VISTA BANK (ROMANIA) SA

FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED DECEMBER 31, 2019

PREPARED IN ACCORDANCE WITH THE INTERNATIONAL FINANCIAL REPORTING STANDARDS
AS ADOPTED BY THE EUROPEAN UNION

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders,
Vista Bank S.A.

Report on the Audit of the financial statements

Opinion

1. We have audited the financial statements of Vista Bank S.A. (the "Bank"), with registered office in 90-92 Emanoil Porumbaru street, District 1, Bucharest, Romania, identified by the unique tax registration code RO 10556861, which comprise the statement of financial position as at December 31, 2019, and the statement of profit and loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, including a summary of significant accounting policies and notes to the financial statements.

2. The financial statements as at December 31, 2019 are identified as follows:

• Total equity	RON 320,891,919
• Net loss for the financial year	RON 18,319,647

3. In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Bank as at December 31, 2019, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRS") and National Bank of Romania Order no. 27/2010 for the approval of Accounting regulation in accordance with International Financial Reporting Standards as adopted by the European Union, with subsequent amendments ("Order 27/2010").

Basis for Opinion

4. We conducted our audit in accordance with International Standards on Auditing (ISAs), Regulation (EU) No. 537/2014 of the European Parliament and the Council (forth named The "Regulation") and Law 162/2017 ("the Law"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Bank in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), in accordance with ethical requirements relevant for the audit of the financial statements in Romania including the Regulation and the Law, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter – Subsequent events

5. We draw attention to Note 29 in the financial statements describing management`s evaluation of the potential impact of the effects of the COVID-19 coronavirus on the Bank. Our opinion is not modified in respect of this matter.

Key Audit Matters

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

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Nature of the area of focus	**How our audit addressed the key audit matter**
Collective impairment of loans and advances to customers	
Refer to note 3 and accounting policies in note 2 from the financial statements. In accordance with IFRS 9, the Bank accounts for credit losses based on expected credit losses (ECL): for a period up to 12 month for credit exposures for which the credit risk did not increase significantly since origination and for credit life time for those with significant increase in credit risk, as detailed in impairment policy from Note 3 to the financial statements. As at 31 December 2019, the Bank has booked impairment allowances of 63 mil RON for the Loans and advances to customers in gross amount of 1,280.9 mil RON. The Bank exercises significant judgement using complex models, extensive data and subjective assumptions over both when and how much to record as impairment for loans and receivables Key areas of professional judgment exercised by the Management included: • The interpretation of the requirements to determine receivables impairment under application of IFRS 9, which is reflected in the expected credit loss model; • Assumptions used in the expected credit loss models to assess the credit risk related to the exposure and the expected future cash flows of the customers; • The identification of exposures with a significant deterioration in credit quality. Because loans and advances to customers form a major portion of the Bank`s assets, and due to the significance of the Management judgements applied in classifying loans and receivables into various stages stipulated in IFRS 9 and determining related impairment requirements, this audit area is considered a key audit matter.	Based on our risk assessment and industry knowledge, with the support of our Credit risk experts, we have examined the impairment charges for loans receivables and evaluated the methodology applied as well as the assumptions made according to the description of the key audit matter. Our procedures included the following elements: <u>Testing of internal controls:</u> We have challenged the appropriateness of key processes and related controls management has established to support their impairment calculations, including: • controls for quality assurance of the source data used in developing professional judgements and ECL related models; • controls for timely identification of impairment triggers, including significant increase in credit risk; • controls for debtors' financial performance assessment and estimation of future cash flow. For the controls identified to be relevant in addressing the risks, we have tested the design and operating effectiveness of these controls. <u>Obtaining and analysing the information to support the assumptions used in:</u> • Development of the models for computation of the key risk parameters (12 month Probability of default, lifetime Probability of default and Loss given default), including procedures on the source data quality; • Development of the expected credit loss models; • Development of the stage allocation; • Development of models to reflect the potential impact of future economic conditions in the ECL computation. <u>Verifying the implementation of the ECL computation methodology into the IT computation systems</u>, including: • Test the general IT controls related to the data sources and computations of ECL; • Assessment on a sample basis of the credit quality and stage allocation; • Test on a sample basis the ECL computations. We have analysed the adequacy of significant ECL-related disclosures for compliance with the relevant IFRS requirements.

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<table>
<tr><th>Interest and Fee Income Recognition</th><th></th></tr>
<tr><td>
Refer to Note 5 and 6 of the financial statements
For the year ended 31 December 2019 the interest income represents RON 76,784 thousand and fee and commission income represents RON 5,207 thousand, the main source being loans to customers. These are the main contributors to the operating income of the Bank.
While interest income is accrued over the expected life of the financial instrument using the effective interest rate, the recognition of fee income depends on the nature of the fees as follows:

Fees that are directly attributable to the financial instrument are part of the effective interest rate and accrued over the expected life of such an instrument and are presented as interest income;
Fees for services provided are recognized when service is provided and are presented as fee and commission income;
Fees for the execution of an act are recognized when the act has been completed and are presented as fee and commission income.

Because of the significance of revenue recognition to the financial performance, a high volume of individually small transactions which depends on data quality of interest and fee inputs and on IT solutions for their recording, resulted in this matter being identified as a key audit matter.
</td><td>
We have tested the design and operating effectiveness of the key internal controls and focused on:

Interest/fee inputs on customer loans;
Recording/changes of fees and interest rates;
Management oversight and control on interest and fee income;
IT controls relating to access rights and change management of relevant automated controls with the assistance of our IT specialists.

We performed also the following procedures with regard to interest revenue recognition:

We evaluated the accounting treatment performed by the Bank in respect of fees charged to clients to determine whether the methodology complies with the requirement of the relevant accounting standard (IFRS 9). We have focused our testing on challenging the correct classification of:

Fees that are identified as directly attributable to the financial instrument and are part of the effective interest rate;
Fees that are not identified as directly attributable to the financial instrument.

We have assessed the interest income by building our own expectation on the revenue and compared with the actual results of the Bank.
We evaluated the presentation in the financial statements of interest and commission income in accordance with the relevant IFRS requirements.

</td></tr>
</table>

Other information – Administrator's Report

7. Management is responsible for preparation and presentation of the other information. The other information comprises the Administrator' report, but does not include the financial statements and our auditors report thereon.

   Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

   In connection with our audit of the financial statements for the year ended 31 December 2019, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

   With respect to the Administrator's report, we read and report if this has been prepared, in all material respects, in accordance with the provisions of the National Bank of Romania Order no. 27/2010, articles 12-14.

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On the sole basis of the procedures performed within the audit of the financial statements, in our opinion:

a) The information included in the administrators' report for the financial year for which the financial statements have been prepared are consistent, in all material respects, with these financial statements;

b) The administrators' report has been prepared, in all material respects, in accordance with the provisions of the National Bank of Romania Order no. 27/2010, articles 12-14.

Moreover, based on our knowledge and understanding concerning the Bank and its environment gained during the audit on the financial statements prepared as at 31 December 2019, we are required to report if we have identified a material misstatement of this Administrator's report. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

8. Management is responsible for the preparation and fair presentation of the financial statements in accordance with Order 27/2010 and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

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

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

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

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

Report on Other Legal and Regulatory Requirements

16. We have been appointed by the Board of Administrators on July 9, 2019 to audit the financial statements of Vista Bank S.A. for the financial year ended December 31, 2019. The uninterrupted total duration of our commitment is of one year, covering the financial years ended 31 December 2019.

We confirm that:

- Our audit opinion is consistent with the additional report submitted to the Audit Committee of the Bank that we issued the same date we issued and this report.

  Also, in conducting our audit, we have retained our independence from the audited entity.

- No non-audit services referred to in Article 5 (1) of EU Regulation No. 537/2014 were provided.

The engagement partner on the audit resulting in this independent auditor's report is Irina Dobre.

Irina Dobre, Audit Partner

For signature, please refer to the original signed Romanian version.

Registered in the Electronic Public Register of Financial Auditors and Audit Firms under no. AF 3344

On behalf of:

DELOITTE AUDIT SRL

Registered in the Electronic Public Register of Financial Auditors and Audit Firms under no. FA 25

The Mark Building, 84-98 and 100-102 Calea Grivitei,
8th Floor and 9th Floor, District 1
Bucharest, Romania
May 6, 2020

VISTA BANK ROMANIA SA
STATEMENT OF FINANCIAL POSITION
FOT THE YEAR ENDED DECEMBER 31, 2019
(all amounts are expressed in RON, unless otherwise stated)

	Note	December 31, 2019	December 31, 2018
Cash and balances with Central Banks	10	361,158,875	235,209,032
Placements with banks	11	295,700,332	336,896,963
Loans and advances to customers	3	1,280,929,303	820,670,475
Financial instruments at amortised cost	12	325,156,573	307,186,317
Current tax receivables		-	2,972,170
Deferred tax		10,948,417	10,948,417
Financial assets at fair value through other comprehensive income	13	4,677,809	3,708,235
Property and equipment	14	8,756,200	7,536,508
Right-of-use assets	15	44,377,838	-
Intangible assets	16	3,534,731	2,376,937
Investment property	17	97,509,284	-
Other financial assets	18	2,727,796	1,659,794
Repossessed assets (inventories)	18	140,505,215	265,451,615
Other assets	18	4,235,345	4,667,885
Total assets		**2,580,217,718**	**1,999,284,348**
Deposits from banks	19	77,655,050	66,748,373
Deposits from customers	20	2,125,226,022	1,633,693,432
Derivative financial instruments	21	314,885	-
Other financial liabilities	22	4,412,201	3,586,089
Other liabilities	22	2,822,133	2,571,514
Lease payables	22	45,801,880	-
Other provisions	23	3,093,628	2,271,728
Total liabilities		**2,259,325,799**	**1,708,871,136**
Equity			
Share capital	24	504,754,052	457,314,748
Reserves	25	17,668,671	16,309,621
Retained earnings		-201,530,804	-183,211,157
Total equity		**320,891,919**	**290,413,212**
Total equity and liabilities		**2,580,217,718**	**1,999,284,348**

The financial statements were approved in the General Meeting of Shareholders of May 6, 2020 and signed by:

Theodor Cornel Stanescu
Deputy General Manager

Marilena Eparu
Financial Control Manager

VISTA BANK ROMANIA SA
STATEMENT OF PROFIT OR LOSS AND COMPREHENSIVE INCOME
FOT THE YEAR ENDED DECEMBER 31, 2019
(all amounts are expressed in RON, unless otherwise stated)

	Note	Financial year ended December 31, 2019	Financial year ended December 31, 2018
Interest income	5	76,784,276	56,143,446
Interest expenses	5	-31,573,018	-30,383,029
Net interest income		**45,211,258**	**25,760,417**
Fee and fee income	6	5,207,385	3,549,257
Fee and fee expenses	6	-1,070,493	-814,125
Net fee and fee income		**4,136,892**	**2,735,132**
Foreign exchange differences		1,909,415	2,079,327
Other operating income	7	11,234,740	46,877,021
Other operating expenses	8	-78,430,971	-66,193,601
Net expenses with impairment of loans and advances granted to customers		-2,380,981	-757,062
Profit before tax		**-18,319,647**	**10,501,233**
(Expense)/Income from tax on profit	9	-	-
Net loss/profit of the year		**-18,319,647**	**10,501,233**
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Differences from change in fair value of financial instruments at fair value through other comprehensive income - Equity investments		1,359,050	410,242
Comprehensive income for the closed financial year		**-16,960,597**	**10,911,475**

The financial statements were approved in the General Meeting of Shareholders of May 6, 2020 and signed by:

Theodor Cornel Stanescu
Deputy General Manager

Marilena Eparu
Financial Control Manager

(all amounts are expressed in RON, unless otherwise stated)

	Note	Financial year ended December 31, 2019	Financial year ended December 31, 2018
Profit before tax		**-18,319,647**	**10,501,233**
Adjustments for non-monetary items:			
Income from impairment of assets	7.3	4,201,340	6,447,821
Depreciation charge	8	10,398,975	3,495,412
Interest expenses	5	31,573,017	30,383,029
Interest income	5	-76,784,275	-56,143,446
Dividend income	7	-28,825	-27,396
Income from discounts obtained upon repayment of BoC loans/deposits	7	-	-32,295,879
Sundry operating income		-	-10,625,461
Expenses/(Income) from provisions for risks and charges	8	808,442	-78,744
Other non-monetary adjustments		1,268,791	-
Operating profit before changes in operating assets and liabilities		**-46,882,182**	**-48,343,431**
(Increase) / Decrease in operating assets:			
Decrease in loans and advances to customers		-472,933,120	3,064,113
Decrease / (Increases) in other assets		-13,298,362	-27,079,124
(Increase) / Decrease in operating liabilities:			
Decrease in deposits and loans from banks and other financial institutions		10,906,678	-69,476,950
Increase in customer deposits		491,532,591	141,877,190
Increase / (decrease) in other liabilities		7,778,679	5,110,340
Cash flow from operating activities before interest and tax		**-22,895,715**	**5,152,139**
Interest earned from loans and advances to customers	5	67,168,433	49,655,,645
Interest paid on deposits	5	-30,505,864	-26,142,990
Income tax paid	9	-	2,972,170
Cash flow from operating activities		**13,766,854**	**31,636,963**
Financing activities:			
Decrease / (increase) of investments held to maturity		-17,970,257	-55,228,055
Interest received from investment activities	5	9,615,842	6,487,801
Dividends received	7	28,825	27,396
Payments / Collections from purchase/sale of tangible and intangible assets	14,16	-2,377,486	-3,170,418
Income from lease of investment property	7	382,826	-
Cash flows used in investing activities		**-10,320,251**	**-51,883,277**

(all amounts are expressed in RON, unless otherwise stated)

	Note	Financial year ended December 31, 2019	Financial year ended December 31, 2018
Financing activities			
Decrease of subordinated loans		-	-154,139,770
Payment of lease liabilities		-8,069,873	-
Cash collection from issuance of shares		47,439,304	139,815,000
Effect of exchange rate fluctuations on subordinated loans		-	-3,846,460
Interest paid for subordinated loans	5	-	-4,240,039
Cash flows used in financing activities		**39,369,431**	**-22,411,269**
Net increase / (decrease) in cash and cash equivalents		**42,816,035**	**-42,657,581**
Cash and cash equivalents at the beginning of the financial year (gross amount)	26	572,294,187	614,679,484
Impact of IFRS 9 as at January 1, 2018		-	-84,092
Cash and cash equivalents at the end of the financial year (gross amount)	26	615,216,627	572,294,187
Impairment allowances		-294,597	-188,192

Analysis of cash and cash equivalents

Cash and cash equivalents include:

	Note	2019	2018
Cash	10	41,490,248	35,068,076
Cash available with Central Bank	10	319,668,628	3,075,457
Current accounts with other banks	11	4,125,016	200,140,956
Deposits with banks	11	249,638,138	333,821,506
TOTAL		**614,922,029**	**572,105,995**

The financial statements were approved in the General Meeting of Shareholders of May 6, 2020 and signed by:

Theodor Cornel Stanescu
Deputy General Manager

Marilena Eparu
Financial Control Manager

VISTA BANK ROMANIA SA
STATEMENT OF CHANGES IN EQUITY
FOT THE YEAR ENDED DECEMBER 31, 2019
(all amounts are expressed in RON, unless otherwise stated)

	Share capital	Reserve	Retained earnings	Total
Balance at January 1, 2018	**317,499,748**	**15,374,317**	**-193,187,328**	**140,674,267**
Profit for the year	-	-	**10,501,233**	**10,501,233**
Comprehensive income				
Other comprehensive income				
Transfers to reserves	-	525,062	-525,062	-
Difference from change in fair value of available-for-sale financial instruments, net of deferred tax	-	410,242	-	410,242
Total comprehensive income	-	**935,304**	**-525,062**	**410,242**
Share capital increase	139,815,000	-	-	139,815,000
Balance as at December 31, 2018	**457,314,748**	**16,309,621**	**-183,211,157**	**290,413,212**
Balance as at January 1, 2019	**457,314,748**	**16,309,621**	**(183,211,157)**	**290,413,212**
Profit for the year			-18,319,647	**-18,319,647**
Comprehensive income				
Other comprehensive income				
Transfers to reserves				
Difference from change in fair value of financial instruments at fair value through other comprehensive income, net of deferred tax	-	1,359,050	-	**1,359,050**
Total comprehensive income	-	**1,359,050**	-	**1,359,050**
Share capital increase	47,439,304	-	-	**47,439,304**
Balance at December 31, 2019	**504,754,052**	**17,668,671**	**-201,530,804**	**320,891,919**

The financial statements were approved in the General Meeting of Shareholders of May 6, 2020 and signed by:

Theodor Cornel Stanescu
Deputy General Manager

Marilena Eparu
Financial Control Manager

The accompanying notes form an integral part of these financial statements.
Free translation from the original Romanian version.

1. THE BANK AND ITS OPERATIONS

Vista Bank Romania SA ("Vista Bank Romania" or "the Bank") was registered in Romania in 1998 as a public limited company and is authorized by the National Bank of Romania to conduct banking activities. The Bank is mainly conducting banking activities for natural or legal persons in Romania and had a number of 283 employees on December 31, 2019 (December 31, 2018: 259). The bank operates through its head office in Bucharest and through 30 branches and agencies (December 31, 2018: 30) in Romania.

Vista Bank Romania SA is a Romanian bank, with its registered office in 90-92 Emanoil Porumbaru St, Bucharest, District 1, registered with O.R.C.T.B. (Trade Registry Office attached to the Bucharest Tribunal) with no. J40/4436/1998, having Sole Registration Number RO10556861, and bank account no. 371133700 RON opened with National Bank of Romania Central Office, fax 021.206.42.83. Vista Bank Romania SA is also registered with the Bank Registry under no. RB-PJR-40-044/18.02.1999, and according to Law no. 677/2001 it is registered in the register of personal data operators with no. 632.

The Bank's **registered office** is:

Vista Bank Romania SA
90-92 Emanoil Porumbaru St
Bucharest, District 1
Romania

On December 31, 2019 the **Board of Directors'** structure was as follows:

Chairman:

- Mr. Stavros Lekkakos

Members:

- Mr. Antonios Mouzas
- Mr. Georgios Athanasopulos
- Mr. Theodor Cornel Stanescu
- Ms. Pavlina Tavridaki
- Mr. Theodoros Eftys

The majority shareholder of the Bank is Barniveld Enterprises Limited. The registered office address is 58 Arch. Makarios III, Iris Tower, etaj 8, 1075.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis for financial statements

The financial statements of the Bank have been prepared in accordance with National Bank of Romania Order no. 27/2010 for the approval of the Accounting Regulations compliant with the International Financial Reporting Standards, applicable to credit institutions with subsequent amendments and additions ("Order 27/2010") and with the International Financial Reporting Standards as they were adopted by the European Union ("IFRS"). The main accounting policies applied in the preparation of these financial statements are presented below (Note 2 letters e) to g)) and have been consistently applied for all the periods disclosed.

The accounting records of the Bank are kept in Romanian lei (RON), in compliance with the accounting laws in Romania, as well as the banking regulations issued by the National Bank of Romania.

The preparation of the financial statements in compliance with IFRS requires the management make judgments, estimates and assumptions that affect the application of accounting policies, and the reported value of the assets, liabilities, income and expenses.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis for financial statements (continued)

The estimates and assumptions related to the same are based on historical data and other factors thought as indicative under the circumstances, and their result form the basis of judgments used for determining the book value of assets and liabilities for which there are no other available sources. The actual results may differ from the estimated values.

Estimates and assumptions are periodically reviewed. Revisions to accounting estimates are recognized in the period in which the estimate is reviewed, if the revision affects only that period, or in the period the estimation is reviewed and future periods if the revision affects both the current period and future periods.

Information related to these estimates used in appliance of the accounting policies that carry a significant effect upon the financial statements, as well as the estimates implying a significant degree of uncertainty, are presented in Note 4.

The significant methods and accounting policies presented below have been applied consistently to all periods presented in these financial statements, except for accounting for lease contracts as IFRS 16 'Leases' was applied starting with 1 January 2019 and the Bank used modified retrospective approach. For further information please see note 2.1.d) and note 15.

(i) Going concern

The financial statements of the Bank have been prepared in accordance with the activity continuity principle, which implies activity pursue on the part of the Bank in the foreseeable future.

In the context of the health crisis generated by the coronavirus, the Bank has taken urgent measures to ensure business continuity and customer support in these unprecedented times.

Appropriate measures were promptly implemented and all necessary precautions were taken to protect employees and customers.

As a result, an IT system was implemented in which all employees of the headquarters can work from home and easily access the bank's systems and applications, shared files and programs, so that the activity continues without disruption.

In order to reduce the risk of contamination, the business continuity plan was activated, as well as other reorganization measures. The Bank's liquidity is monitored daily to take the necessary measures in time. There were no disruptions in this regard.

The Bank has sound foundations, with a capital and liquidity base, proving resilient to this unfavourable context.

i) Bank's position in Romania

According to the Decree issued by the Central Bank of Cyprus, published in the Official Gazette of the Republic of Cyprus no. 4645 of March 29th, 2013, Laiki Bank transferred to the Bank of Cyprus the financing granted to the Bank. As a result, the Bank could no longer rely on financial support from the parent bank, hence, it has been searching for a potential investor that would take over the majority shares.

In 2018, major changes occurred in the bank's shareholding, as the ownership of the former shareholder of the bank, i.e., Cyprus Popular Bank Public Co Ltd Cyprus (99.535052%) was taken over by Barniveld Enterprises Limited. Thus, by letter no. FG 235/12.03.2018, the National Bank of Romania communicated that it did not oppose the plans of Barniveld Enterprises Limited to hold a direct qualified ownership of 99.535052% of the subscribed and paid in share capital of Vista Bank (România) SA, or the plans of Gem Force Investments Limited and Mr. Ioannis Vardinogiannis to hold indirect qualified ownership of 99.535052% of the subscribed and paid in share capital of the credit institution.

(all amounts are expressed in RON, unless otherwise stated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.1 Basis for financial statements (continued)

i) Bank's position in Romania (continued)

Also in 2018, the share capital was increased by EUR 30 million through the conversion of the subordinated loans in amount of EUR 30 million classified as Tier 2 equity, according to the Decision of the General Meeting of Shareholders of 28.08.2018. Barniveld Enterprises Limited took over from Bank of Cyprus the subordinated loans in amount of EUR 30 million (at nominal value) in the process of authorization of the new shareholder, and full payment was made from the personal funds of Barniveld Enterprises Limited on 30.08.2018.

On December 31, 2018, all financings granted to the Bank by the Bank of Cyprus and Investment Bank of Greece were reimbursed.

Following these discount reimbursement transactions, the Bank recorded as income the value of the discount, having a significant positive impact over the Bank's results and over the prudential ratios.

In the present context, the Bank aimed to maintain adequate levels of liquidity and capital adequacy.

The Bank's main ratios registered adequate levels as follows:

Ratios/ Reporting data	**Dec-19**	**Dec-18**
	RON	**RON**
Own funds		
Own funds Tier 1	309,055,993	281,047,369
Total own funds	309,055,993	281,047,369
Capital adequacy ratios		
Capital adequacy ratio Tier 1	19.48%	26.16%
Total capital adequacy ratio	19.48%	26.16%
Debt-to-Equity ratio	11.66%	13.72%
Liquidity ratios		
Liquidity ratio	2.96	3.40
Quick ratio	43.10%	50.95%
Liquidity coverage ratio (LCR)	165.80%	417.63%
Profitability ratios		
Return on Assets (ROA)	-0.71%	0.53%
Return on Equity (ROE)	-5.71%	3.62%
Total expenses to total revenues	159.93%	90.11%
Ratios on the quality of the assets		
Non-performing loans ratio	5.74%	6.64%
Impaired receivables/Total credits	9.09%	11.83%
Other ratios		
Granted loans/attracted deposits	60.27%	50.23%
Total debt/Total equity	7.04	5.88

As of September 1, 2014, the Bank calculates its own funds according to Regulation No. 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and NBR Regulation no. 5/ 20.12.2013 on prudential requirements for credit institutions.

In terms of capital management, the Bank assesses capital adequacy for risks in accordance with the "Policy on the Internal Capital Adequacy Assessment", NBR regulations and CRD IV regulations package respectively.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.1 Basis for financial statements (continued)

i) Bank's position in Romania (continued)

The National Bank of Romania, as national regulatory and supervisory authority of the banking system, monitors the capital requirements of the Bank within the limits imposed by EU Regulation no. 575/2013 on prudential requirements for credit institutions and investment firms which provide:

- a basic capital adequacy ratio Tier 1 of 4.5%;
- a capital adequacy ratio Tier 1 of 6%;
- a total capital adequacy ratio of 8%.

By Order 32/15.04.2019, the National Bank of Romania imposed minimum capital adequacy ratios compared to the standard regulatory limits, as follows:

- a basic capital adequacy ratio Tier 1 of 7.67%;
- a capital adequacy ratio Tier 1 of 10.22%;
- a total capital adequacy ratio of 13.63%.

Moreover, as of January 1, 2016 the provisions of Order No. 12/2015 of the National Bank of Romania on the capital conservation buffer and the anti-cyclic capital buffer are applied so that credit institutions must meet the requirements of maintaining a capital buffer equal to a certain percentage of the total value of exposure to risk as follows: 0.625% applicable in 2016, 1.250% applicable in 2017, 1.875% applicable in 2018 and 2.5% applicable in 2019.

In this context, as outlined at article 355 of the Guidelines on Common Procedures and Methodologies for the Supervisory Review and Evaluation Process (SREP) of Credit Institutions issued by the European Banking Authority, the Overall Capital Requirement (OCR) consists of the TSCR requirement, the buffer requirements set out in the Capital Requirements Directive and the additional own funds requirements to cover macro-prudential risks.

Also, according to the provisions of Order no. 4 / 09.05.2018 of the National Bank of Romania, starting 30 June 2018, credit institutions must meet the requirements for maintaining a systemic risk capital buffer in accordance with the methodology set out in the annex to the Order (2% in the case of Marfin Bank Romania SA).

Consequently, the overall capital requirement for Total Tier 1 equity (Tier 1 ORC) is composed of the TSCR requirement for the Tier 1 equity ratio and the capital buffer requirements (capital buffer applicable in 2019 at a rate of 2.5%, or capital buffer for 2% systemic risk at consolidated level as of 30.06.2018).

The Bank registered a loss of RON 18,319,647 for the financial year ended on December 31, 2019, reaching an accumulated loss of RON 201,530,804. Under these circumstances, it is imposed that the Bank perform measures for the significant improvement of its operational performance.

On September 26, 2018 the new shareholder increased the share capital by EUR 30 million through the conversion of subordinated loans of the same value taken over from Bank of Cyprus and on September 25, 2019 and October 16, 2019 the share capital was further increased by EUR 10 million.

Thus, according to Company Law no/ 31/1990, as republished, at December 31, 2019, the Bank's net assets, calculated as the difference between total assets and total liabilities of the Bank is more than half of the share capital.

In addition, the Bank's management believes that they shall be able to take appropriate measures to enable maintaining capital and liquidity at appropriate levels to continue its activity in the foreseeable future.

Therefore, based on the above, the Management believes that the use of the activity continuity principle in preparing the financial statements is appropriate.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.1 Basis for financial statements (continued)

(ii) Basis for evaluation

The financial statements have been prepared on the historical cost basis, except for the revaluation of investment properties and financial instruments that are measured at or fair values at the end of each reporting period, as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

(iii) Functional and presentation currency

The functional currency is the Romanian Leu ("RON"). The financial statements are prepared and presented in thousand Ron, unless otherwise stated.

(iv) Standards effective in the current period

The following new standards, amendments to the existing standards and interpretation issued by the International Accounting Standards Board (IASB) are effective for the current reporting period:

IFRS 16 "Leases" – adopted by the EU on 31 October 2017 (effective for annual periods beginning on or after 1 January 2019)

In 2019, the Bank applied all interpretations of the new standards revised or issued by the International Accounting Standards Board (IASB) and the International Financial Reporting Standards Interpretations Committee (IFRS IC) of the IASB, adopted by the EU, which are relevant to the work done by it.

IFRS 16 - Leases - Impact of applying IFRS 16 Leasing

IFRS 16 provides a comprehensive model for identifying rental arrangements and accounting treatment in financial statements for both lessees and tenants.

IFRS 16 became effective as of 1 January 2019. The Bank applied the modified retrospective, recognising the cumulative effect of initially applying IFRS 16 as an adjustment to the opening balance of retained earnings at the date of initial application.

The purpose of the new standard is to facilitate the comparability of financial statements by presenting both financial and operating leases in the financial statements of the lessee and providing information to users of the financial statements about the risks associated with the agreements.

The impact of the new definition of a lease

IFRS 16 provides a new definition of the lease. However, the Bank will use the practical benefits available to the transition to IFRS 16 in order not to re-evaluate whether a contract is or contains a lease.

Consequently, the definition of a lease under IAS 17 and IFRIC 4 will continue to apply to those leases in force before 1 January 2019.

The essential element that differentiates the definition of a lease under IAS 17 and IFRS 16 is the concept of control. In accordance with IFRS 16, a contract is considered a lease if it transfers the rights to control the use of an asset identified for a given period in return for consideration. Control is deemed if the client has:

- the right to acquire substantially all of the economic benefits from the use of an identified asset; and
- the right to direct the use of such asset.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.1 Basis for financial statements (continued)

The impact of the new definition of a lease (continued)

The new definition of the lease and the related guidelines set out in IFRS 16 applied to all leases entered into or amended on or after 1 January 2019.

In preparation for the first-time adoption of IFRS 16, the Bank has completed an implementation project. The project has revealed that the new definition in IFRS 16 will not significantly change the scope of contracts that meet the definition of a lease.

Impact on accounting treatment

The new standard breaks the distinction between operating and finance leases in the lessee's records and requires recognition of the right to use as an asset and the related lease liability for all of the lessee's contracts, except for short-term lease contracts and low value contracts, which are subject to exemptions.

Upon initial application of IFRS 16, for leases previously classified as operating leases, the Bank recognized the right-of-use asset and the lease liabilities as liability in the bank's financial position.

In addition, for each separate lease, the lease liability was initially be measured at the present value of the remaining lease payments, discounted using the incremental borrowing rate. In this respect, the Bank has decided to use discount rates on leases contracts with similar features, also taking into account the lease term set in the contract.

