VISTA BANK (ROMANIA) SA

FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED DECEMBER 31, 2020

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

Free translation from the original Romanian version.

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders,
Vista Bank (România) S.A.

Report on the Audit of the Financial Statements

Opinion

1. We have audited the financial statements of Vista Bank (România) S.A. ("the Bank"), with registered office in 90-92 Emanoil Porumbaru street, District 1, Bucharest, Romania, identified by unique tax registration code RO 10556861, which comprise the statement of financial position as at December 31, 2020, and the statement of profit or 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, 2020 are identified as follows:

   - Equity — RON 320,332,388
   - Net profit for the financial year — RON 472,824

3. In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Bank as at December 31, 2020, 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 ("IFRSs") 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.

Key Audit Matters

5. 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 address in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide an opinion on these matters.

<table>
<tr><td colspan="2">Collective impairment of loans and advances to customers</td></tr>
<tr><td>Nature of the area of focus</td><td>How our audit addressed the key audit matter</td></tr>
<tr><td>Refer to note 3 and accounting policies note 2 from the financial statements.

Following the adoption of 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 2020, the Bank has booked impairment allowances of 79.6 million RON for the Loans and advances to customers in gross amount of 1,733.6 million 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.

Because loans and advances to customers form a major portion of the Bank's assets, and due to the significance of the Management judgments 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.

Key areas of professional judgment exercised by the Management included:

• The use of historic data in the process of determining risk parameters;

• The interpretation of the requirements to determine 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;</td><td>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 key assumptions and source data used by the Management according to the description of the key audit matter.

Our procedures included the following elements:

<u>Testing of key 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 related to timely identification of impairment triggers, including significant increase in credit risk;

• controls related to debtors financial performance assessment and estimation of future cash flow

• controls on the governance processes implemented for the models of collective depreciation, input data and adjustments with additional provisions, ECL review.

For the controls identified to be relevant in addressing the risks, we have tested the design and operating effectiveness of these controls.

<u>Verifying the accurate implementation of the ECL computation methodology into the IT computation systems, including:</u>

• 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; and

• Test on a sample basis the ECL computations.</td></tr>
</table>

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Collective impairment of loans and advances to customers	
Nature of the area of focus	**How our audit addressed the key audit matter**
• Timely identification of exposures with a significant deterioration in credit quality, as well as industries impacted as a result of the restrictions imposed by the Covid-19 pandemic; • The increased level of uncertainty and level of subjectivity of management judgments relating to 2020 financial reporting due to the COVID-19 pandemic; • Potential impact on the assumptions used, increases in credit risk and impairments, and future cash flows as a result of the socio-economic consequences of the COVID-19 virus crisis, including the public moratorium and other events; • The assessment of the forward-looking information, including the impact of the COVID-19 pandemic.	Obtaining and analysing the evidence to support the assumptions used in: • 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 and appropriateness of the stage allocation and criteria used for determination of significant increase in credit risk, including the impact of COVID-19 and allocation of exposures with granted moratorium; • Development of models to reflect the potential impact of future economic conditions in the ECL computation, including the impact of COVID-19; • Assessment of adequacy of Management analysis and adjustments resulting from the impact made by the COVID-19 virus crisis on all aspects of the estimation of Expected Credit Losses. For all of the above procedures, we involved credit risk specialists to review the ECL model development and forward-looking models, and to test whether these appropriately reflected the Bank's policies and methodologies. We have analysed the adequacy of significant ECL-related disclosures for compliance with the relevant IFRS requirements.

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Interest and Fee Income Recognition	
Nature of the area of focus	**How our audit addressed the key audit matter**
Refer to Note 5 and 6 of the financial statements For the year ended 31 December 2020 the interest income represents 95,137.3 thousand RON and fee and commission income represents 5,796 thousand RON, the main source being loans to customers. These are the main contributors to the operating income of the Bank affecting the Bank's profitability. 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. Revenue recognition specifics, 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.	We have tested the design and operating effectiveness of the key internal controls and focused on: • Interest/fee inputs on customer loans and deposits from customers; • Recording/ changes of fees and interest rates; • Management oversight and control on interest and fee income, including budget monitoring; • 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 and fees 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 assessed the completeness and accuracy of data used for the calculation of interest and fee income; • We evaluated the mathematical formula used for accruing the relevant income over expected life of the loan. We have assessed the interest and fee income by building our own expectation on the revenue and compared with the actual results of the Bank.

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Other information – Administrator's Report

6. The administrator is responsible for preparation and presentation of the other information. The other information comprises the Administrator's report, but does not include the financial statements and our auditor's report thereon.

   Our opinion on the financial statements does not cover the other information and, unless otherwise explicitly mentioned in our report, we do not express any form of assurance conclusion thereon.

   In connection with our audit of the financial statements for the year ended December 31, 2020, 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 it 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.

   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 is 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 December 31, 2020, 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

7. Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS and 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.

8. 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.

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

Auditor's Responsibilities for the Audit of the Financial Statements

10. 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.

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11. 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.

12. 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.

13. 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.

14. 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

15. We have been appointed by the General Assembly of Shareholders on July 20, 2020 to audit the financial statements of Vista Bank (România) S.A. for the financial year ended December 31, 2020. The uninterrupted total duration of our commitment is 5 year, covering the financial years ended December 31, 2016 to December 31, 2020.

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 7, 2021

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

	Note	December 31, 2020	December 31, 2019
Cash and balances with Central Banks	10	338,550,897	361,158,875
Placements with banks	11	531,678,637	295,700,332
Loans and advances to customers	3	1,654,071,843	1,280,929,303
Financial instruments at amortised cost	12	453,353,058	325,156,573
Financial assets at fair value through other comprehensive income		172,415,643	35,638
Derivative financial instruments		50,739	-
Current tax receivables		773,707	-
Deferred tax		11,083,045	10,948,417
Financial assets mandatorily at fair value through profit or loss	14	2,482,735	4,642,171
Intangible assets	15	3,348,307	3,534,731
Property and equipment	16	10,533,493	8,756,200
Right-of-use assets	17	39,532,289	44,377,838
Investment property	18	98,946,605	97,509,284
Repossessed assets (inventories)	19	116,005,575	140,505,215
Other financial assets	20	10,097,373	2,727,796
Other assets	20	5,841,029	4,235,345
Total assets		**3,448,764,975**	**2,580,217,718**
Deposits from banks	21	29,053	77,655,050
Deposits from customers	22	3,046,320,934	2,125,226,022
Subordinated loans	23	19,831,783	-
Derivative financial instruments	24	-	314,885
Lease payables	25	42,342,144	45,801,880
Other financial liabilities	26	12,524,941	4,412,201
Other liabilities	26	3,186,924	2,822,133
Other provisions	27	4,196,808	3,093,628
Total liabilities		**3,128,432,587**	**2,259,325,799**
Equity			
Share capital	28	504,754,052	504,754,052
Reserves	29	16,538,130	15,097,843
Retained earnings		-200,959,794	-198,959,976
Total equity		**320,332,388**	**320,891,919**
Total equity and liabilities		**3,448,764,975**	**2,580,217,718**

The financial statements were approved in the General Meeting of Shareholders of May 7, 2021 and signed by:

Theodor Cornel Stanescu
Deputy General Manager

Marilena Eparu
Financial Control & MIS Manager

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

	Note	Financial year ended December 31, 2020	Financial year ended December 31, 2019
Interest income	5	95,137,332	76,784,276
Interest expenses	5	-38,775,278	-31,573,018
Net interest income		56,362,054	45,211,258
Fee and fee income	6	5,796,001	5,207,385
Fee and fee expenses	6	-1,332,968	-1,070,493
Net fee and fee income		**4,463,033**	**4,136,892**
Net gains from foreign exchange differences		3,348,253	1,909,415
Other operating income	7	9,738,075	12,589,583
Other operating expenses	8	-77,933,009	-78,430,971
Net income/(expenses) with impairment of loans and advances granted to customers		4,494,418	-2,380,981
Profit before tax		**472,824**	**-16,964,804**
(Expense)/Income from tax on profit	9	-	-
Net loss/profit of the year		**472,824**	**-16,964,804**
Other comprehensive income			
Items stated through other comprehensive income:			
Differences from change in fair value of financial instruments at fair value through other comprehensive income		-1,373,653	4,207
Comprehensive income for the ended financial year		-681,359	-16,960,597

The financial statements were approved in the General Meeting of Shareholders of May 7, 2021 and signed by:

Theodor Cornel Stanescu
Deputy General Manager

Marilena Eparu
Financial Control & MIS Manager

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

	Note	Financial year ended December 31, 2020	Financial year ended December 31, 2019
Profit before tax		**472,824**	**-16,964,840**
Adjustments for non-monetary items:			
Income from impairment of assets	7.3	-4,494,416	4,201,340
Depreciation charge	8	11,350,382	10,398,975
Interest expenses	5	38,775,278	31,573,017
Interest income	5	-95,137,332	-76,784,275
Dividend income	7	-29,679	-28,825
Expenses/(Income) from provisions for risks and charges	8	1,088,056	808,442
Other non-monetary adjustments		14,754,129	-86,052
Operating profit before changes in operating assets and liabilities		**-33,220,758**	**-46,882,182**
(Increase) / Decrease in operating assets:			
Decrease in loans and advances to customers		-384,072,116	-472,933,120
Decrease / (Increases) in other assets		34,891,148	-13,298,362
(Increase) / Decrease in operating liabilities:			
Decrease in deposits and loans from banks and other financial institutions		-73,445,026	10,906,678
Increase in customer deposits		930,852,232	491,532,591
Increase / (decrease) in other liabilities		8,477,531	7,778,679
Cash flow from operating activities before interest and tax		**483,483,011**	**-22,895,715**
Interest earned from loans and advances to customers	5	75,563,859	67,168,433
Interest paid on deposits	5	-31,317,827	-30,505,864
Income tax paid	9	773,707	-
Cash flow from operating activities		**528,502,750**	**13,766,854**
Financing activities:			
Increase of investments at amortised cost		-133,569,780	-17,970,257
Increase of investments at fair value		-171,775,798	-
Interest received from investment activities	5	19,279,086	9,615,842
Dividends received	7	29,679	28,825
Payments / Collections from purchase/sale of tangible and intangible assets	15,16	-4,898,331	-2,377,486
Income from lease of investment property	7	554,043	382,826
Income from sale of financial instruments	7	2,552,252	-
Cash flows used in investing activities		**-287,828,849**	**-10,320,251**

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

	Note	Financial year ended December 31, 2020	Financial year ended December 31, 2019
Financing activities			
Increase of subordinated loans		21,956,621	-
Payment of lease liabilities		-8,243,830	-8,069,873
Cash collection from issuance of shares		-	47,439,304
Effect of exchange rate fluctuations on subordinated loans		-	-
Interest paid for subordinated loans	5	398,838	-
Cash flows used in financing activities		**14,111,629**	**39,369,431**
Net increase / (decrease) in cash and cash equivalents		**254,785,530**	**42,816,035**
Cash and cash equivalents at the beginning of the financial year (gross amount)	**30**	**615,216,627**	**572,294,187**
Cash and cash equivalents at the end of the financial year (gross amount)	**30**	**870,229,534**	**615,216,627**
Impairment allowances		-67,220	-294,597

The financial statements were approved in the General Meeting of Shareholders of May 7, 2021 and signed by:

