the balance sheet and income statement is not material at Group level, There is no further information regarding the geographical distribution used by the management of the Group and the Bank; therefore it is not presented here.

As at 31 December 2020 and 31 December 2019, the Bank or the Group did not record income exceeding 10% of total incomes in relation to a single customer.

Notes to the consolidated and separate financial statements

6. Segment reporting *(continued)*

The table below presents financial information per segments regarding the consolidated statement of financial position and the operating profit before net expenses with the impairment allowance for loans and advances to customers, for the financial year ended at 31 December 2020, and comparative data for 2019:

Reporting segments as at 31 December 2020

Group *In RON thousand*	**Large Corporate**	**Mid Corporate**	**SME**	**Micro**	**Retail**	**Treasury**	**Leasing and consumer loans granted by non-banking financial institutions**	**Other - Group**	**Intra-group eliminations & adjustments**	**Total**
Gross loans and finance lease receivables	7,024,155	6,734,327	2,663,702	3,609,606	24,527,003	-	2,450,243	6,255	(1,396,733)	**45,618,558**
Provisions for principal	(765,340)	(770,768)	(249,906)	(410,067)	(1,057,664)	-	(293,705)	(1,877)	51,029	**(3,498,298)**
Loans and finance lease receivables net of provisions	6,258,815	5,963,559	2,413,796	3,199,539	23,469,339	-	2,156,538	4,378	(1,345,704)	**42,120,260**
Portfolio of Debt instruments, Equity instruments and Derivative instruments, net of provisions	-	-	-	-	-	33,144,340	-	414,278	(237,059)	**33,321,559**
Treasury and inter-bank operations	-	-	-	-	-	29,188,356	48,986	243,295	(124,149)	**29,356,488**
Property and equipment and investment property, Intangible assets and goodwill	57,034	138,923	72,658	164,021	482,583	21,949	8,080	289,031	(6,956)	**1,227,323**
Right-of-use assets	27,702	55,831	29,112	79,667	226,937	9,607	6,573	17,513	(4,090)	**448,852**
Other assets	144,596	166,129	60,035	72,576	530,653	-	24,065	88,463	(68,602)	**1,017,915**
Total assets	**6,488,147**	**6,324,442**	**2,575,601**	**3,515,803**	**24,709,512**	**62,364,252**	**2,244,242**	**1,056,958**	**(1,786,560)**	**107,492,397**
Deposits from customers and current accounts	4,474,760	6,983,527	4,936,113	12,732,126	61,940,642	314,837	-	1,902	(122,548)	**91,261,359**
Loans from banks and other financial institutions	42,291	613,906	142,557	162,108	147,647	83,564	1,722,445	200,310	(1,423,160)	**1,691,668**
Subordinated liabilities	-	-	-	-	-	1,664,463	-	-	3,298	**1,667,761**
Lease liabilities	72,079	68,685	28,360	35,912	244,405	454	6,754	2,302	(4,159)	**454,792**
Other liabilities	372,251	292,662	83,099	106,312	866,374	536	44,236	262,956	(25,967)	**2,002,459**
Total liabilities	**4,961,381**	**7,958,780**	**5,190,129**	**13,036,458**	**63,199,068**	**2,063,854**	**1,773,435**	**467,470**	**(1,572,536)**	**97,078,039**
Equity and related items	-	-	-	-	-	-	-	10,414,358	-	**10,414,358**
Total liabilities and equity	**4,961,381**	**7,958,780**	**5,190,129**	**13,036,458**	**63,199,068**	**2,063,854**	**1,773,435**	**10,881,828**	**(1,572,536)**	**107,492,397**

Notes to the consolidated and separate financial statements

6. Segment reporting *(continued)*

Reporting segments as at 31 December 2019

Group *In RON thousand*	**Large Corporate**	**Mid Corporate**	**SME**	**Micro**	**Retail**	**Treasury**	**Leasing and consumer loans granted by non-banking financial institutions**	**Other - Group**	**Intra-group eliminations & adjustments**	**Total**
Gross loans and finance lease receivables	6,774,788	6,272,447	2,380,233	3,297,010	23,357,648	-	2,277,498	17,415	(1,242,161)	**43,134,878**
Provisions for principal	(786,983)	(542,207)	(149,969)	(230,833)	(844,565)	-	(243,836)	(1,706)	19,068	**(2,781,031)**
Loans and finance lease receivables net of provisions	5,987,805	5,730,240	2,230,264	3,066,177	22,513,083	-	2,033,662	15,709	(1,223,093)	**40,353,847**
Portfolio of Debt instruments, Equity instruments and Derivative instruments, net of provisions	-	-	-	-	-	26,660,227	-	311,207	(189,693)	**26,781,741**
Treasury and inter-bank operations	-	-	-	-	-	22,251,683	77,253	207,963	(178,616)	**22,358,283**
Property and equipment and investment property, Intangible assets and goodwill	52,100	104,647	91,593	162,546	389,774	16,747	5,311	158,342	(4,311)	**976,749**
Right-of-use assets	24,542	45,490	34,242	76,233	182,012	7,280	6,190	15,065	(3,029)	**388,025**
Other assets	126,277	124,280	50,352	60,629	437,560	-	43,634	34,972	(14,068)	**863,636**
Total assets	**6,190,724**	**6,004,657**	**2,406,451**	**3,365,585**	**23,522,429**	**48,935,937**	**2,166,050**	**743,258**	**(1,612,810)**	**91,722,281**
Deposits from customers and current accounts	4,951,270	5,759,774	4,010,048	9,751,289	52,731,626	304,461	-	2,036	(177,306)	**77,333,198**
Loans from banks and other financial institutions	95,032	394,095	158,502	178,110	81,667	-	1,718,326	85,434	(1,237,246)	**1,473,920**
Subordinated liabilities	-	-	-	-	-	1,696,602	-	-	3,605	**1,700,207**
Lease liabilities	61,245	56,765	28,500	29,680	205,245	646	6,287	2,175	(3,102)	**387,441**
Other liabilities	287,186	223,519	72,493	80,740	736,531	585	68,605	160,439	(16,419)	**1,613,679**
Total liabilities	**5,394,733**	**6,434,153**	**4,269,543**	**10,039,819**	**53,755,069**	**2,002,294**	**1,793,218**	**250,084**	**(1,430,468)**	**82,508,445**
Equity and related items	-	-	-	-	-	-	-	9,213,836	-	**9,213,836**
Total liabilities and equity	**5,394,733**	**6,434,153**	**4,269,543**	**10,039,819**	**53,755,069**	**2,002,294**	**1,793,218**	**9,463,920**	**(1,430,468)**	**91,722,281**

Notes to the consolidated and separate financial statements

6. Segment reporting *(continued)*

Reporting segments as at 31 December 2020

Group	Large Corporate	Mid Corporate	SME	Micro	Retail	Treasury	Leasing and consumer loans granted by non-banking financial institutions	Other - Group	Intra-group eliminations & adjustments	Total
In RON thousand										
Net interest income	115,072	227,292	189,660	229,457	971,555	199,982	220,459	821,917	1,699	**2,977,093**
Net commission income	50,194	112,401	69,501	233,110	242,264	(2,211)	7,080	66,133	(2,011)	**776,461**
Net trading income	9,116	38,587	34,841	64,907	129,462	78,311	9,142	(18,740)	(507)	**345,119**
Net loss (-) / gain from financial assets measured through comprehensive income	-	-	-	-	-	153,366	-	147,299	-	**300,665**
Net loss / gain (-) from financial assets which are required to be measured through profit and loss	-	-	-	-	-	76,560	-	(2,450)	-	**74,110**
Contribution to the Bank Deposit Guarantee Fund and to the Resolution Fund	(4,648)	(5,417)	(3,855)	(9,156)	(51,370)	-	-	-	-	**(74,446)**
Other operating income	17,045	15,041	4,928	1,700	65,445	122	12,760	36,662	(15,073)	**138,630**
Total income	**186,779**	**387,904**	**295,075**	**520,018**	**1,357,356**	**506,130**	**249,441**	**1,050,821**	**(15,892)**	**4,537,632**
Personnel expenses	(62,565)	(173,722)	(92,150)	(180,354)	(417,752)	(19,909)	(51,064)	(99,983)	8	**(1,097,491)**
Other operating expenses	(30,238)	(68,424)	(35,425)	(70,317)	(239,562)	(20,258)	(44,943)	(125,562)	10,577	**(624,152)**
Depreciation and amortization	(19,221)	(43,186)	(23,774)	(60,275)	(158,127)	(6,719)	(6,566)	(12,821)	2,968	**(327,721)**
Total Expenses	**(112,024)**	**(285,332)**	**(151,349)**	**(310,946)**	**(815,441)**	**(46,886)**	**(102,573)**	**(238,366)**	**13,553**	**(2,049,364)**
Operating profit before net expense from impairment allowance, expected losses on assets, provisions for other risks and loan commitments	**74,755**	**102,572**	**143,726**	**209,072**	**541,915**	**459,244**	**146,868**	**812,455**	**(2,339)**	**2,488,268**

Notes to the consolidated and separate financial statements

6. Segment reporting *(continued)*

Reporting segments as at 31 December 2019

Group	Large Corporate	Mid Corporate	SME	Micro	Retail	Treasury	Leasing and consumer loans granted by non-banking financial institutions	Other - Group	Intra-group eliminations & adjustments	Total
In RON thousand										
Net interest income	93,864	272,322	188,560	326,085	1,199,007	175,700	262,303	554,150	1,754	**3,073,745**
Net commission income	54,777	113,324	79,235	253,302	268,253	(3,334)	7,781	53,284	(3,845)	**822,777**
Net trading income	9,533	36,134	30,691	60,915	111,947	95,651	3,385	62,358	(11)	**410,603**
Net loss (-) / gain from financial assets measured through comprehensive income	-	-	-	-	-	59,591	-	57,234	-	**116,825**
Net loss / gain (-) from financial assets which are required to be measured through profit and loss	-	-	-	-	-	121,839	-	3,770	-	**125,609**
Contribution to the Bank Deposit Guarantee Fund and to the Resolution Fund	(9,133)	(9,300)	(3,527)	(13,925)	(75,080)	-	-	-	-	**(110,965)**
Other operating income	19,894	15,960	4,428	2,510	77,111	120	20,682	51,626	(23,959)	**168,372**
Total income	**168,935**	**428,440**	**299,387**	**628,887**	**1,581,238**	**449,567**	**294,151**	**782,422**	**(26,061)**	**4,606,966**
Personnel expenses	(65,514)	(158,917)	(114,001)	(174,262)	(373,823)	(18,043)	(49,817)	(83,942)	30	**(1,038,289)**
Other operating expenses	(48,708)	(75,233)	(50,447)	(77,594)	(260,629)	(35,282)	(73,251)	(223,675)	11,730	**(833,089)**
Depreciation and amortization	(20,599)	(39,787)	(29,118)	(58,712)	(141,284)	(5,760)	(6,192)	(11,260)	1,353	**(311,359)**
Total Expenses	**(134,821)**	**(273,937)**	**(193,566)**	**(310,568)**	**(775,736)**	**(59,085)**	**(129,260)**	**(318,877)**	**13,113**	**(2,182,737)**
Operating profit before net, expense from impairment allowance, expected losses on assets, provisions for other risks and loan commitments	**34,114**	**154,503**	**105,821**	**318,319**	**805,502**	**390,482**	**164,891**	**463,545**	**(12,948)**	**2,424,229**

Notes to the consolidated and separate financial statements

7. Financial assets and liabilities

a) Accounting classifications and fair value

Group, as at 31 December 2020					Retail						Non-Retail			
					in RON		in FCY				in RON		in FCY	
In RON thousand	**Total carrying amount 2020**	**Total fair value 2020**	**Total carrying amount retail customers**	**Total fair value retail customers**	**Carrying amount**	**Fair value**	**Carrying amount**	**Fair value**	**Total carrying amount companies**	**Total fair value companies**	**Carrying amount**	**Fair value**	**Carrying amount**	**Fair value**
Financial assets														
Financial assets held for trading and measured at fair value through profit or loss (*)	368,562	368,562	-	-	-	-	-	-	368,562	368,562	329,208	329,208	39,354	39,354
Financial assets which are required to be measured at fair value through profit or loss, of which:	1,085,714	1,085,714	-	-	-	-	-	-	1,085,714	1,085,714	382,985	382,985	702,729	702,729
- Equity instruments	*217,564*	*217,564*	-	-	-	-	-	-	*217,564*	*217,564*	*372*	*372*	*217,192*	*217,192*
- Debt instruments	*868,150*	*868,150*	-	-	-	-	-	-	*868,150*	*868,150*	*382,613*	*382,613*	*485,537*	*485,537*
Financial assets carried at amortized cost	73,326,959	73,144,906	24,065,107	23,888,462	19,464,236	19,182,232	4,600,871	4,706,230	49,261,852	49,256,444	23,468,803	23,491,370	25,793,049	25,765,074
Financial assets measured at fair value through other items of comprehensive income	30,877,177	30,877,177	-	-	-	-	-	-	30,877,177	30,877,177	18,043,325	18,043,325	12,833,852	12,833,852
- Equity instruments	*32,687*	*32,687*	-	-	-	-	-	-	*32,687*	*32,687*	*24,848*	*24,848*	*7,839*	*7,839*
- Debt instruments	*30,813,652*	*30,813,652*	-	-	-	-	-	-	*30,813,652*	*30,813,652*	*18,018,477*	*18,018,477*	*12,795,175*	*12,795,175*
- Loans and advances	*30,838*	*30,838*	-	-	-	-	-	-	*30,838*	*30,838*	-	-	*30,838*	*30,838*
Total financial assets	**105,658,412**	**105,476,359**	**24,065,107**	**23,888,462**	**19,464,236**	**19,182,232**	**4,600,871**	**4,706,230**	**81,593,305**	**81,587,897**	**42,224,321**	**42,246,888**	**39,368,984**	**39,341,009**
Financial liabilities														
Financial liabilities held-for-trading	34,817	34,817	-	-	-	-	-	-	34,817	34,817	34,368	34,368	449	449
Financial liabilities measured at amortized cost	96,237,369	96,241,743	62,521,120	62,525,270	32,708,450	32,726,413	29,812,670	29,798,857	33,716,249	33,716,473	21,795,497	21,796,367	11,920,752	11,920,106
Total financial liabilities	**96,272,186**	**96,276,560**	**62,521,120**	**62,525,270**	**32,708,450**	**32,726,413**	**29,812,670**	**29,798,857**	**33,751,066**	**33,751,290**	**21,829,865**	**21,830,735**	**11,921,201**	**11,920,555**

(*) This category comprises only held-for-trading financial assets, including derivative instruments

Notes to the consolidated and separate financial statements

7. Financial assets and liabilities *(continued)*

a) Accounting classifications and fair value (continued)

Group, as at 31 December 2019					Retail						Non-Retail			
					in RON		in FCY				in RON		in FCY	
In RON thousand	Total carrying amount 2019	Total fair value 2019	Total carrying amount retail customers	Total fair value retail customers	Carrying amount	Fair value	Carrying amount	Fair value	Total carrying amount companies	Total fair value companies	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets														
Financial assets held for trading and measured at fair value through profit or loss (*)	277,410	277,410	-	-	-	-	-	-	277,410	277,410	262,104	262,104	15,306	15,306
Financial assets which are required to be measured at fair value through profit or loss, of which:	877,989	877,989	-	-	-	-	-	-	877,989	877,989	362,256	362,256	515,733	515,733
- Equity instruments	*143,932*	*143,932*	-	-	-	-	-	-	*143,932*	*143,932*	*396*	*396*	*143,536*	*143,536*
- Debt instruments	*734,057*	*734,057*	-	-	-	-	-	-	*734,057*	*734,057*	*361,860*	*361,860*	*372,197*	*372,197*
Financial assets carried at amortized cost	65,368,170	65,365,300	23,228,342	23,245,257	18,374,303	18,257,939	4,854,039	4,987,318	42,139,828	42,120,043	21,066,701	21,042,493	21,073,127	21,077,550
Financial assets measured at fair value through other items of comprehensive income	23,658,311	23,658,311	-	-	-	-	-	-	23,658,311	23,658,311	13,978,925	13,978,925	9,679,386	9,679,386
- Equity instruments	*25,053*	*25,053*	-	-	-	-	-	-	*25,053*	*25,053*	*22,210*	*22,210*	*2,843*	*2,843*
- Debt instruments	*23,603,235*	*23,603,235*	-	-	-	-	-	-	*23,603,235*	*23,603,235*	*13,956,715*	*13,956,715*	*9,646,520*	*9,646,520*
- Loans and advances	*30,023*	*30,023*	-	-	-	-	-	-	*30,023*	*30,023*	-	-	*30,023*	*30,023*
Total financial assets	**90,181,880**	**90,179,010**	**23,228,342**	**23,245,257**	**18,374,303**	**18,257,939**	**4,854,039**	**4,987,318**	**66,953,538**	**66,933,753**	**35,669,986**	**35,645,778**	**31,283,552**	**31,287,975**
Financial liabilities														
Financial liabilities held-for-trading	12,331	12,331	-	-	-	-	-	-	12,331	12,331	12,287	12,287	44	44
Financial liabilities measured at amortized cost	81,803,866	81,820,443	53,039,719	53,056,178	27,574,520	27,582,172	25,465,199	25,474,006	28,764,147	28,764,265	18,202,289	18,202,353	10,561,858	10,561,912
Total financial liabilities	**81,816,197**	**81,832,774**	**53,039,719**	**53,056,178**	**27,574,520**	**27,582,172**	**25,465,199**	**25,474,006**	**28,776,478**	**28,776,596**	**18,214,576**	**18,214,640**	**10,561,902**	**10,561,956**