Financial impact of the adoption of IFRS 16

Upon initial application of IFRS 16, the right-of-use assets of all leases (except those that fall under the exception) were initially valued at an amount equal to the lease liability adjusted for the amount of all lease payments paid in advance or related to such contract, recognized in the statement of financial position immediately prior to the date of initial application.

There were no cases of allowances for the right of use recognized as an asset at the date of initial application.

Subsequent to initial application, the Bank recognized the depreciation of right-of-use assets and interest on lease liabilities in the income statement.

Amounts paid consist of principal (presented in the statement of cash flows as financing activities) and interest (presented in the statement of cash flows as operating activities).

No changes were made to the accounting treatment for operating leases which at 1 January 2019 had a rental period of 12 months or less, and in the case of low-value leases.

The main aspects considered in the adoption of IFRS 16:

- prospective approach used as of January 1, 2019
- the cash guarantees concluded for some leases will not be included in ROU (e.g. Ploiesti, 13 September, Baia Mare, HO & MB)
- ROU is calculated in local currency (RON), while the lease liability is in EUR, as stipulated in the leases; this will generate an open EUR position

(all amounts are expressed in RON, unless otherwise stated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.1 Basis for financial statements (continued)

Financial impact of the adoption of IFRS 16 (continued)

- the discount factor used for EUR-denominated contracts was based on quoted Romanian government bonds published on January 3, 2019 or those issued whenever new contracts are concluded (the due dates of Romanian government bonds are matched on the maturity of the lease). The bank also considers its externally financing costs in determining the discount factor.
- the initial exchange rate used to convert the right-of-use was the RON / EUR exchange rate available on January 3, 2019 or afterwards the one issued by the NBR whenever new contracts are concluded
- right-of-use depreciation will be on a straight-line basis
- for all lease contracts concluded at the date of adoption, IFRS 16 was applied, except for those with a term of 12 months or less (e.g. management contracts)
- all rental contracts with less than one year term will be recorded separately directly as lease costs
- management analysis for the behaviour maturity of the contracts

Each contract has one article related to the termination of the lease, which stipulates as follows: the lease may be terminated in the following cases:

- expiry of the lease
- mutual agreement of the parties
- either party's default on the obligations assumed
- unilateral termination by any of the parties, subject to a prior notice of six months

The Bank has closely analysed the termination clauses and potential penalties, where the case, when determining the contractual period considered for each leasing contract. Based on the past history with all the rent contracts for branches and the fact that there were no cases of early terminations of the contracts and also based on the current strategy of the bank regarding the locations leased and bank's operations, the bank decided to consider the current contractual period of the leases, even in the cases where the clauses mentioned above are stated in the contracts, as the bank is reasonably certain that the terms will be met.

The summarised financial impact on the adoption of IFRS 16 is presented below:

Name	Opening balance at January 1, 2019	Closing balance at December 31, 2019 Gross carrying amount	Depreciation	Net carrying amount
FX	4.6639			4.7793
Statement of financial position	**RON**	**RON**	**RON**	**RON**
Assets				
Right-of-use ("ROA") assets, out of which:	**41,956,985**	**51,840,439**	**-7,462,601**	**44,377,838**
ROA of machinery and equipment	-	1,969,242	-412,699	1,556,543
ROA of real estate	41,956,985	49,871,197	-7,049,902	42,821,295

(all amounts are expressed in RON, unless otherwise stated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.1 Basis for financial statements (continued)

Financial impact of the adoption of IFRS 16 (continued)

Name	Opening balance at January 1, 2019	Closing balance at December 31, 2019		
		Lease liability – principal part	Accrued interest	Total lease liability
Liabilities, out of which related to:				
Lease payables	**41,956,985**	**45,800,331**	**1,549**	**45,801,880**
Machinery and equipment	-	1,619,246	1,549	1,620,796
Real estate	41,956,985	44,181,084	-	44,181,084

The weighted average lessees incremental borrowing rate applied to lease liabilities recognised in the statement of financial position on 1 January 2019 is: 2.41% for EUR denominated contracts and 3.78% for RON denominated contracts.

The following table shows the operating lease commitments disclosed applying IAS 17 at 31 December 2018, discounted using the incremental borrowing rate at the date of initial application and the lease liabilities recognised in the statement of financial position at the date of initial application:

	RON
Operating lease commitments at 31 December 2018	30,494,420
Short-term leases and leases of low-value assets	(300,761)
Effect of discounting the above amounts	(2,014,780)
Finance lease liabilities recognised under IAS 17 at 31 December 2018	-
Present value of the variable lease payments that depend on a rate or index	-
Present value of the lease payments due in periods covered by extension options that are included in the lease term and not previously included in operating lease commitments	13,778,106
Lease liabilities recognized at 1 January 2019	**41,956,985**

As at December 31, 2019, the Bank has a number of 36 leases, of which: 31 are concluded to lease spaces needed for the activity of the bank's branches and head office, 2 for the accommodation of the bank's officers and 3 for the lease of ATMs.

Out of the 36 contracts, 2 were concluded for less than 12 months, thus they were excluded from the calculation of the right of use. Most of the leases are concluded in EUR and only 3 in RON, and are prepared for a period of maximum 10 years.

The Bank operates as lessee in the leases for motor vehicles and rental of spaces.

In 2018, according to IAS 17, the total payments made under operating leases were registered to profit or loss on a straight line bases throughout the lease.

Out of the 36 contracts taken into account, 3 are concluded in RON, and the remaining are concluded in EUR, thus the lease liability was registered in the contractual currency. This aspect generated initially an exchange position in EUR in amount of EUR 8,924,612.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.1 Basis for financial statements (continued)

a) Going concern (continued)

Financial impact of the adoption of IFRS 16 (continued)

(v) **Changes in accounting policies and adoption of revised/amended IFRS**

- **Amendments to IFRS 9 "Financial Instruments"** - Prepayment Features with Negative Compensation (effective for annual periods beginning on or after 1 January 2019),

- **Amendments to IAS 19 "Employee Benefits"** - Plan Amendment, Curtailment or Settlement (effective for annual periods beginning on or after 1 January 2019),

- **Amendments to IAS 28 "Investments in Associates and Joint Ventures"** - Long-term Interests in Associates and Joint Ventures (effective for annual periods beginning on or after 1 January 2019),

- **Amendments to various standards due to "Improvements to IFRSs (cycle 2015-2017)"** resulting from the annual improvement project of IFRS (IFRS 3, IFRS 11, IAS 12 and IAS 23) primarily with a view to removing inconsistencies and clarifying wording (effective for annual periods beginning on or after 1 January 2019),

- **IFRIC 23 "Uncertainty over Income Tax Treatments"** (effective for annual periods beginning on or after 1 January 2019).

The adoption of these new standards, amendments to the existing standards and interpretation has not led to any material changes in the Bank's financial statements, except for IFRS 16 "Leases" disclosed in Note 15 (Right of use) and Note 22 (Lease liabilities).

(vi) **Standards and interpretations issued by IASB and adopted by the EU, but not effective yet**

- **Amendments to IAS 1 "Presentation of Financial Statements" and IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors"** - Definition of Material (effective for annual periods beginning on or after 1 January 2020),

- **Amendments to IFRS 9 "Financial Instruments", IAS 39 "Financial Instruments: Recognition and Measurement" and IFRS 7 "Financial Instruments: Disclosures"** - Interest Rate Benchmark Reform (effective for annual periods beginning on or after 1 January 2020),

- **Amendments to References to the Conceptual Framework in IFRS Standards** (effective for annual periods beginning on or after 1 January 2020).

The Bank decided not to adopt these standards and wait for the effective date.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.1 Basis for financial statements (continued)

(vii) Standards and interpretations issued by IASB, but not yet adopted by the EU

At present, IFRS as adopted by the EU do not significantly differ from regulations adopted by the IASB except for the following new standards, amendments to the existing standards and interpretations, which were not endorsed for use in EU as at the publication of these financial statements:

- **IFRS 17 "Insurance Contracts"** (effective for annual periods beginning on or after 1 January 2021),
- **Amendments to IFRS 3 "Business Combinations"** - Definition of a Business (effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2020 and to asset acquisitions that occur on or after the beginning of that period),
- **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 2022),
- **IFRS 14 "Regulatory Deferral Accounts"** (effective for annual periods beginning on or after 1 January 2016) - the European Commission has decided not to launch the endorsement process of this interim standard and to wait for the final standard,
- **Amendments to IFRS 10 "Consolidated Financial Statements" and IAS 28 "Investments in Associates and Joint Ventures"** - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture and further amendments (effective date deferred indefinitely until the research project on the equity method has been concluded).

The Bank does not expect these standards, revisions and interpretations to have a substantial effect on its annual financial statements when they apply for the first time.

2.2 Accounting for the effects of hyperinflation

Prior to January 1, 2004, the adjustments and reclassifications of the statutory accounting records for compliance with the International Financial Reporting Standards included restatement of balances and transactions in order to reflect the purchasing power of the national currency, in accordance with IAS 29 ("Financial Reporting Standards in Hyperinflationary Economies). IAS 29 require that financial statements prepared in the currency of a hyperinflationary economy be displayed in the currency rate at the balance sheet date. Starting with January 1, 2004, the Bank stopped to apply the provisions of IAS 29, as in the Romanian economic environment the hyperinflation features disappeared. The effect of hyperinflation to the share capital of the bank is presented in note 24. The retraction was based on the conversion factor: Consumer Price Index (CPI) in Romania published by the National Statistics Commission.

(all amounts are expressed in RON, unless otherwise stated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 Foreign currency

Transactions denominated in foreign currencies are translated into RON at the official rate of exchange of the transaction date. Monetary assets and liabilities in foreign currencies at the balance sheet date are denominated in the functional currency at the exchange rate of the day.

Non-monetary assets and liabilities that are measured at historical cost in a foreign currency are translated using the exchange rate at the transaction date. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are recorded in the functional currency at the exchange rate at the date the fair value was determined.

Revaluation differences are presented in the income statement, except for differences arising from the revaluation of available-for-sale equity investments, which are included in the reserve from the change in fair value of these financial instruments.

The exchange rates for the main foreign currencies were:

Currency	December 31, 2019	December 31, 2018
Euro (EUR)	1: RON 4.7793	1: RON 4.6639
US Dollar (USD)	1: RON 4.2608	1: RON 4.0736

2.4 Financial assets and liabilities

Financial assets and financial liabilities are recognized in the Bank's balance sheet when the Bank becomes a party to the contractual provisions of the instrument.

Recognised financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at FVTPL) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognised immediately in profit or loss.

2.4.1 Financial assets

All financial assets are recognised and derecognised on a trade date where the purchase or sale of a financial asset Is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned and are initially measured at fair value, plus transaction costs, except for those financial assets classified as FVTPL (which, if directly attributable to the acquisition, are recognised immediately in profit or loss).

All recognised financial assets that are within the scope of IFRS 9 are required to be subsequently measured at amortised cost or fair value on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 Financial assets and liabilities (continued)

2.4.1 Financial assets (continued)

Starting 1 January 2018 the Bank classifies its financial assets into one of the following categories based on the assessment of business model and SPPI characteristics, as follows:

- Financial assets that are held for collection of contractual cash flows and cash flows represent solely payments of capital and interest (SPPI) are classified and measured at amortised cost. In this category the Bank includes the loans granted to customers, deposits placed with banks, corporate bonds and repurchase transactions part of banking book portfolio.
  o
- Financial assets that are held for collection of contractual cash flows and for selling the assets and the contractual cash flows represent solely payments of capital and interest are measured at fair value through other comprehensive income. Treasury bonds in banking book portfolio are classified and measured at fair value through other comprehensive income.
  o
- Financial assets that are held for trading, regardless of the cash flow characteristics are measured at fair value through profit and loss. In this category the Bank includes the sub-portfolio of treasury bonds, placements made to banks and repurchase transaction held for trading.

Business model assessment

The business model assessment is one of the two steps to classify financial assets.

The Bank's business model reflects how it manages its financial assets in order to generate cash flows; the business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

The business model is determined at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. Accordingly, this condition is not an instrument-by instrument approach to classification and should be determined on a higher level of aggregation.

SPPI test

As a second step of its classification process the Bank performs the assessment of the characteristics of the contractual cash flows aiming to identify whether the contractual cash flows are "solely payments of principal and interest on the principal amount outstanding" – SPPI test. The SPPI assessment is a one-off exercise and is performed at the initial recognition of the financial asset.

The contractual cash flow characteristics test is designed to screen out financial assets on which the application of the effective interest method either is not viable from a pure mechanical standpoint or does not provide useful information about the uncertainty, timing and amount of the financial asset's contractual cash flows.

The principal for the purpose of applying SPPI test is "the fair value of the asset at initial recognition" and it may change over the life of the financial asset (e.g., if there are repayments of principal). The most significant elements of interest are typically the consideration for the time value of money and credit risk. Interest can also include consideration for other basic lending risks (for example, liquidity risk) and costs (for example, administrative costs) associated with holding the financial asset for a particular period of time. In addition, interest can include a profit margin that is consistent with a basic lending arrangement.

Unlike the Business model test, the contractual characteristic test on transition is to be performed retrospectively at the date of initial recognition of the contract, not at the date of initial application.
To make the SPPI assessment, the Bank applies judgements and considers relevant factors such as the currency in which the financial asset is denominated and the period for which the interest rate is set.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 Financial assets and liabilities (continued)

2.4.1 Financial assets (continued)

Financial assets at fair value through other comprehensive income (FVOCI)

On initial recognition, financial assets are recognised at their fair value, including transaction costs directly attributable to the transaction. They are subsequently measured at fair value and changes in fair value are recognised, under a specific line of shareholders' equity. These financial assets are also subject to the measurement of a loss allowance for expected credit losses on the same approach as for debt instruments at amortised cost. In addition, interest is recognised in the income statement using the effective interest method determined at the inception of the contract.

- **Debt instruments**

These financial assets are held within a business model whose objective is achieved by collecting contractual cash flows and sale of financial assets and the contractual terms of the financial asset give rise to cash flows that are solely payments of principal and interest due, they meet the "SPPI" test.

- **Equity instruments**

At initial recognition, the Bank may make an irrevocable choice, at instrument level, to present in other comprehensive income subsequent changes in fair value of an investment in an equity instrument which is not held for trading. In this case, gains and losses remain valued at fair value through other comprehensive income without recycling to profit or loss.

Financial assets at amortized cost (AC)

- **Debt instruments**

A debt instrument is to be measured at amortized cost if the following conditions are met: the financial asset is held within a business model whose objective is to hold financial assets for the purpose of collecting contractual cash flows and the contractual terms of the financial asset give rise, at certain dates, to cash flows that are exclusively principal payments and interest, i.e. they meet the SPPI condition.

In order to determine whether cash flows will be obtained by collecting the contractual cash flows of financial assets, the Bank analyzes the frequency, values and timing of sales from previous periods, the reasons for those sales and expectations of future sales activity.

Financial assets at fair value through profit or loss (FVTPL)

- **Derivatives**

In accordance with IFRS 9, derivative financial instruments are measured at fair value through profit or loss.

- **Equity instruments**

In accordance with IFRS 9, the Bank will measure equity instruments in the category held for trading at fair value through profit or loss.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 Financial assets and liabilities (continued)

2.4.1 Financial assets (continued)

Financial assets – derecognition

The Bank derecognizes a portfolio of financial assets, a financial asset or a part of a financial asset (herein after called „financial asset") when and only when one of the following conditions is fulfilled:

- The contractual rights to the cash flows expire;
- It transfers the financial asset and the transfer qualifies for derecognition;
- Voluntarily renounces its rights over the financial asset due to the asset being considered irrecoverable or in order to grant a concession to the debtor;
- Significant modification of a financial asset that generate the extinguishment of the existing financial asset and recognition of a new financial asset.

In certain circumstances, the Bank renegotiates or otherwise modifies the contractual cash flows of loans to customers. In this case, the Bank assesses whether or not the new terms are substantially different to the original terms. The Bank does this by considering both quantitative and qualitative factors that are substantially changing the size or the nature of lender's risks associated with the pre-existing loan contract. If the new terms are substantially different, the Bank derecognises the original financial assets and recognises a "new" financial asset. The new financial asset is initially recognized at fair value and the classification and subsequent measurement is reassessed considering the new business model and the contractual cash flows characteristics. The date of renegotiation is consequently considered to be the date of initial recognition for impairment calculation purposes. All financial assets that are impaired at the date of initial recognition (first origination or re-origination due to significant changes) are classified as purchased or originated credit impaired (POCI).

When assessing the new terms in order to establish if they are significantly modified, the Bank considers if the change is made in order to increase recoverability of the pre-existing loan. The renegotiation or modification of the contractual cash flow of an existing financial asset can generate derecognition of the financial asset and the recognition of a new financial asset if the respective changes to the financial asset are significant. Changes made for the purpose of increasing the received cash flows and which are not considered significant change of the contractual characteristics do not generate derecognition.

2.4.2. Financial liabilities

The Bank has financial liabilities at fair value through profit or loss (including financial liabilities held for trading and those designated at fair value through profit or loss) and financial liabilities at amortized cost. Financial liabilities are derecognised when they are extinguished – i.e. when the obligation is deleted, cancelled or when they expire.

a) Financial liabilities at fair value through profit or loss

This category comprises two sub-groups: financial liabilities held for trading and those designated at fair value through profit or loss. Financial liabilities are classified in this category if they are obtained primarily for the purpose of selling in the near future or if so designated by the management. Currently, the Bank does not have financial liabilities at fair value through profit or loss. Derivatives are also categorized as held for trading unless they are designated as hedging instruments.

b) Other liabilities at amortized cost

The financial liabilities not at fair value through profit or loss, or those that are not classified in this category are measured at amortized cost. Financial liabilities at amortized cost are deposits from other banks or from customers, debt securities in question for which the fair value and subordinated debt option is not applied.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 Financial assets and liabilities (continued)

2.4.2. Financial liabilities (continued)

b) Other liabilities at amortized cost (continued)

A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially changed, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts are recognized in profit or loss

2.5 Principles of assessment at fair value

The fair values of quoted investments in active markets are based on bid price in the case of bonds and on the average price in the case of derivatives. If the market of a financial asset is not active (unlisted securities and derivatives), the Bank establishes the fair value by using valuation techniques and models developed internally. These include the use of recent transactions with objective price and discounted cash flow analysis.

2.6 Derivatives

Derivatives are classified as financial assets or liabilities held for trading and are initially recognized at fair value. After initial recognition, they are measured at market values without any deduction related to the costs of the sale.

Derivative financial instruments include foreign exchange swap contracts.

Gains or losses from the revaluation of derivatives are carried to income and expense accounts for derivative operations, corresponding to the type of instruments.

Derivatives are initially recognized at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Fair values are obtained from quoted prices in active markets, including recent market transactions, as well as based on evaluation techniques including discounted cash flow models. All derivatives are recorded as assets when fair value is positive and as liabilities when fair value is negative.

2.7 Interest income and expense

Interest income and expenses are recorded in the profit or loss for all instruments measured at amortized cost using the effective interest method. Interest income includes coupons related fixed income investment securities, discounts and premiums earned from treasury certificates.

The effective interest method is a method of calculating the amortized cost of a financial asset or a financial obligation and allocation of income and expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, where appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. In calculating the effective interest rate, the Bank estimates cash flows considering all contractual terms of the financial instrument (for example, payment options beforehand) but there are not considered future credit losses. The calculation includes all fees and amounts paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and other premiums or discounts.

The effective interest is applied to the gross carrying amount for assets classified in Stage 1 or 2 and to all financial liabilities. For financial assets classified as Stage 3 or POCI the effective interest rate is applied to the net carrying amount.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.7 Interest income and expense (continued)

Revenues from contracts with customers

The standard is valid for annual periods beginning on or after 1 January 2018. IFRS 15 establishes a five-step model that will apply to revenues from a contract with a customer (with limited exceptions), regardless of the type of revenue transaction or industry. The requirements of the standard also apply to the recognition and measurement of gains and losses on the sale of non-financial assets that are not a production of the entity's normal activities (for example, sales of property, plant and equipment or intangible assets). Extensive disclosures are needed, including disaggregation of total revenues; information on performance obligations; changes in the account balances of contractual assets and liabilities between periods and key judgments and estimates.

2.8 Income from fees and commissions

Generally, fees and commissions are recognized on an accrual basis at the time of service. Loan origination fees with the possibility of withdrawal of amounts are recognized as accrued income as adjustments to the effective yield of the loan.

Fees and commissions comprise mainly the fees charged for the activity of amounts transfer to customers, trading securities and foreign exchange transactions, issuing letters of guarantee and letters of credit and fees on the current accounts.

Income from the Bank's fees and commissions also include fees from insurance companies for insurance brokerage operations. Revenues related to these services are recognized in the period in which services are provided and the income received.

2.9 Contracts of sale with repurchase clause

Securities sold under contracts of sale with repurchase clause ("repos") are classified in the financial statements as financial instruments at amortised cost and the counterparty obligation is included in amounts due to customers and banks.

The difference between the sale and repurchase price is considered as interest and recognized over the life of the contracts of sale with repurchase clause, using the effective yield method.

2.10 Impairment of financial assets

The Bank assesses on an forward-looking basis the expected credit losses ("ECL") and recognises loss allowances for ECL on the following financial instruments that are not measured at FVTPL:

- loans and advances to banks
- loans and advances to customers
- financial assets that are debt instruments;
- lease receivables;
- financial guarantee contracts issued and loan commitments issued.

No impairment loss is recognised on equity investments.

The ECL allowance is based on the credit losses expected to arise over the life of the asset (the lifetime expected credit loss), unless there has been no significant increase in credit risk since origination, in which case, the allowance is based on the 12 months' expected credit loss. The ECL is computed from the time of origination.

12-month ECL are the portion of lifetime ECL that result from default events on a financial instrument that are possible within the 12 months after the reporting date. Financial instruments for which 12-month ECL are recognised are referred to as 'Stage 1 financial instruments'. Financial instruments allocated to Stage 1 have not undergone a significant increase in credit risk since initial recognition and are not credit-impaired.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.10 Impairment of financial assets (continued)

Lifetime ECL are the ECL that result from all possible default events over the expected life of the financial instrument or the maximum contractual period of exposure. Financial instruments for which lifetime ECL are recognised but that are not credit-impaired are referred to as 'Stage 2 financial instruments'.

Financial instruments allocated to Stage 2 are those that have experienced a significant increase in credit risk since initial recognition but are not credit-impaired.

Financial instruments for which lifetime ECL are recognised and that are credit-impaired are referred to as 'Stage 3 financial instruments'.

The expected credit loss may be calculated either individually or collectively in accordance with IFRS 9 perspective. The Bank model for computing the expected credit losses is:

- Individual (for all legal entities clients) or collective assessment for clients in Stage 3
- Collective assessment for clients in Stage 2 or Stage 1
- Clients operating in or significantly exposed to real estate market are all analyzed individual

The Bank has established criteria to perform the assessment of significant increase in credit risk since initial recognition on a monthly basis, considering both relative and absolute thresholds, please see note 3.1.1 a).

Recognition of the expected loss over the life of the collective financial assets takes into account comprehensive credit risk information. Comprehensive information on credit risk incorporates both historical and present-day relevant information, including macroeconomic forward-looking information to estimate a result close to recognizing expected loss over the life of individual financial assets.

In order to determine the significant increase in credit risk and the recognition of an impairment adjustment on a collective basis, the Bank groups the financial instruments on the basis of the common credit risk characteristics in order to facilitate the early identification of the significant increase in credit risk. Analysis of portfolio granularity for segmentation purposes is the first step of the collective analysis and is based on the analysis of default rates at sub-segments compared to upper segments.

Restructured financial assets

If the terms of a financial asset are renegotiated or modified or an existing financial asset is replaced with a new one due to financial difficulties of the borrower, then an assessment is made of whether the financial asset should be derecognised and ECL are measured as follows:

- If the expected restructuring will not result in derecognition of the existing asset, then the expected cash flows arising from the modified financial asset are included in calculating the cash shortfalls from the existing asset
- If the expected restructuring will result in derecognition of the existing asset, then the expected fair value of the new asset is treated as the final cash flow from the existing financial asset at the time of its derecognition. This amount is included in calculating the cash shortfalls from the existing financial asset that are discounted from the expected date of derecognition to the reporting date using the original effective interest rate of the existing financial asset

Credit-impaired financial assets

At each reporting date, the Bank assesses whether financial assets carried at amortised cost, debt financial assets carried at FVOCI and finance lease receivables are credit impaired (referred to as 'Stage 3 financial assets'). A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

The Bank implemented the definition of the default status according to the criteria set by EBA. All the PD curves used as input elements in the ECL calculation were calibrated by applying the EBA definition retroactively, in order to ensure the consistency regarding the entry into default status at the time of calibration.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.10 Impairment of financial assets (continued)

Write-off loans

If there is objective evidence that an impairment loss on loans has occurred, the amount of loss is determined as the difference between the carrying value of loans and the present value of estimated future cash flows (excluding future credit losses that have not occurred) discounted at the original effective interest rate of the financial asset (i.e., the effective interest rate computed at initial recognition).

The carrying amount of credits can be reduced either directly or by using an allowance account. The carrying value of impaired loans is reduced through an allowance account for loans that are not 100% provisioned.

Write-off is not conditioned by the closure of the legal procedures, nor does it imply the forfeit of the bank's claims to the receivables / financial asset. A write off is performed only where the chances of recoveries are remote.

For loans that are 100% provisioned, the Bank shall directly reduce their value, concurrently with the registration of such debts in off-balance sheet accounts. The subsequent recoveries from loans off-balance are recorded in the profit or loss account in "Net expense with the impairment of the loans and advances granted to customers".

2.11 Guarantees recovered

Guarantees recovered represent non-financial assets recovered by the Bank from customers for overdue account. Assets are initially recognized at fair value at the time of recognition in the balance sheet and are included in property and equipment, other financial assets or stocks in other non-financial assets, depending on their nature and the Bank's intention regarding the use of these assets. These assets are subsequently revalued and accounted for in accordance with the accounting policies for these categories of assets.

2.12 Intangible assets

Software licenses acquired are capitalized at acquisition costs and value of installing programs. These costs are amortized based on the estimated useful lives, which is normally three years.

Costs associated with developing or maintaining computer applications are recognized as an expense as incurred. Costs that are directly attributable to the production of identifiable and unique software applications under the control of the Bank, and which will probably generate economic benefits over costs of production for more than one year, are recognized as intangible assets. Direct costs include costs with personnel dealing with the development of computer applications.

Computer software development expenditure recognized as assets are amortized using the straight-line method over their useful life which is generally three years.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.13 Tangible assets

The cost of tangible asset is recognized as an asset if, and only if: (a) it is probable that future economic benefits associated with the item will flow to the Bank; and (b) the cost of the item can be measured reliably. Buildings and other tangible assets are stated at cost less accumulated depreciation and any impairment loss.

Repairs and maintenance expenses are recorded when incurred. The cost of replacing major parts or components of property and equipment is capitalized and the replaced part is scrapped.

Gains and losses on disposals determined by comparing proceeds to the carrying amount are recognized in profit or loss.

Depreciation

Land is not depreciated, assets in progress are not depreciated until used. Depreciation of other buildings and equipment is calculated using the straight-line method to allocate the cost of their residual value over their estimated diverted period.

	Useful life in years	
	2019	**2018**
Buildings	50	50
Furniture	15	15
Means of transport	5	5
Measuring and control devices	4	4

The residual value of an asset is the estimated amount that the Bank will get at its disposal after priory deducting the estimated costs of disposal if that asset already had the necessary life and was already in the estimated useful life end. The residual value of an asset is nil if the Bank expects to use the asset until the end of its physical period.

Assets' residual values and useful lives are reviewed and adjusted, where appropriate, at each balance sheet date.

The carrying values of tangible assets are reviewed for impairment at each statement of financial position date or whenever events or changes in circumstances indicate the carrying value may not be recoverable. Where the carrying amount of a tangible asset is greater than the estimated recoverable amount, it is written down to its recoverable amount.

Tangible assets are derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement in the year the asset is derecognized.

2.14 Impairment of non-financial assets

Assets that have an indefinite useful life are not amortized and are tested annually for impairment. Assets that are subject to amortization are reviewed for impairment losses whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

The impairment loss is the difference between the carrying amount and the recoverable amount of the asset. Recoverable amount is the greater of the asset's fair value minus costs to sell and value in use. In calculating this impairment, assets are grouped at the lowest levels for which there are identifiable cash flows independent (cash generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.15 Lease contracts

Effective until December 31, 2018

Finance leases:

Where the Bank is the lessee under a lease agreement in which the Bank assumes substantially all the risks and rewards of ownership, assets leased are capitalized in buildings and equipment at the initiation of the lease at the lower of the fair value of the leased property under and the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant interest rate during repayment. Obligations related to rent, net of future finance charges, are included in borrowings.

Interest expenses are recorded in the profit and loss account during the contract using the effective interest method. Assets acquired under finance leases are depreciated over the useful life or the shorter contract period if the bank is not reasonably certain that it will obtain ownership of the asset until the end of the lease.

Operating leases:

The total payments made under operating leases are recognized in profit or loss on a straight line basis over the lease period.

When an operating lease is terminated before the lease period has expired, any payment required to be made by the person who obtained the lease as a penalty is recognized as an expense in the period in which the conclusion of the contract occurs.

Effective from 1 January 2019

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 Bank applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Bank recognizes lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets. For short-term leases or leases for which the underlying asset is of low value, the related lease payments are recognized as an expense on a straight-line basis over the lease term.

Right-of-use assets

The Bank recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any re-measurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date. Right-of-use assets are depreciated on a straight-line basis over the lease term. The right-of-use assets are presented within Note 15.

Lease liabilities

At the commencement date of the lease, the Bank recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments can include fixed payments, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments can also include payments of penalties for terminating the lease.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.16 Cash and cash equivalents

For preparation of a cash flow statement using the indirect method, cash and cash equivalents include balances with a maturity of less than three months from the date of purchase i.e. cash; to unrestricted balances at central banks, including minimum reserve requirements; treasury and other eligible certificates; loans and advances to banks as well as short-term bonds.

2.17 Provisions

Provisions are recognized when the Bank has a legal or constructive obligation arising from past events, when the settlement of the obligation is required an outflow of resources embodying economic benefits and when a reliable estimate can be made regarding the value of bonds. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the whole category of obligations. Provisions are recognized even if the likelihood related to any item included in the same class of obligations may be small. Provisions are measured at the current value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation.