Theodor Cornel Stanescu
Deputy General Manager

Marilena Eparu
Financial Control & MIS Manager

STATEMENT OF CHANGES IN EQUITY
FOT THE YEAR ENDED DECEMBER 31, 2020
(all amounts are expressed in RON, unless otherwise stated)

	Share capital	Reserves	Retained earnings	Total
Balance at January 1, 2019	457,314,748	15,093,636	-181,995,172	290,413,212
Profit for the year	-	-	-16,964,804	-16,964,804
Comprehensive income				
Other comprehensive income				
Difference from change in fair value of financial assets at fair value through other comprehensive income, net of deferred tax	-	4,207	-	4,207
Total comprehensive income	-	4,207	-	4,207
Share capital increase	47,439,304	-	-	47,439,304
Balance as at December 31, 2019	504,754,052	15,097,843	-198,959,976	320,891,919
Balance as at January 1, 2020	504,754,052	15,097,843	-198,959,976	320,891,919
Transfers to retained earnings from previous years				
Profit for the year	-	-	472,824	472,824
Comprehensive income				
Other comprehensive income				
Transfers to reserves	-	23,642	-23,642	-
reserves from revaluation of non-current assets	-	-	-	
Difference from change in fair value of financial instruments at fair value through other comprehensive income, net of deferred tax	-	219,470		219,470
	-	1,197,175	-2,570,828	-1,373,653
Total comprehensive income	-	1,440,287	-2,594,470	-1,154,183
Share capital increase	-	-	-	-
Balance at December 31, 2020	504,754,052	16,538,130	-200,959,794	320,332,388

The financial statements were approved in the General Meeting of Shareholders of May 7, 2021 and signed by:

Theodor Cornel Stanescu
Deputy General Manager

Marilena Eparu
Financial Control & MIS 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 314 employees on December 31, 2020 (December 31, 2019: 283). The bank operates through its head office in Bucharest and through 31 branches (December 31, 2019: 31) 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, and in the Bank Registry under no. RB-PJR-40-044/18.02.1999. It has Sole Registration Number RO10556861, and bank account no. 371133700 RON opened with National Bank of Romania Central Office.

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

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

On December 31, 2020 the **Board of Directors'** structure was as follows:

Chairman:

- Mr. Stavros Lekkakos

Members:

- Mr. Georgios Athanasopulos
- Mr. Theodor Cornel Stanescu
- Ms. Pavlina Tavridaki
- Mr. Theodoros Eftys
- Mr. Parvu Catalin Vasile
- Mr. Volonasis Ilias
- Mr. Konstantaras Panagiotis

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 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.

a) 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.

Given the Covid-19 pandemic, in 2020, the European Central Bank decided upon a series of measures to make sure that banks under its direct supervision may still fulfil their role in financing the real economy, given the economic effects of Covid-19. Thus, a series of statements were given in order to explain certain aspects regarding the running of the prudential framework as regards the classification of default loans, the identification of forborne exposures and their accounting treatment. These clarifications contribute to ensuring the consistency and comparability of risk ratios across the entire banking sector of the EU, which are essential for monitoring the effects of the current crisis.

Consequently, the National Bank of Romania and the Romanian Government have adopted a series of measures meant to mitigate the adverse effects of the crisis generated by the pandemic on Romanian households and companies, as follows:

NBR measures:

1. monetary policy measures:
    - to cut the monetary policy rate in four steps (as of 23 March, 2 June, 6 August 2020 and 18 January 2021), by a cumulated 1.25 percentage points, from 2.5% in mid-March to 1.25% on 18 January 2021;
    - the deposit facility rate was lowered to 0.75%, while the lending (Lombard) facility rate was lowered to 1.75% from 3.50%. The effect was a reduction of the interest rates on loans to companies and households;
    - to provide liquidity to credit institutions via repo transactions;
    - to purchase RON-denominated government securities on the secondary market to ensure the smooth financing of real economy and the public sector;
    - cut of minimum reserve requirements for foreign exchange liabilities to 5% in two steps, by 2 percentage points in February 2020 and 1 percentage point in November 2020.
2. measures to increase the flexibility of the legislative framework:
    - postponement of payment of overdue loans. Lenders were allowed to delay payments of the loans of any individual or company affected by the Covid-19 pandemic, without applying the conditions related to the level of indebtedness, the loan-to-value limit and the maximum maturity of consumer credit;

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

a) Going concern (continued)

- In March 2020, NBR decided to allow banks to temporarily use the capital buffer previously set up, while also keeping in place the legal requirements for such flexibilities. Adapting capital buffers to the new conditions helps banks preserve their support role for the real economy. Furthermore, according to the regulatory framework, banks built and maintained liquidity reserves that may be used to deal with an increased demand for liquidity during times of crisis. Thus, in line with the actions taken to this end at European level, the NBR allows banks not to comply with the minimum liquidity ratio, for the purpose of using these reserves to contribute to the smooth functioning of the banking sector and to help banks ensure sufficient liquidity to firms and households;

3. measures regarding the bank resolution:

- to postpone the deadline for collecting the annual contributions to the bank resolution fund for 2020 by 3 months, with the possibility of extension to up to 6 months;
- to delay the reporting deadlines of some information on resolution planning, in line with the approach communicated by the European Banking Authority;
- to correlate the terms and conditions on the minimum requirements for own funds and eligible liabilities (MREL) with the decisions adopted by the Supervisory Committee in the meeting of 20 March 2020;

4. operational measures:

- to ensure the proper functioning of payment and settlement systems underlying payments in the domestic currency, so that commercial and financial transactions can be performed under normal conditions; the NBR committed to provide banks with continuous cash flows for all operations, including liquidity for ATMs, in case of increased household demand.

Governmental measures:

- The Emergency Governmental Ordinance 37/2020 requiring banks to provide moratorium to all customers impacted by Covid-19 was passed on 30 March 2020, while its Application Norms were passed on 6 April 2020; it covers a maximum period of 9 months of payment postponement, but not later than 31 December 2020, upon request from customers. The moratorium was extended beyond the end of 2020, until March 31, 2021 (Government Emergency Ordinance no. 227/30.12.2020) and the clients can postpone their reimbursements up to March 31, 2021 but having a total maximum period of postponement of 9 months (cumulated with the instalments postponed during the first moratorium).

  Interest accrued during the moratorium for all loans except mortgage loans to private individuals is capitalized and its payment is spread over the duration of the loan. For private individuals' mortgage loans, the interest deemed during the suspension period is treated as an individual claim, to be recovered in maximum 5 years after the suspension ends with no interest applied to it, having 100% guarantee from Ministry of Finance, while the principal is spread over the extended duration of the loan.

  From an accounting point of view, the Covid-19 related moratorium did not determine the derecognition of the credit exposures, due to the fact that the net present value of the loan is not materially impact by this restructuring.

  In accordance with the ESMA and EBA regulations and recommendations, the enforcement of the moratorium did not lead to an automatic reclassification of clients from Stage 1 to Stage 2. The Bank continued to assess credit risk taking into account both qualitative, and quantitative factors when classifying those credit exposures for which the increase of credit risk has nothing to do with the Covid-19 pandemic as Stage 2 or Stage 3.

- Under the IMM Invest Romania programme, the legislation was revised in 2020 so as to allow SMEs affected by Covid-19 to cover their liquidity needs for current operations or investment needs by accessing financing from banks within the FNGCIMM guarantee system.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Measures taken by the Bank in the context of the Covid-19 pandemic

The main measures taken by Vista Bank in the context of Covid-19 are described below:

- All going concern management scenarios have been fully implemented (all critical processes with BCM alternatives are now in place, with a special focus on work from home for most headquarters employees), and employee protective materials are available on large-scale, weekly sanitation takes place in all branches and headquarters with special antiviral materials;
- The bank continued to be concerned with the customer experience, ensuring the continuity of basic services in real time, with prompt intervention, constant communication with customers and accelerated the digitization process;
- Close monitoring of the evolution of liquidity and solvency and isolation of elements with high volatility potential;
- Active monitoring of market evolution and liquidity, as well as customer behaviour;
- In addition to public moratorium measures, the Bank has decided to support its clients through other dedicated loan forbearances, in accordance with the specific client`s needs.

Financial impact of the pandemic on the Bank's financial and prudential position

Due to the resilient activity and the results obtained in the last years, the Bank managed to maintain a good position even in this context, with adequate levels of capital and liquidity. During 2020, the Bank incorporated in the loss allowances from the lending activity the effect of the new macroeconomic scenarios and the non-performing loans rate decreased below 5%. All other prudential indicators of the bank were within the regulated limits. Even in the pandemic context, the Bank registered an increase on all levels of activity, both in terms of the bank's assets and liabilities (customer loans, securities, customer deposits), and in the structure of the profit and loss account.

Strict cost discipline is added to the factors that led to the Bank's positive financial results in 2020, with additional administrative costs related to Covid-19 being completely absorbed.

In 2020, measures were taken to reduce rents for the spaces where the branches operate. Almost all contracts have been revised and the amount of rent has been reduced for a period between 1 month and 9 months.

In order to quantify a potential maximum impact determined by the increase of credit risk, the Bank performed stress tests on credit risk. The scenarios in the document entitled **"Macro-financial scenario for the 2021 EU wide banking sector stress test"** were used to apply stress tests.

This paper outlines the basic and adverse macro-financial scenarios that banks need to use in the EU-wide 2021 stress test exercise coordinated by the European Banking Authority (EBA). The purpose of these tests is to assess the resilience of financial institutions to adverse financial and economic developments, as well as to contribute to the overall assessment of systemic risk in the EU financial system. The adverse scenario sets out ways for key economic and financial variables in a hypothetical adverse situation triggered by the materialisation of the risks to which the EU banking system is exposed. A stress test is a scenario-based analysis that measures how the banking sector would evolve under hypothetical adverse economic developments. Consequently, the scenario should not be considered a forecast of the most likely negative shocks to the financial system.

Medium-term vulnerabilities arising from the COVID-19 pandemic dominate the scenario.

The data used in stress tests are:

ROMANIA	**Adverse evolution (%) 2021**
GDP (for stressed PD curves)	-1.2
Price of residential properties (for stressed LGDs)	-1.6
Price of commercial properties/land (for stressed LGDs)	-10

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

For the classification into stages, the hypothesis of stress tests was that the probability of an exposure passing from one stage to another is closely related to the change in the current economic position and the forecasted macroeconomic variables for ROMANIA, respectively GDP. Therefore, the stage is closely related to the change of the default probability from one period to another. A one-year stage transition matrix was calculated with transition frequencies totalling up to 100% for each stage for all portfolios. Stage 3 is considered an absorption stage, therefore the probability of remaining in stage 3 is always 100%.

The impact was calculated without / by taking into account the estimated recoveries and write-offs of non-performing loans, the results being presented below:

	Exposure in EUR 31.12.2020	ECL EUR 31.12.2020	Exposure in EUR Y1	ECL EUR Y1 without taking into account the estimated recoveries and write-offs of non-performing loans	ECL EUR Y1 by taking into account the estimated recoveries and write-offs of non-performing loans	Potential impact 1	Potential impact 2
	1	*2*	*3*	*4*	*5*	*6=4-2*	*7=5-2*
stage 1	288,707,024	2,976,356	295,362,851	5,011,977	5,011,977	2,035,620	2,035,620
stage 2	42,963,028	1,183,980	27,903,293	1,662,925	1,662,925	478,945	478,945
stage 3	24,356,914	12,179,637	32,760,822	14,855,597	10,393,163	2,675,960	-1,786,473
TOTAL	**356,026,966**	**16,339,974**	**356,026,966**	**21,530,500**	**17,068,066**		

During December 2020 – April 2021 approximately EUR 1.3 million in non-performing loans were recovered and write-offs worth EUR 1.4 million were made.