(*) This category comprises only held-for-trading financial assets, including derivative instruments

Notes to the consolidated and separate financial statements

7. Financial assets and liabilities *(continued)*

a) Accounting classifications and fair value (continued)

Bank, as at 31 December 2020			Retail						Non-Retail					
					in RON		in FCY				in RON		in FCY	
In RON thousand	Total carrying amount 2020	Total fair value 2020	Total carrying amount retail customers	Total fair value retail customers	Carrying amount	Fair value	Carrying amount	Fair value	Total carrying amount companies	Total fair value companies	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets														
Financial assets held for trading and measured at fair value through profit or loss (*)	39,662	39,662	-	-	-	-	-	-	39,662	39,662	39,015	39,015	647	647
Financial assets which are required to be measured at fair value through profit or loss, of which:	1,349,673	1,349,673	-	-	-	-	-	-	1,349,673	1,349,673	627,450	627,450	722,223	722,223
- Equity instruments	217,192	217,192	-	-	-	-	-	-	217,192	217,192	-	-	217,192	217,192
- Debt instruments	1,132,481	1,132,481	-	-	-	-	-	-	1,132,481	1,132,481	627,450	627,450	505,031	505,031
Financial assets carried at amortized cost	68,900,944	68,728,286	23,016,535	22,841,200	18,978,860	18,717,024	4,037,675	4,124,176	45,884,409	45,887,086	23,358,015	23,378,066	22,526,394	22,509,020
Financial assets measured at fair value through other items of comprehensive income	30,850,770	30,850,770	-	-	-	-	-	-	30,850,770	30,850,770	18,026,435	18,026,435	12,824,335	12,824,335
- Equity instruments	14,816	14,816	-	-	-	-	-	-	14,816	14,816	12,621	12,621	2,195	2,195
- Debt instruments	30,805,116	30,805,116	-	-	-	-	-	-	30,805,116	30,805,116	18,013,814	18,013,814	12,791,302	12,791,302
- Loans and receivables	30,838	30,838	-	-	-	-	-	-	30,838	30,838	-	-	30,838	30,838
Total financial assets	**101,141,049**	**100,968,391**	**23,016,535**	**22,841,200**	**18,978,860**	**18,717,024**	**4,037,675**	**4,124,176**	**78,124,514**	**78,127,191**	**42,050,915**	**42,070,966**	**36,073,599**	**36,056,225**
Financial liabilities														
Financial liabilities held-for-trading	34,817	34,817	-	-	-	-	-	-	34,817	34,817	34,369	34,369	449	449
Financial liabilities measured at amortized cost	93,066,448	93,085,577	60,643,930	60,662,188	32,580,437	32,598,399	28,063,493	28,063,789	32,422,518	32,423,389	21,676,154	21,677,025	10,746,364	10,746,364
Total financial liabilities	**93,101,265**	**93,120,394**	**60,643,930**	**60,662,188**	**32,580,437**	**32,598,399**	**28,063,493**	**28,063,789**	**32,457,335**	**32,458,206**	**21,710,523**	**21,711,394**	**10,746,813**	**10,746,813**

(*) This category comprises only held-for-trading financial assets, including derivative instruments

Notes to the consolidated and separate financial statements

7. Financial assets and liabilities *(continued)*

a) Accounting classifications and fair value (continued)

Bank, as at 31 December 2019					**Retail**						**Non-Retail**			
					in RON		**in FCY**				**in RON**		**in FCY**	
In RON thousand	**Total carrying amount 2019**	**Total fair value 2019**	**Total carrying amount retail customers**	**Total fair value retail customers**	**Carrying amount**	**Fair value**	**Carrying amount**	**Fair value**	**Total carrying amount companies**	**Total fair value companies**	**Carrying amount**	**Fair value**	**Carrying amount**	**Fair value**
Financial assets														
Financial assets held for trading and measured at fair value through profit or loss (*)	22,312	22,312	-	-	-	-	-	-	22,312	22,312	21,532	21,532	780	780
Financial assets which are required to be measured at fair value through profit or loss, of which:	1,148,691	1,148,691	-	-	-	-	-	-	1,148,691	1,148,691	628,166	628,166	520,525	520,525
- Equity instruments	143,535	143,535	-	-	-	-	-	-	143,535	143,535	-	-	143,535	143,535
- Debt instruments	1,005,156	1,005,156	-	-	-	-	-	-	1,005,156	1,005,156	628,166	628,166	376,990	376,990
Financial assets carried at amortized cost	60,893,085	60,702,737	22,359,208	22,212,104	17,949,837	17,681,828	4,409,371	4,530,276	38,533,877	38,490,633	20,401,403	20,372,157	18,132,474	18,118,476
Financial assets measured at fair value through other items of comprehensive income	23,637,807	23,637,807	-	-	-	-	-	-	23,637,807	23,637,807	13,962,467	13,962,467	9,675,340	9,675,340
- Equity instruments	12,169	12,169	-	-	-	-	-	-	12,169	12,169	10,134	10,134	2,035	2,035
- Debt instruments	23,595,615	23,595,615	-	-	-	-	-	-	23,595,615	23,595,615	13,952,333	13,952,333	9,643,282	9,643,282
- Loans and receivables	30,023	30,023	-	-	-	-	-	-	30,023	30,023	-	-	30,023	30,023
Total financial assets	**85,701,895**	**85,511,547**	**22,359,208**	**22,212,104**	**17,949,837**	**17,681,828**	**4,409,371**	**4,530,276**	**63,342,687**	**63,299,443**	**35,013,568**	**34,984,322**	**28,329,119**	**28,315,121**
Financial liabilities														
Financial liabilities held-for-trading	12,331	12,331	-	-	-	-	-	-	12,331	12,331	12,287	12,287	44	44
Financial liabilities measured at amortized cost	78,305,921	78,322,498	51,066,078	51,082,538	27,453,046	27,460,699	23,613,032	23,621,839	27,239,843	27,239,960	18,139,418	18,139,481	9,100,425	9,100,479
Total financial liabilities	**78,318,252**	**78,334,829**	**51,066,078**	**51,082,538**	**27,453,046**	**27,460,699**	**23,613,032**	**23,621,839**	**27,252,174**	**27,252,291**	**18,151,705**	**18,151,768**	**9,100,469**	**9,100,523**

(*) This category comprises only held-for-trading financial assets, including derivative instruments

Notes to the consolidated and separate financial statements

7. Financial assets and liabilities *(continued)*

b) Fair value of financial assets and liabilities

The Group and the Bank measure the fair value of financial instruments by using the following fair value hierarchy:

Level 1 in the fair value hierarchy
The fair value of financial assets and liabilities included in Level 1 in the fair value hierarchy is determined based on quoted prices in active markets for identical assets or liabilities. Quoted prices that are being applied must be readily and regularly available from an exchange or active index/market location and prices must represent actual and regularly occurring market transactions on an arm's length basis.

Level 2 in the fair value hierarchy
The fair value of financial assets and liabilities included in Level 2 in the fair value hierarchy is determined by using evaluation methods which contain observable market data when market prices are not available. Level 2 evaluations generally use observable market parameters, such as interest rates and yield curves observable at commonly quoted intervals, preset volatilities and credit spreads.

Level 3 in the fair value hierarchy
The fair value of financial assets and liabilities included in Level 3 in the fair value hierarchy is determined by using input data that are not based on observable market information (unobservable data inputs shall reflect the assumptions made by the market participants to establish the price of an asset or a liability, including risk assumptions).
The objective of valuation techniques is to derive the fair value that reflects a price for the financial instrument at the reporting date, price that would be obtained by the market participants acting at arm's length.

The availability of observable market data and models reduces the need for the Management to operate judgements and estimations and also reduces the uncertainty associated with the determination of the fair value. Availability of observable market prices and inputs varies depending on the products and markets and is prone to changes based on specific events and general conditions in the financial markets.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The management uses its judgment to select the valuation method and makes assumptions that are mainly based on market conditions existing at the date of the consolidated/ separate statement of the financial position.

i) Fair value hierarchy analysis of financial instruments carried at fair value

At level 1 in the fair value hierarchy, the Bank and the Group included in the category of assets: equity instruments and debt instruments held at fair value through profit or loss, bonds classified as assets measured at fair value through other items of comprehensive income, except for the bonds issued by Municipalities.

At level 2 in the fair value hierarchy, the Bank and the Group included in the category of assets: derivatives held at fair value through profit or loss, bonds classified as assets measured at fair value through other items of comprehensive income issued by Municipalities and in the category of liabilities: derivatives classified as financial liabilities held for trading.

Notes to the consolidated and separate financial statements

7. Financial assets and liabilities *(continued)*

b) Fair value of financial assets and liabilities (continued)

i) Fair value hierarchy analysis of financial instruments carried at fair value *(continued)*

At level 3 in the fair value hierarchy, the Bank and the Group included in the category of assets: equity instruments , fixed assets and investment property.

The table below presents the financial instruments measured at fair value in the statement of financial position, at the end of the reporting period, by fair value levels:

***Group** - In RON thousand*	Notes	Level 1 - Quoted market prices in active markets	Level 2 - Valuation techniques – observable inputs	Level 3 - Valuation techniques – unobservable inputs	Total
31 December 2020					
Financial assets held for trading and measured at fair value through profit or loss, of which:	*21.a)*	**346,472**	**-**	**-**	**346,472**
- Equity instruments		226,137	-	-	**226,137**
- Debt instruments		120,335	-	-	**120,335**
Derivatives	*43*	**-**	**22,090**	**-**	**22,090**
Financial assets measured at fair value through other items of comprehensive income	*24*	**30,812,897**	**755**	**63,525**	**30,877,177**
- Equity instruments		-	-	32,687	**32,687**
- Debt instruments		30,812,897	755	-	**30,813,652**
- Loans and advances		-	-	30,838	**30,838**
Financial assets which are required to be measured at fair value through profit or loss, of which:		**745,920**	**62,226**	**277,568**	**1,085,714**
- Equity instruments	*21.b)*	217,564	-	-	**217,564**
- Debt instruments		528,356	62,226	277,568	**868,150**
Total financial assets measured at fair value in the statement of financial position		**31,905,289**	**85,071**	**341,093**	**32,331,453**
Non-financial assets at fair value		**-**	**-**	**904,297**	**904,297**
- Property and equipment and investment property	*26*	-	-	904,297	**904,297**
Total assets measured at fair value in the statement of financial position		**31,905,289**	**85,071**	**1,245,390**	**33,235,750**
Financial liabilities held-for-trading	*43*	**-**	**34,817**	**-**	**34,817**
31 December 2019					
Financial assets held for trading and measured at fair value through profit or loss, of which:	*21.a)*	**272,607**	**-**	**-**	**272,607**
- Equity instruments		*144,040*	-	-	*144,040*
- Debt instruments		*128,567*	-	-	*128,567*
Derivatives	*43*	**-**	**4,803**	**-**	**4,803**
Financial assets measured at fair value through other items of comprehensive income	*24*	**23,602,342**	**893**	**55,076**	**23,658,311**
- Equity instruments		-	-	*25,053*	*25,053*
- Debt instruments		*23,602,342*	*893*	-	*23,603,235*
- Loans and advances		-	-	*30,023*	*30,023*
Financial assets which are required to be measured at fair value through profit or loss, of which:	*21.b)*	**614,184**	**-**	**263,805**	**877,989**
- Equity instruments		*143,932*	**-**	**-**	*143,932*
- Debt instruments		*470,252*	**-**	***263,805***	*734,057*
Total financial assets measured at fair value in the statement of financial position		**24,489,133**	**5,696**	**318,881**	**24,813,710**
Non-financial assets at fair value		**-**	**-**	**727,526**	**727,526**
- Property and equipment and investment property	*26*	-	-	*727,526*	*727,526*
Total assets measured at fair value in the statement of financial position		**24,489,133**	**5,696**	**1,046,407**	**25,541,236**
Financial liabilities held-for-trading	*43*	**-**	**12,331**	**-**	**12,331**

7. Financial assets and liabilities *(continued)*

b) Fair value of financial assets and liabilities (continued)

i) Fair value hierarchy analysis of financial instruments carried at fair value *(continued)*

Bank - *In RON thousand*	**Notes**	**Level 1 - Quoted market prices in active markets**	**Level 2 - Valuation techniques – observable inputs**	**Level 3 - Valuation techniques – unobservable inputs**	**Total**
31 December 2020					
Financial assets held for trading and measured at fair value through profit or loss, of which:	21.a)	**17,572**	**-**	**-**	**17,572**
- Equity instruments		17,572	-	-	**17,572**
Derivatives	43	-	22,090	-	**22,090**
Financial assets measured at fair value through other items of comprehensive income	24	**30,804,361**	**755**	**45,654**	**30,850,770**
- Equity instruments		-	-	14,816	**14,816**
- Debt instruments		30,804,361	755	-	**30,805,116**
- Loans and receivables		-	-	30,838	**30,838**
Financial assets which are required to be measured at fair value through profit or loss, of which:		**1,009,879**	**62,226**	**277,568**	**1,349,673**
- Equity instruments	21.b)	217,192	-	-	**217,192**
- Debt instruments		792,687	62,226	277,568	**1,132,481**
Total financial assets measured at fair value in the statement of financial position		**31,831,812**	**85,071**	**323,222**	**32,240,105**
Non-financial assets at fair value		-	-	619,041	**619,041**
- Property and equipment and investment property	26	-	-	619,041	**619,041**
Total assets measured at fair value in the statement of financial position		**31,831,812**	**85,071**	**942,263**	**32,859,146**
Financial liabilities held-for-trading	43	**-**	**34,817**	**-**	**34,817**
31 December 2019					
Financial assets held for trading and measured at fair value through profit or loss, of which:	21.a)	**17,509**	**-**	**-**	**17,509**
- Equity instruments		17,509	-	-	**17,509**
Derivatives	43	-	4,803	-	**4,803**
Financial assets measured at fair value through other items of comprehensive income	24	**23,594,722**	**893**	**42,192**	**23,637,807**
- Equity instruments		-	-	12,169	**12,169**
- Debt instruments		23,594,722	893	-	**23,595,615**
- Loans and receivables		-	-	*30,023*	***30,023***
Financial assets which are required to be measured at fair value through profit or loss, of which:	21.b)	**884,886**	**-**	**263,805**	**1,148,691**
- Equity instruments		*143,535*	-	-	**143,535**
- Debt instruments		*741,351*	-	*263,805*	**1,005,156**
Total financial assets measured at fair value in the statement of financial position		**24,497,117**	**5,696**	**305,997**	**24,808,810**
Non-financial assets at fair value		**-**	**-**	***575,038***	**575,038**
- Property and equipment and investment property	26	-	-	*575,038*	**575,038**
Total assets measured at fair value in the statement of financial position		**24,497,117**	**5,696**	**881,035**	**25,383,848**
Financial liabilities held-for-trading	43	**-**	**12,331**	**-**	**12,331**

Notes to the consolidated and separate financial statements

7. Financial assets and liabilities *(continued)*

b) Fair value of financial assets and liabilities (continued)

ii) Financial instruments not carried at fair value

At level 2 in the fair value hierarchy, the Bank and the Group included in the category of assets that are not held at fair value: placements with banks, financial assets measured at amortized cost - debt instruments and in the category of liabilities: deposits from banks and from customers.

At level 3 in the fair value hierarchy, the Bank and the Group included in the category of assets: loans and advances and finance lease receivables and other financial assets; and in the category of liabilities: loans from banks and other financial institutions, subordinated loans and other financial liabilities.