2.18 Financial guarantees, letters of credit and loan commitments

Financial guarantee contracts are contracts that require the issuer to make specific payments to reimburse the beneficiary a loss suffered by it due to the fact that a particular borrower has not made payments on the due date in accordance with the terms of the debt instrument.

These financial guarantees are granted to banks, financial institutions and other bodies on behalf of customers to guarantee loans, overdrafts and other banking facilities.

Financial guarantees are initially recognized in the financial statements at fair value on the date granted. Subsequent to initial recognition, the Bank's liability under each guarantee is measured at the higher of the amount initially recognised less the cumulative amortisation recognised in the income statement and an expected credit loss provision.

The Bank, in the normal course of business, enters into other commitments including loan commitments and letters of credit. Undrawn loan commitments and letters of credits are commitments under which, over the duration of the commitment, the Bank is required to provide a loan with pre-specified terms to the customer. Similar to financial guarantee contracts, from 1 January 2018, these contracts are in the scope of the expected credit loss requirements. The nominal contractual value of financial guarantees, letters of credit and undrawn loan commitments, where the loan agreed to be provided is on market terms, are not recorded on in the statement of financial position. The nominal values of these instruments together with the corresponding expected credit loss are disclosed in Note 29.

2.19 Employees benefits

Short-term employee benefits include wages and that are expected to be settled wholly before twelve months after the end of the annual reporting period in which the employees render the related service. Short-term employee benefits are recognized as expense when services are rendered.

The Bank, in the normal course of business, makes mandatory contributions to the Romanian National Pension Fund for its employees in Romania, for pension, health and unemployment. All employees of the Bank are included in the state pension system. The legally binding contributions paid by the Bank stops if the employees cees their labour contracts with the Bank, there will be no obligation on the Bank to pay the benefits earned by these employees in previous years.

The Bank does not operate any other pension scheme than the state pension system described above and, therefore, has no further obligations regarding pensions. The Bank has no other obligation to provide funds to current or former employees for their services.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.20 Income tax

a) Current income tax

The Bank records its net income tax expense on financial statements in accordance with accounting regulations and tax legislation in Romania. Romanian tax legislation is based on a financial year ended December 31. For recording both current tax and deferred tax for the year ended, the Bank calculated the annual tax expense based on Romanian tax legislation in force at the balance sheet date.

b) Deferred income tax

Differences between financial reporting under International Financial Reporting Standards and the Romanian tax regulations lead to differences between the carrying amount of certain assets and liabilities and debt.

Deferred tax asset item is recognized to the extent that it is probable that future taxable profit will be available so that the temporary differences could be utilized.

Deferred tax is provided using the balance sheet liability method on temporary differences arising between the tax bases of assets and liabilities and calculating their carrying amounts in the financial statements. Deferred income tax is determined using tax rates (and laws) that have been implemented or substantially implemented at the balance sheet date and are expected to be applied when the deferred tax recovered is realized or the deferred tax obligation is settled.

2.21 Repossessed assets

Repossessed assets are items recorded in the balance sheet in accordance with IAS 2: Inventories. IAS 2 requires that assets that are considered inventories be recorded and measured in the accounts at the lower of cost and net realizable value ("NRV"). In order to determine the NRV, the Bank performs valuation of the repossessed assets annually, based on a report prepared by an authorized evaluator.

The gain or loss arising from the derecognition of a repossessed asset is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item. The amount of consideration included in such a gain or loss is determined in accordance with the requirements for determining the transaction price as regulated in IFRS 15.

Taking into account the specific nature of the financial institution, the gain or loss arising from the derecognition of a repossessed asset is presented in other operating income or other operating expenses accordingly.

2.22 Investment property

If a property currently recognized as an asset with an accounting treatment in accordance with IAS 2 (Inventories) is subject to a lease that will generate cash flows (future rewards), then it will be reclassified as investment property with a different accounting treatment, in accordance with IAS 40 (Investment Property).

These investments are properties owned to obtain rental income. Investment property is measured initially at cost, including transaction costs. Subsequent to initial recognition, investment property is measured at fair value. Gains or losses arising from changes in the fair value of investment property are included in profit or loss in the period in which they arise. Such properties will be recorded, according to the management's decision, at fair value based on the evaluation report prepared by an authorized independent evaluator, that takes into account the latest prices obtained for similar properties located in the same area, in arm's length transactions

Fair value is the amount for which an asset can be voluntarily exchanged between knowledgeable parties in an arm's length transaction.

(all amounts are expressed in RON, unless otherwise stated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.22 Investment property (continued)

By applying the fair value model, investment properties will be valued annually or whenever necessary, in accordance with the regulations in force, based on a valuation report prepared by an authorized independent evaluator.

The market present value may lead to the calculation of adjustments that will affect the profit and loss account. The administrative costs related to the reclassified property are : local taxes, valuation costs, repair costs, etc.

2.23 Comparatives

Comparative annual financial statements have been amended, where appropriate, consistently with the current year presentation method:

1) Due to a significance of the balance, the repossessed assets amounting to RON 265,451,615 were reclassified from Other assets and are now presented separately.

2) Starting from 2019, the gain or loss arising from the derecognition of a repossessed asset is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item and presented as such in Other operating income or Other operating expenses accordingly (see the policy described in Note 2.23). In previous periods changes in impairment allowance recognised on the repossessed assets were presented separately. Consequently the impairment reversal changes in 2018 were netted with the gain/loss on disposal of the repossessed assets.

3) Provisions for untaken holiday leaves amounting to RON 1,702,688were reclassified from Other payables and are now presented in Other provisions.

	Restated 31-Dec-18	Reclassification adjustment	Reported 31-Dec-18
Statement of Financial Position			
Assets			
Other assets	4,667,885	(265,451,615)	270,119,500
Repossessed assets	265,451,615	265,451,615	-
Liabilities			
Other liabilities	2,571,514	(1,702,688)	4,274,202
Other provisions	2,271,728	1,702,688	569,040
Statement of profit or loss and other comprehensive income			
Other operating income:	46,877,021	(1,267,125)	48,144,146
Selling the repossessed assets	3,592,011	(1,267,125)	4,849,136
Other operating expenses:	(66,193,601)	1,267,125	(67,460,727)
Net expense with valuation adjustments for repossessed assets	(1,503,304)	1,267,125	(2,770,430)

(all amounts are expressed in RON, unless otherwise stated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.23 Comparatives (continued)

	Restated 01-Jan-18	Reclassification adjustment	Reported 31-Dec-17
Statement of Financial Position			
Assets			
Other assets	4,585,785	241,592,487	246,178,272
Repossessed assets	241,592,487	(241,592,487)	-
Liabilities			
Other liabilities	2,567,210	(1,635,904)	4,203,114
Other provisions	1,973,560	1,635,904	337,656

3. FINANCIAL RISK MANAGEMENT

Financial risk management is intertwined with the activities of the Bank. Management, in order to maintain stability and business continuity, gives a high priority to the objective of implementation and continuous improvement of an effective risk management framework to minimize the possible negative impact on the financial results of the Bank.

The Board of Directors of the Bank is responsible for establishing and monitoring risk management framework. At the level of the Board of Directors of the Bank has been established a Risk Management Committee in order to coordinate and address all risks in advance; This Committee is responsible for implementing and monitoring policies and principles related to financial risk management. Risk Management Committee meets quarterly and reports its activities to the Board of Directors.

Both principles and existing risk management policies have been developed to identify early risk analysis undertaken by the Bank, setting limits and appropriate control systems as well as systematic risk monitoring and ensuring compliance with established limits.

The Bank annually reviews the adequacy and effectiveness of the risk management framework to ensure that it keeps pace with market dynamics, changes in banking products offered, and the best international practices.

The Risk Management Department operates as an independent unit, assigned with executive responsibility for the planning and implementing risk management.

The Bank systematically monitors risks mentioned resulted from use of financial instruments: credit risk, market risk, liquidity risk, and operational risk.

3. FINANCIAL RISK MANAGEMENT (continued)

3.1 Credit risk

Banking and Bank profits are closely related to credit risk taken. Credit risk is the risk of a financial loss for the Bank that occurs when borrowers are unable to meet their contractual/ transactional obligations. Credit risk is considered the most important for the Bank, and its effective monitoring and management are top priorities for management. Bank's overall exposure to credit risk mainly results from the approved credit limits and corporate loans and retail financing, investment and trading activities of the Bank's trading activities in derivatives markets, and the settlement of financial instruments. The level of risk associated with any credit exposure depends on various factors, including the general and prevailing market conditions, the financial condition of borrowers, the amount, type and duration of exposure and the presence of any guarantees.

Implementing a credit policy which presents the principles of credit risk management, ensures an effective and uniform credit risk monitoring. The Bank applies a uniform policy and practice on credit assessment procedures, approval, renewal and monitoring. All credit limits are reviewed at least once a year and approval powers are based on class size and total exposure to credit risk assumed by the Bank for each debtor or group of debtors that are in contact (one primary debtor). The Board of Directors of the Bank has assigned executive responsibility for credit risk management to the Risk Management Committee. The objective of the Committee is to evaluate and approve credit limits for Bank customers and to monitoring the proper application and policy management functionality for credit risk.

3.1.1 Credit risk assessment

Reliable assessment of credit risk is a major priority of the management framework of the Bank's credit risk. The continuous development of infrastructure, systems and methodologies aimed at quantifying and assessing credit risk is essential in order to provide timely and effective support to management and business units in relation to decision-making, policy formulation and supervision requirements compliance.

a) Loans and advances

In measuring credit risk of loans and advances granted by the Bank to a counterparty: (i) the client's creditworthiness and the probability of default is systematically evaluated, (ii) the Bank's current exposure to credit risk resulting from impaired loans is monitored and (iii) recoverability rate on defaulted obligations is estimated based on guarantees and securities. The three parameters for measuring credit risk are incorporated into the daily operations of the Bank.

Systematic evaluation of the creditworthiness of customers and the likelihood of default.

The bank evaluates the creditworthiness of its borrowers through the application of appropriate models for classification of loans through special features. These models have been developed internally and meet financial and statistical analysis specialist advice given by those responsible. Whenever possible, these models are tested through a comparative analysis based on external information available.

According to the Bank's policy, each borrower is evaluated when the credit limit is determined initially and thereafter, they are revaluated at least once a year. Assessments are also updated where updated information that can have a significant impact on the level of credit risk is available. The Bank regularly tests the predictive ability of creditworthiness evolution and valuation models used for both corporate and for retail loans, thus ensuring the potential to accurately describe any credit risk and enabling timely implementation of measures address the problems that arise.

3. FINANCIAL RISK MANAGEMENT (continued)

3.1 Credit risk (continued)

3.1.1 Credit risk assessment (continued)

a) Loans and advances (continued)

Corporate loans

Regarding corporate loans, the loan classification model applied depends on the financial standing of the Client, payment delays and existence of judicial proceedings. The system applied is a classification system developed internally.

The debtors of corporate clients are classified into 5 categories, which correspond to different levels of credit risk and are related to different classifications with regard to the probability of default, allowing the determination of expected loss.

Retail loans (retail banking)

Regarding loans to individuals (retail), the Bank focuses on the application of modern methods of assessing credit risk and fraud prevention, using also the scoring models customized for the retail loan portfolio profile. Thus, the approval is only possible if the score calculated for the applicant exceeds a certain threshold, to ensure compliance of the retail loan portfolio with the risk strategy and the bank's profile. Specific score is calculated based on a set of features. The final classification into 5 categories is given by the financial standing of the Client, payment delays and existence of judicial proceedings.

(i) Monitoring Bank current exposure to credit risk

The Bank monitors credit risk exposure for its loans and advances to customers based on their notional amount.

(ii) Possible recovery based on existing collateral, securities and associated guarantees

During the establishment/revision of credit limits, the Bank takes into account the type of collateral for exposure.

The Bank assesses loss for the financial instrument at an amount equal to 12-month expected credit loss (Stage 1) if, as at the reporting date, the credit risk of a financial instrument has not increased significantly as of initial recognition.

If, on the reporting date, the credit risk of a financial instrument has increased significantly since initial recognition, then the Bank will assess the loss for such financial instrument at an equal value to TTC expected credit losses (stage 2).

For exposures to non-financial individual and legal entity clients, the Bank uses for classification in the following stages indicators that reveal a significant increase in credit risk:

Quantitative indicators:

- Payment delays – more than 30 days overdue from reporting date;
- Risk class – downgrading by at least one risk class as at the reporting date compared to origination;
- Deterioration of the outlook for the sector or industries in which the debtor operates;
- Deterioration of future cash flows without affecting the ability to pay in the following period (without the need for restructuring as an immediate measure);
- The decision of the Bank's management to intensify the monitoring of a debtor or a group of debtors;
- Increasing the interest margin as a measure of increasing the credit risk associated with the debtor.

3. FINANCIAL RISK MANAGEMENT (continued)

3.1 Credit risk (continued)

3.1.1 Credit risk assessment (continued)

a) Loans and advances (continued)

(ii) Possible recovery based on existing collateral, securities and associated guarantees

Qualitative indicators:

- Restructured exposure during the trial period (forborne);
- The worsening of the prospects for the sector or industries where the debtor operates;
- the depreciation of future cash flows without affecting the payment capacity for the upcoming period (without a restructuring as immediate measure);
- the decision of the Bank's management to enhance the monitoring of a debtor or a group of debtors;
- increase of the interest margin as a measure for the increase of credit risk associated with the debtor.

According to IFRS 9, exposures to banks and public administrations with a low default risk (investment grade) are ranked in Stage 1 and are attributed a 12-month probability of default for ECL computation. Bank and sovereign exposures for which a significant increase in credit risk is noted are ranked to Stage 2.

For classification in Stage 3, the following criteria – definition of default – are considered:

Regardless of the value of the exposure:

i. For corporate clients:

  a. Clients in various stages of insolvency;

  b. Clients with more than 90 days payment delays;

  c. Clients in forced execution;

  d. Clients that register at least one non-performing facility (forborne) according to the provisions of procedure 000170 – Methodology for laying down the criteria for identifying non-performing loans, of default loans and loans for which the Bank took restructuring measures as a result of financial distress (forborne) (categories 2, 3 and 4 in the DATABANK classification for forborne loans);
  e. Cases in which it is considered that, in the absence of an enforcement of the security, it is unlikely that the debtor will pay its entire credit debts, regardless of the any overdue amount or the number of days past due.

ii. For retail clients:

  a. Clients with more than 90 days payment delays;
  b. Clients in forced execution;

  c. Clients that register at least one non-performing facility (forborne) according to the provisions of procedure 000170 – Methodology for laying down the criteria for identifying non-performing loans, of default loans and loans for which the Bank took restructuring measures as a result of financial distress (forborne) (categories 2, 3 and 4 in the DATABANK classification for forborne loans);

  d. Cases in which it is considered that, in the absence of an enforcement of the security, it is unlikely that the debtor will pay its entire credit debts, regardless of the any overdue amount or the number of days past due;

  e. Clients who have sent applications for datio in solutum to the Bank.

3. FINANCIAL RISK MANAGEMENT (continued)

3.1 Credit risk (continued)

3.1.1 Credit risk assessment (continued)

a) Loans and advances (continued)

(ii) Possible recovery based on existing collateral, securities and associated guarantees (continued)

ECLs are calculated using the EADs obtained based on the exposure schedule. Therefore, the highest available frequency must be applied in the computation, such as monthly PD. We assume that the default occurs at the beginning of the period: for each intra-year cash flows the formula considers the exposures at the beginning of the period and the EIR discount rate EIR must be used as of the second period.

The Bank has not identified any assets that could be classified as POCI.

As regards the probability of default (PD), for exposures to banks and public administrations (sovereign), the Bank uses a simplified approach based on foreign credit ratings. For exposures to banks and public administrations, the Bank uses the fitted PD associated to the rating of the 10-year sovereign/corporate migration matrix. For exposures to banks and public administrations, the PD is calculated using an exponential function based on the rating awarded by the three agencies, separately for the sovereign PD and the corporate PD. Also, a maximum PD between sovereign and corporate is considered when determining the corporate PD. For exposures in RON towards the NBR a nil PD is considered. If there are more ECAI ratings available for the same counterparty, the lowest rating of the highest two ratings is used. If the issuer is not a rated entity, then the rating related to the country of incorporation (origin) is used. Also, no counterparty is assumed to have a higher rating than the rating of the country of incorporation (origin).

For non-financial clients, the Bank uses the conditional probability of default (CPD). The CPD is a measure for the probability that a default occurs throughout a certain period of time, provided it survives up to such date: 12 months from the following reporting date for Stage 1 exposures and throughout the cycle for Stage 2 exposures.

CPDs have been estimated based on portfolios aggregated on client types and on product types. The approach was to use the ratings migrations for the retail segment, as well as for corporate segment.

In order to obtain a stable migration matrix appropriate to the available data and the rating model used within the bank, the cohort approach was used.

The cohort approach for building a migration matrix estimates the transition probabilities through the historical transition frequencies. A cohort includes all borrowers who hold a given rating at the beginning of a given period. In the cohort approach, the transition matrix is completed with empirical transition frequencies. Typically, a transition matrix is estimated with data from multiple periods.

A common way to make an average of transition frequencies per period is the weighted average of borrowers, which uses the number of debtors in a cohort as weights.

One-year migration matrices based on a one-year window from a given snapshot were built.
Transition matrices were calculated annually from 2012 to December 2018 for a 12-month period to capture 12-month default rates for each monthly snapshot for historical regression analysis to estimate the parameters for the matrix equation forecast in the next 3 years. Depending on the portfolio, some irrelevant periods were ruled out from the regression analysis in order to improve the calculation model.

In order to estimate the probabilities for transitions after the forecast period, the last macro-adjusted transition matrix (3rd year) is converted to multi-period matrices. Transitions are supposed to be independent over the years.

Through this rule, matrices were generated over horizons longer than the forecast period.
The marginal PD (incremental) corresponds to the (unconditional) probability that a default occurs exactly in a given period (t).

3. FINANCIAL RISK MANAGEMENT (continued)

3.1 Credit risk (continued)

3.1.1 Credit risk assessment (continued)

a) Loans and advances (continued)

(ii) Possible recovery based on existing collateral, securities and associated guarantees

Using Cumulative PD and Marginal PD, conditional PD (CPD) corresponding to the non-ample probability in the period t was calculated, with no implicit value between t_0 and the beginning of the period t.

In accordance with IFRS 9, in some circumstances, an entity does not have reasonable and sustainable information that is available without undue cost or effort to measure estimated lifetime loss on an individual basis. In this case, the expected loss on lifetime loans is recognized on a collective basis that considers comprehensive credit risk information. This comprehensive credit risk information should include not only past information but also all relevant credit information, including future macroeconomic information, to approximate the outcome of the recognition of expected lifetime Losses when a significant increase of credit risk from initial recognition at individual level.

In order to integrate future information into the probability of default, two sets of forecasts for the unemployment rate, from the National Prognosis Center (CNP) and IMF are used - two scenarios with three-year forecasts.

Loss given default (LGD) is a factor that determines the gravity of a probability of default. Practically, LGD is the amount of the total exposure that the Bank expects not to recover in case of a loan impairment.

For banks and public administrations, the recovery rates are historical averages of security prices in case of default, as published by Moody's: 38% for high default risk exposures (non-investment grade) (below Baa3, BBB-, according to the hierarchy of rating agencies) and 44% for low default risk exposures (investment grade). Therefore, for non-investment grade exposures, a 62% LGD ratio is applied (100% - 38%), and for investment grade exposures, a 56% LGD ratio is applied (100% - 44%) except if other adjustments are individually required.

For non-financial clients, to calculate the LGD, the Bank uses the unsecured portion of the specific portfolio, based on the market value of the security, by using the proper adjustment ratios. The Bank decided to use the recovery rate from securities because the significant portion of default exposures was recovered by enforcing the securities (enforcement procedures and bankruptcy).

LGD is calculated separately for individuals and legal entities depending on the risk class and the type of facility (revolving/non-revolving) and securities (secured/non-secured).

b) Securities

For measuring and assessing the credit risk arising from debt securities and other certificates, external evaluations from rating agencies like Moody's, Standard & Poor's or other similar organizations are used. The value of the Bank's credit risk exposure caused by debt instruments and other certificates is assessed based on the market value of exposures and/or balance sheet or off-balance sheet positions.

3. FINANCIAL RISK MANAGEMENT (continued)

3.1 Credit risk (continued)

3.1.2. Management of credit limits and risk mitigation techniques

The Bank applies credit limits in order to manage and control its exposure to credit risk. Credit limits define the maximum acceptable risk for each counterparty, by product, by sector and by country. In addition, limits are set and applied to exposures regarding financial institutions. Total exposure of the Bank to credit risk of borrowers, including financial institutions, is controlled by applying sub-limits and off-balance sheet exposures, as well as daily positions of the portfolio of financial instruments such as foreign exchange forward contracts.

To determine client limits, the Bank considers any warranty that reduces risk. The Bank classifies credit risk based on the type of the associated collateral and the opportunity of their liquidation. Maximum credit limits which may be approved for each risk class are determined by the Bank.

Within the Bank, a loan is not approved by a single person, as the procedure generally requires the approval of at least three authorized persons, except for the consumer loans and credit cards. The authorities responsible for the approval of loans are assigned based on the level of risk exposure and their role in contributing to the quality of the Bank's total loan portfolio is particularly significant.

Credit limits are established with an effective duration of up to twelve months and are subject to annual or even frequent reviews. The responsible authorities may, under special conditions, set a period shorter than twelve months. Outstanding balances and their corresponding limits are monitored daily and any excess limit is reported in a timely manner and resolved accordingly.

The following paragraphs describes the techniques applied by the Bank to control and reduce credit risk.

a) Guarantees

The Bank obtains guarantees for loans to customers, thus minimizing the overall risk of credit and ensuring timely repayment of debts. To this end, the Bank has established categories of acceptable collaterals and incorporated them in its credit policy, the main types being:

- pledge on cash deposits;
- bank guarantee letters;
- pledge on financial instruments such as stocks or shares listed on the Stock Exchange;
- mortgages on real estate;
- pledge on real estate; or
- assignment of receivables resulting from promissory notes, checks and invoices.

Credit linked guarantees are initially measured during the credit approval process, based on their present value or fair value, and reassessed at regular intervals. Generally, a warranty for exposure to financial institutions is not required, except where it relates to sales contracts with repurchase clause ("repos") or similar activities. The Bank generally does not require collateral for investments in debt instruments.

b) Derivatives

The Bank systematically monitors and controls the exposure and duration of its net position opened in derivatives markets. Credit exposures from derivatives markets positions are part of the overall credit limits set for any counterparty and are taken into account during the approval process.

3. FINANCIAL RISK MANAGEMENT (continued)

3.1 Credit risk (continued)

3.1.2 Management of credit limits and risk mitigation techniques (continued)

b) Derivatives (continued)

Guarantees or other securities are not generally obtained for exposures to derivatives, unless the Bank requires the application of a safety margin from the counterparty.

Credit risk arises also from the settlement of transactions and derivative products. The Bank has established and systematically monitors daily limits of settlement for transactions with derivative products, which are included in the overall credit limit of any counterparties.

c) Loan commitments

The primary purpose of these instruments is to ensure that funds are available to customers on request. Guarantees and standby letters of credit - which represent irrevocable commitments that the Bank will make payments if the customer cannot meet its obligations to third parties - carry the same credit risk as loans. Commercial and documentary letters of credit - which are written undertakings by the Bank on behalf of a customer authorizing a third party to collect rates by the Bank to an amount specified according to specific terms and conditions - are guaranteed by the shipped goods to which they relate and, therefore, present less risk than a direct loan.

Commitments related to credit extension represent unused credit limits parties under form of loans, guarantees or letters of credit. Concerning the credit risk of extended credit commitments, the Bank is exposed to a potential loss in an amount equal to the total amount of unused commitments.

3.1.3 The maximum exposure to credit risk before considering collateral or other credit increases

The Bank's maximum exposure to credit risk is reflected in the carrying amount of financial assets as reported in the statement of the financial position. In respect to letters of guarantee issued by the Bank and the credit commitments, the maximum exposure to credit risk is represented by the value of these commitments (Note 29). Credit risk is mitigated by existing guarantees.

The table below shows the maximum exposure to credit risk of the Bank as of December 31, 2019 and December 31, 2018, loans to customers, as reported in the statement of financial position.

(all amounts are expressed in RON, unless otherwise stated)

3. FINANCIAL RISK MANAGEMENT (continued)

3.1 Credit risk (continued)

3.1.3 The maximum exposure to credit risk before considering collateral or other credit increases (continued)

The Bank also monitors credit risk by fields of activity. The analysis of concentration of credit risk by fields of activity at the reporting date is presented below (net amounts of allowances for impairment):

	Gross exposure	Provision	Net exposure
	December 31, 2019	December 31, 2019	December 31, 2019
Total retail loans	**416,371,076**	**-10,262,476**	**406,108,600**
Credit cards	2,118,107	-49,240	2,068,867
Consumer loans / personal loans and overdrafts	115,453,834	-7,561,351	107,892,483
Mortgage / Real estate loans	298,799,135	-2,651,885	296,147,250
Total corporate loans	**927,581,192**	**-52,760,489**	**874,820,703**
Total SMEs	**743,635,640**	**-49,760,375**	**693,875,265**
Commerce	224,206,153	-5,314,956	218,891,197
Industry	76,628,663	-6,791,570	69,837,093
Construction and real estate	244,820,974	-24,271,934	220,549,040
Agriculture	24,358,812	-336,010	24,022,802
Lease	52,121,709	-616,714	51,504,995
Others	121,499,329	-12,429,191	109,070,138
Total corporate	**183,945,552**	**-3,000,114**	**180,945,438**
Commerce	50,707,770	-975,428	49,732,342
Industry	110,989,916	-1,820,991	109,168,925
Construction and real estate	3,987,940	-29,143	3,958,797
Agriculture	-	-	-
Lease	3,819,535	-99,125	3,720,410
Others	14,440,391	-75,427	14,364,964
Total loans and advances to customers	**1,343,952,268**	**-63,022,965**	**1,280,929,303**

As at December 31, 2019 the share of loans to customers in Bucharest in the total loan portfolio is 69.82%.

(all amounts are expressed in RON, unless otherwise stated)

3. FINANCIAL RISK MANAGEMENT (continued)

3.1 Credit risk (continued)

3.1.3 The maximum exposure to credit risk before considering collateral or other credit increases (continued)

	Gross exposure	Provision	Net exposure
	December 31, 2018	December 31, 2018	December 31, 2018
Total retail loans	**340,224,060**	**-15,182,302**	**325,041,758**
Credit cards	1,803,017	-89,889	1,713,128
Consumer loans / personal loans and overdrafts	121,457,425	-11,218,710	110,238,715
Mortgage / Real estate loans	216,963,618	-3,873,703	213,089,915
Total corporate loans	**533,921,445**	**-38,292,728**	**495,628,717**
Total SMEs	**446,313,756**	**-37,156,378**	**409,157,378**
Commerce	140,766,866	-6,448,799	134,318,067
Industry	67,065,164	-7,653,271	59,411,893
Construction and real estate	143,861,123	-14,328,903	129,532,220
Agriculture	6,629,771	-23,964	6,605,807
Lease	21,881,025	-353,051	21,527,974
Others	66,109,807	-8,348,390	57,761,417
Total corporate	**87,607,690**	**-1,136,350**	**86,471,339**
Commerce	24,200,138	-320,036	23,880,103
Industry	51,668,096	-788,559	50,879,538
Construction and real estate	-	-	-
Agriculture	-	-	-
Lease	1,131,619	-15,508	1,116,111
Others	10,607,836	-12,247	10,595,588
Total loans and advances to customers	**874,145,505**	**-53,475,030**	**820,670,475**

As at December 31, 2018 the share of loans to customers in Bucharest in the total loan portfolio is 62.23%.

(all amounts are expressed in RON, unless otherwise stated)

3. FINANCIAL RISK MANAGEMENT (continued)

3.1 Credit risk (continued)

3.1.3 The maximum exposure to credit risk before considering collateral or other credit increases (continued)

Information about guarantees as at December 31, 2019

	Secured loans and advances	Unsecured loans and advances	Total loans and advances
Total retail loans	**336,759,862**	**79,611,214**	**416,371,076**
Credit cards	228,411	1,889,696	2,118,107
Consumer loans / personal loans and overdrafts	83,168,679	32,285,155	115,453,834
Mortgage / Real estate loans	253,362,772	45,436,363	298,799,135
Total corporate loans	**475,600,414**	**451,980,776**	**927,581,192**
Total SMEs	**430,302,381**	**313,333,256**	**743,635,640**
Commerce	136,516,290	87,689,863	224,206,153
Industry	52,052,387	24,576,275	76,628,663
Construction and real estate	190,507,247	54,313,726	244,820,974
Agriculture	9,177,140	15,181,671	24,358,812
Leasing	12,104,072	40,017,637	52,121,709
Others	29,945,245	91,554,084	121,499,329
Total corporate	**45,298,033**	**138,647,520**	**183,945,552**
Commerce	16,797,299	33,910,471	50,707,770
Industry	15,518,170	95,471,746	110,989,916
Construction and real estate	2,093,789	1,894,151	3,987,940
Agriculture	-	-	-
Leasing	-	3,819,535	3,819,535
Others	10,888,775	3,551,617	14,440,391
Total loans and advances to customers	**812,360,276**	**531,591,992**	**1,343,952,268**

The fair value of the security takes into account only real guarantees such as pledges over cash deposits, letters of bank guarantee, mortgages over real estates and pledge over movable assets. The above-mentioned information represent the minimum value between the net carrying amount of the loan balance and the value of the guarantee; the remaining uncovered part is presented in the column of unsecured loans and advances.