The Bank has a reasonable estimate of the impact of Covid-19 on its future financial position and has conducted an analysis in this regard. The Bank considers that the evaluation of the business continuity principle is adequate and there is no risk in order to continue the activity in the next 12 months.

Liquidity and solvency position

The Bank regularly assesses the impact of Covid-19 in its activity, risk profile and prudential and performance indicators. In this sense, the Bank evaluates its performance based on stress testing scenarios on key performance and prudence indicators, strict monitoring of position and liquidity indicators (mainly liquidity coverage ratio and immediate liquidity ratio), monitoring the evolution of the interest rates of government bond due to the high level of market volatility and its impact on the capital base and monitoring the simulations of solvency ratios. The results of the stress tests are comfortable both in terms of solvency and in terms of liquidity. The Bank expects to maintain a solid position compared to the regulated minimum levels.

Liquidity

In 2020, the following actions were taken:

- Strict monitoring of the evolution of volumes (loans, deposits, unused credit facilities);
- Strict monitoring of liquidity ratios with main emphasis on active observation of market evolution and customer behaviour and simulation of various scenarios;
- Managing financing initiatives to meet the liquidity needs of affected customers;
- Maintaining a sufficient stock of liquid assets to compensate for possible cash outflows in the event of a crisis.

Liquidity indicators comfortably exceed the minimum regulatory requirements, and the Bank estimates that they will remain above 100% in the future.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Solvency

The Bank has adopted a number of measures to conserve capital due to the impact of the pandemic, as follows:

- strict monitoring of the capital position and isolation of potential elements with high volatility;
- periodic simulations by using stress testing methodologies regarding the increase of the exchange rate, the increase of the interest rate and the increase of the non-repayment probabilities.

The financial impact of the Covid-19 pandemic on the Bank's operating costs and capital expenditures

As a result of the adoption of new safety and legal measures, the Bank incurred some administrative expenses (sanitary materials, face masks, hygiene kits, disinfection products, branch thermometers, protective panels, etc.), which were already recognized in the income statement. However, the additional costs due to the COVID-19 situation were partially offset by savings in other areas, such as advertising and marketing, protocol, training courses, fuel, travel, etc.

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 (Romania) 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.

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.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.1 Basis for financial statements (continued)

a) Going concern (continued)

i) Bank's position in Romania (continued)

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

Ratios/ Reporting data	Dec-20	Dec-19
	RON	RON
Own funds		
Own funds Tier 1	307,688,154	309,055,993
Own funds Tier 2	19,830,000	-
Total own funds	327,518,154	309,055,993
Capital adequacy ratios		
Capital adequacy ratio Tier 1	19.23%	19.48%
Total capital adequacy ratio	20.47%	19.48%
Debt-to-Equity ratio	8.78%	11.66%
Liquidity ratios		
Liquidity ratio	2.94	2.96
Quick ratio	47.82%	43.10%
Liquidity coverage ratio (LCR)	247.63%	165.80%
Profitability ratios		
Return on Assets (ROA)	0.01%	-0.71%
Return on Equity (ROE)	0.15%	-5.71%
Total expenses to total revenues	90.70%	159.93%
Ratios on the quality of the assets		
Non-performing loans ratio	4.60%	5.74%
Impaired receivables/Total credits	6.84%	9.09%
Other ratios		
Granted loans/attracted deposits	54.30%	60.27%
Total debt/Total equity	9.77	7.04

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)

a) Going concern (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 21/20.02.2020, 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 7.16%;
- a capital adequacy ratio Tier 1 of 9.55%;
- a total capital adequacy ratio of 12.73%.

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 and 2020.

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 2020 at a rate of 2.5%, or capital buffer for 2% systemic risk as of 30.06.2018).

The Bank registered a profit of RON 472,824 for the financial year ended on December 31, 2020, reaching an accumulated accounting loss of RON 200,959,794. 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, 2020, 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)

b) Basis for evaluation

The Bank's financial statements have been prepared on the historical cost basis convention, modified by the revaluation of investments at fair value through other comprehensive income, trading securities and derivatives transactions at fair value through profit or loss. Also tangible assets (buildings and land) as well as repossessed assets and immovable assets classified as Investment property, presented in notes 14, 17 and 18 are presented at fair value as of 31 December 2019, the Bank uses the revaluation model to account for these items.

c) Functional and presentation currency

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

d) Standards and amendments effective in the current period

In 2020, 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.

e) Changes in accounting policies and adoption of revised/amended IFRS

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:

Amendments to IFRS 9 “Financial Instruments”, IAS 39 “Financial Instruments: Recognition and Measurement” and IFRS 7 “Financial Instruments: Disclosures” - Interest Rate Benchmark Reform - adopted by the EU on 15 January 2020 (effective for annual periods beginning on or after 1 January 2020);

Amendments to IFRS 16 “Leases” - Covid-19-Related Rent Concessions (adopted by the EU on 9 October 2020 and effective at the latest, as from 1 June 2020 for financial years starting on or after 1 January 2020).

The amendments introduce an optional practical expedient that simplifies the way in which a lessee accounts for Covid-19 related rent concessions. The resulting accounting will depend on the details of the rent concessions.

Amendments to IAS 1 “Presentation of Financial Statements” and IAS 8 “Accounting Policies, Changes in Accounting Estimates and Errors” - Definition of Material - adopted by the EU on 29 November 2019 (effective for annual periods beginning on or after 1 January 2020);

Amendments to IFRS 3 “Business Combinations” - Definition of a Business - adopted by the EU on 21 April 2020 (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 References to the Conceptual Framework in IFRS Standards adopted by the EU on 29 November 2019 (effective for annual periods beginning on or after 1 January 2020).

The adoption of these amendments to the existing standards has not led to any material changes in the Bank’s financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.1 Basis for financial statements (continued)

f) Standards and interpretations issued by IASB and adopted by the EU, but not effective yet

At the date of authorisation of these financial statements, the following amendments to the existing standards were issued by IASB and adopted by the EU and which are not yet effective:

Amendments to IFRS 4 Insurance Contracts "Extension of the Temporary Exemption from Applying IFRS 9" adopted by the EU on 16 December 2020 (the expiry date for the temporary exemption from IFRS 9 was extended from 1 January 2021 to annual periods beginning on or after 1 January 2023).

Amendments to IFRS 9 "Financial Instruments", IAS 39 "Financial Instruments: Recognition and Measurement", IFRS 7 "Financial Instruments: Disclosures", IFRS 4 "Insurance Contracts" and IFRS 16 "Leases" - Interest Rate Benchmark Reform — Phase 2 adopted by the EU on 13 January 2021 (effective for annual periods beginning on or after 1 January 2021).

At present, IFRS as adopted by the EU do not significantly differ from regulations adopted by the International Accounting Standards Board (IASB) except for the following new standards and amendments to the existing standards, which were not endorsed for use in EU as at the date of publication of financial statements (the effective dates stated below is for IFRS as issued by IASB):

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;

IFRS 17 "Insurance Contracts" including amendments to IFRS 17 (effective for annual periods beginning on or after 1 January 2023);

Amendments to IAS 1 "Presentation of Financial Statements" - Classification of Liabilities as Current or Non-Current (effective for annual periods beginning on or after 1 January 2023).

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

g) 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:

Amendments to IFRS 3 "Business Combinations" – Reference to the Conceptual Framework with amendments to IFRS 3 (effective for annual periods beginning on or after 1 January 2022).

Amendments to IAS 16 "Property, Plant and Equipment" - Proceeds before Intended Use (effective for annual periods beginning on or after 1 January 2022).

Amendments to IAS 37 "Provisions, Contingent Liabilities and Contingent Assets" - Onerous Contracts — Cost of Fulfilling a Contract (effective for annual periods beginning on or after 1 January 2022).

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 is concluded).

Amendments to various standards due to "Improvements to IFRSs (cycle 2018 -2020)" resulting from the annual improvement project of IFRS (IFRS 1, IFRS 9, IFRS 16 and IAS 41) primarily with a view to removing inconsistencies and clarifying wording (The amendments to IFRS 1, IFRS 9 and IAS 41 are effective for annual periods beginning on or after 1 January 2022. The amendment to IFRS 16 only regards an illustrative example, so no effective date is stated).

The Bank has decided not to adopt such standards in advance. 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.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.1 Basis for financial statements (continued)

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

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. On January 1, 2004, the Bank did not apply the provisions of IAS 29, as in the Romanian economic environment the hyperinflation features disappeared. The effects of hyperinflation in the Bank’s share capital is presented in Note 29. The restatement was based on the conversion factor: Consumer Price Index (CPI) in Romania published by the National Statistics Commission.

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, 2020	December 31, 2019
Euro (EUR)	1: RON 4.8694	1: RON 4.7793
US Dollar (USD)	1: RON 3.9660	1: RON 4.2608

2.4 Financial assets and liabilities

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

Recognized financial assets and liabilities are initially measured at fair value. Trading costs directly attributable to the acquisition or issue of financial assets and liabilities (other than financial assets and liabilities at FVTPL) are added to or deducted from, the fair value of the financial assets or liabilities, as the case may be, at initial recognition. Trading costs directly attributable to the acquisition of financial assets or liabilities to FVTPL are recognized immediately in the income statement.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 Financial assets and liabilities (continued)

2.4.1. Financial assets

All financial assets are recognized and derecognised on a trading date when the purchase or sale of a financial asset is made in accordance with a contract that provides for the delivery of the financial asset within the timeframe set by the relevant market and is initially measured at fair value, to which the trading costs are added, except for those financial assets classified as FVTPL (which, if directly attributable to the acquisition, are recognized immediately in the income statement).

All recognized financial assets that fall within the scope of IFRS 9 must be subsequently measured at amortized cost or fair value based on the entity's business model for managing financial assets and the contractual characteristics of cash flows of financial assets.

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

- Financial assets held for the collection of contractual cash flows, having cash flows represented solely by payments of principal and interest (SPPI) are classified and measured at amortized cost. In this category, the Bank includes loans granted to customers, deposits placed with banks, corporate bonds and buy-back transactions in the trading portfolio.

- Financial assets held both for the collection of contractual cash flows and for sale and for which contractual cash flows represent solely payments of principal and interest are measured at fair value through other comprehensive income. Government securities in the trading portfolio are classified and measured at fair value through other comprehensive income.

- Financial assets held for trading, regardless of cash flow characteristics, are measured at fair value through profit or loss. In this category, the Bank includes the sub-portfolio of government securities, bank investments and buy-back transactions held for trading.

Evaluation of business model

The evaluation of the business model is one of the two stages in the classification of financial assets.

The Bank's business model reflects the way it manages its financial assets to generate cash flows; the business model determines whether cash flows will result from the collection of contractual cash flows, from the sale of financial assets or from both.

The business model is determined at a level that reflects how financial asset groups are managed together to achieve a particular business objective. Consequently, this condition is not an approach for each instrument and must be set at a higher level of aggregation.

SPPI test

In the second stage of the financial assets classification process, the Bank evaluates the characteristics of contractual cash flows in order to identify whether they are "solely payments of principal and interest at the value of the outstanding principal" - the SPPI test.