The table below presents the fair value and the fair value hierarchy for the financial assets and liabilities that are not measured at fair value in the statement of financial position at **31 December 2020**:

RON thousand	Note	Group					Bank				
		Carrying amount	**Fair value**	**Fair value hierarchy Level 1**	**Level 2**	**Level 3**	**Carrying amount**	**Fair value**	**Fair value hierarchy Level 1**	**Level 2**	**Level 3**
Assets											
Placements with banks	20	7,223,277	7,223,277	-	7,223,277	-	6,636,395	6,636,395	-	6,636,395	-
Loans and advances to customers	22	40,892,544	40,692,694	-	-	40,692,694	40,363,909	40,185,867	-	-	40,185,867
Finance lease receivables	23	1,227,716	1,230,658	-	-	1,230,658	-	-	-	-	-
Financial assets at amortized cost - debt instruments	24	990,106	1,004,961	58,212	946,749	-	160,874	166,258	-	166,258	-
Other financial assets	30	860,105	860,105	-	-	860,105	761,133	761,133	-	-	761,133
Total assets		**51,193,748**	**51,011,695**	**58,212**	**8,170,026**	**42,783,457**	**47,922,311**	**47,749,653**	**-**	**6,802,653**	**40,947,000**
Liabilities											
Deposits from banks	32	318,944	318,944	-	318,944	-	311,822	311,822	-	311,822	-
Deposits from customers	33	90,942,415	90,946,555	-	90,946,555	-	88,297,146	88,316,041	-	88,316,041	-
Loans from banks and other financial institutions	34	1,691,668	1,691,902	-	-	1,691,902	1,176,066	1,176,300	-	-	1,176,300
Subordinated liabilities	35	1,667,761	1,667,761	-	-	1,667,761	1,664,464	1,664,464	-	-	1,664,464
Lease liabilities		454,792	454,792	-	-	454,792	709,269	709,269	-	-	709,269
Other financial liabilities	37	1,161,789	1,161,789	-	-	1,161,789	907,681	907,681	-	-	907,681
Total liabilities		**96,237,369**	**96,241,743**	**-**	**91,265,499**	**4,976,244**	**93,066,448**	**93,085,577**	**-**	**88,627,863**	**4,457,714**

Notes to the consolidated and separate financial statements

7. Financial assets and liabilities *(continued)*

b) Fair value of financial assets and liabilities (continued)

ii) Financial instruments not carried at fair value (continued)

The table below presents the fair value and the fair value hierarchy for the financial assets and liabilities that are not measured at fair value in the statement of financial position at **31 December 2019**:

		Group					**Bank**				
RON thousand	**Note**	**Carrying amount**	**Fair value**	**Fair value hierarchy**			**Carrying amount**	**Fair value**	**Fair value hierarchy**		
				Level 1	**Level 2**	**Level 3**			**Level 1**	**Level 2**	**Level 3**
Assets											
Placements with banks	20	7,775,140	7,775,140	-	7,775,140	-	6,995,346	6,995,346	-	6,995,346	-
Loans and advances to customers	22	39,175,404	39,168,530	-	-	39,168,530	38,601,915	38,411,567	-	-	38,411,567
Finance lease receivables	23	1,178,443	1,182,447	-	-	1,182,447	-	-	-	-	-
Financial assets at amortized cost - debt instruments	24	1,968,031	1,968,031	-	-	1,968,031	1,176,834	1,176,834	-	-	1,176,834
Other financial assets	30	688,009	688,009	-	-	688,009	638,795	638,795	-	-	638,795
Total assets		**50,785,027**	**50,782,157**	**-**	**7,775,140**	**43,007,017**	**47,412,890**	**47,222,542**	**-**	**6,995,346**	**40,227,196**
Liabilities											
Deposits from banks	32	296,138	296,138	-	296,138	-	304,461	304,461	-	304,461	-
Deposits from customers	33	77,037,060	77,053,638	-	77,053,638	-	74,353,723	74,370,300	-	74,370,300	-
Loans from banks and other financial institutions	34	1,473,920	1,473,920	-	-	1,473,920	895,673	895,673	-	-	895,673
Subordinated liabilities	35	1,700,207	1,700,207	-	-	1,700,207	1,696,602	1,696,602	-	-	1,696,602
Lease liabilities		387,441	387,441	-	-	387,441	365,931	365,931	-	-	365,931
Other financial liabilities	37	909,100	909,100	-	-	909,100	689,531	689,531	-	-	689,531
Total liabilities		**81,803,866**	**81,820,444**	**-**	**77,349,776**	**4,470,668**	**78,305,921**	**78,322,498**	**-**	**74,674,761**	**3,647,737**

Notes to the consolidated and separate financial statements

8. Net interest income

In RON thousand	Group 2020	Group 2019	Bank 2020	Bank 2019
Interest income calculated using the effective interest method	**3,495,215**	**3,493,771**	**3,199,035**	**3,185,084**
- Cash and curent accounts with Central Banks at AC	14,200	42,540	10,173	19,045
- Placements with banks at AC	103,783	51,794	101,660	47,627
- Loans and advances to customers at AC	2,646,980	2,864,425	2,399,967	2,631,822
- Debt instruments at FVOCI	683,257	474,445	682,900	474,202
- Debt instruments at AC	46,995	60,567	4,335	12,388
Other similar income	**165,210**	**160,621**	**11,673**	**15,553**
- Finance lease receivables	97,969	144,369	-	-
- Non-recourse factoring receivables	67,241	16,252	11,673	15,553
Total interest income	**3,660,425**	**3,654,392**	**3,210,708**	**3,200,637**
Interest expense related to financial liabilities measured at amortized cost	**681,981**	**578,712**	**629,232**	**513,775**
- Cash and curent accounts with Central Banks	**47,076**	37,831	47,068	37,831
- Deposits from banks	**23,796**	12,507	22,069	10,555
- Deposits from customers	**471,095**	427,016	436,103	380,614
- Loans from banks and other financial institutions	**140,014**	101,358	123,992	84,775
Other similar expense	**1,351**	**1,935**	**1,409**	**1,715**
- Lease liabilities	1,351	1,935	1,409	1,715
Total interest expense	**683,332**	**580,647**	**630,641**	**515,490**
Net interest income	**2,977,093**	**3,073,745**	**2,580,067**	**2,685,147**

(i) Interest income for the year ended at 31 December 2020 includes the net interest income on impaired financial assets amounting RON 121,832 thousand (2019: RON 222,190 thousand) for the Group and RON 96,164 thousand (2019: RON 185,874 thousand) for the Bank.

The interest income and expense related to the financial assets and liabilities, other than those held at fair value through profit and loss, are determined using the effective interest rate method.

9. Net fee and commission income

In RON thousand	Group 2020	Group 2019	Bank 2020	Bank 2019
Fee and commission income				
Commissions from treasury and inter-bank operations	132,711	121,239	132,711	121,239
Client transactions	980,128	994,957	819,098	853,267
Lending activity *(i)*	34,902	38,803	34,420	38,215
Finance lease management	51	1,307	-	-
Other fee and commission income	4,148	2,129	658	515
Total fee and commission income	***1,151,940***	***1,158,435***	***986,887***	***1,013,236***
Fee and commission expense				
Commissions from treasury and inter-bank operations	248,841	223,512	213,191	189,814
Client transactions	101,262	86,131	78,957	70,025
Lending activity *(i)*	23,209	22,866	36,089	34,971
Other fees and commissions	2,167	3,149	2,210	3,334
Total fee and commission expense	***375,479***	***335,658***	***330,447***	***298,144***
Net fee and commission income	**776,461**	**822,777**	**656,440**	**715,092**

(i) Lending-related fees include guarantee assessment and amendment fees, debt recovery fees.

Notes to the consolidated and separate financial statements

10. Net trading income

	Group		Bank	
In RON thousand	**2020**	**2019**	**2020**	**2019**
Net income from foreign exchange transactions	365,139	331,496	315,137	296,706
Net expense from derivatives	(28,181)	(8,658)	(28,178)	(8,659)
Net income/ (expense) from financial assets held-for-trading	(15,650)	68,213	1,151	6,395
Net income from foreign exchange position revaluation	23,811	19,552	22,011	24,076
Net trading income	**345,119**	**410,603**	**310,121**	**318,518**

11. Net gain/loss(-) from the sale of financial assets measured at fair value through other items of comprehensive income

	Group		Bank	
In RON thousand	**2020**	**2019**	**2020**	**2019**
Income from the sale of financial assets measured at fair value through other items of comprehensive income	305,442	122,353	305,387	122,332
Losses from the sale of financial assets measured at fair value through other items of comprehensive income	(4,777)	(5,528)	(4,777)	(5,528)
Net gain/loss(-) from the sale of financial assets measured at fair value through other items of comprehensive income	**300,665**	**116,825**	**300,610**	**116,804**

12. Net gain/loss(-) from financial assets which are required to be measured at fair value through profit or loss

	Group		Bank	
In RON thousand	**2020**	**2019**	**2020**	**2019**
Losses from financial assets which are required to be measured at fair value through profit or loss	(194,251)	(118,723)	(308,330)	(133,489)
Income from financial assets which are required to be measured at fair value through profit or loss	268,361	244,332	350,830	298,549
Net gain/loss(-) from financial assets which are required to be measured at fair value through profit or loss	**74,110**	**125,609**	**42,500**	**165,060**

13. Contribution to the Bank Deposit Guarantee Fund and to the Resolution Fund

The impact of the breakdown of the annual contribution to the two funds, as reflected in the separate and consolidated statement of profit or loss, is the following:

	Group		Bank	
	2020	**2019**	**2020**	**2019**
Contribution to the Bank Deposit Guarantee Fund	33,093	86,841	30,551	83,491
Bank Resolution Fund	41,353	24,124	39,244	24,124
Total	**74,446**	**110,965**	**69,795**	**107,615**

14. Other operating income

In RON thousand	Group 2020	Group 2019	Bank 2020	Bank 2019
Dividend income	2,974	3,174	6,939	10,707
Income from insurance intermediation	69,248	72,780	53,911	64,550
Income from the sale of finished products	-	21,646	-	-
Income from VISA, MASTERCARD, WU services	15,719	16,972	15,719	16,972
Income from indemnities, fines and penalties	9,863	11,534	6,818	8,879
Other operating income *(i)*	40,826	42,266	33,874	29,136
Total	**138,630**	**168,372**	**117,261**	**130,244**

(i) The category "Other operating income" includes the following types of income: debt recoveries related to closed accounts, cash at hand differences, income from recovered legal expenses, other recoveries from operating expenses.

15. Net expense from impairment allowance, expected losses on assets, provisions for other risks and loan commitments

In RON thousand	Group 2020	Group 2019	Bank 2020	Bank 2019
Net impairment allowance on assets (i)	1,031,479	453,768	913,879	416,926
Loans written off	5,259	21,084	1	23
Finance lease receivables written off	16,947	23,591	-	-
Provisions for other risks and loan commitments	88,528	57,993	97,830	53,393
Recoveries from loans written off	(244,148)	(230,677)	(227,826)	(225,613)
Recoveries from finance lease receivables written off	(32,225)	(33,113)	-	-
Net impairment allowance,expected losses on assets, provisions for other risks and loan commitments	**865,840**	**292,646**	**783,884**	**244,729**

(i) Net impairment losses on assets include the following:

In RON thousand	Group 2020	Group 2019	Bank 2020	Bank 2019
Loans and advances to customers	984,194	427,944	911,369	364,972
Treasury and inter-bank operations	93	(2,759)	403	56
Finance lease receivables	32,929	48,633	-	-
Equity investments	-	-	-	51,317
Investment securities	4,481	(323)	2,312	102
Other financial assets	5,677	526	2,626	1,076
Other non-financial assets	4,105	(19,504)	(2,831)	(597)
Property and equipment and intangible assets	-	(749)	-	-
Net impairment allowance on assets	**1,031,479**	**453,768**	**913,879**	**416,926**

16. Personnel expenses

	Group		Bank	
In RON thousand	**2020**	**2019**	**2020**	**2019**
Gross salaries	934,033	875,543	817,718	760,605
Social protection contribution	39,795	38,139	26,491	25,866
Share payments to employees	62,894	59,338	60,564	59,338
Pension contribution Pillar III	12,005	7,479	11,256	7,004
Other staff expenses	52,869	49,597	47,583	44,376
Net expenses with provisions for untaken holiday and other benefits	(4,105)	8,193	(4,759)	1,869
Total	**1,097,491**	**1,038,289**	**958,853**	**899,058**

The average number of new employees within the Group and the Bank during 2020 and 2019 was:

Category	**Monthly average number of persons employed during 2020**		**Monthly average number of persons employed during 2019**	
	Group	**Bank**	**Group**	**Bank**
Management positions	1.08	0.08	2.58	0.92
Operational positions	108.25	82.33	187.83	152.42
Total	**108.67**	**82.42**	**190.42**	**153.33**

The Bank has established a Stock Option Plan (SOP) program, within which the Bank's staff can exercise their right and option to acquire a number of shares issued by the Bank.
Vesting conditions for 2021 related to SOP 2020:
- Achievement of performance and prudential indicators during 2020;
- Compliance with certain individual eligibility and/or performance criteria, in accordance with the applicable remuneration policy and standard, related to the year for which shares are granted;
- Being an employee upon the granting of the SOP right (01 September 2020) and when exercising such right (starting from 02 September 2021);

Contractual vesting period for the shares granted for the year 2020 through SOP:
- Release after 02 September 2021;
- Deferral period for the identified personnel subject to applicable restrictions, pursuant to internal regulations in force.

The impact in profit or loss of a possible value change of the shares which are to be granted to the employees under the Stock Option Plan for 2020, by a maximum of +/-15,00% regulated by the Bucharest Stock Exchange, would be of RON +/- 12,101 thousand.

The movement in transactions relating to share-based payments during 2020 and 2019 is presented below:

In RON thousand	**2020**	**2019**
Balance as at January 1	**26,927**	**30,848**
Rights granted during the year	(78,675)	(63,259)
Expense with employee benefits in the form of share-based payments	60,565	59,338
Closing balance at the end of period	**8,817**	**26,927**

16. Personnel expenses *(continued)*

35,068,919 shares were granted to employees and shareholders in 2020; during the year 2019, a number of 30,035,756 shares was granted to the employees and shareholders:

Granting date	Number of shares	Contractual vesting period	Vesting conditions
Shares granted to employees for the year 2020	33,767,328	With immediate release on 03 June 2020	Achievement of performance and prudential indicators during 2019, Compliance with the conditions stipulated in the applicable remuneration policy and standard, related to the year for which shares are granted, as well as with the conditions of the trust agreement.
	1,301,591	Deferral by trust agreement for 3-5 years	

17. Other operating expenses

	Group		Bank	
In RON thousand	**2020**	**2019**	**2020**	**2019**
Rent and lease expense	8,496	22,281	6,893	19,786
Repairs and maintenance expenses	164,513	170,323	148,505	155,147
Advertising, marketing, entertainment and sponsorship expenses	83,613	93,160	73,554	80,570
Mail, telecommunication and SMS traffic expenses	54,899	43,925	42,885	37,930
Materials and stationery	66,997	75,426	61,090	55,006
Other professional fees, including legal expenses	27,114	37,855	13,183	33,046
Expenses regarding movable and immovable assets resulting from debt enforcement	3,389	277	3,000	345
Electricity and heating	22,735	25,976	20,944	21,466
Business travel, transportation and temporary relocation expenses	24,581	31,978	23,710	29,257
Insurance costs	21,262	21,860	18,263	19,575
Taxes	23,912	120,873	22,025	115,589
Write-off and loss on disposal of property and equipment and intangible assets	6,838	50,565	4,574	49,861
Security and protection	13,537	12,330	11,986	10,274
Expenses related to archiving services	15,734	19,638	15,540	19,220
Expenses related to database queries from the Trade Register and the Credit Bureau	5,699	5,265	4,669	4,457
Expenses with foreclosed assets	5,324	4,279	5,324	3,803
Audit, advisory and other services provided by the independent auditor	6,297	6,596	3,298	4,159
- statutory and group audit fees	5,154	*4,798*	*2,979*	*3,237*
- special audit services or other non-audit services as required by the local rules or legislation	1,143	*1,798*	*319*	*922*
Net expenses from the sale of leased goods	3,827	22,734	-	-
Other operating expenses	65,385	67,748	40,316	45,377
Total other operating expenses	**624,152**	**833,089**	**519,759**	**704,868**

18. Income tax expense

	Group		Bank	
In RON thousand	**2020**	**2019**	**2020**	**2019**
Gross Profit	**1,622,428**	**2,131,583**	**1,371,036**	**1,887,146**
Statutory tax rate (2020: 16%; 2019: 16%)	***(259,588)***	***(341,053)***	***(219,366)***	***(301,943)***
Fiscal effect of income tax on the following elements:	***65,035***	***47,273***	***47,995***	***32,369***
- *Non-taxable income*	*138,481*	*103,557*	*95,232*	*82,763*
- *Non-deductible expense*	*(207,966)*	*(148,092)*	*(179,000)*	*(141,110)*
- *Tax deductions*	*142,722*	*97,989*	*140,152*	*96,989*
- *Income like items*	*(8,389)*	*(6,181)*	*(8,389)*	*(6,273)*
- *Expense like items*	*187*	-	-	-
Deferred Tax	**(3,797)**	**10,090**	**(2,360)**	**2,940**
Income tax expense	**(198,350)**	**(283,690)**	**(173,731)**	**(266,634)**

19. Cash and curent accounts with Central Banks

	Group		Bank	
In RON thousand	**2020**	**2019**	**2020**	**2019**
Minimum reserve requirement	19,289,218	11,391,107	18,558,740	10,585,716
Cash on hand and other values	2,843,993	3,192,036	2,419,893	2,894,479
Total	**22,133,211**	**14,583,143**	**20,978,633**	**13,480,195**

During 2020, the minimum reserve requirements ratio at the National Bank of Romania was 8% for RON denominated balances and between 5% and 8% for EUR denominated balances (2019: 8% for funds denominated in RON and EUR). The minimum reserve balance may fluctuate on a daily basis. The interest paid by the National Bank of Romania for the reserves held by the banks was 0.10% - 0.15% per year for the reserves in RON, 0.00% - 0.01% per year for reserves denominated in EUR and 0.01% - 0.05% per year for reserves denominated in USD. The minimum required reserve can be used by the Bank for its daily activities as long as the average monthly balance is maintained within the required limits.