(all amounts are expressed in RON, unless otherwise stated)

3. FINANCIAL RISK MANAGEMENT (continued)

3.1 Credit risk (continued)

3.1.3 The maximum exposure to credit risk before considering collateral or other credit increases (continued)

Information about guarantees as at December 31, 2018

	Secured loans and advances	Unsecured loans and advances	Total loans and advances
Total retail loans	**266,641,569**	**73,582,491**	**340,224,060**
Credit cards	171,484	1,631,533	1,803,017
Consumer loans / personal loans and overdrafts	86,950,066	34,507,359	121,457,425
Mortgage / Real estate loans	179,520,019	37,443,599	216,963,618
Total corporate loans	**328,673,972**	**205,247,473**	**533,921,445**
Total SMEs	**295,991,673**	**150,322,083**	**446,313,756**
Commerce	103,658,722	37,108,144	140,766,866
Industry	42,602,499	24,462,665	67,065,164
Construction and real estate	104,702,500	39,158,623	143,861,123
Agriculture	5,814,202	815,569	6,629,771
Leasing	7,226,122	14,654,903	21,881,025
Others	31,987,628	34,122,179	66,109,807
Total corporate	**32,682,299**	**54,925,390**	**87,607,689**
Commerce	7,253,569	16,946,569	24,200,138
Industry	14,834,209	36,833,887	51,668,096
Construction and real estate	-	-	-
Agriculture	-	-	-
Leasing	-	1,131,619	1,131,619
Others	10,594,521	13,315	10,607,836
Total loans and advances to customers	**595,315,541**	**278,829,964**	**874,145,505**

Presentation of loans and advances to customers by class and category:

Loans and advances to customers neither past due nor impaired are loans and advances to customers classified to Stages 1 and 2, which have no days past due and are not impaired.

Loans and advances to customers past due but not impaired are loans and advances to customers classified to Stages 1 and 2, which have days past due and are not impaired.

Impaired loans and advances to customers are loans and advances to customers classified to Stage 3, which have indicators of impairment.

The employment of claims (principal, attached receivables and amounts amortized) on each position is performed at the level of credit facility for exposures classified to Stages 1 and 2 and in terms of total exposure per customer for customers classified to Stage 3, both for borrowers individuals and legal entities.

(all amounts are expressed in RON, unless otherwise stated)

3. FINANCIAL RISK MANAGEMENT (continued)

3.1 Credit risk (continued)

3.1.3 The maximum exposure to credit risk before considering collateral or other credit increases (continued)

As at December 31, 2019:

	Loans and advances neither past due nor impaired		Loans and advances past due, but not impaired		Loans and advances impaired	Total
	Stage 1	Stage 2	Stage 1	Stage 2	Stage 3	
Total retail loans	**340.937.950**	**4.276.726**	**23.972.497**	**24.442.553**	**22.741.350**	**416.371.076**
Credit cards	1.777.685	36.802	197.964	72.788	32.868	2.118.107
Consumer loans / personal loans and overdrafts	71.893.900	1.899.527	8.186.267	15.241.526	18.232.614	115.453.834
Mortgage / Real estate loans	267.266.365	2.340.397	15.588.266	9.128.239	4.475.868	298.799.135

(all amounts are expressed in RON, unless otherwise stated)

3. FINANCIAL RISK MANAGEMENT (continued)

3.1 Credit risk (continued)

3.1.3 The maximum exposure to credit risk before considering collateral or other credit increases (continued)

	Loans and advances neither past due nor impaired		Loans and advances past due, but not impaired		Loans and advances impaired	Total
	Stage 1	Stage 2	Stage 1	Stage 2	Stage 3	
Total corporate loans	**598,538,116**	**63,943,080**	**151,561,504**	**14,971,906**	**98,566,586**	**927,581,192**
SMEs	**451,919,183**	**52,807,280**	**127,689,312**	**14,971,906**	**96,247,959**	**743,635,640**
Commerce	175,827,623	12,020,747	14,905,890	5,324,568	16,127,325	224,206,153
Industry	39,577,200	13,501,418	5,614,919	-	17,935,126	76,628,663
Construction and real estate	82,548,264	24,559,137	81,727,033	9,243,266	46,743,274	244,820,974
Agriculture	8,010,892	1,697,124	14,650,796	-	-	24,358,812
Leasing	52,121,709	-	-	-	-	52,121,709
Others	93,833,495	1,028,854	10,790,674	404,072	15,442,234	121,499,329
Corporate	**146,618,933**	**11,135,800**	**23,872,192**	**-**	**2,318,627**	**183,945,552**
Commerce	42,635,418	1,880,000	3,873,725	-	2,318,627	50,707,770
Industry	99,328,004	9,255,800	2,406,112	-	-	110,989,916
Constructions and real estate	-	-	3,987,940	-	-	3,987,940
Agriculture	-	-	-	-	-	-
Leasing	3,819,535	-	-	-	-	3,819,535
Others	835,976	-	13,604,415	-	-	14,440,391
Total loans and advances to customers	**939,476,066**	**68,219,806**	**175,534,001**	**39,414,459**	**121,307,936**	**1,343,952,268**
Expected loss	-7,583,325	-988,563	-1,282,469	-1,432,713	-51,735,895	-63,022,965
Total loans and advances to customers	**931,892,741**	**67,231,243**	**174,251,532**	**37,981,746**	**69,572,041**	**1,280,929,303**

(all amounts are expressed in RON, unless otherwise stated)

3. FINANCIAL RISK MANAGEMENT (continued)

3.1 Credit risk (continued)

3.1.3 The maximum exposure to credit risk before considering collateral or other credit increases (continued)

Presentation of loans and advances to customers by class and category as at December 31, 2018:

	Loans and advances neither past due nor impaired		Loans and advances past due, but not impaired		Loans and advances impaired	Total
	Stage 1	Stage 2	Stage 1	Stage 2	Stage 3	
Total retail loans	**263.254.343**	**6.396.031**	**14.966.633**	**30.011.756**	**25.595.297**	**340.224.060**
Credit cards	1.459.119	22.091	210.507	43.038	68.262	1.803.017
Consumer loans / personal loans and overdrafts	72.967.731	3.122.440	5.282.793	19.403.467	20.680.994	121.457.425
Mortgage / Real estate loans	188.827.493	3.251.500	9.473.333	10.565.251	4.846.041	216.963.618
Total corporate loans	**334.544.111**	**49.424.032**	**37.712.047**	**35.529.212**	**76.712.043**	**533.921.445**
SMEs	**249.591.532**	**49.424.032**	**37.083.668**	**35.529.212**	**74.685.312**	**446.313.756**
Commerce	103.501.713	6.159.253	9.261.912	5.822.994	16.020.994	140.766.866
Industry	35.401.771	579.238	7.511.369	258.079	23.314.707	67.065.164
Construction and real estate	50.877.834	32.828.989	12.256.362	25.938.238	21.959.700	143.861.123
Agriculture	5.140.534	210.099	1.279.138	-	-	6.629.771
Leasing	21.881.025	-	-	-	-	21.881.025
Others	32.788.655	9.646.453	6.774.887	3.509.901	13.389.911	66.109.807
Corporate	**84.952.579**	**-**	**628.379**	**-**	**2.026.731**	**87.607.689**
Commerce	22.173.407	-	-	-	2.026.731	24.200.138
Industry	51.039.717	-	628.379	-	-	51.668.096
Leasing	1.131.619	-	-	-	-	1.131.619
Others	10.607.836	-	-	-	-	10.607.836
Total loans and advances to customers	**597.798.454**	**55.820.063**	**52.678.680**	**65.540.968**	**102.307.340**	**874.145.505**
Expected loss	-3.049.811	-1.515.777	-210.148	-3.897.205	-44.802.089	-53.475.030
Total loans and advances to customers	**594.748.643**	**54.304.286**	**52.468.532**	**61.643.763**	**57.505.251**	**820.670.475**

(all amounts are expressed in RON, unless otherwise stated)

3. FINANCIAL RISK MANAGEMENT (continued)

3.1 Credit risk (continued)

3.1.4 Loans and advances

a) Neither past nor due impaired loans and advances:

The loans and advances to customers are presented below in relation to the quality of the credit risk.

December 31, 2019

	Retail loans			Corporate loans		
	Credit cards	Consumer/ Personal loans	Mortgage/ Real estate loans	Small/ medium-sized entities	Large corporate entities	Total loans/ advances to customers
Low risk	1,637,726	70,261,602	217,715,969	365,430,213	110,943,894	765,989,404
Medium risk	139,959	1,632,298	49,550,396	86,483,675	35,675,039	173,481,367
High risk	-	-	-	5,295	-	5,295
Total Stage 1	**1,777,685**	**71,893,900**	**267,266,365**	**451,919,183**	**146,618,933**	**939,476,066**
Expected loss Stage 1	-7,260	-58,558	-191,126	-4,714,211	-2,612,170	-7,583,325
Total net Stage 1	**1,770,425**	**71,835,342**	**267,075,239**	**447,204,972**	**144,006,763**	**931,892,741**
Stage 2						
Low risk	-	1,020,505	401,195	-	-	1,421,700
Medium risk	36,802	879,022	1,939,202	52,614,651	11,135,800	66,605,477
High risk	-	-	-	192,629	-	192,629
Total Stage 2	**36,802**	**1,899,527**	**2,340,397**	**52,807,280**	**11,135,800**	**68,219,806**
Expected loss Stage 2	-1,520	-17,325	-43,133	-750,462	-176,123	-988,563
Total net Stage 2	**35,282**	**1,882,202**	**2,297,264**	**52,056,818**	**10,959,677**	**67,231,243**
Total gross	**1,814,487**	**73,793,427**	**269,606,762**	**504,726,463**	**157,754,733**	**1,007,695,872**
Total expected loss	-8,780	-75,883	-234,259	-5,464,673	-2,788,293	-8,571,888
Total net	**1,805,707**	**73,717,544**	**269,372,503**	**499,261,790**	**154,966,440**	**999,123,984**

(all amounts are expressed in RON, unless otherwise stated)

3. FINANCIAL RISK MANAGEMENT (continued)

3.1 Credit risk (continued)

3.1.4 Loans and advances (continued)

a) Neither past nor due impaired loans and advances (continued)

December 31, 2018	Retail loans			Corporate loans		
	Credit cards	Consumer/ Personal loans	Mortgage/ Real estate loans	Small/ medium-sized entities	Large corporate entities	Total loans/ advances to customers
Low risk	1,390,377	71,934,833	178,291,940	126,549,151	35,052,531	413,218,832
Medium risk	68,742	1,032,898	10,535,553	123,042,381	49,900,048	184,579,622
High risk	-	-	-	-	-	-
Total Stage 1	**1,459,119**	**72,967,731**	**188,827,493**	**249,591,532**	**84,952,579**	**597,798,454**
Expected loss Stage 1	-5,864	-94,586	-220,156	-1,639,229	-1,089,976	-3,049,811
Total net Stage 1	**1,453,255**	**72,873,145**	**188,607,337**	**247,952,303**	**83,862,603**	**594,748,643**
Stage 2						
Low risk	-	2,144,049	943,060	-	-	3,087,109
Medium risk	22,091	957,617	2,308,440	48,961,628	-	52,249,776
High risk	-	20,774	-	462,404	-	483,178
Total Stage 2	**22,091**	**3,122,440**	**3,251,500**	**49,424,032**	**-**	**55,820,063**
Expected loss Stage 2	-1,281	-92,199	-125,492	-1,296,805	-	-1,515,777
Total net Stage 2	**20,810**	**3,030,241**	**3,126,008**	**48,127,227**	**-**	**54,304,286**
Total gross	**1,481,210**	**76,090,171**	**192,078,993**	**299,015,564**	**84,952,579**	**653,618,517**
Total expected loss	-7,145	-186,785	-345,648	-2,936,034	-1,089,976	-4,565,588
Total net	**1,474,065**	**75,903,386**	**191,733,345**	**296,079,530**	**83,862,603**	**649,052,929**

The criteria used for the above grades are the following:

Low risk	Current loans classified as "Standard"
Medium risk	Current loans classified as "Under observation" and "Substandard"
High risk	Current loans classified as "Doubtful" and "Loss"

(all amounts are expressed in RON, unless otherwise stated)

3. FINANCIAL RISK MANAGEMENT (continued)

3.1 Credit risk (continued)

3.1.4 Loans and advances (continued)

b) Past due but not impaired loans and advances

December 31, 2019

	Stage 1			Stage 2							
Portfolio	Outstanding up to 30 days	Total Stage 1	Expected loss Stage 1	Outstanding up to 30 days	Outstanding between 31-60 days	Outstanding between 61-90 days	Total Stage 2	Expected loss Stage 2	Total	Expected loss	Fair value of guarantee
Total retail loans	**23,972,497**	**23,972,497**	**-30,782**	**8,288,931**	**13,319,626**	**2,833,996**	**24,442,553**	**-1,127,895**	**48,415,050**	**-1,158,677**	**36,973,563**
Credit cards	197,964	197,964	-1,323	5,088	25,268	42,432	72,788	-10,700	270,752	-12,023	41,161
Consumer loans / personal loans and overdrafts	8,186,267	8,186,267	-11,558	3,584,751	9,518,674	2,138,101	15,241,526	-736,833	23,427,793	-748,391	17,063,566
Mortgage / Real Estate loans	15,588,266	15,588,266	-17,901	4,699,092	3,775,684	653,463	9,128,239	-380,362	24,716,505	-398,263	19,868,836
Expected credit loss retail	-30,782	-30,782	-	-191,619	-696,647	-239,629	-1,127,895		-1,158,677		
Total retail loans, net	**23,941,715**	**23,941,715**		**8,097,312**	**12,622,979**	**2,594,367**	**23,314,658**		**47,256,373**		

(all amounts are expressed in RON, unless otherwise stated)

3. FINANCIAL RISK MANAGEMENT (continued)

3.1 Credit risk (continued)

3.1.4 Loans and advances (continued)

b) Past due but not impaired loans and advances (continued)

	Stage 1			Stage 2							
Portfolio	Outstanding up to 30 days	Total Stage 1	Expected loss Stage 1	Outstanding up to 30 days	Outstanding between 31-60 days	Outstanding between 61-90 days	Total Stage 2	Expected loss Stage 2	Total	Expected loss	Fair value of guarantee
Total corporate loans	**151.561.504**	**151.561.504**	**-1.251.687**	**6.490.657**	**8.344.684**	**136.565**	**14.971.906**	**-304.818**	**166.533.410**	**-1.556.505**	**123.333.948**
SMEs	**127,689,312**	**127,689,312**	**-1,080,442**	**6,490,657**	**8,344,684**	**136,565**	**14,971,906**	**-304,818**	**142,661,218**	**-1,385,260**	**106,087,120**
Commerce	14,905,890	14,905,890	-168,672	3,062,088	2,125,915	136,565	5,324,568	-145,264	20,230,458	-313,936	11,834,808
Industry	5,614,919	5,614,919	-72,161	-	-	-	-	-	5,614,919	-72,161	3,253,348
Construction and real estate	81,727,033	81,727,033	-530,971	3,024,559	6,218,707	-	9,243,266	-153,218	90,970,299	-684,189	81,456,080
Agriculture	14,650,796	14,650,796	-187,297	-	-	-	-	-	14,650,796	-187,297	6,860,257
Leasing	-	-	-	-	-	-	-	-	-	-	-
Others	10,790,674	10,790,674	-121,341	404,010	62	-	404,072	-6,336	11,194,746	-127,677	2,682,627
Corporate	**23,872,192**	**23,872,192**	**-171,245**	**-**	**-**	**-**	**-**	**-**	**23,872,192**	**-171,245**	**17,246,828**
Commerce	3,873,725	3,873,725	-39,388	-	-	-	-	-	3,873,725	-39,388	3,599,830
Industry	2,406,112	2,406,112	-31,825	-	-	-	-	-	2,406,112	-31,825	1,299,811
Construction and real estate	3,987,940	3,987,940	-29,143	-	-	-	-	-	3,987,940	-29,143	2,093,789
Agriculture	-	-	-	-	-	-	-	-	-	-	-
Others	13,604,415	13,604,415	-70,889	-	-	-	-	-	13,604,415	-70,889	10,253,398

(all amounts are expressed in RON, unless otherwise stated)

3. FINANCIAL RISK MANAGEMENT (continued)

3.1 Credit risk (continued)

3.1.4 Loans and advances (continued)

b) Past due but not impaired loans and advances (continued)

Portfolio	Stage 1			Stage 2							
	Outstanding up to 30 days	Total Stage 1	Expected loss Stage 1	Outstanding up to 30 days	Outstanding between 31-60 days	Outstanding between 61-90 days	Total Stage 2	Expected loss Stage 2	Total	Expected loss	Fair value of guarantee
Expected loss on corporate loans	-1,251,687	-1,251,687	-	-93,611	-208,818	-2,390	-304,818	-	-1,556,505	-	-
Total net corporate loans	150,309,817	150,309,817	-	6,397,046	8,135,866	134,175	14,667,088	-	164,976,905	-	-
Total loans and advances to customers	175,534,001	175,534,001	-1,282,469	14,779,588	21,664,310	2,970,561	39,414,459	-1,432,713	214,948,460	-2,715,182	160,307,511
Expected loss for loans and advances to customers	-1,282,469	-1,282,469	-	-285,229	-905,465	-242,019	-1,432,713	-	-2,715,182	-	-
Total net loans and advances to customers	174,251,532	174,251,532	-	14,494,359	20,758,845	2,728,542	37,981,746	-	212,233,278	-	-

(all amounts are expressed in RON, unless otherwise stated)

3. FINANCIAL RISK MANAGEMENT (continued)

3.1 Credit risk (continued)

3.1.4 Loans and advances (continued)

b) Past due but not impaired loans and advances (continued)

December 31, 2018

Portfolio	Stage 1			Stage 2							
	Outstanding up to 30 days	Total Stage 1	Expected loss Stage 1	Outstanding up to 30 days	Outstanding between 31-60 days	Outstanding between 61-90 days	Total Stage 2	Expected loss Stage 2	Total	Expected loss	Fair value of guarantee
Total retail loans	**14,966,633**	**14,966,633**	**-37,913**	**6,996,921**	**14,201,380**	**8,813,455**	**30,011,756**	**-3,353,408**	**44,978,389**	**-3,391,321**	**34,629,592**
Credit cards	210,507	210,507	-929	3,632	33,440	5,966	43,038	-13,553	253,545	-14,482	50,184
Consumer loans / personal loans and overdrafts	5,282,793	5,282,793	-17,072	3,902,882	9,742,621	5,757,964	19,403,467	-2,111,146	24,686,260	-2,128,218	18,536,347
Mortgage / Real Estate loans	9,473,333	9,473,333	-19,912	3,090,407	4,425,319	3,049,525	10,565,251	-1,228,709	20,038,584	-1,248,621	16,043,061
Expected credit loss retail	**-37,913**	**-37,913**	-	**-344,797**	**-1,538,222**	**-1,470,389**	**-3,353,408**	-	**-3,391,321**	-	-
Total retail loans, net	**14,928,720**	**14,928,720**	-	**6,652,124**	**12,663,158**	**7,343,066**	**26,658,348**	-	**41,587,068**	-	-

(all amounts are expressed in RON, unless otherwise stated)

3. FINANCIAL RISK MANAGEMENT (continued)

3.1 Credit risk (continued)

3.1.4 Loans and advances (continued)

b) Past due but not impaired loans and advances (continued)

	Stage 1			Stage 2							
Portfolio	Outstanding up to 30 days	Total Stage 1	Expected loss Stage 1	Outstanding up to 30 days	Outstanding between 31-60 days	Outstanding between 61-90 days	Total Stage 2	Expected loss Stage 2	Total	Expected loss	Fair value of guarantee
Total corporate loans	**37,712,047**	**37,712,047**	**-172,235**	**23,082,306**	**5,383,322**	**7,063,584**	**35,529,212**	**-543,797**	**73,241,259**	**-716,032**	**53,051,191**
SMEs	**37,083,668**	**37,083,668**	**-166,396**	**23,082,306**	**5,383,322**	**7,063,584**	**35,529,212**	**-543,797**	**72,612,880**	**-710,193**	**52,422,812**
Commerce	9,261,912	9,261,912	-33,180	1,625,073	4,030,275	167,646	5,822,994	-142,432	15,084,906	-175,612	10,998,319
Industry	7,511,369	7,511,369	-34,389	-	-	258,079	258,079	-70,789	7,769,448	-105,178	7,391,675
Construction and real estate	12,256,362	12,256,362	-61,288	19,300,379	-	6,637,859	25,938,238	-268,374	38,194,600	-329,662	25,550,684
Agriculture	1,279,138	1,279,138	-2,930	-	-	-	-	-	1,279,138	-2,930	960,808
Others	6,774,887	6,774,887	-34,609	2,156,854	1,353,047	-	3,509,901	-62,202	10,284,788	-96,811	7,521,326
Corporate	**628,379**	**628,379**	**-5,839**	**-**	**-**	**-**	**-**	**-**	**628,379**	**-5,839**	**628,379**
Industry	628,379	628,379	-5,839	-	-	-	-	-	628,379	-5,839	628,379

(all amounts are expressed in RON, unless otherwise stated)

3. FINANCIAL RISK MANAGEMENT (continued)

3.1 Credit risk (continued)

3.1.4 Loans and advances (continued)

b) Past due but not impaired loans and advances (continued)

	Stage 1			Stage 2							
Portfolio	Outstanding up to 30 days	Total Stage 1	Expected loss Stage 1	Outstanding up to 30 days	Outstanding between 31-60 days	Outstanding between 61-90 days	Total Stage 2	Expected loss Stage 2	Total	Expected loss	Fair value of guarantee
Expected loss on corporate loans	-172,235	-172,235	-	-188,974	-147,924	-206,899	-543,797	-	-716,032	-	-
Total net corporate loans	**37,539,812**	**37,539,812**	-	**22,893,332**	**5,235,398**	**6,856,685**	**34,985,415**		**72,525,227**	-	-
Total loans and advances to customers	**52,678,680**	**52,678,680**	**-210,148**	**30,079,227**	**19,584,702**	**15,877,039**	**65,540,968**	**- 3,897,205**	**118,219,648**	**- 4,107,353**	**87,680,783**
Expected loss for loans and advances to customers	-210,148	-210,148	-	-533,771	-1,686,146	-1,677,288	-3,897,205	-	-4,107,353	-	-
Total net loans and advances to customers	**52,468,532**	**52,468,532**	-	**29,545,456**	**17,898,556**	**14,199,751**	**61,643,763**	-	**114,112,295**	-	-

3. FINANCIAL RISK MANAGEMENT (continued)

3.1 Credit risk (continued)

3.1.4 Loans and advances (continued)

c) Impaired loans and advances

The impaired loans category includes all the exposures classified to Stage 3, regardless of the value of the exposure, which fulfil, cumulatively, the following conditions:

- For corporate clients:

  a. Clients in various stages of insolvency;

  b. Clients with more than 90 days payment delays;

  c. Clients in forced execution;

  d. Clients that register at least one non-performing facility (forborne) according to the provisions of procedure 000170 – Methodology for laying down the criteria for identifying non-performing loans, of default loans and loans for which the Bank took restructuring measures as a result of financial distress (forborne) (categories 2, 3 and 4 in the DATABANK classification for forborne loans);

  e. Cases in which it is considered that, in the absence of an enforcement of the security, it is unlikely that the debtor will pay its entire credit debts, regardless of the any overdue amount or the number of days past due.

- For retail clients:

  a. Clients with more than 90 days payment delays;

  b. Clients in forced execution;

  c. Clients that register at least one non-performing facility (forborne) according to the provisions of procedure 000170 – Methodology for laying down the criteria for identifying non-performing loans, of default loans and loans for which the Bank took restructuring measures as a result of financial distress (forborne) (categories 2, 3 and 4 in the DATABANK classification for forborne loans)

  d. Cases in which it is considered that, in the absence of an enforcement of the security, it is unlikely that the debtor will pay its entire credit debts, regardless of the any overdue amount or the number of days past due;

  e. Customers who have sent applications for *ratio in solutum* to the Bank.

Also, for classification to Stage 3, the Bank will assess the separate material exposures for which triggers of default occurred.

The Bank defined the following impairment events:

- the debtor invokes serious financial difficulties;
- payment default of more than 60 days for corporate clients and more than 30 days for retail clients;
- at least one of the facilities granted to the debtor was replaced in the past 12 months;
- the debtor's financial performance deteriorates to E rating, except for clients ranked in such category for failure to present the latest financial statements, but which had been previously rated in a better category (the bank does not grant loans to clients for which underwriting analysis place them in E rating);
- indication on the likelihood of bankruptcy or other form of reorganisation of the debtor, in case of corporate clients.

Even if at least one of the triggers of default mentioned above occurred, the Bank will assess separately the exposure of each debtor as to whether there is objective evidence of impairment.

(all amounts are expressed in RON, unless otherwise stated)

3. FINANCIAL RISK MANAGEMENT (Continued)

3.1 Credit risk (continued)

3.1.4 Loans and advances (continued)

c) Impaired loans and advances (continued)

December 31, 2019

Portfolio	Not overdue	Outstanding up to 30 days	Outstanding between 31-60 days	Outstanding between 61-90 days	Outstanding between 91-180 days	Outstanding between 181-360 days	Outstanding after 360 days	Total	Expected loss	Fair value of guarantee
Total retail loans	**3,836,908**	**2,859,959**	**1,551,772**	**2,433,960**	**4,518,855**	**812,272**	**6,727,624**	**22,741,350**	**-8,784,877**	**14,047,985**
Credit cards	-	11,871	-	-	5,998	1,832	13,167	32,868	-28,437	4,511
Consumer loans / personal loans and overdrafts	3,481,067	1,992,605	1,314,252	1,994,439	3,617,470	739,009	5,093,772	18,232,614	-6,737,077	11,577,794
Mortgage / Real estate loans	355,841	855,483	237,520	439,521	895,387	71,431	1,620,685	4,475,868	-2,019,363	2,465,681
Expected loss for retail loans	**-1,322,650**	**-712,757**	**-590,416**	**-655,874**	**-1,408,062**	**-434,796**	**-3,660,322**	**-8,784,877**	-	-
Total net retail loans	**2,514,258**	**2,147,202**	**961,357**	**1,778,085**	**3,110,793**	**377,476**	**3,067,302**	**13,956,472**	-	-

(all amounts are expressed in RON, unless otherwise stated)

3. FINANCIAL RISK MANAGEMENT (Continued)

3.1 Credit risk (continued)

3.1.4 Loans and advances (continued)

c) Impaired loans and advances (continued)

Portfolio	Not overdue	Outstanding up to 30 days	Outstanding between 31-60 days	Outstanding between 61-90 days	Outstanding between 91-180 days	Outstanding between 181-360 days	Outstanding after 360 days	Total	Expected loss	Fair value of guarantee
Total corporate loans	**1,386,554**	**3,963,308**	**4,843,726**	**134,720**	**3,919,454**	**40,394,988**	**43,923,837**	**98,566,586**	**-42,951,018**	**55,787,632**
SMEs	**1,386,554**	**3,963,308**	**4,843,726**	**134,720**	**3,919,454**	**40,394,988**	**41,605,210**	**96,247,959**	**-42,910,442**	**53,469,005**
Commerce	925,665	757,510	-	-	-	55,075	14,389,075	16,127,325	-3,101,231	13,080,761
Industry	-	1,697,146	-	-	117,107	-	16,120,873	17,935,126	-6,078,435	11,908,461
Construction and real estate	460,888	476,655	3,773,334	-	-	40,044,775	1,987,622	46,743,274	-22,936,687	23,808,437
Agriculture	-	-	-	-	-	-	-	-	-	-
Other	-	1,031,997	1,070,392	134,720	3,802,347	295,138	9,107,640	15,442,234	-10,794,089	4,671,346
Corporate	-	-	-	-	-	-	**2,318,627**	**2,318,627**	**-40,576**	**2,318,627**
Commerce	-	-	-	-	-	-	2,318,627	2,318,627	-40,576	2,318,627
Industry	-	-	-	-	-	-	-	-	-	-
Construction and real estate	-	-	-	-	-	-	-	-	-	-
Agriculture	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-

(all amounts are expressed in RON, unless otherwise stated)

3. FINANCIAL RISK MANAGEMENT (Continued)

3.1 Credit risk (continued)

3.1.4 Loans and advances (continued)

c) Impaired loans and advances (continued)

Portfolio	Not overdue	Outstanding up to 30 days	Outstanding between 31-60 days	Outstanding between 61-90 days	Outstanding between 91-180 days	Outstanding between 181-360 days	Outstanding after 360 days	Total	Expected loss	Fair value of guarantee
Expected loss for corporate loans	-126,809	-86,920	-3,244,551	-	-3,453,538	-20,095,473	-15,943,727	-42,951,018	-	-
Total net corporate loans	1,259,745	3,876,388	1,599,175	134,720	465,916	20,299,515	27,980,110	55,615,569	-	-
Total loans and advances to customers	5,223,462	6,823,267	6,395,498	2,568,679	8,438,310	41,207,259	50,651,461	121,307,936	-51,735,895	69,835,617
Expected loss for loans and advances to costumers	-1,449,459	-799,677	-3,834,967	-655,874	-4,861,600	-20,530,269	-19,604,049	-51,735,895	-	-
Total net loans and advances to customers	3,774,002	6,023,590	2,560,532	1,912,805	3,576,709	20,676,990	31,047,412	69,572,041	-	-

(all amounts are expressed in RON, unless otherwise stated)

3. FINANCIAL RISK MANAGEMENT (Continued)

3.1 Credit risk (continued)

3.1.4 Loans and advances (continued)

c) Impaired loans and advances (continued)

December 31, 2018

Portfolio	Not overdue	Outstanding up to 30 days	Outstanding between 31-60 days	Outstanding between 61-90 days	Outstanding between 91-180 days	Outstanding between 181-360 days	Outstanding after 360 days	Total	Expected loss	Fair value of guarantee
Total retail loans	**4,894,906**	**321,742**	**994,943**	**1,288,832**	**5,973,559**	**1,129,315**	**10,992,000**	**25,595,297**	**-11,251,404**	**14,426,067**
Credit cards	-	-	-	-	8,317	6,425	53,520	68,262	-68,262	-
Consumer loans / personal loans and overdrafts	4,131,510	195,398	994,943	1,288,832	5,247,549	726,005	8,096,757	20,680,994	-8,903,708	11,854,829
Mortgage / Real estate loans	763,396	126,344	-	-	717,693	396,885	2,841,723	4,846,041	-2,279,434	2,571,238
Expected loss for retail loans	-1,684,255	-6,435	-602,169	-255,712	-2,219,251	-429,919	-6,053,663	-11,251,404		
Total net retail loans	**3,210,651**	**315,307**	**392,774**	**1,033,120**	**3,754,308**	**699,396**	**4,938,337**	**14,343,893**		

(all amounts are expressed in RON, unless otherwise stated)

3. FINANCIAL RISK MANAGEMENT (Continued)

3.1 Credit risk (continued)

3.1.4 Loans and advances (continued)

c) Impaired loans and advances (continued)

Portfolio	Not overdue	Outstanding up to 30 days	Outstanding between 31-60 days	Outstanding between 61-90 days	Outstanding between 91-180 days	Outstanding between 181-360 days	Outstanding after 360 days	Total	Expected loss	Fair value of guarantee
Total corporate loans	**1,556,208**	**21,454,160**	**120,087**	**-**	**957,949**	**12,556,231**	**40,067,408**	**76,712,043**	**-33,550,685**	**41,854,501**
SMEs	**1,556,208**	**21,454,160**	**120,087**	**-**	**957,949**	**12,556,231**	**38,040,677**	**74,685,312**	**-33,510,150**	**39,827,770**
Commerce	1,005,235	-	120,087	-	-	434,754	14,460,918	16,020,994	-5,772,330	10,248,663
Industry	-	1,994,584	-	-	-	12,121,477	9,198,646	23,314,707	-7,028,461	16,331,429
Construction and real estate	550,973	18,273,666	-	-	-	-	3,135,061	21,959,700	-12,848,808	7,709,821
Other	-	1,185,910	-	-	957,949	-	11,246,052	13,389,911	-7,860,551	5,537,857
Corporate	**-**	**-**	**-**	**-**	**-**	**-**	**2,026,731**	**2,026,731**	**-40,535**	**2,026,731**
Commerce	-	-	-	-	-	-	2,026,731	2,026,731	-40,535	2,026,731

(all amounts are expressed in RON, unless otherwise stated)

3. FINANCIAL RISK MANAGEMENT (Continued)

3.1 Credit risk (continued)

3.1.4 Loans and advances (continued)

c) Impaired loans and advances (continued)

Portfolio	Not overdue	Outstanding up to 30 days	Outstanding between 31-60 days	Outstanding between 61-90 days	Outstanding between 91-180 days	Outstanding between 181-360 days	Outstanding after 360 days	Total	Expected loss	Fair value of guarantee
Expected loss for corporate loans	-303,842	-12,559,173	-672	-	-383,385	-4,045,805	-16,257,808	-33,550,685	-	-
Total net corporate loans	**1,252,366**	**8,894,987**	**119,415**	-	**574,564**	**8,510,426**	**23,809,600**	**43,161,358**	-	-
Total loans and advances to customers	**6,451,114**	**21,775,902**	**1,115,030**	**1,288,832**	**6,931,508**	**13,685,546**	**51,059,408**	**102,307,340**	**-44,802,089**	**56,280,568**
Expected loss for loans and advances to costumers	-1,988,097	-12,565,608	-602,841	-255,712	-2,602,636	-4,475,724	-22,311,471	-44,802,089	-	-
Total net loans and advances to customers	**4,463,017**	**9,210,294**	**512,189**	**1,033,120**	**4,328,872**	**9,209,822**	**28,747,937**	**57,505,251**	-	-

(all amounts are expressed in RON, unless otherwise stated)

3. FINANCIAL RISK MANAGEMENT (continued)

3.1 Credit risk (continued)

3.1.4 Loans and advances (continued)

c) Impaired loans and advances (continued)

The effect of the guarantees on December 31, 2019 is as follows:

The financial effect of the guarantees is highlighted by the presentation of the guarantees values separately for (i) those assets for which the guaranties overcome or have the same value with the gross accounting asset (collateral loans) and (ii) those assets for which the guarantees have a value lower than the net accounting asset value (Undersecured loans).