The test on the characteristics of contractual cash flows is designed to examine financial assets for which the application of the effective interest method is either not technically feasible, or does not provide useful information regarding the uncertainty, timing and value of contractual cash flows.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 Financial assets and liabilities (continued)

2.4.1. Financial assets (continued)

The main purpose of applying the SPPI test is the "fair value of the asset at initial recognition" and may change over the life of the financial asset (for example, if there are reimbursements). The most significant elements of interest are generally represented by the time value of money and credit risk. Interest may also include the value for other risks of the core lending activity (e.g., liquidity risk) and costs (e.g., administrative costs) associated with holding the financial asset for a certain period of time. In addition, interest may include a profit margin that is compatible with a basic credit agreement.

Unlike the business model test, at the date of transition to IFRS 9 the test regarding the characteristics of contractual cash flows must be performed retroactively at the date of initial recognition of the contract. In the evaluation of SPPI, the Bank applies judgments and considers relevant factors, such as the currency in which the financial asset is expressed and the period for which the interest rate is set.

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

After initial recognition, financial assets are measured at fair value, including directly attributable trading costs. These are subsequently measured at fair value, and changes in fair value are recognized in a separate item from shareholders' equity. These financial assets are also subject to the measurement of a provision for expected credit losses, in the same approach as for debt instruments recognized at amortized cost. In addition, interest is recognized in the income statement using the effective interest method determined at the beginning of the contract.

- **Debt instruments**

These financial assets are held in a business model whose objective is achieved through the collection of contractual cash flows and the sale of financial assets, and the contractual terms of the financial asset give rise, on certain dates, to cash flows that are solely payments of principal and interest on the value of the principal due, that is, they meet the conditions of the “SPPI test”.

- **Equity instruments**

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

Financial assets at amortised cost (AC)

- **Debt instruments**

A financial asset must be measured at amortized cost if the following conditions are met: the financial asset is held in 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, on certain dates, to cash flows that are solely payments of principal and interest on the value of principal due, i.e. they meet the SPPI condition.

To determine whether cash flows will be obtained by collecting cash flows from financial assets, the Bank analyses the frequency and values of sales in prior periods, the reasons for those sales and expectations for future sales.

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 profit or loss (FVTPL)

- **Derivative financial instruments**

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

- **Equity instruments**

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

- **Debt instruments**

In accordance with IFRS 9, the Bank will mandatorily measure equity instruments from held for trading to fair value through profit or loss

Financial assets – derecognition

The Bank derecognises a portfolio of financial assets, a financial asset or a portion of a financial asset (herein after called "financial asset") only when one of the following conditions is met:

- The contractual rights over cash flows expire;
- Transfers the financial asset and the transfer qualifies for derecognition;
- Voluntarily waives its rights over the financial asset due to the fact that the asset is considered irrecoverable or in order to grant a concession to the debtor;
- Significant change in a financial asset that results in the liquidation of the existing financial asset and the recognition of a new financial asset.

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

When evaluating new conditions to determine if they are significantly changed, the Bank considers whether the change is made to increase the recovery of the pre-existing loan. Renegotiating or changing the contractual cash flow of an existing financial asset may result in the waiver of the financial asset and the recognition of a new financial asset if those changes in the financial asset are significant. Changes made in order to increase the cash flows received and which are not considered significant changes in the contractual characteristics do not generate derecognition.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4.2. Financial liabilities

2.4 Financial assets and liabilities (continued)

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.

A financial debt is cancelled when the debt obligation is paid, cancelled or expires. If an existing financial debt is replaced by another of the same creditor, in substantially different terms, or the conditions of an existing debt are substantially altered, such exchange or modification is treated as a recognition of the original debt and the recognition of a new liability and the difference between the carrying amounts are recognized in the income statement.

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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

Effective interest is applied to the gross carrying amount of Stage 1 or 2 assets and all financial liabilities. For Stage 3 or POCI financial assets, the effective interest rate applies to the net carrying amount.

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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.10 Impairment of financial assets

The Bank assesses expected credit losses („ECL”) prospectively and recognises ECL impairment allowances for the following financial instruments 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 losses are recognized on equity investments.

The ECL provision is based on expected credit losses to occur over the life of the asset (lifetime expected credit loss), unless there has been a significant increase in credit risk since origination, in which case, the provision is based on the 12-month ECL. The ECL is calculated from the time the loan is granted.

The 12-month ECL is the portion of the lifetime ECL that results from the default events of a financial instrument that are possible within 12 months of the reporting date. The financial instruments for which the 12-month ECL is recognized are called "Stage 1 Financial Instruments". Stage 1 financial instruments have not experienced a significant increase in credit risk since initial recognition and are not credit impaired.

Lifetime ECLs are ECLs that result from all possible default events over the expected life of the financial instrument or the maximum contractual exposure period. Financial instruments for which the ECL is recognized for life. but which are not credit impaired, are called "Stage 2 financial instruments". The financial instruments included in Stage 2 are instrument that have recorded a significant increase in credit risk since initial recognition, but are not credit impaired.

Financial instruments for which ECLs are recognized for life and which are credit impaired are referred to as "Stage 3 financial instruments".

The expected credit loss may be calculated individually or collectively in accordance with IFRS 9. The Bank's model for calculating expected credit losses is:

- Individual evaluation for all Stage 3 customers

- Collective assessment for Stage 2 or Stage 1 customers

- Customers operating in the real estate market or are significantly exposed to the real estate market are analysed separately

The Bank has established criteria for conducting a monthly assessment of the significant increase in credit risk since initial recognition, taking into account both relative and absolute thresholds (see note 3.1.1 a).

The recognition of the expected loss over the life of the collective financial assets takes into account comprehensive information on credit risk. Comprehensive credit risk information includes relevant historical and current data, including prospective macroeconomic information to estimate a result close to the recognition of the expected loss over the life of individual financial assets.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.10 Impairment of financial assets (continued)

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

Forborne financial assets

If the terms of a financial asset are renegotiated or changed or an existing financial asset is replaced with a new one due to the borrower's financial difficulties, then an assessment is made to determine whether the financial asset should be cancelled and the ECL is valued as it follows:

- If the planned restructuring does not lead to the cancellation of the existing asset, then the expected cash flows from the modified financial asset are included in the calculation of the cash deficit from the existing asset

- If the expected restructuring will lead to the 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 derecognition. This amount is included in the calculation of the cash deficit from the existing financial asset, which is revised from the expected date of derecognition to the reporting date, using the initial effective interest rate of the existing financial asset.

Credit-impaired financial assets

At each reporting date, the Bank assesses whether the financial assets recorded at amortized cost, the financial assets recorded at FVOCI and the finance lease receivables are credit-impaired (referred to as “Stage 3 financial assets”). A financial asset is "credit-impaired" when one or more events have occurred that have an adverse impact on the estimated future cash flows of the financial asset.

The Bank has implemented the definition of „default” in accordance with the criteria set by EBA. All curves of probability of default used as input data in the ECL calculation were calibrated by retroactively applying the EBA definition, to ensure consistency of default at the time of calibration.

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.

The write-off does not depend on the conclusion of the legal proceedings, nor does it imply the loss by the Bank of the claims on the receivables / financial asset. Write-off only takes place when the chances of recovery are very low.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

2.13 Buildings and equipment

The cost of property, plant and equipment is recognized as a receivable when and only when: (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. Construction and other property, plant and equipment are valued 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 impaired and assets in progress are not amortised until used. Amortization of other buildings and equipment is calculated using the straight-line method to allocate the cost of their residual value over their estimated period.

	Useful life in years	
	2020	**2019**
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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.13 Buildings and equipment (continued)

The carrying amounts of property, plant and equipment are revised for impairment at each date in the statement of financial position or whenever events or changes in circumstances indicate that the carrying amount cannot be recovered.

If the carrying amount of an item of property, plant and equipment is greater than the estimated recoverable amount, then the former is reduced to the recoverable amount.

Property, plant and equipment are derecognised on disposal or when no future economic benefits are expected from use or disposal. Any gain or loss on the derecognition of the asset (calculated as the difference between the net proceeds from the disposal and the carrying amount of the asset) is included in the income statement in the year in which the asset is derecognised.

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.

2.15 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.

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.

The Bank applies a single recognition and valuation approach to all leases, except for short-term leases and low-value leases. For short-term leases or for leases for which the underlying asset has a low value, lease payments are recognized as straight-line expenses during the lease.

Right-of-use assets

The Bank recognizes right-of-use assets on the date of commencement of the lease (i.e. the date on which 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 revaluation of lease liabilities. The cost of the right-of-use asset includes the amount of recognized rental liabilities, the initial direct costs incurred and lease payments made on or before the commencement date. Right-of-use assets are depreciated on a straight-line basis over the term of the lease. The right-of-use assets are presented in Note 17.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.15 Leases (continued)

Lease liabilities

At the beginning of the lease, the Bank recognizes the lease liabilities measured at the current value of the lease payments to be made during the lease. Liabilities related to lease operations are presented in Note 25.

IFRS 16 - Lease operations

IFRS 16 became effective on January 1, 2019.

In accordance with IFRS 16, a contract is considered a lease if it transfers control rights to use an identified asset for a given period in exchange for consideration. Control is considered to exist if the customer has:

- the right to obtain substantially all the economic benefits generated by the use of an identified asset; and
- the right to direct the use of such asset.

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

The Bank recognizes the amortization of the right-of-use assets and the interests related to the lease liabilities in the profit and loss account.

The amounts paid are composed of principal (presented in cash flows as financing activities) and interest (presented in cash flows as operating activities).

The main methodological aspects applied by the Bank:

- cash guarantees concluded for some leases are not included in the right-to-use.
- the right-to-use is calculated in local currency, while the lease liability is in the contractual currency.
- the discount factor used for foreign currency contracts consists in the quotations of the Romanian government bonds issued whenever new contracts are concluded (the maturities of the Romanian government bonds will be in line with the maturities of the leases).
- the exchange rate initially used for the conversion of the right-to-use is the exchange rate issued by the NBR whenever new contracts are concluded
- the depreciation of the right-to-use is straight line
- all leases with a term of less than 1 year or with low values are recorded separately directly in rental costs
- addressing the economic content compared to the legal one in case of clauses regarding the term of the lease contracts (contractual clause - "unilateral termination by one of the parties, with six months' notice")

Each contract has an article on the termination of the lease, which stipulates the following: the lease may be terminated in the following cases:

- expiration of the lease
- mutual agreement of the parties
- non-compliance by a party with the obligations assumed
- termination by either party, subject to six months' notice

The Bank closely examines the termination clauses and potential penalties, as appropriate, in determining the contractual period taken into account for each lease. Based on the history of all leases for branches and the fact that there were no cases of early termination of contracts and also based on the Bank's current strategy on leased premises and the Bank's operations, the Bank takes into account the current contractual period of the leases, even in cases where the above clauses are set out in the contracts, as the Bank is reasonably confident that the terms will be met.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.15 Leases (continued)

The weighted average incremental loan rate of the lessee applied to the lease liabilities recognized in the financial statement at January 1, 2019 was 2.41% for contracts expressed in EUR and 3.78% for contracts in RON.

The Bank operates as a lessee in leases for cars and the renting of spaces.

As of December 31, 2020, the Bank has a number of 35 leases for rental spaces, of which: 30 are concluded for renting the spaces necessary for the activity of the Bank branches and headquarters, 1 for the use of the Bank’s CEO, 1 for the alternative disaster recovery headquarters and 3 for the rental of spaces related to ATMs, as well as 48 contracts related to cars used by department managers, branch managers and Bank management.