Reconciliation of cash and cash equivalents with the separate and consolidated statement of financial position:

	Group		Bank	
In RON thousand	**2020**	**2019**	**2020**	**2019**
Cash and curent accounts with Central Banks(*)	22,134,426	14,585,012	20,979,902	13,483,651
Placements with banks - maturity below 3 months	4,188,689	5,874,165	3,704,585	5,226,939
Reverse-repo transactions	30,623	50,823	30,623	50,823
Financial assets with maturity below 3 months	87,632	-	87,632	-
Financial assets measured at fair value through other items of comprehensive income	69	-	-	-
Financial assets measured at amortized cost – debt instruments	208,183	-	-	-
Cash and cash equivalents in the cash flow statement	**26,649,622**	**20,510,000**	**24,802,742**	**18,761,413**

(*) At Group level, the cash and curent accounts with Central Banks do not include the accrual and interest receivable in the amount of RON (1,215) thousand (2019: RON (1,869) thousand) and at the level of the Bank in the amount of RON (1,269) thousand (2019: RON (3,456) thousand)

20. Placements with banks

	Group		Bank	
In RON thousand	**2020**	**2019**	**2020**	**2019**
Current accounts with other banks	1,067,035	2,589,907	641,225	2,040,753
Term deposit at the National Bank	-	1,500,100	-	1,500,100
Sight and term deposits with other banks	4,721,926	3,536,271	4,560,854	3,305,631
Reverse repo transactions	1,102,885	50,843	1,102,885	50,843
Loans and advances to credit institutions	331,431	98,019	331,431	98,019
Total	**7,223,277**	**7,775,140**	**6,636,395**	**6,995,346**

As at 31 December 2020, the placements with banks included reverse-repo securities, term deposits and loans and advances to credit institutions with maturity up to 3 months, which are also included in the separate and consolidated statement of cash flows, as follows: reverse-repo in amount of RON 30,623 thousand, deposits in amount of RON 2,588,532 thousand and loans and advances to credit institutions of RON 87,632 thousand at Group level, and reverse-repo of RON 30,623 thousand, deposits in amount of RON 2,574,808 and loans and advances to credit institutions in amount of RON 87,632 thousand at Bank level (2019: reverse-repo in amount of RON 50,823 thousand and deposits in amount of RON 1,422,060 thousand at Group level, and reverse-repo of RON 50,823 thousand, deposits in amount of RON 1,379,404 thousand at Bank level; loans and advances to credit institutions in amount of RON 0 for both the Group and the Bank).

Except for sale and reverse-repo agreements, the amounts due from other banks are not guaranteed, The quality analysis of the placements with banks as at 31 December 2020 and 31 December 2019, according to the rating agencies is detailed below:

Group	**2020**		**2019**	
In RON thousand	**Placements with banks**	**Reverse repo transactions**	**Placements with banks**	**Reverse repo transactions**
Investment grade	5,879,949	1,102,885	7,616,692	50,843
Non-investment grade	240,443	-	107,605	-
Total	**6,120,392**	**1,102,885**	**7,724,297**	**50,843**

Bank	**2020**		**2019**	
In RON thousand	**Placements with banks**	**Reverse repo transactions**	**Placements with banks**	**Reverse repo transactions**
Investment grade	5,297,517	1,102,885	6,839,735	50,843
Non-investment grade	235,993	-	104,768	-
Total	**5,533,510**	**1,102,885**	**6,944,503**	**50,843**

The qualitative analysis regarding the placements with banks was based on the credit ratings issued by Standard & Poor's, Moody's and Fitch, if available. As concerns the Group's/Bank's placements with credit institutions that are not rated by Standard & Poor's, Moody's or Fitch, the Standard & Poor's and Moody's sovereign rating was used.

The Investment-grade category includes the Group's/Bank's placements with credit institutions having the following ratings: AAA, AA, AA-, A+, A, A-, BBB+, BBB and BBB-.

The non-investment grade category includes the Group's/Bank's placements with credit institutions having the following ratings: BB+,BB-, B+,B-,B3 ,CCC+ and CCC-.

21. Financial assets at fair value through profit or loss

a) Held-for-trading financial assets measured at fair value through profit or loss

The structure of financial assets held-for-trading and measured at fair value through profit or loss is presented in the table below:

In RON thousand	Group		Bank	
	2020	**2019**	**2020**	**2019**
Equity instruments	226,137	144,040	17,572	17,509
Debt instruments	120,335	128,567	-	-
Total	**346,472**	**272,607**	**17,572**	**17,509**

As at 31 December 2020, the Group held shares listed on the Bucharest Stock Exchange and on the main Stocks from Europe.
As at 31 December 2020, the Group owned significant investments amounting to RON 168,498 thousand in the following entities: SIF Moldova S.A and SIF Transilvania S.A. (2019: RON 104,228 thousand).

A qualitative analysis financial assets held-for-trading and measured at fair value through profit or loss for the Group and of the Bank as at **31 December 2020** and **31 December 2019** is presented below:

	Group		Bank	
In RON thousand	**2020**	**2019**	**2020**	**2019**
Investment-grade	18,989	5,205	1,924	1,935
Non-investment grade	1,763	8,440	434	418
No rating(*)	325,720	258,962	15,214	15,156
Total	**346,472**	**272,607**	**17,572**	**17,509**

(*) They mainly represent the Group's investments in fund units and Romanian financial investment companies

The analysis of the quality of the financial assets held-for-trading and measured at fair value through profit or loss is based on the Standard & Poor's rating, if available, or Moody's rating converted into the nearest equivalent rating according to the scale of Standard & Poor.
The Investment-grade category includes financial assets at fair value through profit or loss with the following ratings: A+, A, A-, BBB+, BBB, BBB-, BAA1 and BAA3.

The Non-Investment-grade category includes financial assets at fair value through profit or loss with rating BB+, BB- and B+.
The 'no rating' category includes financial assets at fair value through profit or loss the issuers of which are not rated.

b) Financial assets which are required to be measured at fair value through profit and loss

The structure of financial assets which are required to be measured at fair value through profit or loss is presented in the table below:

	Group		Bank	
In RON thousand	**2020**	**2019**	**2020**	**2019**
Equity instruments	217,564	143,932	217,192	143,535
Debt instruments	868,150	734,057	1,132,481	1,005,156
Total	**1,085,714**	**877,989**	**1,349,673**	**1,148,691**

22. Loans and advances to customers

The Group's and Bank's commercial lending is concentrated on Romanian companies and individuals. The risk distribution of the credit portfolio per sectors, as at **31 December 2020** and **31 December 2019**, is the following:

	Group		Bank	
In RON thousand	**2020**	**2019**	**2020**	**2019**
Retail	25,156,881	23,895,191	24,043,882	22,981,740
Trading	4,777,850	4,176,563	4,499,473	3,894,591
Manufacturing	3,505,721	3,679,124	3,392,014	3,555,675
Agriculture	1,714,603	1,659,868	1,642,772	1,584,882
Services	2,106,291	1,632,525	2,003,490	1,549,506
Real Estate	1,429,018	1,522,090	1,538,348	1,497,988
Constructions	1,310,351	1,281,395	1,268,154	1,223,460
Transportation	1,643,595	1,203,476	1,550,082	1,114,396
Self-employed	679,872	708,803	548,929	586,755
Others	718,567	616,078	669,836	589,347
Financial Institutions	528,063	593,081	1,722,119	1,680,847
Telecommunications	76,957	338,297	73,325	319,188
Energy	306,706	307,873	306,667	307,791
Mining	91,578	101,360	91,079	99,927
Chemical Industry	95,152	80,406	94,589	79,902
Government Institutions	126,422	62,952	90,522	55,625
Fishing	19,031	13,303	18,680	12,968
Total loans and advances to customers before impairment allowance (*)	**44,286,658**	**41,872,385**	**43,553,961**	**41,134,588**
Allowances for impairment losses on loans	(3,394,114)	(2,696,981)	(3,190,052)	(2,532,673)
Total loans and advances to customers, net of impairment allowance	**40,892,544**	**39,175,404**	**40,363,909**	**38,601,915**

(*) Total loans and advances to customers before impairment allowance are diminished by the fair value adjustments for the portfolio of loans taken over through acquisitions, determined on the basis of the purchase price allocation report.

The structure of the credit portfolio of the **Bank** and the **Group** as at **31 December 2020** and **31 December 2019** is the following:

	Group		Bank	
In RON thousand	**2020**	**2019**	**2020**	**2019**
Corporate	12,368,857	11,812,154	13,361,424	12,710,902
Small and medium enterprises	6,245,232	5,675,248	6,148,658	5,441,946
Consumer loans and card loans granted to retail customers	10,949,378	11,284,102	10,742,582	11,114,320
Mortgage loans	13,568,648	12,041,262	13,266,162	11,835,135
Loans granted by non-banking financial institutions	1,113,152	1,009,922	-	-
Other	41,391	49,697	35,135	32,285
Total loans and advances to customers before impairment allowance	44,286,658	**41,872,385**	**43,553,961**	**41,134,588**
Allowances for impairment losses on loans	(3,394,114)	(2,696,981)	(3,190,052)	(2,532,673)
Total loans and advances to customers net of impairment allowance	**40,892,544**	**39,175,404**	**40,363,909**	**38,601,915**

Notes to the consolidated and separate financial statements

22. Loans and advances to customers *(continued)*

The movement in impairment allowances on loans and advances to customers at **Group** level in **2020** was the following:

	Allowances for expected credit losses on loans and advances for which the credit risk has not significantly increased since the initial recognition, and which are not impaired (Stage 1)	Allowances for expected credit losses on loans and advances for which the credit risk has significantly increased since the initial recognition, but which are not impaired (Stage 2)	Allowances for expected credit losses on loans and advances to customers which are impaired (Stage 3)	Total
Opening balance as at January 1, 2020	**(453,853)**	**(612,042)**	**(1,631,086)**	**(2,696,981)**
Increase due to issue or acquisition	(334,241)	(290,406)	(172,485)	**(797,132)**
Decrease due to derecognition	183,587	303,271	199,126	**685,984**
Increase or decrease due to the change in credit risk (net) and transfers	166,723	(315,640)	(320,819)	**(469,736)**
Increase or decrease due to changes without derecognition (net)	(272,252)	(253,556)	(30,509)	**(556,317)**
Changes due to update in the institution's methodology for estimation	(10,203)	-	-	**(10,203)**
Decrease of impairment allowances due to write-offs	8,573	36,526	412,997	**458,096**
Other adjustments	(553)	(220)	(7,052)	**(7,825)**
Closing balance as at 31 December 2020	**(712,219)**	**(1,132,067)**	**(1,549,828)**	**(3,394,114)**

Notes to the consolidated and separate financial statements

22. Loans and advances to customers *(continued)*

The movement in impairment allowances on loans and advances to customers at **Bank** level in **2020** was the following:

	Allowances for expected credit losses on loans and advances for which the credit risk has not significantly increased since the initial recognition, and which are not impaired (Stage 1)	Allowances for expected credit losses on loans and advances for which the credit risk has significantly increased since the initial recognition, but which are not impaired (Stage 2)	Allowances for expected credit losses on loans and advances to customers which are impaired (Stage 3)	Total
Opening balance as at January 1, 2020	**(466,217)**	**(535,509)**	**(1,530,947)**	**(2,532,673)**
Increase due to issue or acquisition	(328,992)	(279,104)	(167,495)	**(775,591)**
Decrease due to derecognition	185,447	297,012	188,613	**671,072**
Increase or decrease due to the change in credit risk (net) and transfers	166,019	(347,997)	(270,975)	**(452,953)**
Increase or decrease due to changes without derecognition (net)	(282,988)	(249,500)	(16,316)	**(548,804)**
Decrease of impairment allowances due to write-offs	8,573	36,526	412,200	**457,299**
Other adjustments	(723)	(196)	(7,483)	**(8,402)**
Closing balance as at 31 December 2020	**(718,881)**	**(1,078,768)**	**(1,392,403)**	**(3,190,052)**

22. Loans and advances to customers *(continued)*

The movement in impairment allowances on loans and advances to customers at **Group** level in **2019** was the following:

	Allowances for expected credit losses on loans and advances for which the credit risk has not significantly increased since the initial recognition, and which are not impaired (Stage 1)	Allowances for expected credit losses on loans and advances for which the credit risk has significantly increased since the initial recognition, but which are not impaired (Stage 2)	Allowances for expected credit losses on loans and advances to customers which are impaired (Stage 3)	Total
Opening balance as at January 1, 2019	**(455,278)**	**(573,328)**	**(1,557,160)**	**(2,585,766)**
Increase due to issue or acquisition	(324,365)	(155,282)	(334,901)	**(814,548)**
Decrease due to derecognition	162,695	179,545	405,026	**747,266**
Increase or decrease due to the change in credit risk (net) and transfers	102,107	(27,176)	(372,311)	**(297,380)**
Increase or decrease due to changes without derecognition (net)	63,249	(38,180)	(2,972)	**22,097**
Decrease of impairment allowances due to write-offs	57	5,243	242,451	**247,751**
Other adjustments	(2,318)	(2,864)	(11,219)	**(16,401)**
Closing balance as at 31 December 2019	**(453,853)**	**(612,042)**	**(1,631,086)**	**(2,696,981)**

22. Loans and advances to customers *(continued)*

The movement in impairment allowances on loans and advances to customers at **Bank** level in **2019** was the following:

	Allowances for expected credit losses on loans and advances for which the credit risk has not significantly increased since the initial recognition, and which are not impaired (Stage 1)	Allowances for expected credit losses on loans and advances for which the credit risk has significantly increased since the initial recognition, but which are not impaired (Stage 2)	Allowances for expected credit losses on loans and advances to customers which are impaired (Stage 3)	Total
Opening balance as at January 1, 2019	**(458,349)**	**(523,696)**	**(1,477,088)**	**(2,459,133)**
Increase due to issue or acquisition	(333,846)	(117,512)	(329,455)	**(780,813)**
Decrease due to derecognition	169,612	179,465	478,975	**828,052**
Increase or decrease due to the change in credit risk (net) and transfers	101,182	(43,825)	(333,857)	**(276,500)**
Increase or decrease due to changes without derecognition (net)	57,586	(32,238)	(94,613)	**(69,265)**
Decrease of impairment allowances due to write-offs	57	5,243	242,451	**247,751**
Other adjustments	(2,459)	(2,946)	(17,360)	**(22,765)**
Closing balance as at 31 December 2019	**(466,217)**	**(535,509)**	**(1,530,947)**	**(2,532,673)**

23. Finance lease receivables

The Group acts as a lessor under finance lease agreements, concluded mainly for financing motor vehicles and equipment. The lease agreements are denominated in EUR, RON and USD and typically run for a period between 2 and maximum 10 years, with the transfer of ownership over the leased assets upon the termination of the lease agreement.

The lease receivables are secured by the underlying assets and by other collateral. The breakdown of finance lease receivables according to their maturity is presented below:

In RON thousand	**2020**	**2019**
Finance lease receivables with maturity below 1 year, gross	575,064	533,750
Finance lease receivables with maturity between 1-10 years, gross	868,059	836,925
Total finance lease receivables, gross	**1,443,123**	**1,370,675**
Future interest related to finance lease receivables	(111,223)	(108,182)
Total finance lease receivables, net of future interest	1,331,900	1,262,493
Impairment allowances for finance lease receivables	(104,184)	(84,050)
Total finance lease receivables	**1,227,716**	**1,178,443**

The lease contracts are originated and managed by BT Leasing Transilvania IFN S.A. and BT Leasing Moldova S.R.L.

Notes to the consolidated and separate financial statements

23. Finance lease receivables *(continued)*

The movement in impairment allowances on finance lease receivable at **Group** level in **2020** was the following:

	Allowances for expected credit losses related to lease receivables for which the credit risk has not significantly increased since the initial recognition, and which are not impaired (Stage 1)	Allowances for expected credit losses related to lease receivables for which the credit risk has significantly increased since the initial recognition, but which are not impaired (Stage 2)	Allowances for expected credit losses on finance lease receivable to customers which are impaired (Stage 3)	Total
Opening balance as at January 1, 2020	**-**	**(21,347)**	**(62,703)**	**(84,050)**
Increase due to issue or acquisition	-	(18,765)	(8,346)	(27,111)
Decrease due to derecognition	-	5,989	9,816	15,805
Increase or decrease due to the change in credit risk (net) and transfers	-	(6,797)	(2,430)	(9,227)
Increase or decrease due to changes without derecognition (net)	-	26	373	399
Decrease of impairment allowances due to write-offs	-	-	-	-
Other adjustments	-	(73)	73	-
Closing balance as at 31 December 2020	**-**	**(40,967)**	**(63,217)**	**(104,184)**

23. Finance lease receivables *(continued)*

The movement in impairment allowances on finance lease receivable at **Group** level in **2019** was the following:

	Allowances for expected credit losses related to lease receivables for which the credit risk has not significantly increased since the initial recognition, and which are not impaired (Stage 1)	Allowances for expected credit losses related to lease receivables for which the credit risk has significantly increased since the initial recognition, but which are not impaired (Stage 2)	Allowances for expected credit losses on finance lease receivable to customers which are impaired (Stage 3)	Total
Opening balance as at January 1, 2019	**-**	**(16,681)**	**(70,861)**	**(87,542)**
Increase due to issue or acquisition	-	(9,521)	(8,888)	**(18,409)**
Decrease due to derecognition	-	1,996	21,946	**23,942**
Increase or decrease due to the change in credit risk (net) and transfers	-	880	(6,247)	**(5,367)**
Increase or decrease due to changes without derecognition (net)	-	1,775	1,551	**3,326**
Decrease of impairment allowances due to write-offs	-	-	-	**-**
Other adjustments	-	204	(204)	**-**
Closing balance as at 31 December 2019	**-**	**(21,347)**	**(62,703)**	**(84,050)**

Notes to the consolidated and separate financial statements

24. Investment securities

a) Financial assets measured at fair value through other items of comprehensive income

In RON thousand	Group		Bank	
	2020	2019	2020	2019
Debt instruments, of which	**30,813,652**	**23,603,234**	**30,805,116**	**23,595,615**
- Central administrations	29,217,230	22,829,923	29,208,694	22,822,304
- Credit institutions	1,167,034	570,875	1,167,034	570,875
- Other financial companies	413,048	185,468	413,048	185,468
- Non-financial institutions	16,340	16,968	16,340	16,968
Equity instruments, of which:	**32,687**	**25,053**	**14,816**	**12,168**
- Other financial companies	22,754	15,988	14,816	12,168
- Non-financial institutions	9,933	9,065	-	-
Loans and advances to customers	**30,838**	**30,024**	**30,838**	**30,024**
- Central administrations	30,838	30,024	30,838	30,024
Total	**30,877,177**	**23,658,311**	**30,850,770**	**23,637,807**

As at 31 December 2020, for these categories of securities, the Group and the Bank hold equity instruments valued at fair value through other items of comprehensive income under the form of participations in Transfond, Biroul de Credit, Swift Belgium, CCP.RO BUCHAREST S.A. and Depozitarul Central S.A. The investment in such equity instruments as at 31 December 2020 at Group level amounted to RON 32,687 thousand (2019: RON 25,053 thousand) and at Bank level RON 14,816 thousand (2019: RON 12,168 thousand). During 2020, the dividends received by the Group for these equity instruments investment were in the amount of RON 2,974 thousands (2019: RON 3,085 thousand), and at the level of the Bank in the amount of RON 2,852 thousand (2019: RON 2,966 thousand).