	Under-secured loans		Collateral loans	
	Gross balance sheet exposure	Fair value guarantees	Gross balance sheet exposure	Fair value guarantees
Total retail loans	**245,926,911**	**166,315,697**	**170,444,165**	**270,827,044**
Credit cards	1,924,696	35,000	193,411	1,105,528
Consumer loans / personal loans and overdrafts	70,234,127	37,948,972	45,219,707	84,588,462
Mortgage / Real estate loans	173,768,088	128,331,725	125,031,047	185,133,054
Total corporate loans	**715,376,414**	**263,395,636**	**212,204,778**	**347,758,477**
Total SMEs	**543,090,276**	**229,757,018**	**200,545,363**	**330,967,478**
Commerce	182,253,321	94,563,458	41,952,832	86,261,591
Industry	45,754,842	21,178,567	30,873,821	49,413,077
Construction and real estate	126,868,669	72,554,942	117,952,305	171,521,831
Agriculture	24,358,812	9,177,140	-	-
Leasing	52,121,709	12,104,072	-	-
Other	111,732,923	20,178,839	9,766,405	23,770,979

(all amounts are expressed in RON, unless otherwise stated)

3. FINANCIAL RISK MANAGEMENT (continued)

3.1 Credit risk (continued)

3.1.4 Loans and advances (continued)

c) Impaired loans and advances (continued)

	Under-secured loans		Collateral loans	
	Gross balance sheet exposure	Fair value guarantees	Gross balance sheet exposure	Fair value guarantees
Total corporate	**172,286,138**	**33,638,618**	**11,659,415**	**16,790,999**
Commerce	48,389,143	14,478,672	2,318,627	3,245,497
Industry	101,734,116	6,262,370	9,255,800	13,447,399
Construction and real estate	3,987,940	2,093,789	-	-
Agriculture	-	-	-	-
Leasing	3,819,535	-	-	-
Other	14,355,404	10,803,787	84,988	98,103
Total loans and advances to customers	**961,303,325**	**429,711,333**	**382,648,943**	**618,585,521**

(all amounts are expressed in RON, unless otherwise stated)

3. FINANCIAL RISK MANAGEMENT (continued)

3.1 Credit risk (continued)

3.1.4 Loans and advances (continued)

c) Impaired loans and advances (continued)

The effect of the guarantees on December 31, 2018 is as follows:

	Under-secured loans		Collateral loans	
	Gross balance sheet exposure	Fair value guarantees	Gross balance sheet exposure	Fair value guarantees
Total retail loans	**208,808,369**	**135,225,877**	**131,415,691**	**218,307,137**
Credit cards	1,631,533	-	171,484	1,062,383
Consumer loans / personal loans and overdrafts	74,062,926	39,555,567	47,394,499	87,315,462
Mortgage / Real estate loans	133,113,910	95,670,310	83,849,708	129,929,292
Total corporate loans	**395,661,882**	**190,414,408**	**138,259,563**	**225,112,370**
Total SMEs	**330,562,947**	**180,240,863**	**115,750,809**	**193,437,337**
Commerce	111,375,189	74,267,045	29,391,677	47,971,752
Industry	42,915,110	18,452,444	24,150,054	36,204,677
Construction and real estate	93,363,447	54,204,824	50,497,676	80,513,924
Agriculture	5,846,332	5,030,763	783,439	1,053,988
Leasing	21,881,025	7,226,122	-	-
Other	55,181,844	21,059,665	10,927,963	27,692,996
Total corporate	**65,098,935**	**10,173,545**	**22,508,754**	**31,675,033**
Commerce	22,173,407	5,226,839	2,026,731	3,429,201
Industry	41,780,594	4,946,706	9,887,502	17,393,261
Leasing	1,131,619	-	-	-
Other	13,315	-	10,594,521	10,852,571
Total loans and advances to customers	**604,470,251**	**325,640,285**	**269,675,254**	**443,419,507**

The fair value of the real estate and collateral securities (equipment or stocks) at the end of the reporting period was estimated by increasing the amount determined by the evaluation department of the Bank, with adjustment elements depending on the security type, date of the last security evaluation, the legal condition of the customers, the place of the security, execution costs and the appraisal duration.

Starting May 2014, the Bank offsets loans to customers by directly reducing non-recoverable loans fully covered by depreciation adjustments. The Bank no longer has reasonable expectations regarding the generation of future cash flows from the respective loans, including the flows that could be obtained in the legal execution procedures. The Bank's management does not consider that these receivables meet the criteria for derecognition in the Bank's accounts.

At 31 December 2019, the amount of off-balance-sheet loans at gross value is RON 509,157,858 (2018: RON 511,891,871).

(all amounts are expressed in RON, unless otherwise stated)

3. FINANCIAL RISK MANAGEMENT (continued)

3.1 Credit risk (continued)

3.1.4 Loans and advances (continued)

c) Impaired loans and advances (continued)

The material changes in the value of financial assets that affected the value of expected loss during the period under review are presented in the table below:

December 31, 2019

Expected loss for loans and advances to customers	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Expected loss as at January 1, 2019	**3,259,959**	**5,412,982**	**44,802,089**	**53,475,030**
Changes in expected loss				
- Transfer to Stage 1	1,302,858	-1,265,989	-36,869	-
- Transfer to Stage 2	-100,439	1,904,727	-1,804,288	-
- Transfer to Stage 3	-4,862	-1,542,033	1,546,895	-
- Increases due to changes in credit risk*	7,218,671	15,369,095	30,013,959	52,601,725
- Decreases due to changes in credit risk**	-7,704,755	-17,892,241	-19,651,830	-45,248,826
- Write-offs	-	-	-4,064,405	-4,064,405
Expected loss for new financial assets	4,830,246	349,211	4,685	5,184,142
Expected loss for derecognised financial assets***	-	-	-145,329	-145,329
FX differences	64,118	85,522	1,070,989	1,220,629
Expected loss as at December 31, 2019	**8,865,795**	**2,421,274**	**51,735,896**	**63,022,965**
of which, unwinding	-	-	-9,142,010	-9,142,020
Expected loss as at December 31, 2019 net of unwinding	**8,865,795**	**2,421,274**	**42,593,886**	**53,880,956**

*including increases for loans repaid during the year
**including repayments of loans closed during the year
***only sold loans

(all amounts are expressed in RON, unless otherwise stated)

3. FINANCIAL RISK MANAGEMENT (continued)

3.1 Credit risk (continued)

3.1.4 Loans and advances (continued)

c) Impaired loans and advances (continued)

The material changes in the value of financial assets that affected the value of expected loss during the period under review are presented in the table below:

December 31, 2018

Expected loss for loans and advances to customers	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Expected loss as at January 1, 2018	**812,935**	**6,195,025**	**49,265,820**	**56,273,780**
Changes in expected loss				
- Transfer to Stage 1	1,596,678	-1,588,407	-8,271	-
- Transfer to Stage 2	-58,918	1,097,498	-1,038,580	-
- Transfer to Stage 3	-1,073	-951,498	952,571	-
- Increases due to changes in credit risk*	1,551,260	25,718,749	20,707,119	47,977,128
- Decreases due to changes in credit risk**	-2,860,912	-19,164,135	-13,449,472	-35,474,519
- Write-offs	-	-5,569,570	-8,049,888	-13,619,459
Expected loss for new financial assets	2,346,550	68,407	243,233	2,658,190
Expected loss for derecognised financial assets***	-	-	-1,095,721	-1,095,721
FX differences	-126,561	-393,087	-2,724,722	-3,244,370
Expected loss as at December 31, 2018	**3,259,959**	**5,412,982**	**44,802,089**	**53,475,030**
of which, unwinding	-	-	-9,064,772	-9,064,772
Expected loss as at December 31, 2018 net of unwinding	**3,259,959**	**5,412,982**	**35,737,317**	**44,410,258**

*including increases for loans repaid during the year
**including repayments of loans closed during the year
***only sold loans

(all amounts are expressed in RON, unless otherwise stated)

3. FINANCIAL RISK MANAGEMENT (continued)

3.1 Credit risk (continued)

3.1.4 Loans and advances (continued)

c) Impaired loans and advances (continued)

December 31, 2019

Expected loss for loans and advances to customers	Stage 1	Stage 2	Stage 3	Total
Expected loss as at January 1, 2019	**464.213**	**41.577**	**34.474**	**540.264**
Changes in expected loss				
- Transfer to Stage 1	24,423	-24,423	-	-
- Transfer to Stage 2	-17,912	24,748	-6,836	-
- Transfer to Stage 3	-103	-1,540	1,643	-
- Increases due to changes in credit risk*	2,028,881	412,785	56,408	2,498,074
- Decreases due to changes in credit risk**	-2,229,399	-353,164	-81,219	-2,663,782
Expected loss for new financial assets	857,804	11,138	-	868,942
FX differences	-	-	-	-
Expected loss as at December 31, 2019	**1,140,417**	**111,633**	**4,470**	**1,256,520**

*incuding increases for existing exposures
**including off-balance sheet exposures turned into balance sheet exposures or closed/matured exposures

(all amounts are expressed in RON, unless otherwise stated)

3. FINANCIAL RISK MANAGEMENT (continued)

3.1 Credit risk (continued)

3.1.4 Loans and advances (continued)

c) Impaired loans and advances (continued)

December 31, 2018

Expected loss for loans and advances to customers	Stage 1	Stage 2	Stage 3	Total
Expected loss as at January 1, 2018	**94,161**	**190,046**	**37,965**	**322,172**
Changes in expected loss				
- Transfer to Stage 1	852	-841	-12	-
- Transfer to Stage 2	-35,292	38,933	-3,641	-
- Transfer to Stage 3	-	-	-	-
- Increases due to changes in credit risk*	19,396	2,146	-	21,542
- Decreases due to changes in credit risk**	-20,242	-2,094	-4,934	-27,270
Expected loss for new financial assets	394,346	8,373	-	402,719
FX differences	10,992	-194,986	5,096	-178,898
Expected loss as at December 31, 2018	**464,213**	**41,577**	**34,474**	**540,264**

*incuding increases for existing exposures
**including off-balance sheet exposures turned into balance sheet exposures or closed/matured exposures

(all amounts are expressed in RON, unless otherwise stated)

3. FINANCIAL RISK MANAGEMENT (continued)

3.1 Credit risk (continued)

3.1.4 Loans and advances (continued)

c) Impaired loans and advances (continued))

December 31, 2019

Expected loss for loans and advances to banks	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Expected loss as at January 1, 2019	**11,259**	**176,933**	**-**	**188,192**
Changes in expected loss				
- Transfer to Stage 1	-	-	-	-
- Transfer to Stage 2	-	-	-	-
- Transfer to Stage 3	-	-	-	-
- Increases due to changes in credit risk*	24,440	145,102	-	169,542
- Decreases due to changes in credit risk**	-11,734	-173,678	-	-185,412
- Write-offs	-	-	-	-
- Changes not leading to derecognition	-	-	-	-
Expected loss for new financial assets	7,233	1,783,430	-	1,790,662
Changes in risk models/parameters	-	-	-	-
FX differences and other changes***	-7,902	-989,664	-	-997,566
Expected loss as at December 31, 2019	**23,296**	**942,123**	**-**	**965,419**

*including increases for existing exposures
**including decreases for existing exposures
***including closed/matured exposures

(all amounts are expressed in RON, unless otherwise stated)

3. FINANCIAL RISK MANAGEMENT (continued)

3.1 Credit risk (continued)

3.1.4 Loans and advances (continued)

c) Impaired loans and advances (continued))

December 31, 2018

Expected loss for loans and advances to banks	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Expected loss as at January 1, 2018	**45,861**	**38,230**	**-**	**84,091**
Changes in expected loss				
- Transfer to Stage 1	-	-	-	-
- Transfer to Stage 2	-	-	-	-
- Transfer to Stage 3	-	-	-	-
- Increases due to changes in credit risk*	13,122	813,024	-	826,146
- Decreases due to changes in credit risk**	-46,403	-787,827	-	-834,230
- Write-offs	-	-	-	-
- Changes not leading to derecognition	-	-	-	-
Expected loss for new financial assets	30,597	425,459	-	456,056
Changes in risk models/parameters	-	-	-	-
FX differences and other changes***	-31,918	-311,953	-	-343,870
Expected loss as at December 31, 2018	**11,259**	**176,933**	**-**	**188,192**

*including increases for existing exposures
**including decreases for existing exposures
***including closed/matured exposures

(all amounts are expressed in RON, unless otherwise stated)

3. FINANCIAL RISK MANAGEMENT (continued)

3.1. Credit risk (continued)

3.1.4. Loans and advances (continued)

c) Impaired loans and advances (continued)

December 31, 2019

Expected loss for investments held to amortized cost	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Expected loss as at January 1, 2019	**368,403**	**-**	**-**	**368,403**
Changes in expected loss				
- Transfer to Stage 1	-	-	-	-
- Transfer to Stage 2	-	-	-	-
- Transfer to Stage 3	-	-	-	-
- Increases due to changes in credit risk*	15,121	-	-	15,121
- Decreases due to changes in credit risk**	-185,153	-	-	-185,153
- Write-offs	-	-	-	-
- Changes not leading to derecognition	-	-	-	-
Expected loss for new financial assets	186,472	-	-	186,472
Changes in risk models/parameters	-	-	-	-
FX differences and other changes***	-10,316	-	-	-10,316
Expected loss at December 31, 2019	**374,526**	**-**	**-**	**374,526**

*including increases for existing exposures
**including decreases for existing exposures
***including closed/matured exposures

(all amounts are expressed in RON, unless otherwise stated)

3. FINANCIAL RISK MANAGEMENT (continued)

3.1. Credit risk (continued)

3.1.4. Loans and advances (continued)

c) Impaired loans and advances (continued)

December 31, 2018

Expected loss for investments held to amortized cost	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Expected loss as at January 1, 2018	**295,593**	**-**	**-**	**295,593**
Changes in expected loss				
- Transfer to Stage 1	-	-	-	-
- Transfer to Stage 2	-	-	-	-
- Transfer to Stage 3	-	-	-	-
- Increases due to changes in credit risk*	45,603	-	-	45,603
- Decreases due to changes in credit risk**	-133,800	-	-	-133,800
- Write-offs	-	-	-	-
- Changes not leading to derecognition	-	-	-	-
Expected loss for new financial assets	168,028	-	-	168,028
Changes in risk models/parameters	-	-	-	-
FX differences and other changes***	-7,020	-	-	-7,020
Expected loss at December 31, 2018	**368,403**	**-**	**-**	**368,403**

*including increases for existing exposures
**including decreases for existing exposures
***including closed/matured exposures

(all amounts are expressed in RON, unless otherwise stated)

3. FINANCIAL RISK MANAGEMENT (continued)

3.1 Credit risk (continued)

3.1.4 Loans and advances (continued)

c) Impaired loans and advances (continued)

December 31, 2019

Total loans and advances to customers	Stage 1	Stage 2	Stage 3	Total
Gross value as at January 1, 2019	**650,477,134**	**121,361,031**	**102,307,340**	**874,145,505**
Changes in gross value				
- Transfer to Stage 1	24,818,996	-24,424,990	-394,006	-
- Transfer to Stage 2	-46,354,294	49,132,092	-2,777,798	-
- Transfer to Stage 3	-886,667	-35,477,690	36,364,357	-
New financial assets	520,693,051	14,364,255	9,116	535,066,422
Derecognised financial assets*	-	-	-256,814	-256,814
Write-offs	-	-	-4,686,303	-4,686,303
Other changes**	-33,738,154	-17,320,432	-9,257,956	-60,316,542
Total loans and advances to customers as at December 31, 2019	**1,115,010,065**	**107,634,268**	**121,307,935**	**1,343,952,268**
Expected loss as at December 31, 2019	**-8,865,795**	**-2,421,275**	**-51,735,895**	**-63,022,965**

* includes only sold loans
**includes repayemnts to existing clients, fully repaid loans during the year and balance increases for existing clients (including due to FX differences)

(all amounts are expressed in RON, unless otherwise stated)

3. FINANCIAL RISK MANAGEMENT (continued)

3.1 Credit risk (continued)

3.1.4 Loans and advances (continued)

c) Impaired loans and advances (continued)

December 31, 2018

Total loans and advances to customers	Stage 1	Stage 2	Stage 3	Total
Gross value as at January 1, 2018	**401,946,460**	**356,605,024**	**131,620,855**	**890,172,339**
Changes in gross value				
- Transfer to Stage 1	47,194,949	-47,059,883	-135,065	-
- Transfer to Stage 2	-32,637,466	34,497,466	-1,860,000	-
- Transfer to Stage 3	-104,992	-23,408,992	23,513,985	-
New financial assets	298,255,849	2,073,802	479,950	300,809,602
Derecognised financial assets*	-	-	-8,503,296	-8,503,296
Write-offs	-	-5,569,571	-8,962,054	-14,531,624
Other changes**	-64,177,666	-195,776,815	-33,847,035	-293,801,516
Total loans and advances to customers as at December 31, 2018	**650,477,134**	**121,361,031**	**102,307,340**	**874,145,505**
Expected loss as at December 31, 2018	**-3,259,959**	**-5,412,982**	**-44,802,089**	**-53,475,030**

* includes only sold loans
**includes repayemnts to existing clients, fully repaid loans during the year and balance increases for existing clients (including due to FX differences)

(all amounts are expressed in RON, unless otherwise stated)

3. FINANCIAL RISK MANAGEMENT (continued)

3.1. Credit risk (continued)

3.1.4 Loans and advances (continued)

c) Impaired loans and advances (continued)

December 31, 2019

Total off-balance sheet loans and advances to customers	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Gross value as at January 1, 2019	**94,354,496**	**329,090**	**68,948**	**94,752,534**
Changes in gross amount				
- Transfer to Stage 1	243,919	-243,919	-	-
- Transfer to Stage 2	-1,494,569	1,508,240	-13,671	-
- Transfer to Stage 3	-8,711	-4,661	13,372	-
New financial assets	64,744,530	605,763	-	65,350,293
Net movement in the year	-69,736,128	-48,347	-59,708	-69,844,183
Total off-balance sheet loans and advances to customers as at December 31, 2019	**88,103,537**	**2,146,167**	**8,940**	**90,258,644**
Expected loss as at December 31, 2019	**-1,140,417**	**-111,633**	**-4,470**	**-1,256,520**

(all amounts are expressed in RON, unless otherwise stated)

3. FINANCIAL RISK MANAGEMENT (continued)

3.1 Credit risk (continued)

3.1.4 Loans and advances (continued)

c) Impaired loans and advances (continued)

December 31, 2018

Total loans and advances to banks	Stage 1	Stage 2	Stage 3	Total
Gross value as at January 1, 2018	**13,064,068**	**12,418,999**	**75,929**	**25,558,996**
Transfer between stages	7,470,917	-7,487,023	16,106	-
Net movement in loans and advances to banks during 2018	73,819,511	-4,602,886	-23,088	69,193,538
Total loans and advances to banks as at December 31, 2018	**94,354,496**	**329,090**	**68,948**	**94,752,534**
Expected loss as at December 31, 2018	**-464,214**	**-41,577**	**-34,474**	**-540,264**

(all amounts are expressed in RON, unless otherwise stated)

3. FINANCIAL RISK MANAGEMENT (continued)

3.1 Credit risk (continued)

3.1.4 Loans and advances (continued)

c) Impaired loans and advances (continued)

December 31, 2019

Total loans and advances to banks	Stage 1	Stage 2	Stage 3	Total
Gross value as at January 1, 2019	**311,316,275**	**225,909,835**	**-**	**537,226,111**
Changes in gross value				
- Transfer between stages	-	-	-	-
Net movement in loans and advances to banks during 2019	116,172,104	-37,063,835	-	79,108,269
Total loans and advances to banks as at December 31, 2019	**427,488,379**	**188,846,000**	**-**	**616,334,380**
Expected loss as at December 31, 2019	**-23,296**	**-942,123**	**-**	**-965,419**

(all amounts are expressed in RON, unless otherwise stated)

3. FINANCIAL RISK MANAGEMENT (continued)

3.1 Credit risk (continued)

3.1.4 Loans and advances (continued)

c) Impaired loans and advances (continued)

December 31, 2018

Total loans and advances to banks	Stage 1	Stage 2	Stage 3	Total
Gross value as at January 1, 2018	**575,680,029**	**6,737,612**	**-**	**582,417,641**
Changes in gross value				
- Transfer between stages	-	-	-	-
Net movement in loans and advances to banks during 2018	-264,363,754	-219,172,223	-	-45,191,530
Total loans and advances to banks as at December 31, 2018	**311,316,275**	**225,909,835**	**-**	**537,226,111**
Expected loss as at December 31, 2018	**-11,259**	**-176,933**	**-**	**-188,192**

(all amounts are expressed in RON, unless otherwise stated)

3. FINANCIAL RISK MANAGEMENT (continued)

3.1 Credit risk (continued)

3.1.4 Loans and advances (continued)

c) Impaired loans and advances (continued)

Total investments held at amortised cost	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Gross value as at January 1, 2019	**307,554,720**	-	-	**307,554,720**
- Transfers between stages	-	-	-	-
Net movement in investments held to maturity during 2019	17,976,380	-	-	17,976,380
Total investments held to maturity as at December 31, 2019	**325,531,100**	-	-	**325,531,100**
Expected loss as at December 31, 2019	**-374,526**	-	-	**-374,526**

December 31, 2018

Total investments held at amortised cost	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Gross value as at January 1, 2018	**252,253,855**	-	-	**252,253,855**
- Transfers between stages	-	-	-	-
Net movement in investments held to maturity during 2018	55,300,865	-	-	55,300,865
Total investments held to maturity as at December 31, 2018	**307,554,720**	-	-	**307,554,720**
Expected loss as at December 31, 2018	**- 368,403**	-	-	**- 368,403**

(all amounts are expressed in RON, unless otherwise stated)

3. FINANCIAL RISK MANAGEMENT (continued)

3.1 Credit risk (continued)

3.1.4 Loans and advances (continued)

d) Restructured loans and advances

A change in a financial asset occurs when the contractual clauses governing the cash flows of a financial asset are renegotiated or otherwise altered between the initial recognition and the maturity of the financial asset. A change affects the value and / or timing of contractual cash flows either immediately or at a later date.

The Bank renegotiates loans to customers in financial distress to maximize collection and minimize the risk of default (restructuring). A postponement of payment is granted in cases where, although the borrower has made all reasonable efforts to pay under the initial contractual terms, there is a high risk of default and the borrower is expected to meet the revised conditions. The revised terms in most cases include an extension of the maturity of the loan, changes in the timing of the cash flows of the loan within the initial contractual maturity, refinancing outstanding principal and interest. The Bank has a restructuring policy that applies to its corporate and retail clients.

	31.12.2019		
Type of restructuring	**Gross exposure**	**Expected loss**	**Net book value**
Extension of maturity	64,119,068	23,146,387	40,972,681
Refinancing	12,525,316	3,559,572	8,965,744
Rescheduling within contractual maturity	28,434,305	8,295,024	20,139,281
Total restructuring operations	**105,078,689**	**35,000,983**	**70,077,706**

	31.12.2018		
Type of restructuring	**Gross exposure**	**Expected loss**	**Net book value**
Extension of maturity	55,481,078.28	18,683,346.50	36,797,731.79
Refinancing	18,420,388.63	4,070,865.65	14,349,522.98
Rescheduling within contractual maturity	35,109,151.34	3,837,232.83	31,271,918.52
Total restructuring operations	**109,010,618.25**	**26,591,444.97**	**82,419,173.28**

(all amounts are expressed in RON, unless otherwise stated)

3. FINANCIAL RISK MANAGEMENT (continued)

3.1 Credit risk (continued)

3.1.5 Securities portfolio

The table below presents the analysis of the investments securities portfolio as at December 31, 2019 and December 31, 2018, based on the Standard & Poor's ratings or equivalent:

			Rating	
	December 31, 2019	December 31, 2018	December 31, 2019	December 31, 2018
Investments at amortised cost (i)	325,156,573	307,186,317	BBB-	BBB-
Financial assets at fair value through other comprehensive income (ii)	4,677,809	3,708,235	A +/A-1	A+ /A-1

(i) The investments at amortised cost are securities issued by the Romanian Government and have a low credit risk. As at December 31, 2019 and December 31, 2018 the credit rating for Romania was BBB- with fixed perspective.

(ii) The financial assets at fair value through other comprehensive income represent the Bank's participation in Visa Europe Limited and the Credit Office.

3.1.6 Placements with banks

The table below presents the analysis of the placements with banks by evaluations performed on December 31, 2019 and December 31, 2018, based on the Standard & Poor's ratings or equivalent:

			Rating	
	December 31, 2019	December 31, 2018	December 31, 2019	December 31, 2018
	Total balance	Total balance	Long/ short term	Long/ short term
Current accounts				
Optima Bank (Investment Bank of Greece in 2018)	15,063	80,648	-	-
EFG Eurobank Ergasias	4,064,983	2,994,809	B-/B	B-/B
Placements with banks				
Citibank	25,001,672	-	A+	-
TBI Bank EAD Sofia	18,001,128	-	-	-
Piraeus Bank Athens	95,373,779	32,575,359	B-/B	B-/B
Optima Bank (Investment Bank of Greece in 2018)	41,941,676	160,352,638	-	-
Rothschild Bank AG	64,793,655	71,149,606	-	-
Aegean Baltic Bank SA	46,508,376	29,729,449	-	-
First Bank SA	-	40,014,454	-	-
Total placements with banks	**295,700,332**	**336,896,963**	**-**	**-**

(all amounts are expressed in RON, unless otherwise stated)

3. FINANCIAL RISK MANAGEMENT (continued)

3.1 Credit risk (continued)

3.1.6 Placements with banks (continued)

	Stage 1	Stage 2	Stage 3	Total
Current accounts	-	4,125,016	-	4,125,016
Sight deposits	107,796,975	184,720,984	-	292,517,959
Total	**107,796,975**	**188,846,000**	**-**	**296,642,975**
Expected credit loss	(520)	(942,123)	-	(942,643)
Total Placement with banks	**107,796,455**	**187,903,877**	**-**	**295,700,332**

3.2 Market risk

The market risk represents the possibility of some economic losses resulted out of the variations of the market prices and instalments, including equity and prices, as well as, interest rates and of the exchange rate. The market risk may affect, in general, both the position of the financial instruments portfolio and the banking intermediations portfolio, as well as assets and liabilities elements of the balance sheet. The bank applied generally accepted technics for the evaluation of the market risk, such as the incomes analysed depending on the risk and sensitivity indicators.

As mentioned within the Strategy regarding the management of the significant risks, the objective related to the risks of the interest rate and the exchange rate are to maintain these parameters at a medium risk level, low risk level, respectively. Earning at Risk (EaR) indicator expresses the sensitivity of the net income resulted from the interest rate at the alterations suffered for a pre-defined period of time, usually one year.

The decrease of the economic value of the Bank (long time discrepancy) measures the alteration of the value of the economic potential of the Bank due to the rate interest variations outside the financial instruments portfolio.