Of the 35 contracts for the rented spaces, one had a lease period of less than 12 months, for which reason it was excluded from the calculation of the right-to-use. Most leases are in EUR and only 3 are in RON and are usually drawn up for a maximum period of 10 years. The lease liability is registered in the contractual currency.

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 collateral contracts

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 obligations under such guarantees are measured at the higher of the initial measurement, less amortization calculated recognized in the income statement and the expected credit loss provision.

The Bank, in the normal course of business, enters into other commitments, including credit commitments and letters of credit. Unpaid loan commitments and letters of credit are commitments based on which, during the engagement, the Bank is obliged to grant a loan on pre-arranged terms to the client. Similar to the financial guarantee contracts, these contracts fall within the scope of the requirements on expected credit losses. The nominal contractual value of financial guarantees, letters of credit and unpaid loan commitments, where the loan agreed to be granted complies with market conditions, is not recorded in the statement of financial position. The nominal values of these instruments together with the corresponding expected credit loss are presented in note 32.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.19 Employee benefits

Short-term employee benefits include salaries, compensation and social security contributions. Short-term employee benefits are recognized as an expense when the services are provided.

The Bank, in the normal course of business, makes payments to the Romanian state pension funds for its employees in Romania, for pension, health and unemployment. All employees of the Bank are included in the state pension system. The legally required contributions paid by the Bank cease if the employees terminate their employment contracts with the Bank, as the Bank's obligation to pay the benefits obtained by these employees in previous years no longer exists.

The Bank does not operate any other pension scheme 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.

2.20 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 (inventories)

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. In order to determine the NRV, the Bank evaluates the assets repossessed annually on the basis of a report prepared by an authorized valuer.

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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. Real estate investments are initially valued at cost, including transaction costs. After initial recognition, investment property is measured at fair value. Gains or losses on changes in the fair value of investment property are included in the income statement for the period in which they arise. Such properties will be recorded, according to the management's decision, at fair value, determined at the balance sheet date by an authorized independent valuer, based on a valuation report 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.

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 valuer.

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 the same: local taxes, valuation costs, repair costs, etc.

2.23 Comparatives

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

1) Visa shares have been reclassified from financial assets measured at fair value through other comprehensive income to financial assets mandatorily measured at fair value through profit or loss.

2) As a result, the ownership in the Credit Office presented in 2019 together with the Visa shares, as financial assets measured at fair value through other comprehensive income, are presented separately.

3) The differences from the change in the fair value of financial assets measured at fair value through other comprehensive income related to Visa shares were restated and recorded in the profit or loss for the amounts related to 2019 and in retained earnings for previous years.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.23 Comparatives (continued)

	Restated December 31, 2019	Reclassifications	Reported December 31, 2019
Statement of financial position			
Assets			
Financial assets measured at fair value through other comprehensive income	35,638	-4,632,171	4,667,809
Financial assets mandatorily measured at fair value through profit or loss	4,642,171	4,642,171	-
Equity			
Other reserves	15,097,843	-2,570,828	17,668,671
Retained earnings	-198,959,976	2,570,828	-201,530,804
Statement of profit or loss			
Other operating income	12,589,583	1,354,843	11,234,740
Statement of other comprehensive income			
- Differences from the change in the fair value of financial assets measured at fair value through other comprehensive income	1,354,843	1,354,843	-
Loss for the year	-16,960,597	1,354,843	-18,319,647

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.

3.1 Credit risk

Banking and Bank`s 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. FINANCIAL RISK MANAGEMENT (continued)

3.1 Credit risk (continued)

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.

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.

1. 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.

2. 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.

3. FINANCIAL RISK MANAGEMENT (continued)

3.1 Credit risk (continued)

3.1.1 Credit risk assessment (continued)

a) Loans and advances (continued)

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

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;

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.

For exposures to banks and public administrations, the bank uses for staging the following indicators that show a significant increase of credit risk.

- Payment delays – more than 2 business days at the reporting date; and/or

- ECAI ratings - reduction by at least two levels in ECAI ratings, recorded at the reporting date compared to the origination date, for ratings that were initially above BB + / Ba1 and reduction by at least one level in ECAI ratings, recorded at the reporting date compared to the origination date, for ratings that were initially below BB + / Ba1. If several ECAI ratings are available for the same counterparty, the lowest rating of the two highest ratings is considered.

For classification in Stage 3, reference is made to Guide EBA / GL / 2016/07 on the application of the definition of default under Article 178 of Regulation (EU) no. 575/2013.

The Bank applies the definition of default at debtor level, both for non-retail customers and for retail customers. The same definition of default is used for all types of exposures.

Default exposures are exposures that meet at least one of the following criteria:

a) Overdue payments upon establishment of default
b) Indicators of payment improbability.

The criterion of overdue payments upon establishment of default takes into account:

a) the overdue loan obligation and the materiality threshold;
b) counting the overdue days;
c) suspension of the counting of overdue days;
d) technical overdue;

3 FINANCIAL RISK MANAGEMENT (continued)

3.1 Credit risk (continued)

The Bank considers that the debtor is in a state of default when at least one of the following indications of the improbability of payment is identified:

a) cessation of accounting;

b) specific adjustments for credit risk (expected losses from stage 3 loans);

c) sale of the credit obligation;

d) emergency restructuring;

e) bankruptcy;

f) other indications of default:

  i) customers in forced execution;

  ii) customers with at least one non-performing facility (categories 2, 3 and 4 in the DATABANK classification for forborne exposures);

  iii) clients who sent the Bank a request for datio in solutum.

Also, for the stage 3 allocation, the Bank analyses the significant individual exposures for which default events have occurred.

The Bank has defined the following events that determine impairment:

- The debtor operates in the real estate sector;
- The debtor invokes significant financial difficulties;
- Overdue payments longer than 60 days for corporate clients and greater than 30 days for retail clients;
- At least one of the facilities granted to the Debtor has been the subject of a replacement operation in the last 12 months;
- The financial performance of the debtor is E, except for the clients classified in this category due to the non-presentation of the last financial statements, but which were previously classified in a better category;
- Existence of indications regarding the probability of bankruptcy or other form of reorganization of the borrower, in the case of legal entities.

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

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), 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.

3 FINANCIAL RISK MANAGEMENT (continued)

3.1 Credit risk (continued)

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 Bank has adopted the EBA / GL / 2017/16 approach in establishing independent defaults which provides that "in respect of recognized defaults in respect of a single transaction, where the period between the return of the exposure to a state other than the default and the subsequent classification as a default is less than nine months, institutions shall treat that exposure as if it had been permanently in default since the default occurred." Therefore, the Bank applied this approach to all exposures.

Currently, the Bank calculates monthly migration matrices using historical data for four segments (due to insufficient data). Using this approach, the transition matrix represents the monthly empirical transition frequencies. Usually, a transition matrix is estimated with data from several periods.

Therefore, all matrices are estimated at the debtor level, including the corporate portfolio for which there are insufficient relevant data for portfolio default rates. The matrices are calculated for a period equal to 36 months until the reporting date. To obtain a lifetime PD curve, the matrices are further multiplied until the desired maturity. We define marginal PD as the (unconditional) probability that a default will occur exactly in a given period (t), calculated as a marginal difference in the cumulative probability estimates.

When this approach was introduced, the monthly transition matrices were calculated annually from May 2017 to May 2020 for the corporate portfolio (aggregate) and for three retail portfolios for which sufficient relevant data were found.

In order to make an early adjustment of the lifetime repayment probabilities, historical default rates were estimated separately (one for retail and one for corporate) from one quarter to another (on an annual basis). The resulting time series had abnormal peaks unrelated to the macroeconomic environment. The equation is used to calculate the forecast PDs of the portfolio. The concept of macroeconomic scaling factors ("MEF") is introduced, which represents the expected increase in the PD in the forecast period compared to the average default rates achieved.

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 t period.

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, the most relevant variable is the quarterly (annual) GDP growth rate. Data from various public databases, private banks, and content aggregators, such as Bloomberg, were used.

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

3 FINANCIAL RISK MANAGEMENT (continued)

3.1 Credit risk (continued)

The weights assigned to the scenarios are as follows: 70% the basic scenario, 20% the optimistic scenario and 10% the pessimistic scenario and the projections used are those presented below:

Year/Scenario	Basis	Pessimistic	Optimistic
2020	-4.84%	-7.00%	-3.00%
2021	4.00%	1.60%	7.00%
2022	2.55%	2.10%	3.00%

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 present value of future cash flows from securities (PVC), 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.

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.

3 FINANCIAL RISK MANAGEMENT (continued)

3.1 Credit risk (continued)

c) 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:

- mortgage on cash deposits;
- bank guarantee letters;
- mortgage on financial instruments such as stocks or shares listed on the Stock Exchange;
- mortgages on real estate;
- mortgage 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.

d) 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.

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.

e) 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.

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

3. FINANCIAL RISK MANAGEMENT (continued)

3.1 Credit risk (continued)

3.1.2 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 32). Credit risk is mitigated by existing guarantees.

The table below shows the maximum exposure to credit risk of the Bank as of December 31, 2020 and December 31, 2019, loans to customers, as reported in the statement of financial position.

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, 2020	December 31, 2020	December 31, 2020
Total retail loans	**513,924,340**	**-10,272,551**	**503,651,789**
Credit cards	1,890,198	-38,118	1,852,080
Consumer loans / personal loans and overdrafts	226,110,988	-7,723,997	218,386,991
Mortgage / Real estate loans	285,923,154	-2,510,436	283,412,718
Total corporate loans	**1,219,713,373**	**-69,293,319**	**1,150,420,054**
Total SMEs	**1,010,351,373**	**-64,737,507**	**945,613,866**
Commerce	282,820,053	-6,755,940	276,064,113
Industry	80,222,271	-11,395,079	68,827,192
Construction and real estate	277,918,032	-25,121,937	252,796,095
Agriculture	33,381,650	-500,566	32,881,084
Lease	31,518,198	-441,220	31,076,978
Shipping	132,129,839	-3,378,697	128,751,142
Others	172,361,330	-17,144,068	155,217,262
Total corporate	**209,362,000**	**-4,555,812**	**204,806,188**
Commerce	52,317,596	-1,254,112	51,063,484
Industry	134,603,570	-2,649,326	131,954,244
Construction and real estate	3,698,420	-55,081	3,643,339
Agriculture	-	-	-
Lease	2,491,163	-77,565	2,413,598
Shipping	27,110	-10,013	17,097
Others	16,224,141	-509,715	15,714,426
Total loans and advances to customers	**1,733,637,713**	**-79,565,870**	**1,654,071,843**

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

3. FINANCIAL RISK MANAGEMENT (continued)

3.1 Credit risk (continued)

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

As at December 31, 2020 the share of loans to customers in Bucharest in the total loan portfolio is 71.78%.