24. Investment securities *(continued)*

a) Financial assets measured at fair value through other items of comprehensive income (continued)

Qualitative analysis of the bonds held by the **Group and the Bank** as at **31 December 2020**, classified as "Financial assets measured at fair value through other items of comprehensive income", depending on the issuer's rating:

	Group					**Bank**				
In RON thousand	Central administrations	Credit institutions	Other financial corporations	Non-financial corporations	**Total**	Central administrations	Credit institutions	Other financial corporations	Non-financial corporations	**Total**
Debt instruments, of which	**29,217,230**	**1,167,034**	**413,048**	**16,340**	**30,813,652**	**29,208,694**	**1,167,034**	**413,048**	**16,340**	**30,805,116**
A	-	196,407	-	-	196,407	-	196,407	-	-	**196,407**
A-	-	580,070	107,176	-	687,246	-	580,070	107,176	-	**687,246**
A+	-	124,722	-	-	124,722	-	124,722	-	-	**124,722**
B-	3,872	-	-	16,340	20,212	-	-	-	16,340	**16,340**
BB+	382	-	-	-	382	382	-	-	-	**382**
BBB	48,440	265,835	-	-	314,275	48,440	265,835	-	-	**314,275**
BBB-	29,164,536	-	52,492	-	29,217,028	29,159,872	-	52,492	-	**29,212,364**
BBB+	-	-	253,380	-	253,380	-	-	253,380	-	**253,380**
Loans and advances, of which	**30,838**	**-**	-	-	**-**	**30,838**	**-**	-	-	**30,838**
BB-	**30,838**	**-**	-	-	-	**30,838**	-	-	-	**30,838**

Notes to the consolidated and separate financial statements

24. Investment securities *(continued)*

a) Financial assets measured at fair value through other items of comprehensive income (continued)

Qualitative analysis of the bonds held by the **Group and the Bank** as at **31 December 2019**, classified as "Financial assets measured at fair value through other items of comprehensive income", depending on the issuer's rating:

	Group					Bank				
In RON thousand	Central administrations	Credit institutions	Other financial corporations	Non-financial corporations	**Total**	Central administrations	Credit institutions	Other financial corporations	Non-financial corporations	**Total**
Debt instruments, of which	**22,829,923**	**570,875**	**185,468**	**16,968**	**23,603,234**	**22,822,304**	**570,875**	**185,468**	**16,968**	**23,595,615**
A-	-	41,620	-	-	41,620	-	41,620	-	-	41,620
A+	-	121,804	-	-	121,804	-	121,804	-	-	121,804
B	3,237	-	-	16,968	20,205	-	-	-	16,968	16,968
BB-	-	-	-	-	-	-	-	-	-	-
BB+	463	-	-	-	463	463	-	-	-	463
BBB	-	213,782	-	-	213,782	-	213,782	-	-	213,782
BBB-	22,826,223	-	31,572	-	22,857,795	22,821,841	-	31,572	-	22,853,413
BBB+	-	193,669	153,896	-	347,565	-	193,669	153,896	-	347,565
Loans and advances, of which	**30,023**	**-**	**-**	**-**	**30,023**	**30,023**	**-**	**-**	**-**	**30,023**
BB-	30,023	-	-	-	30,023	30,023	-	-	-	30,023

As at 31 December 2020 and 31 December 2019, the Group and the Bank did not hold past due or impaired debt instruments classified as „Financial assets measured at fair value through other items of comprehensive income".

Evolution of securities in the category "Financial assets measured at fair value through other items of comprehensive income":

	Group		Bank	
In RON thousand	**2020**	**2019**	**2020**	**2019**
As at January 1	**23,658,311**	**21,374,708**	**23,637,807**	**21,363,908**
Acquisitions	28,866,644	14,320,803	28,860,051	14,307,353
Sales and repurchases	(21,854,578)	(12,398,759)	(21,854,408)	(12,395,624)
Coupon and amortization in P&L during the year (Note 8)	683,257	474,445	682,900	474,202
Coupon collected at term during the year	(936,870)	(785,709)	(936,615)	(785,510)
Gain/(Loss) from the measurement at fair value	437,019	369,762	437,380	370,509
Exchange rate differences	23,394	303,061	23,655	302,969
As at 31 December	**30,877,177**	**23,658,311**	**30,850,770**	**23,637,807**

24. Investment securities *(continued)*

a) Financial assets measured at fair value through other items of comprehensive income (continued)

As at 31 December 2020, out of the treasury securities held by the Bank, the amount of RON 77,000 thousand (2019: RON 57,000 thousand) was pledged for current operations (RoCLEAR, SENT, MASTERCARD and VISA).
The treasury securities and bonds issued by the Romanian Government have maturities between 2021 and 2051.

As at 31 December 2020, the Bank concluded repo transactions with other financial institutions, backed by financial assets measured at fair value through other items of comprehensive income in amount of RON 83,798 thousand. The securities pledged under repo agreements may be sold or re-pledged by the counterparty. As at December 31, 2019, the Bank did not record repo transactions.

The interest rates on financial assets measured at fair value through other comprehensive income were within the following ranges:

	2020		2019	
	Minimum	**Maximum**	**Minimum**	**Maximum**
EUR	0.31%	5.89%	0.54%	5.89%
RON	0.00%	5.95%	0.00%	7.30%
USD	3.00%	6.75%	4.38%	6.75%
MDL	0.00%	7.00%	0.00%	7.00%

In 2019 the gains on the disposal of financial assets measured at fair value through other comprehensive income items reclassified from other comprehensive income to the profit and loss account were for the Bank RON 116,804 thousand with related tax of RON 18,689 thousand and for the Group of RON 116,825 thousand with related tax RON 18,692 thousand. During 2020 there were no such reclassification transactions.

b) Financial assets at amortized cost - debt instruments

In 2020, the Group holds and classifies as financial assets measures at amortized cost - debt instruments, bonds in amount of RON 990,106 thousand (2019: RON 1,968,031 thousand) and the Bank acquired bonds in amount of RON 160,874 thousand (2019: RON 1,176,834 thousand).

In RON thousand	Group		Bank	
	2020	**2019**	**2020**	**2019**
Debt instruments, of which				
- Central banks	207,095	359,028	-	-
- Central administrations	606,276	416,603	-	-
- Credit institutions	166,611	226,380	150,750	210,814
- Other financial companies	10,124	966,020	10,124	966,020
- Non-financial institutions	-	-	-	-
Total	**990,106**	**1,968,031**	**160,874**	**1,176,834**

24. Investment securities *(continued)*

b) Financial assets at amortized cost - debt instruments (continued)

Qualitative analysis of the financial assets measures at amortized cost - debt instruments held by the **Group** as at **31 December 2020** and **31 December 2019**, depending on the issuer's rating:

31 December 2020			**Group**			
In RON thousand	Central banks	Central administrations	Credit institutions	Other financial corporations	Non-financial corporations	**Total**
Debt instruments, of which	**207,095**	**606,276**	**166,611**	**10,124**	**-**	**990,106**
A-	-	-	27,130	-	-	**27,130**
A	-	-	-	-	-	**-**
A+	-	-	-	-	-	**-**
B-	207,095	558,458	-	-	-	**765,553**
BBB	-	-	21,225	-	-	**21,225**
BBB-	-	47,818	20,758	-	-	**68,576**
BBB+	-	-	97,498	10,124	-	**107,622**

31 December 2019			**Group**			
In RON thousand	Central banks	Central administrations	Credit institutions	Other financial corporations	Non-financial corporations	**Total**
Debt instruments, of which	**359,028**	**416,603**	**226,380**	**966,020**	**-**	**1,968,031**
A-	-	-	79,511	-	-	**79,511**
A	-	-	-	10,124	-	**10,124**
A+	-	-	-	955,896	-	**955,896**
B-	359,028	373,011	-	-	-	**732,039**
BBB	-	-	21,226	-	-	**21,226**
BBB-	-	43,592	20,375	-	-	**63,967**
BBB+	-	-	105,268	-	-	**105,268**

Qualitative analysis of the financial assets measures at amortized cost - debt instruments held by the **Bank** as at **31 December 2020** and **31 December 2019**, depending on the issuer's rating:

31 December 2020		**Bank**			
In RON thousand	Central administrations	Credit institutions	Other financial corporations	Non-financial corporations	**Total**
Debt instruments, of which	**-**	**150,750**	**10,124**	**-**	**160,874**
A-	-	17,374	-	-	17,374
BBB	-	21,225	-	-	21,225
BBB-	-	14,653	-	-	14,653
BBB+	-	97,498	10,124	-	107,622

24. Investment securities *(continued)*

b) Financial assets at amortized cost - debt instruments (continued)

31 December 2019	Bank				
In RON thousand	Central administrations	Credit institutions	Other financial corporations	Non-financial corporations	Total
Debt instruments, of which	**-**	**210,814**	**966,020**	**-**	**1,176,834**
A-	-	79,511	-	-	**79,511**
A	-	-	10,124	-	**10,124**
A+	-	-	955,896	-	**955,896**
BBB	-	21,226	-	-	**21,226**
BBB-	-	14,382	-	-	**14,382**
BBB+	-	95,695	-	-	**95,695**

The movement of securities in the category of financial assets measured at amortized cost - debt instruments is presented in the table below:

	Group		Bank	
In RON thousand	**2020**	**2019**	**2020**	**2019**
As at January 1	1,968,031	963,867	1,176,834	312,548
Acquisitions	9,516,247	11,309,043	-	1,111,637
Sales and repurchases	(10,494,870)	(10,238,040)	(1,037,337)	(114,026)
Reclassification	-	(144,888)	-	(144,888)
Coupon and amortization in P&L during the year (Note 8)	46,995	60,567	4,335	12,388
Coupon collected at term during the year	(12,501)	(22,726)	(4,492)	(14,433)
Recognition of expected credit losses (ECL) in accordance with IFRS 9	(1,660)	290	(1)	53
Exchange rate differences	(32,136)	39,918	21,535	13,555
As at 31 December	**990,106**	**1,968,031**	**160,874**	**1,176,834**

As of 31 December 2019, the Group and the Bank had reclassified debt instruments of RON 263,438 thousand from financial assets measured at amortized cost to financial assets measured at fair value through profit and loss, out of which RON 118,551 thousand are related to 2018. The net reclassification impact in the movement for 2019 is RON 144,888 thousand.

Notes to the consolidated and separate financial statements

25. Equity investments

As at 31 December 2020 the Bank had direct stakes in subsidiaries in amount of RON 499,690 thousand (2019: RON 486,360 thousand) and the impairment allowance amounted to RON 51,317 thousand (2019: RON 51,317 thousand).

On 31 December 2020 the Bank has subsidiaries which directly and indirectly holdings are:

Entity	Head Office	% of shares owned	Share capital	Reserves	Profit/(Loss) as at 31 December 2020
BT Leasing Transilvania IFN S.A.	Cluj-Napoca, 74-76 C-tin Brâncuşi Street, first floor	100%	58,674	11,891	57,881
BT Capital Partners S.A.	Cluj-Napoca, 74-76 C-tin Brâncuşi Street, ground floor	99.59%	19,478	491	578
BT Direct IFN S.A.	Cluj-Napoca, 74-76 C-tin Brâncuşi Street, 3rd floor	100%	79,806	19,113	9,309
BT Building S.R.L.	Cluj-Napoca, 8 George Bariţiu Street	100%	40,448	325	(945)
BT Investments S.R.L.	Cluj-Napoca, 36 Eroilor Boulevard	100%	50,940	1,875	(178)
BT Asset Management SAI S.A.	Cluj-Napoca, 22 Emil Racoviţă Street, first floor	90.00%	7,166	47,905	14,377
BT Solution Agent de Asigurare S.R.L.	Cluj-Napoca, 74-76 C-tin Brâncuşi Street, first floor	99.95%	20	4	2,562
BT Safe Agent de Asigurare S.R.L.	Cluj-Napoca, 74-76 C-tin Brâncuşi Street, first floor	99.99%	77	15	2,118
BT Intermedieri Agent de Asigurare S.R.L.	Cluj-Napoca, 74-76 C-tin Brâncuşi Street, first floor	99.99%	507	101	3,684
BT Leasing Moldova S.R.L.	Republic of Moldova, Chişinău, 60 A.Puşkin Street	100%	4,693	-	9,208
BT Asiom Agent de Asigurare S.R.L.	Cluj-Napoca, 74-76 C-tin Brâncuşi Street, first floor	99.95%	20	4	3,882
BT Microfinanţare IFN S.A.	Bucureşti, 43 Bucureşti-Ploieşti Boulevard	100%	46,760	5,845	26,341
Improvement Credit Collection S.R.L.	Cluj-Napoca, 1 George Bariţiu Street	100%	901	1,740	3,803
B.C. VICTORIABANK S.A.	Republic of Moldova, Chişinău, 141 31 August 1989 Street	44.63%	57,625	5,763	57,984
Timesafe S.R.L.	Voluntari, 87-2F Erou Iancu Nicolae Street	51.12%	1,725	18	(1,542)
BT Pensii S.A.	Bucureşti, 75-77 Buzeşti Street, 10th floor, 2nd office	90.49%	8,731	82	(336)
Total			**377,571**	**95,172**	**188,726**

Notes to the consolidated and separate financial statements

26. Property and equipment and investment property

Group - In RON thousand

Gross carrying amount	Investment property	Land & buildings	Computers and equipment	Vehicles	Fixed assets in progress	Total
Balance as at 1 January 2019	**31,009**	**436,738**	**517,019**	**29,248**	**63,886**	**1,077,900**
Acquisitions of tangible assets and investment property	-	930	56,331	1,176	190,748	**249,185**
Tangible assets related to acquisition	-	-	62	-	-	**62**
Reclassification from investments in progress	-	41,411	63,495	13,806	(118,712)	**-**
Revaluation (impact on reserve)	-	1,384	672	407	-	**2,463**
Revaluation (impact on profit and loss statement)	13	(123)	-	-	-	**(110)**
Disposals	(550)	(62,148)	(60,790)	(8,668)	(6,481)	**(138,637)**
Reclassification of tangible assets into inventories for disposal purposes	-	(14)	-	-	-	**(14)**
Balance at 31 December 2019	**30,472**	**418,178**	**576,789**	**35,969**	**129,441**	**1,190,849**
Balance as at January 1, 2020	**30,472**	**418,178**	**576,789**	**35,969**	**129,441**	**1,190,849**
Acquisitions of tangible assets and investment property	-	1,285	56,965	2,450	239,082	**299,782**
Tangible assets related to acquisition	-	-	331	-	-	**331**
Reclassification from investments in progress	-	67,953	37,164	5,114	(110,231)	**-**
Revaluation (impact on reserve)	-	932	5,720	3,638	-	**10,290**
Revaluation (impact on profit and loss statement)	196	(817)	-	-	-	**-621**
Disposals	-	(26,603)	(64,383)	(2,914)	(16,624)	**(110,524)**
Tangible assets from IFRS 16 leasing	-	-	-	84	-	**84**
Reclassification of investment property into tangible assets	(28,617)	28,617	-	-	-	**-**
Balance at 31 December 2020	**2,051**	**489,545**	**612,586**	**44,341**	**241,668**	**1,390,191**

Notes to the consolidated and separate financial statements

26. Property and equipment and investment property *(continued)*

Amortization and depreciation

***Group** - In RON thousand*	**Investment property**	**Land & buildings**	**Computers and equipment**	**Vehicles**	**Fixed assets in progress**	**Total**
Balance as at 1 January 2019	**-**	**171,712**	**287,921**	**23,309**	**1,055**	**483,997**
Charge for the year	-	24,636	61,626	3,234	-	**89,496**
Depreciation related to acquisitions	-	-	38	-	-	**38**
Accumulated depreciation of disposals	-	(47,040)	(53,876)	(7,724)	(1,055)	**(109,695)**
Amortization related to revaluation (impact on reserve)	-	247	-	-	-	**247**
Amortization related to revaluation (impact on profit and loss statement)	-	(27)	-	-	-	**(27)**
Reversal of provision for impairment	-	(575)	(89)	(69)	-	**(733)**
Balance at 31 December 2019	**-**	**148,953**	**295,620**	**18,750**	**-**	**463,323**
Balance as at January 1, 2020	**-**	**148,953**	**295,620**	**18,750**	**-**	**463,323**
Charge for the year	-	33,146	73,189	5,291	-	**111,626**
Depreciation related to acquisitions	-	-	297	-	-	**297**
Accumulated depreciation of disposals	-	(24,770)	(62,191)	(2,524)	-	**(89,485)**
Amortization related to revaluation (impact on reserve)	-	266	-	-	-	**266**
Amortization related to revaluation (impact on profit and loss statement)	-	(217)	-	-	-	**(217)**
Amortization related to IFRS 16 leasing	-	-	-	84	-	**84**
Balance at 31 December 2020	**-**	**157,378**	**306,915**	**21,601**	**-**	**485,894**
Net carrying amount						
As at 1 January 2020	**30,472**	**269,225**	**281,169**	**17,219**	**129,441**	**727,526**
As at 31 December 2020	**2,051**	**332,167**	**305,671**	**22,740**	**241,668**	**904,297**