The global exposure of the interest rate risk from the activities outside the trading portfolio in all currencies and all due dates should not be over 20% of the equity regulated by the Bank after applying a parallel standard shock of 200 basis points.

The objective for the management of the interest rate risk is to obtain a maximum decrease of the impact over the economic value of the Bank, as a consequence of applying the standard stress shock, under 8% of the equity of the Bank. The Bank is considering to maintain a low medium level regarding the interest rate risk.

3.3 Currency risk

The Bank is exposed to the effects of the exchange rates fluctuations in force over its financial positions and over cash flows. The Bank establishes limits regarding the exposure level according the currency for the overnight and intra-day positions, which are monitored on a daily basis.

As far as the exchange rate risk is concerned, the Bank established maximum limits of the opened positions for each currency, the maximum being of EUR 3.5 mil., a maximum level of daily VaR of EUR 50 thousand.

The Bank shall maintain a level of 2-4% of the total currency position in comparison to the equity to be framed within the medium-low risk category. Under the level of 2%, there shall be considered low risk profile, while over 8% there shall be a medium to high risk level, pointing out the need to decrease the currency position.

The tables below summarizes the exposure of the Bank at the exchange rate risk on December 31, 2019 and December 31, 2018. The table also includes the financial assets and liabilities of the Bank at their carrying amount, classified according to the currency.

(all amounts are expressed in RON, unless otherwise stated)

3. FINANCIAL RISK MANAGEMENT (continued)

3.3 Currency risk (continued)

December 31, 2018	RON	EUR	USD	Other currencies	Total
Financial assets					
Cash and balances with central banks	158,111,718	197,133,756	3,330,527	2,582,874	361,158,875
Placements with banks	43,002,800	108,618,274	142,285,763	1,793,495	295,700,332
Investments at amortised cost	260,761,075	24,613,203	39,782,295	-	325,156,573
Loans and advances to customers, net of adjustments for impairment	566,365,891	668,505,052	18,225,663	27,832,697	1,280,929,303
Financial assets at fair value through other comprehensive income	35,638	-	4,642,171	-	4,677,809
Other financial assets	591,208	2,077,930	56,241	2,417	2,727,796
Total financial assets (A)	**1,028,868,330**	**1,000,948,215**	**208,322,660**	**32,211,483**	**2,270,350,688**
Financial liabilities					
Bank deposits	29,054	47,793,266	29,832,730	-	77,655,050
Customers deposits	1,006,556,407	908,442,639	195,058,116	15,168,860	2,125,226,022
Financial derivatives	314,885	-	-	-	314,885
Other financial liabilities	6,834,851	43,102,014	277,216	-	50,214,081
Total financial liabilities (B)	**1,013,735,197**	**999,337,919**	**225,168,062**	**15,168,860**	**2,253,410,038**
Net financial assets/ liabilities (A-B)	**15,133,133**	**1,610,296**	**-16,845,402**	**17,042,623**	**16,940,650**

The category other currencies includes, mainly, the Swiss franc and British pound.

(all amounts are expressed in RON, unless otherwise stated)

3. FINANCIAL RISK MANAGEMENT (continued)

3.3 Currency risk (continued)

December 31, 2018

	RON	EUR	USD	Other currencies	Total
Financial assets					
Cash and balances with central banks	134,205,985	95,517,292	2,319,642	3,166,113	235,209,032
Placements with banks	40,014,454	198,709,530	93,806,027	4,366,952	336,896,963
Investments at amortised cost	279,395,489	23,729,068	4,061,760	-	307,186,317
Loans and advances to customers, net of adjustments for impairment	370,020,675	449,691,995	335,265	622,540	820,670,475
Financial assets at fair value through other comprehensive income	31,432	546,003	3,130,800	-	3,708,235
Other financial assets	340,308	1,262,018	54,820	2,646	1,659,794
Total financial assets (A)	**824,008,343**	**769,455,906**	**103,708,314**	**8,158,253**	**1,705,330,816**
Financial liabilities					
Bank deposits	66,748,373	-	-	-	66,748,373
Customers deposits	751,099,970	769,951,347	104,512,245	8,129,870	1,633,693,432
Other financial liabilities	2,322,421	1,000,671	261,179	1,818	3,586,089
Total financial liabilities (B)	**820,170,764**	**770,952,018**	**104,773,424**	**8,131,688**	**1,704,027,894**
Net financial assets/ liabilities (A-B)	**3,837,579**	**-1,496,112**	**-1,065,110**	**26,565**	**1,302,922**

3. FINANCIAL RISK MANAGEMENT (continued)

3.4 Interest rate risk

The interest rate risk regarding the cash flow is the risk that the future cash flows of a financial instrument fluctuates due to changes of the interest rate on the market. The interest rate risk regarding the fair value is the risk that the value of a financial instrument to fluctuate due to changes of the interest rate on the market. The bank is exposed to risks regarding the effects of the fluctuation of the interest rate on the market, both as far as the fair value is concerned and the cash flow. The interest margins may be increased as a consequence of such changes, but they may decrease or create losses if there is any unforeseen movement.

The objectives established by the risk profile are performed, mainly, by constant monitoring of the indicators for the interest rate risk (relative GAP, the level of the return in conjunction with the average interest level, the difference between the medium active interest of the foreign currency credit and the costs of the sources cumulatively attracted with the risk margin, etc.).

The bank determines and monitors on a quarterly/monthly basis the indicator "potential change of the economic value" as a consequence of the change of the interest rates levels, by applying some sudden and unexpected changes of the interest rates – standard shock/shocks of 200 basis points in both directions, regardless the currency.

Also, for the prevention of inconsistencies regarding risk tolerance and the risk taking profile, the Bank monitors the dynamic evolution of the assets and liabilities of the Bank sensitive at the variation of the interest rate, makes assumptions, scenarios and "stress testing" simulations.

The internal regulations regarding the market risk are presented for approval towards the Board of Directors.

(all amounts are expressed in RON, unless otherwise stated)

3. FINANCIAL RISK MANAGEMENT (continued)

3.4 Interest rate risk (continued)

The table below presents the Bank's exposure to the interest rate risk as at December 31, 2019 and on December 31, 2018. There are included within the table, the financial assets and liabilities of the Bank at the carrying amounts, classified according to the most recent date between the interest rate alteration date and the maturity date.

December 31, 2019	Less than 1 month	1 – 3 months	3 months – 1 year	1 year – 5 years	Over 5 years	Interest free	Total
Financial assets							
Cash and balances with central banks	319,668,627	-	-	-	-	41,490,248	361,158,875
Placements with banks	253,715,935	-	-	41,937,178	-	47,219	295,700,332
Loans and advances to customers	1,224,108,362	1,256,561	31,672,571	8,011,997	5,346,447	10,533,365	1,280,929,303
Investments at amortised cost	-	60,005,527	64,866,889	194,897,448	-	5,386,709	325,156,573
Financial assets at fair value through other comprehensive income	-	-	-	-	-	4,677,809	4,677,809
Other financial assets	-	-	-	-	-	2,727,796	2,727,796
Total financial assets	**1,797,492,924**	**61,262,088**	**96,539,460**	**244,846,623**	**5,346,447**	**64,863,146**	**2,270,350,688**
Financial liabilities							
Bank deposits	29,854,654	47,793,000	-	-	-	7,396	77,655,050
Customers deposits	709,597,879	277,284,438	1,023,717,363	86,616,582	19,987,976	8,021,784	2,125,226,022
Financial derivatives	314,885	-	-	-	-	-	314,885
Other financial liabilities	-	-	-	-	-	50,214,081	50,214,081
Total financial liabilities	**739,767,418**	**325,077,438**	**1,023,717,363**	**86,616,582**	**19,987,976**	**58,243,261**	**2,253,410,038**
Total sensitivity at the interest rate (gap)	**1,057,725,506**	**-263,815,350**	**-927,177,903**	**158,230,041**	**-14,641,529**	**6,619,885**	**16,940,650**

*also includes non-interest bearing lease liabilities

Line Loans and advances to customers for less than 1 month includes loans in amount of 795,267,125 with an interest rate discount period of 3M for which the following date for an interest rate change is less than one month.

(all amounts are expressed in RON, unless otherwise stated)

3. FINANCIAL RISK MANAGEMENT (continued)

3.4 Interest rate risk (continued)

December 31, 2018

	Less than 1 month	1 – 3 months	3 months – 1 year	1 year – 5 years	Over 5 years	Interest free	Total
Financial assets							
Cash and balances with central banks	200,140,956	-	-	-	-	35,068,076	235,209,032
Placements with banks	336,750,249	-	-	-	-	146,714	336,896,963
Loans and advances to customers	771,349,531	19,543,178	7,145,998	5,645,553	6,673,847	10,312,368	820,670,475
Investments at amortised cost	-	-	113,917,735	187,993,988	-	5,274,594	307,186,317
Financial assets at fair value through other comprehensive income	-	-	-	-	-	3,708,235	3,708,235
Other financial assets	-	-	-	-	-	1,659,794	1,659,794
Total financial assets	**1,308,240,736**	**19,543,178**	**121,063,733**	**193,639,541**	**6,673,847**	**56,169,781**	**1,705,330,816**
Financial liabilities							
Bank deposits	66.729.054	-	-	-	-	19.319	66.748.373
Customers deposits	435.439.323	167.680.851	1.001.217.717	22.297.677	3.930.296	3.127.568	1.633.693.432
Other financial liabilities	-	-	-	-	-	3.586.089	3.586.089
Total financial liabilities	**502.168.377**	**167.680.851**	**1.001.217.717**	**22.297.677**	**3.930.296**	**6.732.976**	**1.704.027.894**
Total sensitivity at the interest rate (gap)	**806.072.359**	**-148.137.673**	**-880.153.984**	**171.341.864**	**2.743.551**	**49.436.805**	**1.302.922**

Line Loans and advances to customers for less than 1 month includes loans in amount of 369,154,067 with an interest rate discount period of 3M for which the following date for an interest rate change is less than one month.

(all amounts are expressed in RON, unless otherwise stated)

3. FINANCIAL RISK MANAGEMENT (continued)

3.4 Interest rate risk (continued)

Sensitivity analysis

	Effect on profit or loss	
	December 31, 2019	December 31, 2018
RON	+3,542,720/-3,542,720	+1,349,183/-1,349,183
EUR	-762,534/+762,534	+5,676,746/-5,676,746
USD	+6,605,269/-6,605,269	+546,939/-546,939
TOTAL Interest rate (± 200 b.p.)	**+9,385,455/-9,385,455**	**+7,572,868/-7,572,868**

Volatility interval	Stressed currency profile	Currency position % own funds 2019	Currency position % own funds 2018	Effect on profit or loss 2019	Effect on profit or loss 2018
5 business days	current level	1.23%	0.41%	-300,297	-142,347
	average	11%	5%	-1,459,246	-1,067,378
	average-high	15%	7%	-1,989,881	-1,494,329
	high	20%	15%	-2,653,175	-3,202,135
10 business days	current level	1.23%	0.41%	-378,111	-220,737
	average	11%	5%	-1,883,837	-1,432,919
	average-high	15%	7%	-2,568,869	-2,006,087
	high	20%	15%	-3,425,159	-4,298,758

Highest changes in the foreign exchange rates in the last 10 years

interval	EUR	USD	GBP	CHF
5 business days	5.17%	9.11%	10.22%	22.68%
10 business days	3.98%	6.65%	7.97%	20.42%

As at December 31, 2019, if the interest rate on the market had been 200 bp higher and the other variables had been maintained at a constant level, the net profit of the following year would have been RON 9,385 thousand higher (2018: RON 7,573 thousand higher).

On December 31, 2019, if the exchange rates had negatively fluctuate at a value equal to the maximum registered in any 10 consecutive business days in the last 10 years (the other variables being maintained at a constant level) the net profit of the year would have been RON 378 thousand lower (2018: RON 221 thousand lower).

Parameters for calculating sensitivity

The sensitivity towards the interest rate: calculation based on the measures equivalent to the duration presented within the IR Gap report. Taking into consideration the fluctuations of the interest rated from the previous year, as well as the analysis and assumptions of the Treasury Department, it is considered that 200 basis points represent a reasonable estimate of the interest rate movement.

3. FINANCIAL RISK MANAGEMENT (continued)

3.4 Interest rate risk (continued)

The sensitivity towards the exchange rate: calculation based on the open positions in foreign currency, at the reporting date and stressed position corresponding to high risk profiles. The exchange rate fluctuations are determined by calculating the maximum variation of foreign exchange rates in any 5 / 10 consecutive business days in the last 10 years. It its estimated that an extremely high open position may be closed in 1-2 days' time, but extreme intervals of 5-10 days are used in which it is estimated that the currency position will be dropped at the level assumed in the risk profile. The effects on profit or loss, the additional capital required, the change of solvency ratio are calculated.

3.5 Liquidity risk

Liquidity risk indicates the current or future risk of adverse outcome of the profits and share capital, determined by the Bank's incapacity to fulfil its liabilities on due date, taking into consideration the volatility of the deposits which ensure, mainly, the funding, because certain creditors are more sensitive to the market events than others.

The Bank is exposed to daily requirements regarding settlement in cash deposits with 1 day maturity date, current accounts, drawdowns of loans and guarantees. The Bank does not keep monetary excessive resources in order to be able to honour all these liabilities, the experience indicating that a minimum level of reinvestment of the due founds may be provided with a high level of certitude. The Bank establishes limits regarding the minimum level of the necessary funds for honouring such requirements, which must be available to cover withdrawals at unforeseen request levels.

a) Cash flows related to non-derivative financial instruments

The table below presents the cash flows which must be paid by the Bank in accordance with the financial liabilities until the contractual due dates at the balance sheet date and the expected payment date. The financial liabilities presented within the table represent non-updated contractual cash flows. The financial assets presented within the table represent non-updated contractual cash flows corresponding to receivables registered as at the balance sheet date. The Bank manages the liquidity risk on the basis of the estimated undiscounted cash flows.

(all amounts are expressed in RON, unless otherwise stated)

3. FINANCIAL RISK MANAGEMENT (continued)

3.5 Liquidity risk (continued)

a) Cash flows related to non-derivative financial instruments (continued)

As at December 31, 2019

	Less than 1 month	1 – 3 months	3 months - 1 year	1 - 5 years	Over 5 years	Total
Financial assets						
Cash and cash equivalents with central banks	361,158,875	-	-	-	-	361,158,875
Placements with banks	253,758,657	-	-	41,941,675	-	295,700,332
Loans and advances to customers	69,822,403	99,834,463	420,986,094	261,858,446	428,427,897	1,280,929,303
Investments at amortised cost	-	61,148,608	66,004,733	198,003,232	-	325,156,573
Financial assets at fair value through other comprehensive income	4,677,809	-	-	-	-	4,677,809
Other financial assets	2,727,796	-	-	-	-	2,727,796
Total financial assets (contractual maturities)	**692,145,540**	**160,983,071**	**486,990,827**	**501,803,353**	**428,427,897**	**2,270,350,688**
Financial liabilities						
Bank deposits	29,864,637	47,798,576	-	-	-	77,663,213
Customers deposits	703,925,837	280,976,753	1,042,968,505	92,174,191	25,601,278	2,145,646,564
Financial derivatives	314,885	-	-	-	-	314,885
Other financial liabilities	5,070,033	1,315,954	5,885,405	23,855,023	14,087,666	50,214,081
Loans and other liabilities regarding lending	2,643,435	10,561,692	6,282,467	35,439,218	500,829	55,427,641
Guarantee letters issued	1,138,142	7,305,836	11,858,772	13,952,937	575,316	34,831,003
Total financial liabilities (contractual maturities)	**742,956,969**	**347,958,811**	**1,066,995,149**	**165,421,369**	**40,765,089**	**2,364,097,387**
Net position	**-50,811,429**	**-186,975,740**	**-580,004,322**	**336,381,984**	**387,662,808**	**-93,746,699**

The liquidity risk is represented by the difficulty of an entity to fulfil its contractual liabilities. The Bank has a net position of less than 1 year because of the short maturity of the customers' deposits, but also of the credit institutions. The Bank does not keep monetary resources in order to honor all these liabilities, the experience indicating that a minimum level of reinvestment of the due founds may be provided with a high level of certitude; based on the history related to the prolongations of the deposits by the customers, the Bank reasonably considers these financing resources as being stable.

(all amounts are expressed in RON, unless otherwise stated)

3. FINANCIAL RISK MANAGEMENT (continued)

3.5 Liquidity risk (continued)

a) Cash flows related to non-derivative financial instruments (continued)

As at December 31, 2018

	Less than 1 month	1 – 3 months	3 months - 1 year	1 - 5 years	Over 5 years	Total
Financial assets						
Cash and cash equivalents with central banks	235,209,032	-	-	-	-	235,209,032
Placements with banks	336,896,963	-	-	-	-	336,896,963
Loans and advances to customers	42,130,215	42,943,865	265,657,656	168,528,676	301,410,063	820,670,475
Investments at amortised cost	-	-	115,769,453	191,416,864	-	307,186,317
Financial assets at fair value through other comprehensive income	3,708,235	-	-	-	-	3,708,235
Other financial assets	1,659,794	-	-	-	-	1,659,794
Total financial assets (contractual maturities)	**619,604,239**	**42,943,865**	**381,427,109**	**359,945,540**	**301,410,063**	**1,705,330,816**
Financial liabilities						
Bank deposits	66,760,267	-	-	-	-	66,760,267
Customers deposits	436,113,002	170,483,378	1,012,761,501	23,486,778	4,987,186	1,647,831,845
Subordinated loans	-	-	-	-	-	-
Other financial liabilities	3,586,089	-	-	-	-	3,586,089
Loans and other liabilities regarding lending	67,105,694	-	-	-	-	67,105,694
Guarantee letters issued	27,646,840	-	-	-	-	27,646,840
Total financial liabilities (contractual maturities)	**601,211,892**	**170,483,378**	**1,012,761,501**	**23,486,778**	**4,987,186**	**1,812,930,735**
Net position	**18,392,347**	**-127,539,513**	**-631,334,392**	**336,458,762**	**296,422,877**	**-107,599,919**

(all amounts are expressed in RON, unless otherwise stated)

3. FINANCIAL RISK MANAGEMENT (continued)

3.6 The fair values of the financial assets and liabilities

The analysis of the fair value scale of the financial instruments measured at the fair value.

Level 1 - includes instruments listed on the active markets for identical assets or liabilities;

Level 2 - includes instruments whose fair value is determined using observable information for assets or liabilities, directly (such as prices) or indirectly (such as prices derivatives); and

Level 3 - includes instruments whose fair value is determined using information which are not relied on observable market data (unobservable entries).

Assets and liabilities measured at fair value as at December 31, 2019

	Level 1	Level 2	Level 3	Total
Financial assets				
Other financial assets				
Financial assets at fair value through other comprehensive income, of which:				
- Participations	-	-	4,677,809	4,677,809
Total assets stated at fair value	**-**	**-**	**4,677,809**	**4,677,809**
Financial liabilities				
Financial derivatives	-	-	314,885	314,885
Total liabilities at fair value	-	-	**314,885**	**314,885**

Assets and liabilities measured at fair value as at December 31, 2018:

	Level 1	Level 2	Level 3	Total
Financial assets				
Other financial assets				
Available-for-sale financial assets, of which:				
- Participations	-	-	3,708,235	3,708,235
Total assets stated at fair value	-	-	**3,708,235**	**3,708,235**

Financial instruments which were not presented at fair value within the balance sheet

The table below summarizes the fair values of the financial assets and liabilities which are not presented at the fair value within the Bank's balance sheet. The purchase prices are used at the appraisal of the fair values of the assets and the sale prices are applied for liabilities.

(all amounts are expressed in RON, unless otherwise stated)

3. FINANCIAL RISK MANAGEMENT (continued)

3.6 The fair values of the financial assets and liabilities (continued)

Assets and liabilities whose fair value is presented as at December 31, 2019:

	Level 1	Level 2	Level 3	Total
Financial assets				
Cash and balances with central banks	361,158,875	-	-	361,158,875
Placements with banks	-	295,700,332	-	295,700,332
Loans and advances to customers	-	-	1,277,875,694	1,277,875,694
Investments at amortised cost	326,888,899	-	-	326,888,899
Other financial assets	-	-	2,727,796	2,727,796
Total financial assets	**688,047,774**	**295,700,332**	**1,280,603,490**	**2,264,351,596**

	Level 1	Level 2	Level 3	Total
Financial liabilities				
Bank deposits	-	77,655,050	-	77,655,050
Customers deposits	-	2,125,226,022	-	2,125,226,022
Other financial liabilities	-	-	4,412,201	4,412,201
Total financial liabilities	**-**	**2,202,881,072**	**4,412,201**	**2,207,293,273**

Assets and liabilities whose fair value is presented as at December 31, 2018:

	Level 1	Level 2	Level 3	Total
Financial assets				
Cash and balances with central banks	235,209,032	-	-	235,209,032
Placements with banks	-	336,896,963	-	336,896,963
Loans and advances to customers	-	-	818,811,299	818,811,299
Investments at amortised cost	305,537,029	-	-	305,537,029
Other financial assets	-	-	1,659,794	1,659,794
Total financial assets	**540,746,061**	**336,896,963**	**820,471,093**	**1,698,114,117**

	Level 1	Level 2	Level 3	Total
Financial liabilities				
Bank deposits	-	66,748,373	-	66,748,373
Customers deposits	-	1,633,693,432	-	1,633,693,432
Other financial liabilities	-	-	3,586,089	3,586,089
Total financial liabilities	**-**	**1,700,441,804**	**3,586,089**	**1,704,027,894**

3. FINANCIAL RISK MANAGEMENT (continued)

3.6 The fair values of the financial assets and liabilities (continued)

a. Receivables from credit institutions

The receivables from credit institutions include inter-bank placements and amounts pending settlement.

The fair value of the placements with variable interest and overnight deposits is represented by their carrying amount. The estimated fair value of the fixed interest deposits is based on the updated cash flows, using the interest rate on the monetary market for liabilities with a similar credit risk and maturity.

Taking into consideration that the products' prices are based on variable interest rates, there are no significant differences between the fair value and the carrying amount.

b. Receivables from customers

The loans and advances to customers are calculated net of the impairment provisions. The estimated fair value of the loans and advances represent the updated value of the future cash flows estimated to be received. The estimated cash flows are updated at the market rate in order to establish the fair value.

Taking into consideration that the products' prices are based on variable interest rates, there are no significant differences between the fair value and the carrying amount.

c. Deposits and contracted loans

The estimated fair values of the deposits which do not have a specified maturity, which include deposits with no interest, are represented by amount reimbursed on request. The estimated fair value of the deposits with fixed interest and of other loans without a market price is based on the updated cash flows using the interest rate for the new liabilities with similar maturity.

Taking into consideration that the products' prices are based on variable interest rates, there are no significant differences between the fair value and the carrying amount.

d. Investments at amortised cost

The fair value of investments at amortised cost is determined by using the price mentioned in bid-ask margin, the most representative being the fair value under the related circumstances, the price taken into consideration by the management being the last price of trading at the reporting date.

e. Financial assets measured at fair value through other comprehensive income – Participations

The equities held for sale include securities which are not traded on an active market. Due to the nature of the local capital markets, the market value for these securities cannot be obtained.

The assets are not rated and recent values regarding their trade price are not accessible for the public. The management does not intend to sell these assets within the near future. The bank has determined the fair value for them using the net asset method based on the published financial statements.

f. Financial assets and liabilities

The Bank's management considered that the fair value is the same with the carrying amount, taking into consideration that these financial assets and liabilities are estimated to be settled within a month or are without a fixed maturity, respectively they are on short term and the carrying amount is not significantly different from the fair value.

(all amounts are expressed in RON, unless otherwise stated)

3. FINANCIAL RISK MANAGEMENT (continued)

3.7 Capital management

The Bank calculates its own funds according to Regulation No. 575/2013 of the European Parliament and of the Council of June 26, 2013 on prudential requirements for credit institutions and investment firms and NBR Regulation no. 5 / 20.12.2013 on prudential requirements for credit institutions.

The National Bank of Romania, as regulation and supervisory authority of the banking system at national level, monitors the equity requirements of the Bank within the limits imposed by EU Regulation no. 575/2013 on prudential requirements for credit institutions and investment firms which provide:

- an equity ratio Tier 1 of 4.5 %;
- an equity ratio Tier 1 of 6%;
- an equity ratio of 8%.

As at December 31, 2019, the request for equity was as follows:

- a basic capital adequacy ratio Tier 1 of 7.67%;
- a capital adequacy ratio Tier 1 of 10.22%;
- a total capital adequacy ratio of 13.63%.

In terms of capital management, the Bank assesses capital adequacy for risks in accordance with the "Policy on the Internal Capital Adequacy Assessment", NBR regulations and CRD IV regulations package respectively.

The table below summarizes the capacity of the regulation capital and the indicators for the financial year ended on December 31, 2019 and December 31, 2018.

	December 31, 2019	December 31, 2018
Capital level 1		
Total capital level 1	309,055,994	281,047,369
Capital level 2		
Total capital level 2	-	-
Total capital	**309,055,994**	**281,047,369**
Total credit risk exposure	1,482,115,233	983,275,539
Total risk weighted exposure	1,586,520,919	1,074,422,482
Equity ratio level 1	**19.48%**	**26.16%**
Total equity ratio	**19.48%**	**26.16%**

On September 25, 2019 and October 26, 2019 there was a capital increase in amount of EUR 10 million, according to the decision of the General Meeting of Shareholders of 03.09.2019, which secured adequate ratios of the bank's equity.

On December 31, 2019, the Bank registered both a level 1 equity ratio, and a total equity ratio of 19.48%, above the minimum level imposed by the National Bank of Romania, namely 14.72% and 18.13%.

4. BASIC ACCOUNTING ESTIMATES AND ASSUMPTIONS FOR ACCOUNTING POLICIES APPLICATION

The Bank makes certain estimates and adopts certain theories affecting the amounts where the assets and liabilities are registered during the next financial year. The estimates and assumptions are assessed constantly and are based on the historical experience and on other factors, including the expectations regarding the future events considered reasonably under the given circumstances.

a) Impairment losses on loans and advances

The bank reviews its loans portfolio on a monthly basis in order to evaluate the impairment. The impairment revision shall be done according to the policy regarding the evaluation of the risk exposures approved by the management. In order to establish whether a impairment loss must be registered within the profit or loss account, the Bank makes assumptions regarding the existence of some obvious information to indicate a calculable decrease of the future cash flows estimated from a loan portfolio before the time when the decrease could be associated to a certain loan from the respective portfolio. These evidences may include obvious information indicating an unfavourable change in the statute of the debtors within a group or economic conditions at economic national or local level to be connected with the impairment of the assets of the Bank.

In planning future cash flows the management uses estimates based on historical loss experience for assets related to similar credit risk characteristics and objective evidences of the impairment similar to the portfolio. The methodology and the assumptions used in the appraisal of both the value and the calendar of the future cash flows are reviewed constantly in order to reduce the differences between the estimates regarding the losses and the real losses registered.

b) Future tax losses

According to the Romanian tax legislation, tax losses may be carried forward for a period of 7 years generating deferred tax when the related tax benefits, by future taxable profit, is probable. The deferred income tax assets related to the tax losses reported are recognised if the fiscal benefit by future taxable profits is possible. The future taxable profits and the benefits of the deferred tax credit probable in the future are based on a business plan prepared by the management. The business plan takes into consideration a positive and steady evolution of the income through an organic increase and assumption of medium risks, strict control of the costs and increased efficiency, as well as the maintenance of an adequate level of capitalisation and a firm position of the liquidity level.

The management of the Bank estimates that the Bank will register sufficient profit in the future period of time in order to benefit from reported fiscal losses, and considers that the deferred tax asset recognized in this respect as of 31 December 2019 will be absorbed in the next financial years. Please see also Note 9.

c) Financial assets at amortised cost

According to IFRS 9, the Bank classifies a part of its financial assets which are not derived instruments with fixed or estimable payments and fixed maturities as financial assets at amortised cost. If the Bank fails do this, except for some specific circumstances, such as the sale of an insignificant amount or close to maturity, it should reclassify the entire category as financial assets held for sale.

(all amounts are expressed in RON, unless otherwise stated)

5. NET INTEREST INCOME

	2019	2018
Interest income		
Current accounts and deposits with banks	5,753,987	2,999,671
Loans and advances to customers	61,414,446	46,655,974
Investments at amortised cost	9,615,843	6,487,801
Total	**76,784,276**	**56,143,446**
Interest expenses		
Current account, loans and deposits with banks	-239,795	-3,176,459
Customers deposits	-30,266,069	-22,966,531
Subordinated loans	-	-4,240,039
Lease liabilities	-1,067,154	-
Total	**-31,573,018**	**-30,383,029**

6. NET FEE INCOME

	2019	2018
Fee income		
Means of payment fees	2,862,887	1,989,891
Customer proceeds and payments fees	1,285,707	987,706
Fees from loan commitments and issued guarantee letters	592,581	280,388
Assistance and consultancy fees	354,652	221,074
Customer credit fees	71,519	21,760
Inter-bank transactions fees	18,592	25,911
Other fees	21,447	22,527
Total	**5,207,385**	**3,549,257**

Fee income represents revenue from contracts with customers and is accounted in accordance with IFRS 15. Revenues recognised from contracts with customers are coming from the following categories:

Means of payment fees:

These commissions are charged when the transaction takes place; included in this category are all the commissions that refer to the direct debit conventions, money gram, payment orders and other means of payment.

In case of transaction-based fees (e.g. cash withdrawal/payment fee, merchant fee, interchange fee, etc.), the settlement of the fees will take place immediately after the transaction or on a monthly basis. The fee is typically determined in % of the transaction with a fixed minimum amount.

Customer proceeds and payments fees:

This applies to a wide range of standard banking services, related fees (SMS alert, Internet banking, monthly administration fee, opening current accounts, escrow accounts, material guarantees account and closing accounts etc.)

Such fees are treated as one-off fees related to specific service that is provided by the Bank and therefore accounted when the service is provided, but also can be charged monthly for the services provided in the previous month.