	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)

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

Information about guarantees as at December 31, 2020

	Secured loans and advances	Unsecured loans and advances	Total loans and advances
Total retail loans	**432,156,312**	**81,768,028**	**513,924,340**
Credit cards	137,251	1,752,947	1,890,198
Consumer loans / personal loans and overdrafts	178,478,500	47,632,488	226,110,988
Mortgage / Real estate loans	253,540,561	32,382,593	285,923,154
Total corporate loans	**592,248,351**	**627,465,023**	**1,219,713,373**
Total SMEs	**532,397,485**	**477,953,888**	**1,010,351,373**
Commerce	165,929,660	116,890,393	282,820,053
Industry	51,854,100	28,368,171	80,222,271
Construction and real estate	213,225,948	64,692,083	277,918,032
Agriculture	10,712,241	22,669,409	33,381,650
Leasing	6,767,652	24,750,547	31,518,198
Shipping	7,733,700	124,396,139	132,129,839
Others	76,174,184	96,187,146	172,361,330
Total corporate	**59,850,865**	**149,511,135**	**209,362,000**
Commerce	21,348,084	30,969,512	52,317,596
Industry	23,697,810	110,905,759	134,603,570
Construction and real estate	1,383,351	2,315,070	3,698,420
Agriculture	-	-	-
Leasing	-	2,491,163	2,491,163
Shipping	27,110	-	27,110
Others	13,394,510	2,829,631	16,224,141
Total loans and advances to customers	**1,024,404,662**	**709,233,051**	**1,733,637,713**

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

3. FINANCIAL RISK MANAGEMENT (continued)

3.1 Credit risk (continued)

3.1.2 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)

3.1.2 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:

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.

As at December 31, 2020:

	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	**448,943,457**	**14,964,352**	**20,587,736**	**8,401,830**	**21,026,965**	**513,924,340**
Credit cards	1,649,168	3,993	196,823	11,772	28,442	1,890,198
Consumer loans / personal loans and overdrafts	185,302,184	10,587,179	10,900,246	3,442,089	15,879,290	226,110,988
Mortgage / Real estate loans	261,992,105	4,373,180	9,490,667	4,947,969	5,119,233	285,923,154

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

3. FINANCIAL RISK MANAGEMENT (continued)

3.1 Credit risk (continued)

3.1.2 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	**889,343,033**	**145,554,122**	**46,955,762**	**40,283,865**	**97,576,591**	**1,219,713,373**
SMEs	**711,686,287**	**134,207,586**	**44,565,954**	**24,912,925**	**94,978,621**	**1,010,351,373**
Commerce	216,320,419	25,378,680	25,011,065	2,251,086	13,858,803	282,820,053
Industry	43,740,482	15,917,118	1,516,508	-	19,048,163	80,222,271
Construction and real estate	173,649,651	36,981,140	6,249,881	14,905,391	46,131,969	277,918,032
Agriculture	17,450,261	3,794,031	10,531,996	1,605,362	-	33,381,650
Leasing	31,518,198	-	-	-	-	31,518,198
Shipping	132,129,839	-	-	-	-	132,129,839
Others	96,877,437	52,136,617	1,256,504	6,151,086	15,939,686	172,361,330
Corporate	**177,656,746**	**11,346,536**	**2,389,808**	**15,370,940**	**2,597,970**	**209,362,000**
Commerce	48,411,569	1,308,057	-	-	2,597,970	52,317,596
Industry	123,028,484	9,185,278	2,389,808	-	-	134,603,570
Constructions and real estate	3,698,420	-	-	-	-	3,698,420
Agriculture	-	-	-	-	-	-
Leasing	2,491,163	-	-	-	-	2,491,163
Shipping	27,110	-	-	-	-	27,110
Others	-	853,201	-	15,370,940	-	16,224,141
Total loans and advances to customers	**1,338,286,490**	**160,518,474**	**67,543,498**	**48,685,695**	**118,603,556**	**1,733,637,713**
Expected loss	-13,906,800	-4,383,167	-586,272	-1,382,106	-59,307,525	-79,565,870
Total loans and advances to customers	**1,324,379,690**	**156,135,307**	**66,957,226**	**47,303,589**	**59,296,031**	**1,654,071,843**

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

3. FINANCIAL RISK MANAGEMENT (continued)

3.1 Credit risk (continued)

3.1.2 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, 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
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 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, 2020	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	1,592,408	158,750,570	252,134,269	373,509,763	89,979,460	875,966,470
Medium risk	56,760	26,551,614	9,857,836	338,168,882	87,650,175	462,285,267
High risk	-	-	-	7,643	27,110	34,753
Total Stage 1	**1,649,168**	**185,302,184**	**261,992,105**	**711,686,288**	**177,656,745**	**1,338,286,490**
Expected loss Stage 1	-7,166	-465,977	-303,998	-9,487,859	-3,641,800	-13,906,800
Total net Stage 1	**1,642,002**	**184,836,207**	**261,688,107**	**702,198,429**	**174,014,945**	**1,324,379,690**
Stage 2						
Low risk	-	9,340,526	3,133,418	487,083	-	12,961,027
Medium risk	3,993	1,246,653	1,239,762	133,469,255	11,346,536	147,306,199
High risk	-	-	-	251,248	-	251,248
Total Stage 2	**3,993**	**10,587,179**	**4,373,180**	**134,207,586**	**11,346,536**	**160,518,474**
Expected loss Stage 2	-370	-126,149	-64,435	-3,828,649	-363,564	-4,383,167
Total net Stage 2	**3,623**	**10,461,030**	**4,308,745**	**130,378,937**	**10,982,972**	**156,135,307**
Total gross	**1,653,161**	**195,889,363**	**266,365,285**	**845,893,874**	**189,003,281**	**1,498,804,964**
Total expected loss	-7,536	-592,126	-368,433	-13,316,508	-4,005,364	-18,289,967
Total net	**1,645,625**	**195,297,237**	**265,996,852**	**832,577,366**	**184,997,917**	**1,480,514,997**

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

3. FINANCIAL RISK MANAGEMENT (continued)

3.1 Credit risk (continued)

3.1.3 Loans and advances (continued)

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

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)

3.1.3 Loans and advances (continued)

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"

b) Past due but not impaired loans and advances

December 31, 2020

	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	**20,587,736**	**20,587,736**	**-41,311**	**2,959,757**	**4,665,081**	**776,992**	**8,401,830**	**-125,479**	**28,989,566**	**-166,790**	**24,213,379**
Credit cards	196,823	196,823	-1,405	-	11,772	-	11,772	-735	208,595	-2,140	23,086
Consumer loans / personal loans and overdrafts	10,900,246	10,900,246	-26,045	1,262,453	1,797,747	381,889	3,442,089	-45,945	14,342,335	-71,990	12,124,586
Mortgage / Real Estate loans	9,490,667	9,490,667	-13,861	1,697,304	2,855,562	395,103	4,947,969	-78,799	14,438,636	-92,660	12,065,707
Expected credit loss retail	-41,311	-41,311	-	-40,141	-76,761	-8,578	-125,480	-	-166,791	-	-
Total retail loans, net	**20,546,425**	**20,546,425**	**-**	**2,919,616**	**4,588,320**	**768,414**	**8,276,350**	**-**	**28,822,775**	**-**	**-**

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

3. FINANCIAL RISK MANAGEMENT (continued)

3.1 Credit risk (continued)

3.1.3 Loans and advances (continued)

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

Portfolio	Stage 1 Outstanding up to 30 days	Total Stage 1	Expected loss Stage 1	Stage 2 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	**46,955,762**	**46,955,762**	**-544,961**	**27,670,645**	**2,895,318**	**9,717,902**	**40,283,865**	**-1,256,627**	**87,239,627**	**-1,801,588**	**54,544,003**
SMEs	**44,565,954**	**44,565,954**	**-518,898**	**23,436,171**	**1,476,754**	**-**	**24,912,925**	**-771,471**	**69,478,879**	**-1,290,369**	**40,656,082**
Commerce	25,011,065	25,011,065	-277,486	774,333	1,476,754	-	2,251,087	-47,202	**27,262,152**	-324,688	14,187,408
Industry	1,516,508	1,516,508	-11,490	-	-	-	-	-	**1,516,508**	-11,490	815,337
Construction and real estate	6,249,881	6,249,881	-52,008	14,905,39-	-	-	14,905,390	-444,419	**21,155,271**	-496,427	20,669,303
Agriculture	10,531,996	10,531,996	-160,300	1,605,362	-	-	1,605,362	-45,567	**12,137,358**	-205,867	1,585,695
Leasing	-	-	-	-	-	-	-	-	**-**	-	-
Shipping	-	-	-	-	-	-	-	-	**-**	-	-
Others	1,256,504	1,256,504	-17,614	6,151,086	-	-	6,151,086	-234,283	**7,407,590**	-251,897	3,398,339
Corporate	**2,389,808**	**2,389,808**	**-26,063**	**4,234,474**	**1,418,564**	**9,717,902**	**15,370,940**	**-485,156**	**17,760,748**	**-511,219**	**13,887,921**
Commerce	-	-	-	-	-	-	-	-	-	-	-
Industry	2,389,808	2,389,808	-26,063	-	-	-	-	-	2,389,808	-26,063	1,279,406
Construction and real estate	-	-	-	-	-	-	-	-	-	-	-
Agriculture	-	-	-	-	-	-	-	-	-	-	-
Shipping	-	-	-	-	-	-	-	-	-	-	-
Others	-	-	-	4,234,474	1,418,564	9,717,902	15,370,940	-485,156	15,370,940	-485,156	12,608,515

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

3. FINANCIAL RISK MANAGEMENT (continued)

3.1 Credit risk (continued)

3.1.3 Loans and advances (continued)

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

December 31, 2020

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	**-544,961**	**-544,961**	-	**-875,744**	**-55,543**	**-325,341**	**-1,256,627**	-	**-1,801,588**	-	-
Total net corporate loans	**46,410,801**	**46,410,801**	**-**	**26,794,901**	**2,839,775**	**9,392,561**	**39,027,238**	**-**	**85,438,039**	**-**	**-**
Total loans and advances to customers	**67,543,498**	**67,543,498**	**-586,272**	**30,630,402**	**7,560,399**	**10,494,894**	**48,685,695**	**-1,382,106**	**116,229,193**	**-1,968,378**	**78,757,382**
Expected loss for loans and advances to customers	-586,272	-586,272	-	-915,884	-132,303	-333,919	-1,382,106	-	-1,968,378	-	-
Total net loans and advances to customers	**66,957,226**	**66,957,226**	**-**	**29,714,518**	**7,428,096**	**10,160,975**	**47,303,589**	**-**	**114,260,815**	**-**	**-**

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

3. FINANCIAL RISK MANAGEMENT (continued)

3.1 Credit risk (continued)

3.1.3 Loans and advances (continued)

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

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)

3.1.3 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)

3.1.3 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	-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**	**-**	**-**

3. FINANCIAL RISK MANAGEMENT (continued)

3.1 Credit risk (continued)

3.1.3 Loans and advances (continued)

c) Impaired loans and advances

The impaired loans category includes all the exposures classified to Stage 3. For classification in Stage 3, reference is made to Guide EBA / GL / 2016/07 on the application of the definition of default under Article 178 of Regulation (EU) no. 575/2013.

The Bank applies the definition of default at debtor level, both for non-retail customers and for retail customers. The same definition of default is used for all types of exposures.

Default exposures are exposures that meet at least one of the following criteria:

a) Overdue payments upon establishment of default
b) Indicators of payment improbability.

The criterion of overdue payments upon establishment of default takes into account:

a) the overdue loan obligation and the materiality threshold;
b) counting the overdue days;
c) suspension of the counting of overdue days;
a) technical overdue;

As regards the criterion of overdue, as of December 31, 2020, the Bank takes into consideration the following materiality levels of the liabilities from overdue loans set by the NBR:

- For retail exposures:

a) the level of the relative component of materiality is 1%;

b) the level of the absolute component of materiality is RON 150

- For exposures other than retail:

a) the level of the relative component of materiality is 1%;

b) the level of the absolute component of materiality is RON 1,000.