26. Property and equipment and investment property *(continued)*

***Bank** - In RON thousand*	**Investment property**	**Land & buildings**	**Computers and equipment**	**Vehicles**	**Fixed assets in progress**	**Total**
Gross carrying amount						
Balance as at 1 January 2019	**1,449**	**367,398**	**445,060**	**19,060**	**39,609**	**872,576**
Direct acquisitions	-	930	54,208	487	127,015	**182,640**
Reclassification from investments in progress	-	40,894	56,399	11,910	(109,203)	**-**
Revaluation (impact on reserve)	-	1,384	672	407	-	**2,463**
Revaluation (impact in profit or loss)	13	(123)	-	-	-	**(110)**
Disposals	(430)	(35,265)	(33,062)	(6,961)	(4,609)	**(80,327)**
Balance at December 31, 2019	**1,032**	**375,218**	**523,277**	**24,903**	**52,812**	**977,242**
Balance as at January 1, 2020	**1,032**	**375,218**	**523,277**	**24,903**	**52,812**	**977,242**
Direct acquisitions	-	-	46,026	502	99,309	145,837
Reclassification from investments in progress	-	67,953	37,164	5,114	(110,231)	-
Tangible assets from IFRS 16 leasing	-	-	-	84	-	84
Revaluation (impact on reserve)	-	932	5,720	3,638	-	10,290
Revaluation (impact in profit or loss)	196	(817)	-	-	-	(621)
Disposals	-	(24,197)	(57,426)	(1,311)	(5,851)	(88,785)
Balance at 31 December 2020	**1,228**	**419,089**	**554,761**	**32,930**	**36,039**	**1,044,047**

Notes to the consolidated and separate financial statements

26. Property and equipment and investment property *(continued)*

Bank *- In RON thousand*	**Investment property**	**Land & buildings**	**Computers and equipment**	**Vehicles**	**Fixed assets in progress**	**Total**
Balance as at 1 January 2019	-	**142,457**	**231,451**	**16,347**	-	**390,255**
Amortization expense during the year	-	23,171	57,251	2,109	-	**82,531**
Accumulated depreciation of disposals	-	(32,789)	(31,482)	(6,531)	-	**(70,802)**
Amortization related to revaluation (impact on reserve)	-	247	-	-	-	**247**
Amortization related to revaluation (impact on profit and loss statement)	-	(27)	-	-	-	**(27)**
Balance at 31 December 2019	-	**133,059**	**257,220**	**11,925**	-	**402,204**
Balance as at January 1, 2020	-	**133,059**	**257,220**	**11,925**	-	**402,204**
Amortization expense during the year	-	31,418	68,063	3,944	-	103,425
Accumulated depreciation of disposals	-	(23,585)	(55,998)	(1,173)	-	(80,756)
Amortization related to revaluation (impact on reserve)	-	266	-	-	-	266
Amortization related to revaluation (impact on profit and loss statement)	-	(217)	-	-	-	(217)
Amortization related to IFRS 16 Leasing	-	-	-	84	-	84
Balance at 31 December 2020	-	**140,941**	**269,285**	**14,780**	-	**425,006**
Net carrying amount						
As at 1 January 2020	**1,032**	**242,159**	**266,057**	**12,978**	**52,812**	**575,038**
As at 31 December 2020	**1,228**	**278,148**	**285,476**	**18,150**	**36,039**	**619,041**

26. Property and equipment and investment property *(continued)*

As at 31 December 2020, the Group and the Bank did not have any pledged tangible or intangible assets. Property and equipment as at 31 December 2020 were revaluated by an independent evaluator. If the assets of the Group had been booked under the cost model, the recognized carrying amount would have been: land and buildings: RON thousand 313,462 (2019: RON 250,293 thousand), investment property RON 1,390 thousand (2019: RON 30,015 thousand), computers and equipment RON 299,951 thousand (2019: RON 280,483 thousand), vehicles RON 19,027 thousand (2019: RON 16,765 thousand), fixed assets in progress RON 241,668 thousand (2019: RON 129,441 thousand).

If the assets of the Bank had been booked under the cost model, the recognized carrying amount would have been: land and buildings RON 259,443 thousand (2019: RON thousand 223,227), investment property RON 567 thousand (2019: RON 575 thousand), computers and equipment RON 279,756 thousand (2019: RON 265,371 thousand), vehicles RON 14,437 thousand (2019: RON 12,523 thousand), fixed assets in progress RON 36,039 thousand (2019: RON 52,812 thousand).

27. Intangible assets (including goodwill)

In RON thousand	**Group**		**Bank**
Gross carrying amount	**Goodwill**	**Software**	**Software**
Balance as at 1 January 2019	**4,295**	**579,748**	**510,210**
Acquisitions	7,703	99,510	85,542
Balance related to acquisitions and mergers	-	1,382	-
Disposals	(1,520)	(151,303)	(141,229)
Balance at 31 December 2019	**10,478**	**529,337**	**454,523**
Balance as at January 1, 2020	**10,478**	**529,337**	**454,523**
Acquisitions	8,239	143,322	126,563
Reevaluation	-	24,542	24,542
Disposals	(2,398)	(33,061)	(24,958)
Balance at 31 December 2020	**16,319**	**664,140**	**580,670**
Accumulated amortization			
Balance as at 1 January 2019	**-**	**296,529**	**256,363**
Balance of depreciation related to acquisitions and mergers	-	270	-
Charge for the year	-	95,750	88,235
Disposals	-	(98,625)	(92,420)
Reversal of provision for impairment	-	(16)	-
Balance at 31 December 2019	**-**	**293,908**	**252,178**
Balance as at January 1, 2020	**-**	**293,908**	**252,178**
Balance of depreciation related to acquisitions and mergers	-	365	-
Charge for the year	-	89,188	81,634
Disposals	-	(24,526)	(21,793)
Reversal of provision for impairment	-	-	-
Balance at 31 December 2020	**-**	**358,935**	**312,019**
Net carrying amount			
As at 1 January 2020	**10,478**	**235,429**	**202,345**
As at 31 December 2020	**16,319**	**305,205**	**268,651**

27. Intangible assets (including goodwill) *(continued)*

If the intangible assets had been booked under the cost model, the recognized carrying amount would have been RON thousand 280,663 (2019: RON 235,429 thousand) for the Group, and RON thousand 244,109 (2019: RON 202,345 thousand) for the Bank.

Impairment testing for cash generating units included in the goodwill

For the purpose of impairment testing, the goodwill is allocated to the Group's operating divisions which represent the lowest level at which the goodwill is monitored for internal management purposes.

As at 31 December 2020 the goodwill allocated by the Group to BT Leasing Transilvania IFN S.A. was of RON 376 thousand, the goodwill allocated to BT Pensii S.A. was of RON 8,240 thousand and the goodwill allocated to Timesafe SRL was of RON 7,703 thousand (2019: RON 376 thousand allocated to BT Leasing Transilvania IFN S.A., RON 2,398 thousand allocated to BT Capital Partners S.A., RON 7,703 allocated to Timesafe SRL).

As at 31 December 2020, the goodwill was tested for impairment in accordance with IAS 36 and no impairment adjustments were necessary.

28. Right of Use Assets and Lease Liabilities

The Group and the Bank have lease agreements on land, buildings and vehicles. Rental contracts are typically made for fixed periods of 1 year to 74 years, but may have extension options as described below.

As at December 31, 2020 and December 31, 2019 the right of use assets of the **Group** by class of underlying items is analyzed as follows:

In RON thousand			Group		
	Lands	**Buildings**	**Auto**	**Equipment**	**Total**
Carrying amount at 1 January 2020	**2,711**	**366,833**	**18,481**	-	**388,025**
Additions	1,014	209,318	3,385	164	**213,881**
Disposals	(367)	(24,677)	(1,103)	-	**(26,147)**
Depreciation charge	(817)	(119,837)	(6,235)	(18)	**(126,907)**
Carrying amount at 31 December 2020	**2,541**	**431,637**	**14,528**	**146**	**448,852**

In RON thousand			Group		
	Lands	**Buildings**	**Auto**	**Equipment**	**Total**
Carrying amount at 1 January 2019	**2,498**	**475,244**	**13,553**	-	**491,295**
Additions	2,053	92,014	11,166	**-**	**105,233**
Disposals	(1,211)	(80,382)	(797)	-	**(82,390)**
Depreciation charge	(629)	(120,043)	(5,441)	-	**(126,113)**
Carrying amount at 31 December 2019	**2,711**	**366,833**	**18,481**	**-**	**388,025**

As at December 31, 2020 and December 31, 2019 the right of use assets of the **Bank** by class of underlying items is analyzed as follows:

In RON thousand			Bank		
	Lands	**Buildings**	**Auto**	**Equipment**	**Total**
Carrying amount at 1 January 2020	**2,711**	**349,731**	**13,770**	**-**	**366,212**
Additions	1,014	482,023	2,438	164	485,639
Disposals	(367)	(23,311)	(1,055)	-	(24,733)
Depreciation charge	(817)	(113,307)	(4,471)	(18)	(118,613)
Carrying amount at 31 December 2020	**2,541**	**695,136**	**10,682**	**146**	**708,505**

28. Right of Use Assets and Lease Liabilities *(continued)*

In RON thousand	Bank				
	Lands	**Buildings**	**Auto**	**Equipment**	**Total**
Carrying amount at 1 January 2019	**2,498**	**450,338**	**11,781**	**-**	**464,617**
Additions	2,053	83,836	6,962	-	**92,851**
Disposals	(1,211)	(72,575)	(787)	-	**(74,573)**
Depreciation charge	(629)	(111,868)	(4,186)	-	**(116,683)**
Carrying amount at 31 December 2019	**2,711**	**349,731**	**13,770**	-	**366,212**

At December 31, 2020 the interest expense on lease liabilities was RON 1,361 thousand for the Group (2019: RON 1,935 thousand) and RON 1,409 thousand for the Bank (2019: RON 1,715 thousand).

At Group level as well as at Bank level, expenses related to short-term leases and leases of low-value assets, that are not shown as short-term leases, are included in "Other operating expenses" as shown below:

In RON thousand	**Group** **31 December 2020**	**31 December 2019**	**Bank** **31 December 2020**	**31 December 2019**
Expense relating to short-term leases	2,505	15,277	2,234	15,085
Expense relating to leases of low-value assets that are not shown above as short-term leases	4,956	4,733	4,277	4,095

Total cash outflow for leases in 2020 was RON 128,653 thousand to the Group (2019: RON 129,296 thousand) and the Bank it was RON 119,485 thousand (2019: RON 118,793 thousand).

Notes to the consolidated and separate financial statements

29. Deferred tax assets and liabilities

Deferred tax assets/liabilities at **Group** level, as at **31 December 2020**:

In RON thousand	**31 December 2019**	**Recognized in profit and loss**	**Recognized in other items of comprehensive income**	**Recognized directly in shareholders' equity**	**31 December 2020**
Tax effect of temporary deductible / (taxable) differences (including tax losses carried forward), resulting from:					
Financial assets from interbank operations	(25)	25	-	-	-
Loans and receivables	11,734	6,009	(2)	280	18,021
Financial assets measured at fair value through other items of comprehensive income	(27,406)	22	(69,934)	-	(97,318)
Financial assets at amortized cost	-	-	-	-	-
Financial assets at fair value through profit or loss	16,737	(5,090)	-	-	11,647
Other assets	(884)	(3,291)	7,247	54	3,126
Property and equipment and intangible assets	(5,214)	337	(5,530)	86	(10,321)
Right of Use Assets	8	183	-	-	191
Provisions and other liabilities	21,805	(1,992)	(11)	(163)	19,639
Tax losses carried forward	-	-	-	-	-
Deferred tax asset / (liability)	**16,755**	**(3,797)**	**(68,230)**	**257**	**(55,015)**
Recognition of deferred tax asset	54,018	(1,116)	392	96	53,390
Recognition of deferred tax liability	(37,263)	(2,681)	(68,622)	161	(108,405)
Deferred tax asset / (liability)	**16,755**	**(3,797)**	**(68,230)**	**257**	**(55,015)**

Notes to the consolidated and separate financial statements

29. Deferred tax assets and liabilities *(continued)*

Deferred tax assets/liabilities at **Bank** level, as at **31 December 2020**:

In RON thousand	**31 December 2019**	**Recognized in profit and loss**	**Recognized in other items of comprehensive income**	**Recognized directly in shareholders' equity**	**31 December 2020**
Tax effect of temporary deductible / (taxable) differences (including tax losses carried forward), resulting from:					
Financial assets measured at fair value through other items of comprehensive income	(27,588)	-	(69,987)	-	(97,575)
Financial assets at amortized cost	-	-	-	-	-
Other assets	2,798	(453)	111	-	2,456
Tangible and intangible assets	(2,729)	248	(5,530)	-	(8,011)
Right of Use Assets	-	163	-	-	163
Provisions and liabilities	19,620	(2,318)	-	-	17,302
Deferred tax asset / (liability)	**(7,899)**	**(2,360)**	**(75,406)**	**-**	**(85,665)**
Recognition of deferred tax asset	22,418	(2,608)	111	-	19,921
Recognition of deferred tax liability	(30,317)	248	(75,517)	-	(105,586)
Deferred tax asset / (liability)	**(7,899)**	**(2,360)**	**(75,406)**	**-**	**(85,665)**

Notes to the consolidated and separate financial statements

29. Deferred tax assets and liabilities *(continued)*

Deferred tax assets/liabilities at **Group** level, as at **31 December 2019:**

In RON thousand	**31 December 2018**	**Recognized in profit and loss**	**Recognized in other items of comprehensive income**	**Recognized directly in shareholders' equity**	**31 December 2019**
Tax effect of temporary deductible / (taxable) differences (including tax losses carried forward), resulting from:					
Financial assets from interbank operations	303	(328)	-	-	(25)
Loans and receivables	8,873	4,024	-	(1,163)	11,734
Financial assets measured at fair value through other items of comprehensive income	31,766	(14)	(59,158)	-	(27,406)
Financial assets at amortized cost	1	(1)	-	-	-
Financial assets at fair value through profit or loss	(725)	17,643	(181)	-	16,737
Other assets	12,044	(6,538)	(6,255)	(135)	(884)
Property and equipment and intangible assets	(11,520)	6,659	(360)	7	(5,214)
Right of Use Assets	-	8	-	-	8
Provisions and other liabilities	27,190	(5,375)	18	(28)	21,805
Tax losses carried forward	5,988	(5,988)	-	-	-
Deferred tax asset / (liability)	**73,920**	**10,090**	**(65,936)**	**(1,319)**	**16,755**
Recognition of deferred tax asset	92,874	(6,083)	(31,593)	(1,180)	54,018
Recognition of deferred tax liability	(18,954)	16,173	(34,343)	(139)	(37,263)
Deferred tax asset / (liability)	**73,920**	**10,090**	**(65,936)**	**(1,319)**	**16,755**

Notes to the consolidated and separate financial statements

29. Deferred tax assets and liabilities *(continued)*

Deferred tax assets/liabilities at **Bank** level, as at **31 December 2019**:

In RON thousand	**31 December 2018**	**Recognized in profit and loss**	**Recognized in other items of comprehensive income**	**Recognized directly in shareholders' equity**	**31 December 2019**
Tax effect of temporary deductible / (taxable) differences (including tax losses carried forward), resulting from:					
Financial assets measured at fair value through other items of comprehensive income	31,701	-	(59,289)	-	(27,588)
Other assets	769	1,906	123	-	2,798
Tangible and intangible assets	(8,260)	5,891	(360)	-	(2,729)
Provisions and liabilities	24,477	(4,857)	-	-	19,620
Deferred tax asset / (liability)	**48,687**	**2,940**	**(59,526)**	**-**	**(7,899)**
Recognition of deferred tax asset	56,947	(2,951)	(31,578)	-	22,418
Recognition of deferred tax liability	(8,260)	5,891	(27,948)	-	(30,317)
Deferred tax asset / (liability)	**48,687**	**2,940**	**(59,526)**	**-**	**(7,899)**

Notes to the consolidated and separate financial statements

30. Other financial assets

	Group		Bank	
In RON thousand	**2020**	**2019**	**2020**	**2019**
Amounts under settlement	194,184	122,275	180,386	106,121
Non-recourse factoring	194,146	192,485	194,146	192,485
Sundry debtors and advances for non-current assets	451,400	338,305	359,338	298,409
Cheques and other instruments to be encashed	34,226	47,366	34,226	47,366
Other financial assets	10,423	7,084	6,682	5,624
Impairment allowance for other financial assets	(24,274)	(19,506)	(13,645)	(11,210)
Total	**860,105**	**688,009**	**761,133**	**638,795**

As at 31 December 2020, out of RON 860,105 thousand (2019: RON 688,009 thousand), the Group's other impaired financial assets amounted to RON 12,678 thousand (2019: RON 18,452 thousand).
As at 31 December 2020, out of RON 761,133 thousand (2019: RON 638,795 thousand), the Bank's other impaired financial assets amounted to RON 5,428 thousand (2019: RON 4,836 thousand).
The evolution of impairment allowance for other assets during the years 2020 and 2019 is presented below:

	Group		Bank	
In RON thousand	**2020**	**2019**	**2020**	**2019**
Balance as at 1 January	**(19,506)**	**(19,444)**	**(11,210)**	**(10,715)**
Net impairment charge	(5,677)	(526)	(2,626)	(1,076)
Impairment allowances on written off other financial assets	-	415	-	414
Other changes (exchange rate differences, unwinding, deconsolidation)	909	49	191	167
Balance at 31 December	**(24,274)**	**(19,506)**	**(13,645)**	**(11,210)**

The quality analysis of other financial assets held by the **Group** as at **31 December 2020** is detailed below:

Group	Retail			Companies		
31 December 2020	**RON**	**FCY**	**Total**	**RON**	**FCY**	**Total**
Amounts under settlement	871	1,591	**2,462**	168,072	23,650	**191,722**
Non-recourse factoring	-	-	**-**	175,721	18,425	**194,146**
Sundry debtors and advances for non-current assets	10,164	3,657	**13,821**	272,771	164,808	**437,579**
Cheques and other instruments to be encashed	-	-	**-**	34,226	-	**34,226**
Other financial assets	62	28	**90**	8,589	1,744	**10,333**
Impairment allowance for other financial assets	(4,111)	(3,377)	**(7,488)**	(12,325)	(4,461)	**(16,786)**
Total	**6,986**	**1,899**	**8,885**	**647,054**	**204,166**	**851,220**

30. Other financial assets *(continued)*

The quality analysis of other financial assets held by the **Group** as at **31 December 2019** is detailed below:

Group	Retail			Non-Retail		
31 December 2019	**RON**	**FCY**	**Total**	**RON**	**FCY**	**Total**
Amounts under settlement	4,113	1,595	**5,708**	91,022	25,545	**116,567**
Non-recourse factoring	-	-	**-**	166,546	25,939	**192,485**
Sundry debtors and advances for non-current assets	208,168	11,851	**220,019**	59,605	58,681	**118,286**
Cheques and other instruments to be encashed	-	-	**-**	47,366	-	**47,366**
Other financial assets	-	13	**13**	6,265	806	**7,071**
Impairment allowance for other financial assets	(2,945)	(2,617)	**(5,562)**	(8,974)	(4,970)	**(13,944)**
Total	**209,336**	**10,842**	**220,178**	**361,830**	**106,001**	**467,831**

The quality analysis of other financial assets held by the **Bank** as at **31 December 2020** is detailed below:

Bank	Retail			Non-Retail		
31 December 2020	**RON**	**FCY**	**Total**	**FCY**	**RON**	**Total**
Amounts under settlement	872	1,591	**2,463**	168,071	9,852	**177,923**
Non-recourse factoring	-	-	**-**	175,721	18,425	**194,146**
Sundry debtors and advances for non-current assets	8,608	2,643	**11,251**	254,872	93,215	**348,087**
Cheques and other instruments to be encashed	-	-	**-**	34,226	-	**34,226**
Other financial assets	-	-	**-**	6,676	6	**6,682**
Impairment allowance for other financial assets	(2,821)	(2,494)	**(5,315)**	(5,980)	(2,350)	**(8,330)**
Total	**6,659**	**1,740**	**8,399**	**633,586**	**119,148**	**752,734**

The quality analysis of other financial assets held by the **Bank** as at **31 December 2019** is detailed below:

Bank	Retail			Non-Retail		
31 December 2019	**RON**	**FCY**	**RON**	**FCY**	**RON**	**Total**
Amounts under settlement	4,113	1,595	**5,708**	90,837	9,576	**100,413**
Non-recourse factoring	-	-	**-**	166,546	25,939	**192,485**
Sundry debtors and advances for non-current assets	207,196	11,523	**218,719**	37,583	42,107	**79,690**
Cheques and other instruments to be encashed	-	-	**-**	47,366	-	**47,366**
Other financial assets	-	-	**-**	5,622	2	**5,624**
Impairment allowance for other financial assets	(2,414)	(2,308)	**(4,722)**	(4,921)	(1,567)	**(6,488)**
Total	**208,895**	**10,810**	**219,705**	**343,033**	**76,057**	**419,090**

31. Other non-financial assets

In RON thousand	Group		Bank	
	2020	**2019**	**2020**	**2019**
Inventories and similar assets	136,650	164,050	63,812	72,352
Prepaid expenses	61,958	48,481	56,990	47,925
VAT and other taxes to be received	13,748	15,161	1,920	1,801
Other non-financial assets	2,639	1,848	126	362
Impairment allowance for other non-financial assets	(66,839)	(70,668)	(13,384)	(16,215)
Total	**148,156**	**158,872**	**109,464**	**106,225**

31. Other non-financial assets *(continued)*

As at 31 December 2020 and 31 December 2019, the Group and the Bank did not have tangible assets reclassified as non-current assets held for sale under “Inventories and similar assets”.

The evolution of impairment allowance for other assets during the year is presented below:

In RON thousand	**Group**		**Bank**	
	2020	**2019**	**2020**	**2019**
Balance as at 1 January	**(70,668)**	**(95,972)**	**(16,215)**	**(16,812)**
Net impairment charge	(4,105)	19,504	2,831	597
Impairment allowances on written off other non-financial assets	-	6,488	-	-
Other adjustments (exchange rate differences, deconsolidation)	7,934	(688)	-	-
Balance at 31 December	**(66,839)**	**(70,668)**	**(13,384)**	**(16,215)**

The inventories and related items of the Bank include assets acquired by debt enforcement or given in payment and other assets available for sale, at a net value of RON 31,126 thousand, structured as follows: buildings RON 18,347 thousand, lands RON 12,779 thousand, equipment RON 0 thousand, vehicles RON 0 thousand and furniture RON 0 thousand (2019: RON 47,757 thousand net value, structured as follows: buildings RON 30,905 thousand, lands RON 16,851 thousand, equipment RON 0 thousand, vehicles RON 0 thousand and furniture RON 0 thousand).

The inventories and related items of the Group include purchased assets held for sale amounting to RON 48,114 thousand, structured as follows: buildings RON 25,595 thousand, lands RON 12,949 thousand, equipment RON 2,068 thousand, vehicles RON 7,502 thousand and furniture RON 0 thousand (2019: RON 80,137 thousand, structured as follows: buildings RON 48,573 thousand, lands RON 21,606 thousand, equipment RON 444 thousand, vehicles RON 9,514 thousand and furniture RON 0 thousand).

32. Deposits from banks

	Group		**Bank**	
In RON thousand	**2020**	**2019**	**2020**	**2019**
Sight demand	61,538	156,414	54,416	164,737
Term deposits	257,406	139,724	257,406	139,724
Total	**318,944**	**296,138**	**311,822**	**304,461**

33. Deposits from customers

	Group		**Bank**	
In RON thousand	**2020**	**2019**	**2020**	**2019**
Current accounts	53,601,165	40,846,980	52,146,517	39,533,370
Sight demand	743,123	775,758	447,866	508,064
Term deposits	35,975,733	34,826,540	35,102,763	33,736,032
Collateral deposits	622,394	587,782	600,000	576,257
Total	**90,942,415**	**77,037,060**	**88,297,146**	**74,353,723**

33. Deposits from customers *(continued)*

Deposits from customers can be also analyzed as follows:

	Group		**Bank**	
In RON thousand	**2020**	**2019**	**2020**	**2019**
Retail	61,940,774	52,732,367	60,254,739	50,900,304
Companies	29,001,641	24,304,693	28,042,407	23,453,419
Total	**90,942,415**	**77,037,060**	**88,297,146**	**74,353,723**

The table below presents the deposits from customers, split by economic sector concentration:

	Group		***Bank***	
Sector	**2020**	**2019**	**2020**	**2019**
Retail customers	68.11%	68.45%	68.28%	68.46%
Services	6.49%	6.35%	6.49%	6.34%
Trading	5.49%	4.63%	5.40%	4.52%
Constructions	3.70%	3.84%	3.70%	3.85%
Manufacturing	3.33%	3.00%	3.29%	2.91%
Transportation	2.13%	2.61%	2.11%	2.58%
Financial and insurance activities	1.98%	2.12%	2.10%	2.31%
Telecommunications	1.96%	1.75%	2.02%	1.82%
Agriculture	1.63%	1.63%	1.66%	1.68%
Energy	0.95%	1.13%	0.87%	1.11%
Healthcare	1.38%	1.07%	1.37%	1.06%
Real estate	0.96%	1.05%	0.89%	1.02%
Administrations	0.47%	0.92%	0.48%	0.95%
Mining	0.43%	0.72%	0.44%	0.74%
Education	0.85%	0.38%	0.86%	0.38%
Other	0.08%	0.25%	0.02%	0.20%
Self-employed	0.03%	0.06%	0.03%	0.03%
Government institutions	0.04%	0.04%	0.04%	0.04%
Credit institutions	0.00%	-	0.00%	-
Total	**100.00%**	**100.00%**	**100.00%**	**100.00%**

33. Deposits from customers *(continued)*

In RON thousand	*Group*		*Bank*	
Sector	**2020**	**2019**	**2020**	**2019**
Retail customers	61,940,774	52,732,367	60,254,739	50,900,304
Services	5,902,877	4,889,741	5,733,359	4,717,269
Trading	4,994,573	3,567,545	4,764,887	3,361,842
Constructions	3,363,717	2,955,445	3,264,492	2,860,945
Manufacturing	3,027,718	2,309,291	2,903,826	2,165,544
Transportation	1,933,501	2,014,356	1,861,323	1,921,782
Financial and insurance activities	1,803,522	1,636,017	1,851,040	1,720,339
Telecommunications	1,782,556	1,351,499	1,781,725	1,352,202
Agriculture	1,479,894	1,256,665	1,468,357	1,246,455
Energy	860,052	869,337	771,384	821,929
Healthcare	1,255,217	822,728	1,205,672	789,507
Real estate	877,254	810,688	785,973	756,690
Administrations	424,661	705,525	423,311	705,525
Mining	387,060	555,385	385,801	551,647
Education	776,204	293,986	763,378	281,207
Other	74,143	193,937	19,523	150,730
Self-employed	23,443	42,739	23,326	21,315
Government institutions	32,235	29,809	32,016	28,491
Credit institutions	3,014	-	3,014	-
Total	**90,942,415**	**77,037,060**	**88,297,146**	**74,353,723**

34. Loans from banks and other financial institutions

	Group		**Bank**	
In RON thousand	**2020**	**2019**	**2020**	**2019**
Loans from government entities	5,870	4,558	-	-
Loans from commercial banks	126,678	148,511	-	-
Romanian banks	*119,429*	*136,233*	-	-
Foreign banks	*7,249*	*12,278*	-	-
Loans from development banks	1,126,057	945,917	1,073,137	868,972
Repurchase agreements (repo transactions)	83,564	-	83,564	-
Other funds from financial institutions	155,476	184,678	19,365	26,701
Issued bonds	194,023	190,256	-	-
Total	**1,691,668**	**1,473,920**	**1,176,066**	**895,673**

The interest rates for the loans from banks and financial institutions were situated in the following ranges:

	2020		**2019**	
	Minimum	**Maximum**	**Minimum**	**Maximum**
EUR	EURIBOR 6M+0.10%	3.8%	EURIBOR 6M+0.10%	3.8%
RON	0.00%	ROBOR 6M+3%	0.00%	6.34%
USD	1.25%	1.35%	2.71%	2.86%
MDL	3.25%	3.25%	0.15%	5.67%

34. Loans from banks and other financial institutions *(continued)*

The Group and the Bank were in compliance with all financial covenants under the outstanding loan agreements at December 31, 2020 and 2019.
The table below summarizes the underlying securities of repo agreements:

In RON thousand	Group				Bank			
	2020		2019		2020		2019	
	Carrying amount		Carrying amount		Carrying amount		Carrying amount	
	Transferred assets	Related liabilities	Transferred assets	Related liabilities	Transferred assets	Related liabilities	Transferred assets	Related liabilities
	83,798	83,564	-	-	83,798	83,564	-	-
Total	**83,798**	**83,564**	**-**	**-**	**83,798**	**83,564**	**-**	**-**

35. Subordinated liabilities

The Group and the Bank were in compliance with all financial covenants under the outstanding loan agreements at December 31, 2020 and 2019.

In RON thousand	Group 2020	Group 2019	Bank 2020	Bank 2019
Loans from development banks and financial institutions	281,586	291,323	281,586	291,323
Non-convertible bonds	1,386,175	1,360,270	1,382,878	1,356,665
Convertible bonds	-	48,614	-	48,614
Total	**1,667,761**	**1,700,207**	**1,664,464**	**1,696,602**

Subordinated debt includes subordinated loans from development banks and financial institutions, as well as convertible and non-convertible bonds.
Subordinated loans include the following:
- loan in amount of EUR 25 million, equivalent of RON 121,735 thousand (2019: RON 119,482 thousand), contracted in 2013 bearing an interest of 6M EURIBOR + 6.20%, due in 2023;
- loan in amount of USD 40 million, equivalent of RON 158,640 thousand (2019: RON 170,432 thousand) contracted in 2014 bearing an interest of 6M LIBOR + 5.80%, due in 2023.

In 2013, Banca Transilvania S.A. issued convertible bonds amounting to EUR 30 million (RON 143,379 thousand), at 6M EURIBOR + 6.25% and due in 2020. The outstanding bonds included the option of the holder to convert them into shares.

At December 31, 2019, the value of convertible bonds was EUR 9,897 thousand, equivalent to RON 47,302 thousand.

In 2020, the Bank converted bonds amounting to EUR 83 thousand, equivalent to RON 391 thousand, an amount that was allocated as follows: RON 173 thousand to increase the share capital and RON 218 thousand to share premiums.

The balance of convertible bonds in the amount of EUR 9,814 thousand, equivalent to RON 47,523 thousand, was repaid on 22 May 2020. At 31 December 2020 the balance of convertible bonds was RON 0 (zero).

35. Subordinated liabilities *(continued)*

In 2018, Banca Transilvania S.A. issued non-convertible bonds amounting to EUR 285 million, equivalent at December 2020 to RON 1,387,779 thousand (2019: RON 1,362,101 thousand), bearing an interest of 6M EURIBOR+3,75% p.a. and due in 2028. The nominal value of a bond is EUR 100,000.

Accrued interest and amortization on subordinated debt amounts to RON 1,211 thousand (2019: RON 1,408 thousand) and on non-convertible bonds amounts to RON (4,901) thousand (2019: (5,435) thousand).

36. Provisions for other risks and loan commitments

The following items are included under Provisions for other risks and loan commitments:

	Group		Bank	
In RON thousand	**2020**	**2019**	**2020**	**2019**
Provisions for loan commitments, financial guarantees and other commitments given	343,752	250,011	342,572	240,020
Provisions for untaken holidays	24,678	22,821	20,081	18,658
Provisions for other employee benefits	36,916	42,703	25,205	31,364
Provisions for litigations, risks and charges (*)	210,606	218,346	201,379	208,415
Total	**615,952**	**533,881**	**589,237**	**498,457**

(*) Provisions for risks and charges primarily include provisions for litigation and other risks taken after the merger with Volksbank Romania S.A. and Bancpost S.A.

37. Other financial liabilities

	Group		Bank	
In RON thousand	**2020**	**2019**	**2020**	**2019**
Amounts under settlement	996,873	731,957	786,758	545,270
Sundry creditors	110,249	113,018	70,244	83,670
Dividends payable	23,185	19,300	23,179	19,294
Other financial liabilities	31,482	44,825	27,500	41,297
Total	**1,161,789**	**909,100**	**907,681**	**689,531**

38. Other non-financial liabilities

	Group		Bank	
In RON thousand	**2020**	**2019**	**2020**	**2019**
Other taxes payable	30,868	40,645	25,469	35,631
Other non-financial liabilities	55,491	71,367	30,480	43,263
Total	**86,359**	**112,012**	**55,949**	**78,894**

39. Share capital

The statutory share capital of the Bank at 31 December 2020, as recorded with the Trade Register was represented by 5,737,699,649 ordinary shares with a nominal value of RON 1 each (at 31 December 2019: 5,215,917,925 shares with a nominal value of RON 1 each). The shareholders structure of the Bank is presented in Note 1.

The capital increase was made out by incorporating the reserves from the statutory profit in amount of RON 521,609,059 and by converting bonds into shares in amount of RON 172,655.

In RON thousand	Group		Bank	
	2020	**2019**	**2020**	**2019**
Paid share capital recorded with the Trade Register	5,737,700	5,215,918	5,737,700	5,215,918
Share capital adjustment to inflation	89,899	89,899	89,899	89,899
Share capital adjustment with unrealized revaluation reserves of tangible assets	(3,398)	(3,398)	(3,398)	(3,398)
Total	**5,824,201**	**5,302,419**	**5,824,201**	**5,302,419**

Notes to the consolidated and separate financial statements

40. Related-party transactions

Entities are considered to be related parties if one of them has the capacity to control the other or to exercise significant influence on the other entity's management process related to financial or operational decisions.

The Group and the Bank are engaged in transactions with related parties, shareholders and key management personnel. All these transactions were carried out under conditions similar to those applicable to third party agreements, in terms of interest rates and collateral clauses. The transactions /balances with subsidiary entities were eliminated from the scope of consolidation.

Transactions with other related parties include transactions with the major shareholders, family members of the key management personnel and companies where they are shareholders while having a relationship with the Bank.