(all amounts are expressed in RON, unless otherwise stated)

6. NET FEE INCOME (continued)

Fees from loan commitments and issued guarantee letters:

This category comprises fees related to lending which are not included in the effective interest rate calculation due to their nature. Also, in this category, the Bank includes the following commissions: tax for credit analyse (for those analyses for which the loans are not granted), early reimbursement commission, commission for not withdrawing the loan (for off balance exposures), etc. Commissions for financial guarantees and letters of credit are amortized linearly over the lifetime of the instruments

	2019	2018
Fees expenses		
Inter-bank transactions fees	-484,571	-419,506
Customer operation fees	-83,449	-58,598
Means of payment fees	-440,592	-279,032
Other fees	-61,881	-56,989
Total	**-1,070,493**	**-814,125**

7. OTHER OPERATING INCOME

	2019	2018
Operating income from:		
Dividends	28,825	27,396
Sundry income from operating activities	-	10,625,461
Gains from the deposit reimbursement to the Bank of Cyprus (i)	-	32,295,879
Safe deposit boxes	19,859	40,315
Selling the repossessed assets (ii)	3,055,644	3,592,011
Net income from sale of investment property	3,758,314	-
Revaluation of investment property	3,422,770	-
Lease of investment property	382,826	-
Other income	566,502	305,959
Total	**11,234,740**	**46,887,021**

(i) The gains from the deposit reimbursement to the Bank of Cyprus, in amount of RON 32,295,879, registered in 2018, represents the discount received, agreed after signing the contract regarding the advance payment of a subordinated loan received from the Bank of Cyprus. Against the background of the repayment, at a discount, of the subordinated loan in amount of EUR 10 million, the Bank registered in September 2018 an extraordinary income in amount of approximately EUR 7 million, which generated profit at level.

(ii) In 2019 Banca sold properties held further to the enforcement of non-performing loans, for a total price of RON 27,521,716 (2018: RON 36,019,762), which were registered at a net book value of RON 24,652,047 (2018: RON 32,536,204, incurring a profit of RON 2,869,669 (2018: loss of RON 3,483,559).

(all amounts are expressed in RON, unless otherwise stated)

8. OTHER OPERATING EXPENSES

	2019	2018
Operating expenses, of which:		
Rents	-440,308	-8,750,181
Employees' benefits	-34,856,310	-28,099,299
Social contributions	-989,389	-847,035
Deposit Guarantee Fund Contributions	-2,243,464	-772,628
Other fees and taxes	-2,021,164	-1,818,207
Supplies	-1,276,703	-957,766
Maintenance and repairs	-5,784,684	-5,947,291
Utilities	-1,433,501	-1,408,154
Post office and telecommunications	-3,309,903	-2,943,447
Collaborators and brokerage	-1,233,370	-567,622
Dislocations, secondments, transfers	-354,824	-542,494
Other services performed by third parties (i)	-6,760,073	-7,036,133
Protocol	-457,359	-265,705
Publicity and advertising	-2,001,483	-183,648
Net loss on scrapping of fixed assets	-	-316,427
Net expense with valuation adjustments for repossessed assets	-3,309,150	-1,503,304
Amortization/depreciation of tangible and intangible assets	-2,703,534	-3,178,985
Amortisation of right-of-use assets	-7,695,442	-
Net expenses with adjustments for receivables from sundry operations	-53,400	-426,878
Net expenses with other provisions	-808,442	-109,716
Other operating expenses	-698,468	-518,681
Total	**-78,430,971**	**-66,193,601**

The average number of employees at the end of the year is 247 (2018: 226).

(i) Line "Other third party services" also includes the taxes paid by the Bank to the statutory auditor for the audit of the statutory financial statements for 2019: RON 615,332 (2018: RON 349,254). The fees paid to the statutory auditor also include the audit services for the information presented in the FINREP separate financial statements – F04.00 as at June 30, 2019. No additional non-audit services were provided by the audit firm.

9. INCOME TAX EXPENSE

The income tax before tax registered by the Bank differs from the theoretical value which should result as a consequence of the use of the basic tax rate:

	2019	2018
Profit before tax	**-18,319,647**	**10,501,233**
Income tax for the current period	-	-
Theoretical income tax expense/(income) calculated at the provided rate of 16%	**2,931,143**	**-1,680,197**
The tax effect of:		
Non-deductible expenses	-2,876,753	-1,937,130
Assimilated income items	-680,255	-1,077,946
Other deductions	432,565	592,647
Non-taxable incomes elements	4,062,152	1,657,956
Use of reported and unrecognized tax loss	-3,868,852	2,444,670
Total	-	-

(all amounts are expressed in RON, unless otherwise stated)

9. INCOME TAX EXPENSE (continued)

The current tax is calculated by applying a 16% rate (2018: 16%). The deferred income tax is calculated for all the temporary differences based on the accrual principle, using a tax income rate of 16% (2018: 16%).

The accounting loss registered by the Bank in 2019 in amount of RON 18,319,647 was adjusted for the calculation of the tax loss by RON 5,860,680, resulting from non-taxable income, assimilated income items, non-deductible expenses and other deductions. The tax loss generated by the Bank in 2019 in amount of RON 24,180,327 increased the tax losses carried forward from previous periods in amount of RON 219,140,604 were added.

Thus, as at December 31, 2019, the Bank reported a tax loss carried forward of RON 243,320,931 of which RON 9,092,075 expired, resulting a tax loss recoverable from previous years of RON 234,228,856, which, according to the fiscal legislation, can be used within 7 years from its realisation. To this tax loss corresponds a deferred income tax as receivable in amount of RON 37,476,617. The Bank continues to recognise within the balance sheet a receivable with the deferred tax on December 31, 2019 in amount of RON 10,948,417 (2018: RON 10,948,417) considering the analysis performed in respect of budgets for next financial periods, where the Bank believes that will be able to generated sufficient profits to amortize the deferred tax asset recognized as of December 31, 2019.

The Bank has a potential unrecognized deferred tax asset not recognized in the statement of financial position from unused tax losses carried forward in amount of RON 26,528,200 (2018: RON 24,114,080). The tax losses carried forward expire as follows:

	2019	2018
The tax losses carried forward expire on:		
December 31, 2018	-	-
December 31, 2019	-	9,092,075
December 31, 2020	93,284,639	93,284,639
December 31, 2021	116,763,890	116,763,890
December 31, 2026	24,180,327	-
Total	**234,228,856**	**219,140,604**

The receivables, respectively the assets regarding the deferred tax are attributable to the following items:

	December 31, 2018	Tax recognised in profit or loss expense/ (loan)	Tax recognised in other comprehensive income	December 31, 2019
Tax loss carried forward	10,948,417	-	-	10,948,417
Tax effect of the differences caused by the change of the fair value of the financial assets at fair value through other comprehensive income	-	-	-	-
Net tax effect of the temporary non-deductible/ (taxable) differences	**10,948,417**	-	-	**10,948,417**

Deferred tax assets are recognised for the tax loss carried forward if it is probable to realise the related tax benefit.

(all amounts are expressed in RON, unless otherwise stated)

10. CASH AND BALANCES WITH CENTRAL BANKS

	2019	2018
Petty cash	41,490,247	35,068,076
Current accounts with NBR	319,668,628	200,140,956
- in RON	138,015,672	122,695,033
- in EUR	181,652,956	77,445,923
Total	**361,158,875**	**235,209,032**

The current account must fulfil the mandatory requirements regarding the minimum reserves imposed by the National Bank of Romania. This reserve represents a medium minimum deposit on a month period, based on the resources raised in the previous month. The balances with the Central Bank at the reporting date fulfil these requirements.

In 2019, the interest rates varied between 0.14% and 0.22% (2018: 0.09% - 0.23%) for reserves held in RON, and were set at 0.01% for reserves held in EUR (2018: 0.02%).

All these balances have been included in cash and cash equivalents (Note 26).

11. PLACEMENTS WITH BANKS

	2019	2018
Correspondent accounts (Nostro)	4,125,016	3,143,517
Sight deposits	152,224,702	36,314,389
Short term deposits (below 3 months)	98,356,078	297,617,539
Long term deposits	41,937,178	-
Expected loss	-942,642	-178,482
Total	**295,700,332**	**336,896,963**

During 2019, the interest rates with the USD placements varied between 1.35% and 4.28% (2018: 0.70% and 3.80%) and the ones with the EUR placements between -0.08% and 2.60% (2018: 0.49% and 1.30%). The interest rates with the RON placements varied between 1.50% and 3.55% (2018: 0.75% and 4.35%).

Balances included in Cash and cash equivalents have a contractual maturity under 3 months (please see Note 26). Long term deposits represents 2 placements in Optima Bank of USD 10 million, which have a maturity in 13 months.

12. INVESTMENTS AT AMORTISED COST

	2019	2018
Bonds issued by the Romanian Government		
- in RON	260,761,075	279,395,489
- in EUR	24,613,203	23,729,068
- in USD	39,782,295	4,061,760
Total	**325,156,573**	**307,186,317**
Bonds issued by the Government of Romania - gross	325,531,100	307,554,720
Expected loss	-374,527	-368,403
Total	**325,156,573**	**307,186,317**

(all amounts are expressed in RON, unless otherwise stated)

12. INVESTMENTS AT AMORTISED COST (continued)

The coupon rates for the securities in the bond portfolio issued by the Romanian Government in RON ranged between 2.25% and 5.85% (2018: 2.25% and 5.75%), for the EUR bond portfolio between 1% and 4.875% (2018: 4.875%) and for those in USD they ranged between 4.375% and 6.75% (2018: 6.75%.

The movements in the investments at amortised cost are presented below:

	Total
Balance on January 1, 2019	**307,554,720**
Inputs (purchases)	134,178,487
Outputs (matured)	-113,896,500
Collected interest	-12,702,078
Amortisation discount / premium	9,615,842
Exchange rate differences	780,628
Total	**325,531,099**
Provisions	-374,526
Balance on December 31, 2019	**325,156,573**
Balance on January 1, 2018	**252,253,855**
Inputs (purchases)	140,807,382
Outputs (sold or matured)	-80,000,000
Collected interest	-12,018,001
Amortisation discount / premium	6,487,801
Exchange rate differences	23,683
Total	**307,554,720**
Provisions	-368,403
Balance on December 31, 2018	**307,186,317**

Movement of the provision related to amortized cost investments:

	Total
Balance on December 31, 2019	**-368,403**
Inputs	149,275
Outputs	-144,189
FX differences	-11,209
Balance at December 31, 2019	**-374,526**
Balance on January 1, 2018	**-295,593**
Inputs	107,564
Outputs	- 180,374
FX differences	-
Balance on December 31, 2018	**-368,403**

(all amounts are expressed in RON, unless otherwise stated)

13. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2019	2018
Participations		
- in RON	35,638	31,432
- in EUR (i)	-	546,003
- in USD (i)	4,642,171	3,130,800
Total	**4,677,809**	**3,708,235**

(i) As Visa Europe Limited ("Visa Europe") and Visa Inc. announced on November 2nd, 2015, Visa Inc agreed to purchase Visa Europe, under the condition of receiving the approval within the regulation framework. Taking into account that the Bank is a principal member of Visa Europe, the Bank is part of this transaction.

In 2016, the amount of EUR 1,367,592.75 was confirmed and paid in cash, representing the completion of the cash transaction, including the sale of the EUR 10 share of Visa Europe.

In addition, the bank received 496 preferential shares Series C in Visa Inc. and cash pro rata with the 0.0105373816% holding to receive after the third anniversary valued at EUR 117,070 and received on June 21, 2019.

The movements in the financial assets at fair value through other comprehensive income are presented as follows:

	Total
Balance on January 1, 2019	**3,708,235**
Gain/(loss) from the alterations of the fair value	969,574
Balance on December 31, 2019	**4,677,809**
Balance on January 1, 2018	**3,163,604**
Gains from changes in fair value	544,631
Balance on December 31, 2018	**3,708,235**

(all amounts are expressed in RON, unless otherwise stated)

14. TANGIBLE ASSETS

	Lands and buildings	Design	Furniture and equipment	Assets in progress	Total
December 31, 2019					
Net carrying amount on January 1, 2019	**2,150,580**	**954,630**	**4,431,297**	**-**	**7,536,508**
Inputs	-	-	25,910	2,944,046	2,969,956
Transfers	-	103,290	1,279,703	-1,382,993	-
Outputs	-	-	-2,697,733	-	-2,697,733
Amortization expense	-44,140	-426,778	-1,279,346	-	-1,750,264
Accumulated amortization for outputs and impairment adjustments	-	-	2,697,733	-	2,697,733
Net carrying amount as at December 31, 2019	**2,106,440**	**631,142**	**4,457,565**	**1,561,053**	**8,756,200**
Cost	2,194,720	15,403,745	22,525,577	1,561,053	41,685,095
Accumulated amortization	-88,280	-14,772,603	-18,068,012	-	-32,928,895
Net carrying amount as at December 31, 2019	**2,106,440**	**631,142**	**4,457,565**	**1,561,053**	**8,756,200**
December 31, 2018					
Net carrying amount on January 1, 2018	**2,194,720**	**2,080,172**	**4,547,459**	**-**	**8,822,351**
Inputs	-	-	911,176	330,123	1,241,299
Transfers	-	-	327,383	-330,123	-2,740
Outputs	-	-1,136,305	-643,827	-	-1,780,132
Amortization expense	-44,140	-847,542	-1,316,295	-	-2,207,977
Accumulated amortization for outputs and impairment adjustments	-	858,305	605,401	-	1,463,706
Net carrying amount as at December 31, 2018	**2,150,580**	**954,630**	**4,431,297**	**-**	**7,536,508**
Cost	2,194,720	15,300,455	23,917,697	-	41,412,872
Accumulated amortization	-44,140	-14,345,825	-19,486,399	-	-33,876,364
Net carrying amount as at December 31, 2018	**2,150,580**	**954,630**	**4,431,298**	**-**	**7,536,508**

(all amounts are expressed in RON, unless otherwise stated)

15. RIGHT-OF-USE ASSETS

Right-of-use assets	2019	2018
Right-of-use assets	51,840,439	-
Depreciation of right-of-use assets	-7,462,601	-
Total	**44,377,838**	**-**

Most leases are in EUR and only three in RON and are concluded for a contractual period ranging from 4 to 10 years. The Bank operates as lessee in vehicle leases and leases for rental of office spaces for the Bank's branches.

Expenses related to short-term leases and leases that were considered of law-value assets are expensed directly to Income statement. Total expenses incurred with such items in 2019 were in amount of RON 440,308. Total cash outflow related to lease liabilities payments in 2019 were in amount of RON 9,577,335.

Right-of-use assets	2019	2018
Right-of-use assets – vehicles	1,556,543	-
Right-of-use assets - rentals	42,821,295	-
Total	**44,377,838**	**-**

Movement of right-of-use assets as at the application of IFRS 16 (January 1, 2019)

	Vehicles	Land and buildings	Total
Balance at January 1, 2019	**-**	**41,956,985**	**41,956,985**
New leases	1,969,242	6,337,922	8,307,164
Amended leases	-	1,576,290	1,576,290
Cessation / Annulment	-	-	-
Amortization during the year (-)	-412,699	-7,049,902	-7,462,601
Balance at December 31, 2019	**1,556,543**	**42,821,295**	**44,377,838**

Amounts recognised to profit or loss for IFRS 16 lines

RON	Vehicles	Land and buildings	Total
Expenses with depreciation of right-of-use assets	412,699	7,282,743	7,695,442
Expenses with interest of leasing liabilities	14,306	1,052,848	1,067,154
Total	**427,005**	**8,335,591**	**8,762,596**

The RON 232,841 difference between expenses with the amortization of right-of-use assets and the accumulated amortization during the year is due to the reversal of the amortization related to the old contract further to the contractual changes made for Calea Victoriei branch in terms of amount and duration.

For the maturity analysis of financial liabilities, please see note 3.5.

(all amounts are expressed in RON, unless otherwise stated)

16. INTANGIBLE ASSETS

	IT software
Net carrying amount as at January 1, 2019	**2,376,937**
Inputs	2,111,064
Transfers	-
Outputs	-
Amortization expense	-953,270
Accumulated amortization for outputs	-
Net carrying amount as at December 31, 2019	**3,534,731**
December 31, 2019	
Cost	10,162,332
Accumulated amortization	-6,627,601
Net carrying amount	**3,534,731**
Net carrying amount as at January 1, 2018	**1,416,088**
Inputs	1,931,858
Transfers	-
Outputs	-1,826,490
Amortization expense	-971,009
Accumulated amortization for outputs	1,826,490
Net carrying amount as at December 31, 2018	**2,376,937**
December 31, 2018	
Cost	8,051,268
Accumulated amortization	-5,674,331
Net carrying amount	**2,376,937**

17. INVESTMENT PROPERTY

Investment property	**2019**	**2018**
Investment property		
- land	78,781,636	-
- buildings	18,727,648	-
Total	**97,509,284**	**-**

During the year, some repossessed assets were reclassified as investment property in accordance with IAS 40 (fair value model) and land leased. Investment properties are valued annually at market value, based on a report prepared by an ANEVAR accredited valuer. In addition, the revalued amount is verified by an independent valuer indicated by the NBR. The income from leased investment properties is in the amount of RON 382,826.

(all amounts are expressed in RON, unless otherwise stated)

17. INVESTMENT PROPERTY (continued)

The movements in the investment property portfolio were as follows:

	December 31, 2019	December 31, 2018
Opening balance	-	-
Reclassification from repossessed assets	94,712,848	-
additions	14,102,638	-
disposals	-11,306,202	-
Closing balance	**97,509,284**	**-**
Price received for assets sold in 2019	15,064,516	-

18. OTHER ASSETS

	2019	2018 restated
Other financial assets		
Values to be recovered	1,006,515	28,458
Various debtors - net	1,333,711	1,292,110
Incomes to be received - net	387,570	339,226
Total	**2,727,796**	**1,659,794**
Repossessed assets		
Repossessed assets – gross amount	170,131,657	346,060,341
Impairment allowance for repossessed assets	-29,626,442	-80,608,726
Net value	**140,505,215**	**265,451,615**
Other non-financial assets		
Inter-bank settlements	-	560,958
Advances to personnel	540	1,501
Deductible/recoverable VAT	4,551	954
Other receivables regarding the state budget	473,400	771,264
Repossessed assets		
Expenses registered in advance	3,756,854	3,333,208
Total	**4,235,345**	**4,667,885**

Nature of the assets	December 31, 2019	December 31, 2018
Various debtors - gross	1,772,171	1,730,421
Provision	-438,460	-438,311
Net carrying amount	**1,333,711**	**1,292,110**
Gross incomes to be received	513,371	432,701
Provision	-125,801	-93,475
Net carrying amount	**387,570**	**339,226**

(all amounts are expressed in RON, unless otherwise stated)

18. OTHER ASSETS (continued)

The movement in the portfolio of repossessed assets was as follows:

	December 31, 2019	December 31, 2018
Opening balance (gross value)	346,060,341	327,050,350
Inflows (gross value)	19,905,509	57,800,184
Outflows (gross value)	-37,266,615	-38,790,193
Reclassification of investment property	-158,567,578	-
Closing balance	**170,131,6575**	**346,060,341**
Price received	27,521,716	36,019,762

Assets in gross amount of RON 158,567,578 were reclassified from repossessed assets to investment property for land lease.

The movement of the provision for various debtors is as follows:

	December 31, 2019	December 31, 2018
Opening balance	438,311	46,046
Increases	1,451	392,265
Decreases	1,302	-
Closing balance	**438,460**	**438,311**

The movement of the provision for income to be received is as follows:

	December 31, 2019	December 31, 2018
Opening balance	93,475	74,995
Increases	32,326	18,480
Decreases	-	-
Closing balance	**125,801**	**93,475**

The movement of the provision for repossessed assets impairment representing assets achieved as a consequence of foreclosure of receivables is as follows:

	December 31, 2019	December 31, 2018
Opening balance	80,608,726	85,457,862
Increases	6,052,227	3,081,741
Decreases	-2,743,078	-1,578,437
Reversals for repossessed assets sold	-12,611,970	-6,352,440
Reclassification to investment property	-41,679,464	-
Closing balance	**29,626,442**	**80,608,726**

19. DEPOSITS FROM BANKS

	2019	2018
Correspondent accounts (Loro)	29,053	29,054
Sight deposits	-	15,001,146
Maturity deposits	77,625,997	51,718,173
Total	**77,655,050**	**66,748,373**

In 2019, for inter-banking deposits drawn, expressed in RON, interest rates varied between 1.50% and 3.55% (2018: 1.35% and 3.52%). For inter-bank deposits denominated in EUR, the interest rates was 0.1% (2018: between 0% and 4.25%).

20. CUSTOMERS' DEPOSITS

	2019	2018
Current accounts	373,680,264	221,554,504
Sight deposits	34,637,634	10,713,957
Maturity deposits	1,676,203,085	1,381,812,520
Collateral deposits	40,705,039	19,612,451
Total	**2,125,226,022**	**1,633,693,432**

The interest rates regarding customers deposits in 2019 varied between 0.1% and 4.45% (2018: between 0% and 4.05%) on deposits denominated in RON and between 0% and 2.85% (2018: between 0% and 4%) on deposits denominated in EUR.

21. FINANCE LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

	2019	2018
Finance liabilities at fair value through profit or loss		
Foreign exchange swaps	314,885	-
Total	**314,885**	**-**

The amount represents unrealised loss on a foreign exchange swap. The swap is made for liquidity purposes for foreign exchange management.

At December 31, 2019	**within 1 month**	**1-3 months**	**3 – 12 months**
Finance liabilities at fair value through profit or loss (swap)			
Unrealised gain (asset)	-	-	-
Unrealised loss (liability)	314,885	-	-

At December 31, 2018	**within 1 month**	**1-3 months**	**3 – 12 months**
Finance liabilities at fair value through profit or loss (swap)			
Unrealised gain (asset)	-	- -	- -
Unrealised loss (liability)	-	-	-

(all amounts are expressed in RON, unless otherwise stated)

21. FINANCE LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS (continued)

Off-balance sheet foreign exchange positions for swaps and spots

Off-balance sheet foreign exchange positions	**2019**		**2018**	
	Assets	**Liabilities**	**Assets**	**Liabilities**
RON	2,074,765	-	2,331,950	-
EUR	-	2,389,650	-	2,331,950
USD	-	16,231,075	-	-
GBP	16,545,960	-	-	-
CHF	-	-	-	-
Total	**18,620,725**	**18,620,725**	**2,331,950**	**2,331,950**

22. OTHER LIABILITIES

	2019	**2018 restated**
Other financial liabilities		
Other due amounts	2,073,216	1,032,199
Sundry creditors	1,817,993	2,170,936
Expenses payable	520,992	382,954
Total	**4,412,201**	**3,586,089**

Lease liabilities	**2019**	**2018**
Lease liabilities – vehicles	1,619,246	-
Lease liabilities – rentals	44,181,084	-
Associated liabilities	1,550	-
Total Lease liabilities	**45,801,880**	**-**

For the maturity analysis of financial liabilities, please see note 3.5.

Other non-financial liabilities		
Collected/payable VAT	104,194	33,534
Salary withholdings due to third parties	-	-
Other payable taxes and social benefits	1,921,967	1,543,915
Income registered in advance	542,716	975,728
Other regulatory accounts and differences	253,256	18,337
Total	**2,822,133**	**2,571,514**

Other non-financial liabilities presented above are expected to be settled within the next 12 months.

(all amounts are expressed in RON, unless otherwise stated)

22. OTHER LIABILITIES (continued)

Changes in lease liabilities as of the application of IFRS 16 (January 1, 2019)

	Vehicles	Land and buildings	Total
Balance at January 1, 2019	**-**	**41,956,985**	**41,956,985**
Interest expenses	14,306	1,052,848	1,067,154
Lease payments (principal + interest)	-371,804	-7,703,703	-8,075,507
New leases	1,978,207	6,337,922	8,316,129
Amended leases	-	1,576,290	1,576,290
FX impact	88	960,742	960,830
Cessation /Annulment	-	-	-
Balance at December 31, 2019	**1,620,796**	**44,181,084**	**45,801,880**

Maturities of lease liabilities at December 31, 2019

RON	Vehicles	Land and buildings	Total
Within 1 year	492,478	7,366,713	7,859,191
1 - 5 years	1,128,318	22,726,704	23,855,022
Over 5 years	-	14,087,667	14,087,667
Total	**1,620,796**	**44,181,084**	**45,801,880**

The undiscounted contractual amounts for lease liabilities, split on maturities, are presented below:

	2019	2018
Within 1 year	8,547,632	8,250,804
1 - 5 years	26,336,081	15,602,684
Over 5 years	15,585,578	6,640,932
Total	**50,469,291**	**30,494,420**

(all amounts are expressed in RON, unless otherwise stated)

23. OTHER PROVISIONS

	2019	2018 restated
Provisions for loan commitments, financial guarantees and other given commitments	1,256,520	540,264
Litigation provisions	-	28,776
Provisions for employees benefits	1,837,108	1,702,688
Total	**3,093,628**	**2,271,728**

The value of the risk provisions takes into account the best estimate of the necessary amount for the settlement of the obligation, taking into consideration the associated risks.

Once the Company adopted IFRS 9 as of January 1, 2018, it calculated additional provisions according to the methodology in force, for crediting commitments and financial guarantees.

The litigation provisions are recognised for all the situations where the following conditions are met: there is a legal or constructive obligation as a consequence of a past event, the possibility that an outflow incorporating economic benefits necessary for the settlement of the obligation is more likely than the possibility of not being necessary and a reliable estimate may be done regarding the value of the obligation.

The provisions for employees' benefits were presented last year in the "Other payables" line (see Note 2.23) and relate mainly to provisions booked in respect of employees legal holidays entitled and not taken.

The changes in the provisions for risks and charges are presented below:

	2019	2018
Balance at the beginning of the year	**2,271,728**	**337,657**
Increases	4,538,019	2,863,832
Decreases	-3,729,578	-1,118,212
FX differences	13,459	188,450
Balance at the end of the year	**3,093,628**	**2,271,728**

Litigation provisions are due to the elimination of risks regarding the litigation on abusive clauses (risks correlated with increase of the interest rates and charging commissions for granting, managing and restructuring). At December 31, 2019, the Bank registers no litigation provisions.

(all amounts are expressed in RON, unless otherwise stated)

24. SHARE CAPITAL

	2019	2018
Shared capital registered with the Trade Registry	468,582,594	421,143,290
Adjusting the share capital with inflation (IAS 29)	36,171,458	36,171,458
Share capital according IFRS	**504,754,052**	**457,314,748**

Shareholder	**2019**	**2018**
	(%)	*(%)*
Barniveld Enterprises Limited	99.72	99.69
Shareholders – legal entities	0.17	0.19
Shareholders - natural persons	0.11	0.12
Total	**100.00**	**100.00**

The Bank's share capital consists of 4,685,825,940 (2018: 4,211,432,900) ordinary shares allocated and paid in full in the amount of RON 0.1 each share (2018: RON 0.1 each). Every share represents a vote.

On September 25, 2019 and October 16, 2019, the share capital was increased by EUR 10 million, as per the Resolution of the General Meeting of Shareholders of September 3, 2019, which resulted in securing proper rates as regards the level of the Bank's own funds.

25. RESERVES

	2019	2018
Legal reserve	6,872,948	6,872,948
General reserve for banking risks	7,568,063	7,568,063
Other reserves	627,575	627,575
Differences from changes in the fair value of financial assets at fair value through other comprehensive income – credit office	29,257	25,050
Differences from the alterations of the fair value of financial assets at fair value through other comprehensive income – Visa	2,570,828	1,215,985
Total	**17,668,671**	**16,309,621**

The changes in reserves are detailed as follows for each reserve category:

Legal reserve	**2019**	**2018**
Balance at the beginning of the year	**6,872,948**	**6,347,886**
Transfer as profit allocation	-	525,062
Balance at the end of the year	**6,872,948**	**6,872,948**

(all amounts are expressed in RON, unless otherwise stated)

25. RESERVES (continued)

Differences from changes of the fair value of financial assets at fair value through other comprehensive income

	2019	2018
Balance at the beginning of the year	**1,241,034**	**830,792**
Registering the differences regarding the fair value	1,359,050	410,242
Balance at the end of the year	**2,600,084**	**1,241,034**

According the Romanian legislation regarding the bank institutions and operations, the Bank must distribute the profit as dividends or to perform a transfer in the reported result (reserves) based on the financial statements concluded in accordance with Order 27/2010. The transferred amounts in the reserve accounts must be used for the purposes defined at the time of the transfer.

According the Romanian bank legislation, the Bank has the obligation to create a legal reserve of 5% of the gross income, until the total reserve reaches 20% out of the issued and fully paid share capital.

According the legislation regulated by the National Bank of Romania, in the past the Bank had the obligation to create a general reserve for banking risk, out of the gross income. This reserve may be used to cover losses from loans. At present, the reserve is not used until a clarification is issued regarding this regulation by the National Bank of Romania.

The amounts transferred in reserves must be used for the purpose defined at the time of the transfer. According to the national legislation, these reserves cannot be used for other purposes.

After reducing taxes and eliminating statutory and general reserves as previously presented, the remaining balance out of the net income may be distributed to the shareholders. Only the dividends from the current statutory income may be declared.

The legal reserves may be distributed with the approval of the Annual General Meeting of Shareholders, but they shall be subject to 16% taxation at the distribution time.

26. CASH AND CASH EQUIVALENTS

Cash and cash equivalents at the end of the reporting period as shown in the statement of cash flows can be reconciled to the related items in the reporting position as shown below:

	2019	2018
Cash and balances with the Central Banks (Note 10)	361,158,875	235,209,032
Placements with banks* (Note 11)	253,763,154	336,896,963
Total	**614,922,029**	**572,105,995**

** Placements with banks that have a maturity below 3 months*	2019	2018
Correspondent accounts (Nostro)	4,125,016	3,143,517
Sight deposits	152,224,702	36,314,389
Short term deposits (below 3 months)	97,413,436	297,439,057
Total	**253,763,154**	**336,896,963**

(all amounts are expressed in RON, unless otherwise stated)

27. RELATED PARTY TRANSACTIONS

The nature of the relationship with related parties for those related parties with which the Bank concluded significant transactions or registered significant balances as at December 31 is herein presented.

Barniveld Enterprises Limited is the parent bank.