The debtor is considered to be in default when both the limit expressed as an absolute component of materiality and the limit expressed as a relative component of materiality are exceeded for more than 90 consecutive days.

When the criterion of materiality is no longer met, the debtor remains in check status for a period of 3 months (90 days);

If during the check period, the materiality levels are not exceeded for more than 30 consecutive days, after the expiration of this period, the debtor will leave the state of default / non-performance. If during the check period the materiality levels are exceeded for more than 30 consecutive days, it is expected to return below these levels to start a new check period of 3 months (90 days). If the materiality levels continue to be exceeded for a period longer than 90 consecutive days, the client remains in a state of default / non-performance.

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

3. FINANCIAL RISK MANAGEMENT (Continued)

3.1 Credit risk (continued)

3.1.3 Loans and advances (continued)

c) Impaired loans and advances (continued)

December 31, 2020

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	**4,309,395**	**3,490,539**	**2,443,759**	**2,954,747**	**575,594**	**1,258,939**	**5,993,992**	**21,026,965**	**-9,137,666**	**11,955,153**
Credit cards	6,664	-	-	-	3,850	3,293	14,635	28,442	-28,437	-
Consumer loans / personal loans and overdrafts	3,291,821	2,723,120	2,037,060	2,139,486	571,744	885,360	4,230,699	15,879,290	-7,059,881	8,872,193
Mortgage / Real estate loans	1,010,910	767,419	406,699	815,261	-	370,286	1,748,658	5,119,233	-2,049,343	3,082,960
Expected loss for retail loans	-1,382,035	-811,155	-622,008	-1,326,459	-96,976	-354,344	-4,544,687	-9,137,665	-	-
Total net retail loans	**2,927,360**	**2,679,384**	**1,821,751**	**1,628,288**	**478,618**	**904,595**	**1,449,305**	**11,889,301**	-	-

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

3. FINANCIAL RISK MANAGEMENT (Continued)

3.1 Credit risk (continued)

3.1.3 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	**4,109,526**	**1,393,096**	**3,820,523**	**-**	**-**	**-**	**88,253,447**	**97,576,591**	**-50,169,859**	**47,510,289**
SMEs	**4,109,526**	**1,393,096**	**3,820,523**	**-**	**-**	**-**	**85,655,477**	**94,978,621**	**-50,130,630**	**44,912,319**
Commerce	909,509	-	728,087	-	-	-	12,221,208	13,858,804	-3,284,582	10,591,760
Industry	1,396,432	-	-	-	-	-	17,651,731	19,048,163	-10,619,155	8,450,753
Construction and real estate	441,805	395,973	3,087,506	-	-	-	42,206,685	46,131,969	-22,260,575	23,881,733
Agriculture	-	-	-	-	-	-	-	-	-	-
Other	1,361,780	997,123	4,930	-	-	-	13,575,853	15,939,686	-13,966,318	1,988,073
Corporate	**-**	**-**	**-**	**-**	**-**	**-**	**2,597,970**	**2,597,970**	**-39,229**	**2,597,970**
Commerce	-	-	-	-	-	-	2,597,970	2,597,970	-39,229	2,597,970
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)

3.1.3 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	-1,219,887	-299,959	-983,233	-	-	-	-47,666,781	-50,169,860	-	-
Total net corporate loans	**2,889,639**	**1,093,137**	**2,837,290**	**-**	**-**	**-**	**40,586,666**	**47,406,731**	-	-
Total loans and advances to customers	**8,418,921**	**4,883,635**	**6,264,282**	**2,954,747**	**575,594**	**1,258,939**	**94,247,439**	**118,603,556**	**-59,307,525**	**59,465,442**
Expected loss for loans and advances to costumers	-2,601,923	-1,111,114	-1,605,241	-1,326,459	-96,976	-354,344	-52,211,468	-59,307,525	-	-
Total net loans and advances to customers	**5,816,999**	**3,772,521**	**4,659,041**	**1,628,288**	**478,618**	**904,595**	**42,035,971**	**59,296,031**	-	-

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

3. FINANCIAL RISK MANAGEMENT (Continued)

3.1 Credit risk (continued)

3.1.3 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)

3.1.3 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)

3.1.3 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)

3.1.3 Loans and advances (continued)

c) Impaired loans and advances (continued)

The effect of the guarantees on December 31, 2020 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	**296,357,808**	**214,589,780**	**217,566,532**	**345,098,029**
Credit cards	1,763,947	11,000	126,251	933,540
Consumer loans / personal loans and overdrafts	153,909,542	106,277,054	72,201,446	125,391,307
Mortgage / Real estate loans	140,684,319	108,301,726	145,238,835	218,773,182
Total corporate loans	**934,698,369**	**307,233,349**	**285,015,004**	**442,261,018**
Total SMEs	**742,812,060**	**264,858,174**	**267,539,313**	**404,685,900**
Commerce	220,799,172	103,908,780	62,020,881	78,451,844
Industry	50,016,328	21,648,157	30,205,943	44,083,115
Construction and real estate	163,209,601	98,517,518	114,708,431	197,952,623
Agriculture	25,855,369	3,185,960	7,526,281	8,244,457
Leasing	30,258,071	5,507,525	1,260,127	2,142,840
Shipping	132,129,839	7,733,700	-	-
Other	120,543,680	24,356,534	51,817,650	73,811,021

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

3. FINANCIAL RISK MANAGEMENT (continued)

3.1 Credit risk (continued)

3.1.3 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	**191,886,309**	**42,375,175**	**17,475,691**	**37,575,118**
Commerce	49,719,626	18,750,114	2,597,970	13,573,966
Industry	122,419,052	11,513,292	12,184,518	16,605,211
Construction and real estate	3,698,420	1,383,352	-	-
Agriculture	-	-	-	-
Leasing	2,491,163	-	-	-
Shipping	-	-	27,110	491,565
Other	13,558,048	10,728,417	2,666,093	6,904,376
Total loans and advances to customers	**1,231,056,177**	**521,823,129**	**502,581,536**	**787,359,047**

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

3. FINANCIAL RISK MANAGEMENT (continued)

3.1 Credit risk (continued)

3.1.3 Loans and advances (continued)

c) Impaired loans and advances (continued)

The effect of the guarantees on December 31, 2019 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	**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
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**

3. FINANCIAL RISK MANAGEMENT (continued)

3.1 Credit risk (continued)

3.1.3 Loans and advances (continued)

c) Impaired loans and advances (continued)

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 2020, the amount of off-balance-sheet loans at gross value is RON 499,043,782 (2019: RON 509,157,858).

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

3. FINANCIAL RISK MANAGEMENT (continued)

3.1 Credit risk (continued)

3.1.3 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, 2020

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, 2020	**8,865,795**	**2,421,274**	**51,735,896**	**63,022,965**
Changes in expected loss				
- Transfer to Stage 1	1,072,444	-665,744	-406,700	-
- Transfer to Stage 2	-573,162	2,175,506	-1,602,344	-
- Transfer to Stage 3	-5,200	-287,362	292,562	-
- Increases due to changes in credit risk*	6,599,459	9,647,558	19,515,769	35,762,786
- Decreases due to changes in credit risk**	-8,236,287	-8,552,845	-10,424,791	-27,213,923
- Write-offs	-	-	-613,495	-613,495
Expected loss for new financial assets	6,926,387	995,859	77,880	8,000,126
Expected loss for derecognised financial assets***	-	-	-	-
FX differences	-156,228	31,026	732,749	607,547
Expected loss as at December 31, 2020	**14,493,072**	**5,765,273**	**59,307,525**	**79,565,870**
of which, unwinding	-	-	14,828,807	14,828,807
Expected loss as at December 31, 2020 net of unwinding	**14,493,072**	**5,765,273**	**44,478,718**	**64,737,063**

*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)

3.1.3 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)

3.1.3 Loans and advances (continued)

c) Impaired loans and advances (continued)

December 31, 2020

Expected loss for off-balance sheet loans and advances to customers	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Expected loss as at January 1, 2020	**1,140,417**	**111,633**	**4,470**	**1,256,520**
Changes in expected loss				
- Transfer to Stage 1	15,701	-15,701	-	-
- Transfer to Stage 2	-47,970	47,974	-4	-
- Transfer to Stage 3	-4	-1,292	1,296	-
- Increases due to changes in credit risk*	1,283,638	372,605	29,216	1,685,459
- Decreases due to changes in credit risk**	-1,663,544	-268,929	-9,202	-1,941,675
Expected loss for new financial assets	317,189	287,171	-	604,360
FX differences	-	-	-	-
Expected loss as at December 31, 2020	**1,060,561**	**533,489**	**25,776**	**1,619,826**

*including increases for existing exposures
**including off-balance sheet exposures turned to 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)

3.1.3 Loans and advances (continued)

c) Impaired loans and advances (continued)

December 31, 2019

Expected loss for off-balance sheet 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**

*including increases for existing exposures
** including off-balance sheet exposures turned to 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)

3.1.3 Loans and advances (continued)

c) Impaired loans and advances (continued)

December 31, 2020

Expected loss for off-balance sheet loans and advances to banks	Stage 1	Stage 2	Stage 3	Total
Expected loss as at January 1, 2020	**23,296**	**942,123**	**-**	**965,419**
Changes in expected loss				
- Transfer to Stage 1	73,218	-73,218	-	-
- Transfer to Stage 2	-	-	-	-
- Transfer to Stage 3	-	-	-	-
- Increases due to changes in credit risk*	36,779	106,490	-	143,269
- Decreases due to changes in credit risk**	-215,418	-36,316	-	-251,734
- Write-offs	-	-	-	-
- Changes not leading to derecognition	-	-	-	-
Expected loss for new financial assets	344,202	421,115	-	765,317
Changes in risk models/parameters	-	-	-	-
FX differences***	-194,857	-1,360,194	-	-1,555,051
Expected loss as at December 31, 2020	**67,220**	**-**	**-**	**67,220**

*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 off-balance sheet 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***	-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)

3.1.3 Loans and advances (continued)

c) Impaired loans and advances (continued)

December 31, 2020

Expected loss for investments held to amortized cost	Stage 1	Stage 2	Stage 3	Total
Expected loss as at January 1, 2020	**374,526**	**-**	**-**	**374,526**
Changes in expected loss				
- Transfer to Stage 1	-	-	-	-
- Transfer to Stage 2	-	-	-	-
- Transfer to Stage 3	-	-	-	-
- Increases due to changes in credit risk*	215,158	-	-	215,158
- Decreases due to changes in credit risk**	-115,936	-	-	-115,936
- Write-offs	-	-	-	-
- Changes not leading to derecognition	-	-	-	-
Expected loss for new financial assets	78,912	-	-	78,912
Changes in risk models/parameters	-	-	-	-
FX differences and other changes***	-17,434	-	-	-17,434
Expected loss at December 31, 2020	**535,226**	**-**	**-**	**535,226**

*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)

3.1.3 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)

3.1.3 Loans and advances (continued)

c) Impaired loans and advances (continued)

December 31, 2020

Expected loss for financial assets at fair value through other comprehensive income	Stage 1	Stage 2	Stage 3	Total
Expected loss as at January 1, 2020	**-**	**-**	**-**	**-**
Changes in expected loss				
- Transfer to Stage 1	-	-	-	-
- Transfer to Stage 2	-	-	-	-
- Transfer to Stage 3	-	-	-	-
- Increases due to changes in credit risk*	1,673	-	-	1,673
- Decreases due to changes in credit risk**	-44,197	-	-	-44,197
- Write-offs	-	-	-	-
- Changes not leading to derecognition	-	-	-	-
Expected loss for new financial assets	272,174	-	-	272,174
Changes in risk models/parameters	-	-	-	-
FX differences and other changes***	-1,874	-	-	-1,874
Expected loss at December 31, 2020	**227,777**	**-**	**-**	**227,777**