The transactions / balances with related parties are presented below:

	2020			**2019**		
***Group** - In RON thousand*	**Key management personnel**	**Other related-parties**	**Total**	**Key management personnel**	**Other related-parties**	**Total**
Assets						
Granted loans	19,130	63,396	**82,526**	15,895	58,244	**74,139**
Liabilities						
Deposits from customers	44,566	118,624	**163,190**	53,442	167,977	**221,419**
Loans from financial institutions	-	205,710	**205,710**	-	168,934	**168,934**
Debt securities	-	500,513	**500,513**	-	513,059	**513,059**
Commitments						
Loan commitments and financial guarantees	3,508	41,783	**45,291**	3,494	13,336	**16,830**
Notional value of exchange operations	29,535	115,626	**145,161**	30,790	126,118	**156,908**
Statement of profit and loss						
Interest income	583	2,889	**3,472**	672	3,981	**4,653**
Interest expense	279	26,774	**27,053**	214	23,948	**24,162**
Fee and commission income	7	199	**206**	13	290	**303**

40. Related-party transactions *(continued)*

***Bank** – In RON thousand*	2020				2019			
	Subsidiaries	**Key management personnel**	**Other related-parties**	**Total**	**Subsidiaries**	**Key management personnel**	**Other related-parties**	**Total**
Assets								
Correspondent accounts at credit institutions	968	-	-	**968**	1,095	-	-	**1,095**
Deposits with credit institutions	899	-	-	**899**	-	-	-	**-**
Granted loans	1,361,480	15,833	57,132	**1,434,445**	1,208,617	14,161	54,014	**1,276,792**
Equity investments	106,832	-	-	**106,832**	105,314	-	-	**105,314**
Financial assets measured at fair value through other items of comprehensive income – debt instruments	4,610	-	-	**4,610**	4,610	-	-	**4,610**
Financial assets required to be measured at fair value through profit or loss - debt instruments	230,675	-	-	**230,675**	186,141	-	-	**186,141**
Right of use assets	275,008	-	-	**275,008**	-	-	-	**-**
Other assets	3,253	-	-	**3,253**	6,710	-	-	**6,710**
Liabilities								
Correspondent accounts from credit institutions	7,277	-	-	**7,277**	20,147	-	-	**20,147**
Deposits from customers	112,741	32,409	112,376	**257,526**	156,599	37,597	155,276	**349,472**
Loans from financial institutions	-	-	152,791	**152,791**	-	-	92,006	**92,006**
Debt securities	-	-	486,041	**486,041**	-	-	498,452	**498,452**
Lease liabilities	270,730	-	-	**270,730**	-	-	-	**-**
Other liabilities	3,798	-	-	**3,798**	2,006	-	-	**2,006**
Commitments								
Loan commitments and financial guarantees given	544,752	3,096	31,883	**579,731**	594,425	3,048	12,165	**609,638**
Notional value of exchange operations	322,328	22,099	105,234	**449,661**	314,541	23,969	113,907	**452,417**

Notes to the consolidated and separate financial statements

40. Related-party transactions *(continued)*

Bank – *In RON thousand*	**2020**				**2019**			
	Subsidiaries	**Key management personnel**	**Other related-parties**	**Total**	**Subsidiaries**	**Key management personnel**	**Other related-parties**	**Total**
Statement of profit and loss								
Interest income	36,411	503	2,608	**39,522**	37,509	590	3,691	**41,790**
Interest expense	1,490	208	25,441	**27,139**	1,573	159	22,468	**24,200**
Fee and commission income	3,467	4	172	**3,643**	3,447	8	244	**3,699**
Fee and commission expense	14,610	-	-	**14,610**	13,290	-	-	**13,290**
Gain/Loss from financial assets and liabilities held-for-trading	2	-	-	**2**	(1)	-	-	**(1)**
Dividend income	13,196	-	-	**13,196**	7,740	-	-	**7,740**
Other income	13,754	-	-	**13,754**	14,814	-	-	**14,814**
Other expenses	2,273	-	-	**2,273**	1,503	-	-	**1,503**

Notes to the consolidated and separate financial statements

40. Related-party transactions *(continued)*

Transactions with key management personnel

During 2020, the expenses related to the fixed and variable remunerations of the members of the Board of Directors and of the Executive Management of the Group amounted to RON 31,403 thousand (2019: RON 29,697 thousand) and of the Bank amounted to RON 16,573 thousand (2019: RON 16,464 thousand).

Compensation for the key personnel of the **Group**:

In RON thousand	**2020** Total	**of which social security contributions**	**of which employer contributions to the 3rd Pension Pillar**	**2019** Total	**of which social security contributions**	**of which employer contributions to the 3rd Pension Pillar**
Short-term employee benefits	53,313	11,850	73	49,848	11,229	46
Share based payments	31,652	5	-	33,269	-	-
Debt instrument-based payments	160	40	-	713	33	-
Total compensations and benefits	**85,125**	**11,895**	**73**	**83,830**	**11,262**	**46**

Compensation for the key personnel of the **Bank**:

In RON thousand	**2020** Total	**of which social security contributions**	**of which employer contributions to the 3rd Pension Pillar**	**2019** Total	**of which social security contributions**	**of which employer contributions to the 3rd Pension Pillar**
Short-term employee benefits	38,424	9,552	61	36,718	9,170	40
Share based payments	30,209	-	-	32,227	-	-
Total compensations and benefits	**68,633**	**9,552**	**61**	**68,945**	**9,170**	**40**

41. Commitments and contingencies

a) Commitments and contingencies

At any time the Group and the Bank have outstanding commitments to extend loans. These commitments are in the form of approved limits for credit cards and overdraft facilities. Outstanding loan commitments have a commitment period that does not extend beyond the normal underwriting and settlement period of one month to one year.

The Group provides financial guarantees and letters of credit to guarantee the performance of its customers in relation to third parties. These agreements have fixed limits and generally extend for a period of up to one year. Maturities are not concentrated in a specific period.

The contractual amounts of commitments and contingencies are set out in the following table by categories. The amounts reflected in the table under commitments are presented based on the assumption that they have been fully granted.

41. Commitments and contingencies *(continued)*
a) Commitments and contingencies (continued)

The amounts reflected in the table as guarantees and letters of credit represent the maximum accounting loss that would be recognized at the reporting date if counterparties completely failed to meet the contractual terms and conditions.

	Group		Bank	
In RON thousand	**2020**	**2019**	**2020**	**2019**
Guarantees issued, of which	1,716,585	1,726,113	1,688,723	1,709,620
- *Performance bonds*	457,588	*473,788*	*430,748*	*456,700*
- *Financial liabilities*	1,258,997	*1,252,325*	*1,257,975*	*1,252,920*
Loan commitments	11,259,736	11,495,892	11,287,173	11,368,731
Total	**12,976,321**	**13,222,005**	**12,975,896**	**13,078,351**

The provisions for loan commitments to customers amounted to RON 343,752 thousand at Group level (2019: RON 250,011 thousand) and at Bank level RON 342,572 thousand (2019: RON 240,020 thousand).
Forward agreements represent contractual arrangements to buy or sell a certain financial instrument, at a certain price and at a certain future date.

Outstanding foreign currency transactions at 31 December 2020 were:

Forward transactions					
Transactions with corporate clients:					
Purchases	5,519,610	RON	equivalent	1,380,000	USD
Purchases	86,986,389	RON	equivalent	17,300,000	EUR
Purchases	10,000	EUR	equivalent	50,060	RON
Purchases	300,000	USD	equivalent	1,259,500	RON
Transactions with banks:					
Purchases	2,586,350,100	RON	equivalent	528,453,205	EUR
Purchases	22,000,000	EUR	equivalent	108,956,486	RON
Purchases	78,192,588	EUR	equivalent	83,500,000	CHF
Purchases	219,395	EUR	equivalent	1,000,000	PLN

b) Transfer pricing and taxation

The taxation system in Romania has faced multiple changes in the recent years and is in a continuous process of update and improvement. As a consequence, the tax legislation is still subject to various interpretations. In certain cases, the tax authorities may treat certain issues in a different manner, determining the calculation of additional taxes, interest and penalties for delay (the total current rate is of 0.03% per day of delay).

In Romania the fiscal year remains open for fiscal audit for 5 years. According to the Bank's management, the tax duties included in these financial statements are appropriate.

The tax legislation in Romania considers the "market value" principle, according to which transactions between related parties must be performed at market value.

The taxpayers involved in related-party transactions must prepare and provide to the Romanian tax authorities the transfer pricing file, upon request.

41. Commitments and contingencies *(continued)*
b) Transfer pricing and taxation (continued)

The failure to provide the transfer pricing file or the submission of an incomplete transfer pricing file may lead to penalties for non-compliance; apart from the transfer pricing file, the tax authorities may interpret transactions and circumstances in a manner which is different from the management's interpretation and, consequently, may impose additional tax duties resulting from the adjustment of transfer prices.

The management of the Group and of the Bank considers that no losses should be incurred in the event of a fiscal audit for the verification of transfer prices. However, the impact of potential different interpretations of the tax authorities cannot be accurately estimated. The impact may be significant as concerns the Bank's financial position and/or operations. However, the fiscal risk is low because the vast majority of transactions are between group entities, which are in Romania, without cross-border risk.

42. Earnings per share

The calculation of basic earnings per share was based on the net consolidated profit attributable to ordinary shareholders of the parent company of RON 1,380,148 thousand (2019: RON 1,781,390 thousand) and on the weighted average number of ordinary shares outstanding during the year of 5,724,448,712 (2019 recalculated: 5,203,640,281 shares).

The diluted earnings per share take into consideration the adjusted consolidated net profit of RON 1,380,576 thousand (2019: RON 1,784,230 thousand) attributable to the ordinary shareholders of the parent company and the weighted average number of outstanding diluted ordinary shares. The adjusted consolidated net profit was determined by adjusting the base profit with the interest paid on bonds in 2020 in amount of RON 428 thousand (2019: RON 2,840 thousand).

The weighted average number of diluted shares was determined as the sum of the weighted average number of ordinary shares and the number of shares which would have been issued upon the conversion of all potential dilutive shares into ordinary shares.
The weighted average of diluted shares outstanding as at 31 December 2020 was determined as a ratio between the outstanding bonds in amount of RON 47,523,090 and the conversion price of 2.2414, resulting a number of 8,168,143 shares (2019: 20,885,768 shares).

	Group	
	2020	**2019**
Ordinary shares issued as at 1 January	**5,215,917,925**	**4,812,481,064**
The impact of shares issued as of 1 January	521,609,059	403,427,032
The impact of the shares repurchased during the year	(13,250,937)	(12,275,517)
The impact of the shares resulting from the conversion of the bonds	172,665	7,702
Weighted average number of shares as at 31 December	**5,724,448,712**	**5,203,640,281**
The number of shares that may be issued upon the conversion of bonds into shares	8,168,143	20,885,768
Weighted average number of diluted shares as at 31 December	**5,732,616,855**	**5,224,526,049**

43. Derivatives

The structure of the derivative instruments held by the **Group** and by the **Bank** as at **31 December 2020** is the following:

	Group			Bank		
In RON thousand	Fair value of Assets	Fair value Liabilities	Notional	Fair value of Assets	Fair value Liabilities	Notional
Interest rate swaps	478	2,940	237,564	478	2,940	237,564
Currency swaps	8,152	30,629	1,277,201	8,152	30,629	1,277,201
Exchange rate forward agreements	13,460	1,248	3,153,148	13,460	1,248	3,153,148
Total derivative financial instruments	**22,090**	**34,817**	**4,667,913**	**22,090**	**34,817**	**4,667,913**

The structure of the derivative instruments held by the **Group** and by the **Bank** as at **31 December 2019** is the following:

	Group			Bank		
In RON thousand	Fair value of Assets	Fair value Liabilities	Notional	Fair value of Assets	Fair value Liabilities	Notional
Interest rate swaps	717	2,224	265,983	717	2,224	265,983
Currency swaps	3,031	6,704	686,266	3,031	6,704	686,266
Exchange rate forward agreements	1,055	3,403	748,627	1,055	3,403	748,627
Total derivative financial instruments	**4,803**	**12,331**	**1,700,876**	**4,803**	**12,331**	**1,700,876**

44. Reconciliation of liabilities resulting from financial activities

The changes of the liabilities resulting from the **Group**'s financial activities carried out in **2020** and **2019** are presented below:

Group 2020 *In RON thousand*	**01 January 2020**	**Receipts**	**Payments**	**Foreign exchange variation**	**31 December 2020**
Long-term loans	3,173,496	349,841	(290,572)	43,219	3,275,984

Group 2019 *In RON thousand*	**01 January 2019**	**Receipts**	**Payments**	**Foreign exchange variation**	**31 December 2019**
Long-term loans	3,112,059	305,017	(315,980)	72,400	3,173,496

The changes of the liabilities resulting from the **Bank**'s financial activities carried out in **2020** and **2019** are presented below:

Bank 2020 *In RON thousand*	**01 January 2020**	**Receipts**	**Payments**	**Foreign exchange variation**	**31 December 2020**
Long-term loans	2,594,667	311,976	(182,927)	36,681	2,760,396

Bank 2019 *In RON thousand*	**01 January 2019**	**Receipts**	**Payments**	**Foreign exchange variation**	**31 December 2019**
Long-term loans	2,593,331	47,569	(112,404)	66,171	2,594,667

45. Reclassifications of comparative figures of 2019

In accordance with IAS 1 "Presentation of Financial Statements", if an entity has made a restatement, it is required to submit the reclassification of comparative values of the previous year.
When necessary, comparative figures have been reclassified in order to be in line with the changes from the current period presentation. These changes were made as a response to the revaluations performed by the Group's and the Bank's management for the most accurate presentation thereof.
The Bank's management has taken into account the nature of the abovementioned restatements, and, in particular, the fact that it is limited to the reclassification of financial position items, with no impact on total assets, total liabilities and shareholders' equity, as well as the reclassification of cash flow statement and statement of changes in equity items.
In order to facilitate the understanding of these financial statements, the table below lists the reported figures, reclassifications and adjusted values in the consolidated statement of cash flow and in the consolidated and individual shareholders' equity financial position.

i) The comparative figures of own funds for the Group and for the Bank after the approval of dividend distribution by the General Meeting of Shareholders dated 29 April 2020 are presented below:

RON thousand - **December 31, 2019**		**Group**	
Description	**Reported own funds**	**Adjustments**	**Adjusted own funds**
Tier 1 capital	8,787,882	(600,000)	8,187,885
Tier 2 capital	1,577,143	-	1,577,143
Total own funds	**10,365,025**	**(600,000)**	**9,765,025**

RON thousand - **December 31, 2019**		**Bank**	
Description	**Reported own funds**	**Adjustments**	**Adjusted own funds**
Tier 1 capital	8,420,620	(600,000)	7,820,620
Tier 2 capital	1,577,143	-	1,577,143
Total own funds	**9,997,763**	**(600,000)**	**9,397,763**

As a result of the approval of the 2019 Financial statements, the General Meeting of Shareholders of 29 April 2020 approved the distribution of cash dividends to the shareholders in amount of RON 600,000 thousand. This amount generated the adjustment of own funds for the year 2019, both at separate, as well as at consolidated level, in accordance with legal provisions, subsequent to the publishing of the Consolidated and separate financial statements for 2019.

ii) The reclassification of the comparative figures for the Statement of Profit and Loss for 2019 is presented below:

		Group	
Description	**Reported profit and loss account**	**Reclassifications**	**Reclassified profit and loss account**
Interest income calculated using the effective interest method	3,510,023	(16,252)	3,493,771
Other similar income	144,369	16,252	160,621
Net interest income	**3,073,745**	-	**3,073,745**
Fee and commission income	1,147,939	10,496	1,158,435
Fee and commission expense	(327,638)	(8,020)	(335,658)
Net fee and commission income	**820,301**	**2,476**	**822,777**
Other operating income	178,868	(10,496)	168,372
Operating income	**4,614,986**	**(8,020)**	**4,606,966**
Other operating expenses	(841,109)	8,020	(833,089)
Operating expenses	**(2,483,403)**	**8,020**	**(2,475,383)**

45. Reclassifications of comparative figures of 2019 *(continued)*

	Bank		
Description	**Reported profit and loss account**	**Reclassifications**	**Reclassified profit and loss account**
Interest income calculated using the effective interest method	3,200,637	(15,553)	3,185,084
Other similar income	-	15,553	15,553
Net interest income	**2,685,147**	**-**	**2,685,147**
Fee and commission income	1,002,739	10,497	1,013,236
Fee and commission expense	(290,124)	(8,020)	(298,144)
Net fee and commission income	**712,615**	**2,477**	**715,092**
Other operating income	140,741	(10,497)	130,244
Operating income	**4,031,270**	**(8,020)**	**4,023,250**
Other operating expenses	(712,888)	8,020	(704,868)
Operating expenses	**(2,144,124)**	**8,020**	**(2,136,104)**

In 2020, the Group and the Bank made the following reclassifications which impacted the comparative figures of the statement of profit or loss of 2019:

(a) Interest income on non-recourse factoring as well as interest on other financial assets has been reclassified from "Interest income calculated using the effective interest method" to "Other similar interest income";

(b) E-commerce income was reclassified from the category “Other operating income” to the category “Fee and commission income”;

(c) E-commerce expense has been reclassified from the category “Other operating expense” to the category “Fee and commission expense”;

(d) Interest income on non-recourse factoring contracts has been reclassified from the category “Interest income calculated using the effective interest method” in the category “Other similar interest income”.

46. Events subsequent to the date of the consolidated statement of financial position

No significant subsequent events were identified after reporting the consolidated statement of financial position.

The financial statements were approved by the Board of Directors on 25 March 2021 and were signed on behalf of the Board.

Horia CIORCILĂ
Chairman

George CĂLINESCU
Deputy CEO