The main related parties of the Group are as follows:

- Mr. Ioannis Vardinogiannis – Greek natural person is the ultimate beneficial owner, holding 100% of Gem Force Investments Limited.
- Gem Force Investments Limited fully owns 100% of Barniveld Enterprises Limited
- Barniveld Enterprises Limited owns 99.72% of Vista Bank SA share capital

2019	Management	Key positions	Parent bank	Other entities from the Group
Assets				
Current accounts with banks	-	-	-	15,082
Placements with banks	-	-	-	41,941,658
Customers' loans	17,309	1,682,116	-	69,067,088
Total assets	**17,309**	**1,682,116**	**-**	**111,023,828**
Liabilities				
Current accounts with banks	-	-	-	29,054
Deposits of banks	-	-	-	47,793,265
Customers' deposits	3,740,049	3,645,590	386,831	119,323,089
Total liabilities	**3,740,049**	**3,645,590**	**386,831**	**167,145,408**

2018	Management	Key positions	Parent bank	Other entities from the Group
Assets				
Current accounts with banks	-	-	-	80,648
Placements with banks				160,352,638
Customers' loans	299	2,280,731	-	11,537,117
Total assets	**299**	**2,280,731**	**-**	**171,970,403**
Liabilities				
Current accounts with banks	-	-	-	29,054
Deposits of banks	-	-	-	-
Customers' deposits	1,131,479	2,602,780		7,662,070
Total liabilities	**1,131,479**	**2,602,780**	**-**	**7,691,123**

27. RELATED PARTY TRANSACTIONS (continued)

In 2018, the Bank (former Marfin Bank) was a member of Laiki Group, which was under liquidation, under the control of a designated receiver.

In 2018, the majority shareholder of the Bank became Barniveld Enterprises Limited with 58 Arch. Makarios III, Iris Tower, 8th floor, 1075, Nicosia, Cyprus.

Thus, by Letter no. 18906 / 18.08.2017, Barniveld Enterprises Limited notified the National Bank of Romania its intention to become a shareholder of Vista Bank (at that time, Marfin Bank (Romania) SA), with a 99.535052% shareholding in the bank, based on the provisions of Article 25 paragraph 3 of Government Emergency Order no. 99/2006 on credit institutions and capital adequacy, as amended and supplemented by Law no. 227/2007, as subsequently amended and supplemented.

Subsequently, by Letter no. FG / 235 / 12.03.2018, the Central Bank informed the purchaser's representative that it does not oppose Barniveld Enterprises Limited's intention to hold a direct participation of 99.535052% in the share capital of Vista Bank (Romania) SA.

In 2018, MBR was member of Laiki Group, which was formed of: Marfin Leasing Romania SA, International Bank of Greece and Axia Nova Property Holdings SRL.

On May 20, 2019, the Bank changed its name from Marfin Bank (Romania) SA to Vista Bank (Romania) SA.

(all amounts are expressed in RON, unless otherwise stated)

27. RELATED PARTIES TRANSACTIONS (continued)

	2019				2018			
	Management	Key positions	Parent bank	Other entities from the Group	Management	Key positions	Parent bank	Other entities from the Group
Income								
Bank placement interest	-	-	-	493,274	-	-	-	254,998
Customers' loans interest	-	49,677	-	961,035	-	78,850	-	531,239
Total income	**-**	**49,677**	**-**	**1,454,308**	**-**	**78,850**	**-**	**786,237**
Expenses								
Bank deposit interest	-	-	-	265	-	-	-	857,676
Customer deposit interest	22,192	46,102	-	574,985	11,762	55,113	-	66,684
Expenses with salaries	2,952,777	3,536,142	-	-	1,296,203	3,280,533	-	-
Total expenses	**2,974,969**	**3,582,244**	**-**	**575,250**	**1,307,965**	**3,335,646**	**-**	**924,360**

In 2019, the Bank paid salaries (including related social contributions) to management and key position personnel in amount of RON 6,488,919 (December 31, 2018: RON 4,576,736).

28. COMMITMENTS AND CONTINGENT LIABILITIES

Taxation

The Romanian tax system suffered multiple alterations over the last years and now is in the phase of adjusting to the European Union jurisdiction. Therefore, there are still different interpretations of the tax legislation. In certain situations, the tax authorities may treat differently certain aspects, performing the calculation of some additional fees and taxes and of the related interest and delay penalties (at the present time the penalties established according the delay period, plus 0.01% per day default interest). In Romania, the fiscal year remains opened for tax verification for 5 years. The Bank's management considers that the tax liabilities included in these financial statements are adequate.

Tax on assets

GEO no. 19 of 29.03.2019, amends GEO no. 114/2018. The new form of the ordinance took into account some of the proposals put forward by the business community.

Mention should be made of the sophisticated calculation mechanism applicable to the tax on assets: banks must take into account their market share, the increase in lending activity, the decrease in the margin between interest on deposits and that charged on loans and, last but not least, the class of assets subject to taxation.

The main elements regarding the amount of the tax are:

- 0.4% for banks with a market share of more than 1%
- 0.2% for banks with a market share of less than 1%.

Also, a number of financial assets were excluded from the tax base, as follows:

- cash
- balances with central banks at net value, excluding non-performing exposures;
- non-performing loans at net value;
- debt securities issued by central government at net value, except for non-performing exposures;
- loans and advances to central government at net value, excluding non-performing exposures;
- loans granted by credit institutions to the non-governmental sector with guarantees received from central government at net value, except for non-performing exposures;
- loans to credit institutions, accruals and amortized amounts, at net value, excluding non-performing exposures;
- investments in credit institutions, accruals and amortized amounts, at net value, excluding non-performing exposures;
- correspondent accounts with credit institutions and commitments, at net value, excluding non-performing exposures;
- reverse deposit operations and borrowed securities, accruals and amortized amounts, at net value, excluding non-performing exposures.

Banks could benefit from a 50% tax cut if they increase lending for a certain benchmark (+ 8% for 2019) and / or another 50% if they reduce the interest margin between loans and deposits in RON, also below a certain reference level (-8% for 2019). The benchmark interest rate is set at 4% in 2019. The benchmarks will be set annually by Government decision.

Banks that have accounting losses before calculating the tax on assets at the end of the semester or year for which the tax is due are not subject to the tax on assets.

For 2019, the Bank recorded an accounting loss both at the end of the first semester and at the end of the year, so it did not record the tax on assets. The Bank performed the tax on assets analysis and sent the notification on the terms and in the pre-established format in accordance with the tax regulations in force.

28. COMMITMENTS AND CONTINGENT LIABILITIES (continued)

Transfer price

The Romanian tax legislation includes the "market value" principle, according to which the trades between the related partied must be performed at the market value. The local contributors performing transactions with the related parties must draw up and to put at the disposal of the Romanian tax authorities, at their written request, the documentation file of the transfer prices. Failure to present the documentation file or the incomplete presentation of such may cause penalties for noncompliance; additional to the content of the documentation file of the transfer prices, the tax authorities may interpret the transactions and circumstances different from the management's interpretation, therefore, they may impose additional tax liabilities resulted out of the adjustment of the transfer prices. The Bank's management considers that the Bank will not have any losses if a tax control should occur for the assessment of the transfer prices. Nevertheless, the impact of the different interpretations of the tax authorities may not be reliably appraised. It can be significant for the Bank's financial position and/or operations.

Tax risk

The Romanian tax system is in the phase of consolidation and adjustment with the European Union legislation. However, there are still different interpretations of the tax legislation. In certain situations, the tax authorities may treat differently certain aspects, performing the calculation of some additional fees and taxes and of the related interest and delay penalties. In Romania, the fiscal year remains opened for tax verification for 5 years. The Bank's management considers that the tax liabilities included in these financial statements are adequate and they are not aware of any circumstances which may cause significant liability in this respect.

Loan commitments

The main purpose of these instruments is to ensure the availability of the funds to respond to the customers' requirements.

The guarantees and standby letters of credit, which constitute an irrevocable assurance that the Bank will make the payments if a customer is not able to fulfill his liabilities towards a third party, are exposed to the same loan risk as the loans.

The commercial and documentary letters of credit representing written commitments of the Bank for the benefit of a customer and authorising a third party to draw instalments on Bank within the limit of a stipulated amount and within specific terms and conditions are guaranteed by the related assets delivery presenting accordingly a considerable lower risk than the direct loans.

The loan extension commitments represent unused segments loan extension authorisations under the form of loans, guarantee letters or letters of credit. Regarding the credit risk related to the expansion commitments of the loan, the Bank is potentially exposed to a loss equal with the total unused commitments.

Nevertheless, probable volume of the loss, although difficult to be quantified is significantly lower than the total unused commitments, since the majority of the expansion commitments of the loan are conditioned by the observance by the customers of certain specific credit standards. The Bank monitors the credit maturities because, in general, the long term commitments presents a higher degree of credit risk than the short term credit commitments.

(all amounts are expressed in RON, unless otherwise stated)

28. COMMITMENTS AND CONTINGENT LIABILITIES (continued)

Loan commitments (continued)

The outstanding amounts are as follows:

	2019	2018
Commitments in favour of credit institutions	-	-
Commitments in favour of the customers (irrevocable unused credit facilities)	55,097,513	67,105,694
Openings of documentary letters of credit in foreign currency	330,128	-
Guarantees for customers	34,831,003	27,646,840
Total	**90,258,644**	**94,752,534**

Performance guarantees

Details regarding the letters of guarantee on December 31, 2019 and December 31, 2018 are presented below:

	2019	2018
Letters of financial guarantee	20,109,283	12,631,591
Performance bond letters	14,721,720	15,015,249
Total off balance exposure for letter of guarantees	**34,831,003**	**27,646,840**

In 2019 and 2018, the Bank had no pledged securities.

29. SUBSEQUENT EVENTS

Until the date of approval of the financial statements, the whole world is facing an unprecedented health crisis (COVID 19) that has affected many countries both medically and economically.
Consequently, the Bank has taken urgent measures to ensure business continuity and customer support at these unprecedented times.

As a result, appropriate measures were promptly implemented and all necessary precautions were taken to protect both employees and customers in order to mitigate the risk posed by COVID-19.

In order to reduce the risk of contamination, the business continuity plan was activated, as well as other reorganization measures, in order to completely eliminate the risk of coronavirus contamination.

- In order to avoid congestion during rush hours, both by public transport and on the street or in other public spaces, the work schedule has been reorganized.
- All meetings, events, business trips and scheduled physical meetings with customers and service providers have been cancelled, and are limited to telephone or online calls.
- Measures have been taken for HQ employees to completely eliminate the risk of coronavirus contamination (frequent disinfection, purchase of disinfectant solutions, as well as masks and protective gloves, etc.).
- The bank's infrastructure has been adapted so that employees can work from home
- An IT system was implemented through which all HQ employees can work from home and easily access the bank's systems and applications, shared files and programs.

(all amounts are expressed in RON, unless otherwise stated)

29. SUBSEQUENT EVENTS (continued)

Even if the decision was made for almost all HQ employees of the bank to work from home, the activity carried on within normal parameters, focusing on digitalization and coordination of remote work teams and providing banking services at the same standard, as follows:

- the personnel from the bank's headquarters, with the exception of the personnel in charge of the payment activity, carry out activity in a regime 90% assimilated to telework.
- the personnel from the control functions carry out their activity in a regime 100% assimilated to telework.
- for the card activity, 100% of the staff adopted telework, with a few hours a week at the office by a single employee, by rotation at the bank's headquarters to perform tasks that require physical presence.

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2 budget scenarios for the current year and the following year were analyzed, taking into account mainly the evolution of the main volumes related to customers: loans and deposits, which were adjusted between 10% and 20%.

Volumes	**Loans**		**Deposits**		**Total assets**	
mil. EUR	**2020**	**2021**	**2020**	**2021**	**2020**	**2021**
Budget approved	**381**	**451**	**590**	**690**	**680**	**785**
Scenario 1	**335**	**405**	**515**	**585**	**592**	**667**
change compared to approved budget	*12%*	*10%*	*13%*	*15%*	*13%*	*15%*
Scenario 2	**315**	**355**	**525**	**555**	**601**	**633**
change compared to approved budget	*17%*	*21%*	*11%*	*20%*	*12%*	*19%*

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29. SUBSEQUENT EVENTS (continued)

Regarding the public moratorium, to date the bank has received 193 applications for rescheduling of installments, of which: 164 from individuals and 29 from legal entities. These cases are carefully analyzed in order to adequately solve the applications. IT solutions for registering the related contractual changes in the IT systems were analyzed and implemented.

Also, other balance sheet items were taken into account, such as investment securities and subordinated loans, items that have a significant impact on the evolution of the bank's liquidity, capital adequacy and profitability ratios.

The subordinated loans provided in the budget are financed by the group in order to support the lending activity and in terms of compliance with the capital ratios.

The decrease in volumes has an impact on profitability, in terms of decreasing net income from interest and commissions.

In terms of costs, measures have been taken to reduce rents for the spaces where the branches operate. Almost all contracts have been revised and the value of the rents has been reduced for a period between 1 month and 9 months.

The discount amounts to EUR 28 thousand per month, representing 18% of the total contractual value of the rented spaces. At the level of the current year, the total amount of discounts is EUR 134 thousand.

In the above-mentioned scenarios compared to the approved budget, profit decreases by a percentage ranging from 34% to 70%

Other items	**Investment securities**		**Subordinated loans**		**Profit before tax**	
mil. EUR	**2020**	**2021**	**2020**	**2021**	**2020**	**2021**
Approved budget	95	115	10	15	2.09	5.52
Scenario 1	90	100	5	15	0.91	3.66
change compared to approved budget	*5%*	*13%*	*50%*	*0%*	*57%*	*34%*
Scenario 2	100	110	3	12	0.63	2.18
change compared to approved budget	*-5%*	*4%*	*70%*	*20%*	*70%*	*61%*

In the analyzed scenarios, the main ratios of the bank were also taken into account, in order to comply with the level provided by the regulations in force and the guidelines received from the central bank. The following ratios are presented below for the current year and the following year: immediate liquidity, total equity ratio and total assets.

Ratios	**Immediate liquidity**		**Total equity ratio**		**Total securities/total assets**	
%	**2020**	**2021**	**2020**	**2021**	**2020**	**2021**
Approved budget	43.17%	44.01%	18.64%	18.57%	13.97%	14.64%
Scenario 1	42.17%	40.24%	17.40%	17.24%	15.19%	15.00%
Scenario 2	46.86%	45.43%	17.87%	17.92%	16.63%	17.38%

At the moment, the bank has no unpaid debts, all the obligations regarding taxes and social contributions have been paid on time. The potential decrease of the values from the approved budget does not affect the quality of the services and is in line with the level of the regulated ratios. The bank has all the tools and support to continue the activity without disruptions.

REPORT OF THE BOARD OF ADMINISTRATION

on the activity carried out in 2019

VISTA BANK (ROMANIA) S.A., Romanian legal entity, having the headquarters in 90-92 Emanoil Porumbaru Street, Bucharest, district 1, Romania, is registered with the Trade Registry under no. J40/4436/1998, having the unique registration code RO 10556861, share capital RON 468,582,594, and is registered at the National Bank of Romania Registry no. RB-P-JR-40-044 dated 18.02.1999.

Budget - 2019

In line with the revised Budget, the following levels of principal elements have been estimated for 2019:

- Total assets - EUR 505 mil;
- Customer loans (gross value) - EUR 300 mil;
- Financial assets at amortised cost– EUR 75 mil;
- Customer deposits – EUR 425 mil.

Profit & Loss account:

- Net interest income - EUR 10.18 mil;
- Net commission income - EUR 0.86 mil;
- Net FX earning - EUR 0.68 mil;
- Operational costs - EUR 15.15 mil.

The Bank focuses on the following objectives:

- the limitation of losses due to the depreciation of the debtor's quality by monitoring the loan portfolio, which is a permanent process that includes two stages: the first stage is for the prevention of the events which may cause risks and takes place before taking the decision of financing potential clients, being followed by the credit risk monitoring stage which takes place after the loan financing and until the full repayment;
- to speed up the selling of the repossessed assets;
- to increase the collections related to the non-performing portfolio.

- to detect and correct the occurred problems in due time;
- the improvement and amendment of the Procedures of the Bank in due time according to the legislation in force;
- increase of the level of the professional qualification of our employees by participating at external and internal training programs;
- improving the IT System in order to minimize the risks of the Bank;
- expand the cards products portfolio for both companies and private individuals and POS acquiring;
- continue to expand the retail product "First House" for granting of housing loans;
- focus on expanding the retail lending in local currency, as a strategy the bank will focus on medium and high net individuals that are not so sensitive at current market fluctuation.
- moderate lending expansion to new corporate customers with focus on financing of the current activity of the companies; as a strategy the bank will focus on medium & large corporate customers with solid financial statement that can sustain their business in the current market conditions.

In order to have a balanced loan portfolio the bank currently focus on sectors related to real economy such: food, services, trade with primary products, agriculture, energy, distribution, constructions, real estate etc.

- focus on expanding the corporate and especially SME lending in local currency and convert existing exposure from foreign currency into local currency;
- avoid investment loans in real estate project or in non-productive projects for corporate clients;
- focus in co-financing the projects with EU Structural funds option for corporate and SME clients;
- granting working capital credit lines addressed to SME's with state guarantee;
- increasing the turnover of our customers through our account – better monitoring of quality of services;
- improving the capital base and the prudential ratios;
- attract new deposits from the customers that have funds availability;

Corporate Banking Division serves a wide range of clients, legal entities from all the sectors of the economy.

The products and services provided to clients support a mutually beneficial relation, with the purpose of contributing to the Bank's profitability, and also to cover clients' needs.

The main objectives of Corporate Banking for 2019 were the following:

- offering support to the network selling channels for enlarging the corporate portfolio by attracting new clients with acceptable risk and profitability;
- monitoring constantly the market evolution in order to adjust the corporate financing to the clients' needs and improve products offered to customers;
- Improving the structuring, negotiation, execution and performance of loan facilities and contributing to the minimization of losses from lending activity.

Retail Banking Division offers a variety of lending and savings products for individuals. Retail Banking has developed a range of savings products in order to improve the Bank liquidity and attract financial resources from the population.

On the Retail segment, the bank focuses on the following types of loans:

- Real estate investment loans, mainly "Prima Casa" loans
- Consumer loans
- Credit cards
- Overdrafts

The main objectives of Retail Banking for 2019 were the following:

- improving the efficiency of the loan approval process by improving the automation of related operations;
- continuous improvement of existing products, both loans and deposits, in order to adapt the offer to the new market requirements and consumers;
- developing of creative savings products in order to diversify resources and increase the customers' base;
- expanding client portfolio by attracting customers according to risk strategy;
- optimizing the cross-selling customer's portfolio.

Risk management

The risk management activity is a process focused on the analysis of the risk profile, in order to achieve a balance between the level of undertaken risks and the profitability related thereto, in the purpose of ensuring the development of the Bank's activity on solid grounds. In this way, the Bank's capital will be protected and the added value for shareholders will increase.

The main risks which the Bank is facing result from the performance of the banking activity on the Romanian territory, as well as with foreign counterparties.

The most important financial risks to which the Banks is exposed are the credit risk, the operational risk, the liquidity risk, the market risk and the reputation risk. The market risk includes the currency risk, the interest risk and the price risk.

a) The credit risk

The Bank is exposed to the credit risk, namely to the risk of undergoing losses or not realizing the estimated profits, as a consequence of the counterparty's default in fulfilling its contractual obligations. The credit risk source is not represented only by the classic credit activity, this occurring in any activity which involves a counterparty risk. In this sense, the identification, assessment, management and control of the credit risk are concerned both with the activities emphasized in the balance sheet and with those off balance sheet, which are subject to this risk.

The credit risk is treated, managed and monitored differently, based on the nature of the counterparty to which it is exposed: non-banking clients, respectively private individuals and legal entities (classic credit risk) and credit institutions (the limitation of exposure towards other banks and the correspondent relations).

At the Bank's level, the emphasis is placed on the degree of concentration of the portfolio function of various factors, such as: a) for legal entities: activity sector, facility duration, facility type, country of origin, company size, geographical area and b) for private individuals: product type and geographical area as well as the interdependencies between such, the final objective being that of holding a diversified credit portfolio, which allows the control and management of the undertaken risks and the avoidance of the deterioration of its quality, due to the similarities between the composing elements.

In order to limit the counterparty risk to the level of placements or correspondent banking account with other banks, the Bank establishes and monitors the compliance with the maximum limits of exposure for each bank on the money market and foreign exchange markets, in correlation with the risk of such counterparties, and also to the level of the Bank's own funds.

b) The operational risk

The operational risk - the risk of undertaking losses or of failing to realize the estimated profits, which may be determined by internal factors (the inadequate development of certain internal activities, the existence of an inadequate staff or systems, etc.) or of external factors (economic conditions, changes in the bank environment, technological processes, etc.).

In order to manage operational risk, the Bank monitors the operational risk events by establishing Key Risk Indicators and maintaining a Loss Database with the losses generated by these events.

At the same time, the management of the legal risk is considered component of the operational risk, which occurs as a consequence of the failure to apply or of the incorrect application of the legal or contractual obligations, which has a negative influence on the Bank's operations or situation.

In order to manage legal risk, the bank monitors the litigations in which it is involved as plaintiff, as defendant or as garnished third party.

c) The liquidity risk

The liquidity risk is the risk of undergoing losses or of not realizing the estimated profits, which results from the Bank's impossibility to honor at any time the short term payment obligations, without this involving costs or losses which cannot be borne by the Bank.

The structure of assets and liabilities was analyzed based on the period remaining until the contractual due date. The Banks wants to keep a balance between the maturity dates of placements and the due dates of the attracted sources. The essence of managing the liquidity risk means the certainty that the Bank holds or may access liquid funds to be able to satisfy the operational needs in regular activity conditions which needs additional sources of liquidities, but also in unpredictable situations.

d) The currency risk

The currency risk, the component of the market risk, is generated by miscorrelations between the Bank's receivables and commitments in a certain currency (represented in the Bank's balance sheet and in elements outside the balance sheet). The main currencies held by the Bank are EUR and USD.

e) The interest rate risk

The interest rate risk, component of the market risk, results from the GAP between the Bank's assets and liabilities which carry interest and the spread between them per band and cumulative.

The sources of the interest risk are the miscorrelation between the re-pricing date of assets and liabilities which carry interest, unfavorable evolutions in the shape and inclination level of the interest efficiency curves (non-parallel evolutions of the efficiencies of the Bank's interests payable and to be collected), the non-correlation of the evolutions between reference interests to which the Bank's payable interests and interests to be collected are added, as well as the options incorporated into the Bank's products, options which the clients may exert (the anticipated refunding of credits, the withdrawal before the due date of term deposits).

In order to limit the interest risk at the level of the credit activity, the Bank generally practices for loans variable interests, based on the Bank's policy and based on certain reference interests on the market (EURIBOR, LIBOR, and ROBOR). In order to limit the interest risk at the level of attracted sources, the Bank practices for deposits fixed interests. Based on the amount of the deposit as well as the market conditions, the Bank may negotiate the interest for such deposits.

f) The price risk

The price risk, component of the market risk, occurs from the market fluctuations of the price in the movable valuables, goods and derived financial instruments.

The bank does not hold at the end of the financial year, a trading portfolio and consequently it is not subject to the price risk.

g) The reputation risk

The reputation risk, the risk of undergoing losses or of not realizing the estimated profits, as a consequence of lack of trust in the Bank's integrity.

The management of the reputation risk is concerned with the permanent insurance, based on reality, of a positive image on the market with the clients, the other financial institutions in the system, the shareholders, the State's institutions, the supervision control, and the media.

Actual figures at the end of 2019 are presented below, underlying the main items of assets and liabilities from the Balance sheet and Profit & Loss account:

Actual 2019 - Balance sheet

Due from banks

The total due from banks amounted to RON 656.86 million representing 25% from the total assets and has the following structure:

- Balances with National Bank of Romania amounted to RON 319.67 million, out of which the local currency reached the level of RON 138.02 million and the foreign currency reached EUR 38.00 million. Minimum Mandatory Reserves were: RON 84.28 million and EUR 84.48 million;
- Funds in the correspondent accounts amounted to RON 4.08 million, representing reserves at the banks abroad.
- Placements represented RON 291.62 million, with local banks.

Allowances for expected loss are set up in accordance with IFRS and amount to RON 0.96 million.

Customer loans

The loans granted to customers at a value net of provisions, including the related accruals, represent 50% from the total assets and amounted to RON 1,280.93.67 million. Their gross value is RON 1,343.95 million, out of which:

- RON 927.58 million legal entities (69%)
- RON 416.37 million private individuals (31%)

Specific risk provisions are constituted as per the IFRS regulations, amounting to RON 63.02 million.

Fixed assets

The fixed assets amounted to RON 12.29 million, representing 0.5% from the total assets.
The bank's Board of administration decided on using the straight line amortization method, during the life spans specified in the legislation in force per each category.

Constructions are represented by works carried out at the Bank's headquarters and at the leasehold improvements for the spaces rented for the activity of branches, an office building (for Deva Branch), as well as a villa purchased for the Bank's representatives. These expenses are capitalized and are amortized over a period of 50 years for the purchased real estate and respectively, over the number of years for the duration of rental contracts.

Due to banks

- RON 77.66 million representing mainly deposits from domestic banks and 4% of the total deposits;

Customer Deposits

- RON 2,125.23 million (nominal value without accruals) represent liabilities to customers, and 96% of total bank's deposits, out of which:
    - RON 373.68 million – current accounts
    - RON 1,751.55 million – deposits

SHARE CAPITAL

The Bank's share capital registered at Trade Registry, amounting to RON 468.58 million and consists of 4,685,825,944 shares, with a face value amounting to RON 0.1 each, which grant legal rights to their holders.

The adjustment for inflation in accordance with IAS 29 amounts to RON 36.17 million and the Bank's share capital presented in the Financial Statements amounting to RON 504.75 million.

Actual 2019 - Income statement

The total income for 2019 amounting to RON 95.13 million, out of which:

- RON 76.78 million - interest income received;
- RON 5.21 million - income from commissions;
- RON 1.91 million - net profit from exchange operations;
- RON 11.23 million - other income.

The total expenses related to the income realized in 2019 amounted to RON 119.89 million, out of which the expenses from bank's operations are RON 32.64 million, are as follows:

- RON 31.57 million - interest expenses paid;
- RON 1.07 million – commissions expenses;

The net interest income is RON 45.21 million, and net commission income is RON 4.14 million.

Other operating costs amounting to RON 78.43 million have the following structure:

- RON 34.86 million expenses with the staff members;
- RON 29.01 million represent administrative expenses;
- RON 10.40 million expenses with the depreciation and revaluation of fixed assets;
- RON 3.31 million impairment for repossessed assets;
- RON 0.85 million impairment of assets and provisions.

As at 31.12.2019, the Bank registered a loss of RON 18.32 million.

Other information

The number of branches/agencies is 31 as at the end of 2019, of which 29 branches and 2 agencies.

At December 31, 2019, the number of employees of the bank was 276, out of which 141 employees in branches/agencies and 135 employees in Head Office.

For the end of 2019, the Bank has registered the following financial performance indicators presented comparable with 2018:

Ratios/ Reporting data	Dec-19	Dec-18
	RON	RON
Own funds		
Own funds Tier 1	309,055,993	281,047,369
Total own funds	309,055,993	281,047,369
Capital adequacy ratios		
Capital adequacy ratio Tier 1	19.48%	26.16%
Total capital adequacy ratio	19.48%	26.16%
Debt-to-Equity ratio	11.66%	13.72%
Liquidity ratios		
Liquidity ratio	2.96	3.40
Quick ratio	43.10%	50.95%
Liquidity coverage ratio (LCR)	165.80%	417.63%
Profitability ratios		
Return on Assets (ROA)	-0.71%	0.53%
Return on Equity (ROE)	-5.71%	3.62%
Total expenses to total revenues	159.93%	90.11%
Ratios on the quality of the assets		
Non-performing loans ratio	5.74%	6.64%
Impaired receivables/Total credits	9.09%	11.83%
Other ratios		
Granted loans/attracted deposits	60.27%	50.23%
Total debt/Total equity	7.04	5.88

The obligations to social insurances and to the State budget were paid entirely and within the terms established by the regulations in force.

The evaluation of assets and liabilities expressed in currency is made at the exchange rates on the currency market, communicated by the National Bank of Romania, on the last working day of the month.

The realization of the obligations stipulated by the law regarding the organizing and fair and to date accountancy is in compliance with the accounting principles (prudence, permanence of methods, continuity of activity, independence of the financial year, intangibility of the opening balance sheet, non-compensation).
The book keeping records are kept in Romanian and in the national currency. The accountancy of operations performed in currency is kept both in national currency and in foreign currency. The book keeping records are made based on documents prepared legally, chronologically and systematically. Any patrimonial operation is written down, when it is made, in a document which constitutes the base of book keeping records, thus acquiring the capacity of supporting document.

The internal control system is organized as a separate activity within the bank being composed by the following: risk administration department, compliance department and internal control department, having as purpose the application of procedures and of internal norms, and the compliance with the legal banking norms in force.

The exchange rates as at 31.12.2019 were the following:

- RON/EUR – 4,7793
- RON/USD – 4,2608

Until the date of approval of the financial statements, the whole world is facing an unprecedented health crisis (COVID 19) that has affected many countries both medically and economically.
Consequently, the Bank has taken urgent measures to ensure business continuity and customer support at these unprecedented times.

As a result, appropriate measures were promptly implemented and all necessary precautions were taken to protect both employees and customers in order to mitigate the risk posed by COVID-19.

In order to reduce the risk of contamination, the business continuity plan was activated, as well as other reorganization measures, in order to completely eliminate the risk of coronavirus contamination.

- In order to avoid congestion during rush hours, both by public transport and on the street or in other public spaces, the work schedule has been reorganized.
- All meetings, events, business trips and scheduled physical meetings with customers and service providers have been cancelled, and are limited to telephone or online calls.
- Measures have been taken for HQ employees to completely eliminate the risk of coronavirus contamination (frequent disinfection, purchase of disinfectant solutions, as well as masks and protective gloves, etc.).
- The bank's infrastructure has been adapted so that employees can work from home
- An IT system was implemented through which all HQ employees can work from home and easily access the bank's systems and applications, shared files and programs.

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Proposals

As a result of activity performed during the financial year 2019, the Management of Vista Bank (Romania) SA request for approval to the General Shareholders' Meeting:

- Report of the Board of Administration regarding the development and activities of Vista Bank (Romania) SA and its financial position for the year ended December 31, 2019;
- Discharge for the year ended December 31, 2019.

Stavros Lekkakos
Chairman of the Board of Administration

by:
Empowered person
THEODOR CORNEL STANESCU

In accordance with the decision of the Board of Administration of Vista Bank (Romania) SA of March 23, 2020

About Deloitte in Romania

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