*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)

3.1.3 Loans and advances (continued)

c) Impaired loans and advances (continued)

December 31, 2020

Total loans and advances to customers	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Gross value as at January 1, 2020	**1,115,010,065**	**107,634,268**	**121,307,935**	**1,343,952,268**
Changes in gross value				
- Transfer to Stage 1	21,468,157	-20,731,896	-736,261	-
- Transfer to Stage 2	-113,337,296	118,153,842	-4,816,546	-
- Transfer to Stage 3	-534,772	-5,792,426	6,327,198	-
New financial assets	540,413,621	29,397,547	315,600	570,126,768
Derecognised financial assets*	-	-	-	-
Write-offs	-	-	-2,104,833	-2,104,833
Other changes**	-157,189,790	-19,457,166	-1,689,536	-178,336,491
Total loans and advances to customers as at December 31, 2020	**1,405,829,988**	**209,204,169**	**118,603,556**	**1,733,637,713**
Expected loss as at December 31, 2020	**-14,493,072**	**-5,765,273**	**-59,307,525**	**-79,565,870**

* includes only sold loans
**includes repayments 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)

3.1.3 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 repayments 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)

3.1.3 Loans and advances (continued)

c) Impaired loans and advances (continued)

December 31, 2020

Total off-balance sheet loans and advances to customers	Stage 1	Stage 2	Stage 3	Total
Gross value as at January 1, 2020	**94,354,496**	**329,090**	**68,948**	**94,752,534**
Changes in gross amount				
- Transfer to Stage 1	157,552	-157,552	-	-
- Transfer to Stage 2	-3,624,613	3,624,621	-8	-
- Transfer to Stage 3	-144	-28,654	28,798	-
New financial assets	31,940,167	7,204,091	-	39,144,258
Net movement in the year	-33,123,311	172,626	-46,186	-32,996,871
Total off-balance sheet loans and advances to customers as at December 31, 2020	**89,704,147**	**11,144,222**	**51,552**	**100,899,921**
Expected loss as at December 31, 2020	**-1,060,561**	**-533,489**	**-25,776**	**-1,619,826**

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

3. FINANCIAL RISK MANAGEMENT (continued)

3.1. Credit risk (continued)

3.1.3 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)

3.1.3 Loans and advances (continued)

c) Impaired loans and advances (continued)

December 31, 2020

Total loans and advances to banks	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Gross value as at January 1, 2020	**427,488,379**	**188,846,000**	**-**	**616,334,379**
Changes in gross value				
- Transfer between stages	153,579,773	-153,579,773	-	-
Net movement in loans and advances to banks during 2019	250,064,115	-35,266,227	-	214,797,888
Total loans and advances to banks as at December 31, 2020	**831,132,267**	**-**	**-**	**831,132,267**
Expected loss as at December 31, 2020	**-67,220**	**-**	**-**	**-67,220**

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)

3.1.3 Loans and advances (continued)

c) Impaired loans and advances (continued)

December 31, 2020

Total investments held at amortised cost	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Gross value as at January 1, 2020	**325,531,100**	**-**	**-**	**325,531,100**
- Transfers between stages	-	-	-	-
Net movement in investments held to maturity during 2019	128,357,185	-	-	128,357,185
Total investments held to maturity as at December 31, 2020	**453,888,285**	**-**	**-**	**453,888,285**
Expected loss as at December 31, 2020	**-535,227**	**-**	**-**	**-535,227**

December 31, 2019

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**

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

3. FINANCIAL RISK MANAGEMENT (continued)

3.1 Credit risk (continued)

3.1.3 Loans and advances (continued)

c) Impaired loans and advances (continued)

December 31, 2020

Total financial assets measured at fair value through other comprehensive income	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Gross value as at January 1, 2020	**-**	**-**	**-**	**-**
- Transfers between stages	-	-	-	-
Net movement in investments held to maturity during 2019	172,386,662	-	-	172,386,662
Total financial assets measured at fair value through other comprehensive income as at December 31, 2020	**172,386,662**	**-**	**-**	**172,386,662**
Expected loss as at December 31, 2020	**-227,777**	**-**	**-**	**-227,777**

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

3. FINANCIAL RISK MANAGEMENT (continued)

3.1 Credit risk (continued)

3.1.3 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.

	31.12.2020		
Type of restructuring	**Gross exposure**	**Expected loss**	**Net book value**
Extension of maturity	60,742,647	25,177,036	35,565,611
Refinancing	11,936,279	3,701,261	8,235,018
Rescheduling within contractual maturity	28,306,099	8,776,577	19,529,522
Total restructuring operations	**100,985,025**	**37,654,874**	**63,330,151**

	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**

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

3. FINANCIAL RISK MANAGEMENT (continued)

3.1 Credit risk (continued)

3.1.4 Securities portfolio

The table below presents the analysis of the investments securities portfolio as at December 31, 2020 and December 31, 2019, based on the Standard & Poor's ratings or equivalent**:**

			Rating	
	December 31, 2020	**December 31, 2019**	**December 31, 2020**	**December 31, 2019**
Investments at amortised cost (i)	453,353,058	325,156,573	BBB-	BBB-
Financial assets at fair value through other comprehensive income (ii)	172,415,643	35,638	BBB-	-
Financial assets mandatorily measured through profit or loss (II)	2,482,735	4,642,171	AA-/A-1+	AA-/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, 2020 and December 31, 2019 the credit rating for Romania was BBB- with fixed perspective in 2019 and negative perspective in 2020.

(ii) The financial assets at fair value through other comprehensive income represent securities issued by the Government of Romania.

3.1.5 Placements with banks

The table below presents the analysis of the placements with banks by evaluations performed on December 31, 2020 and December 31, 2019, based on the Standard & Poor's ratings or equivalent:

			Rating	
	December 31, 2020	**December 31, 2019**	**December 31, 2020**	**December 31, 2019**
	Total balance	**Total balance**	**Long/ short term**	**Long/ short term**
Current accounts				
KBC Brussels	279,519	-	A+/A-1	-
Barclays Bank (Suisse) SA	242,577,299	-	-	-
Optima Bank	3,425,490	15,063	-	-
EFG Eurobank Ergasias	3,850,260	4,064,983	B/B	B-/B

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

3. FINANCIAL RISK MANAGEMENT (continued)

3.1 Credit risk (continued)

3.1.5 Placements with banks (continued)

	December 31, 2020	December 31, 2019	Rating December 31, 2020	Rating December 31, 2019
	Total balance	Total balance	Long/ short term	Long/ short term
Placements with banks				
BCR	73,036,935	-	BBB+/A-2	-
Credit Europe Bank (Romania) SA	20,001,165	-	-	-
Banca Romaneasca	20,001,054	-	-	-
Techventures Bank (Banca Comerciala Feroviara SA in 2019)	10,000,041	-	-	-
First Bank SA	20,000,998	-	-	-
Rothschild Bank AG	59,906,719	64,793,655	-	-
Aegean Baltic Bank SA	45,598,006	46,508,376	B/B	B/B
TBI Bank EAD Sofia	33,001,152	18,001,128	-	-
Citibank Romania	-	25,001,672	-	A+/A-1
Piraeus Bank Athens	-	95,373,779	-	B-/B
Optima Bank	-	41,941,676	-	-
Total placements with banks	**531,678,638**	**295,700,332**	**-**	**-**

	Stage 1	Stage 2	Stage 3	Total
Current accounts	250,160,622	-	-	250,160,622
Demand deposits	120,405,288	-	-	120,405,288
Term deposits	161,165,832	-	-	161,165,832
Total	**531,731,742**	**-**	**-**	**531,731,742**
Expected credit loss	-53,105	-	-	-53,105
Total placements with banks	**531,678,637**	**-**	**-**	**531,678,637**

3. FINANCIAL RISK MANAGEMENT (continued)

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 10 mil., a maximum level of daily VaR of EUR 50 thousand.

The Bank shall maintain a level of 9-13% of the total currency position in comparison to the equity to be framed within the medium-low risk category. Under the level of 9%, there shall be considered medium-low risk profile, while over 13% 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, 2020 and December 31, 2019. 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, 2020	RON	EUR	USD	Other currencies	Total
Financial assets					
Cash and balances with central banks	201,589,860	130,157,441	3,364,453	3,439,143	338,550,897
Placements with banks	103,004,409	297,064,842	106,196,696	25,412,690	531,678,637
Financial assets at amortised cost	765,349,549	733,297,074	129,015,323	26,409,897	1,654,071,843
Loans and advances to customers, net of adjustments for impairment	382,323,026	34,367,882	36,662,150	-	453,353,058
Financial assets at fair value through other comprehensive income	52,352,584	98,352,778	21,710,281	-	172,415,643
Financial derivatives	50,739	-	-	-	50,739
Financial assets mandatorily at fair value through profit or loss	-	-	2,482,735	-	2,482,735
Other financial assets	4,277,147	5,764,730	52,986	2,510	10,097,373
Total financial assets (A)	**1,508,947,314**	**1,299,004,747**	**299,484,624**	**55,264,240**	**3,162,700,925**
Financial liabilities					
Bank deposits	29,054	-	-	-	29,054
Customers deposits	1,454,847,193	1,216,932,460	279,681,750	94,859,530	3,046,320,933
Financial derivatives	-	-	19,831,783	-	19,831,783
Lease liabilities	4,487,549	37,854,595	-	-	42,342,144
Other financial liabilities	1,480,329	10,907,180	28,796	108,636	12,524,941
Total financial liabilities (B)	**1,460,844,125**	**1,265,694,235**	**299,542,329**	**94,968,166**	**3,121,048,855**
Net financial assets/ liabilities (A-B)	**48,103,189**	**33,310,512**	**-57,705**	**-39,703,926**	**41,652,070**

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, 2019	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
Financial assets 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				35,638
Financial assets mandatorily at fair value through profit or loss	-	-	4,642,171	-	4,642,171
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
Lease liabilities	5,108,157	40,693,723	-	-	45,801,880
Other financial liabilities	1,726,693	2,408,291	277,216	-	4,412,201
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**

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, 2020 and on December 31, 2019. 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, 2020	**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	299,386,410	-	-	-	-	39,164,487	338,550,897
Placements with banks	531,644,117	-	-	-	-	34,520	531,678,637
Loans and advances to customers	1,518,031,941	79,529,532	33,509,924	6,084,737	3,763,670	13,152,039	1,654,071,843
Investments at amortised cost	-	120,188,711	10,005,439	314,290,618	-	8,868,290	453,353,058
Financial assets at fair value through other comprehensive income	-	24,392,772	-	136,859,305	9,929,778	1,233,788	172,415,643
Financial derivatives	50,739	-	-	-	-	-	50,739
Financial assets mandatorily at fair value through profit or loss	-	-	-	-	-	2,482,735	2,482,735
Other financial assets	-	-	-	-	-	10,097,373	10,097,373
Total financial assets	**2,349,113,207**	**224,111,015**	**43,515,363**	**457,234,660**	**13,693,448**	**75,033,232**	**3,162,700,925**
Financial liabilities							
Bank deposits	29,054	-	-	-	-	-	29,054
Customers deposits	1,220,831,078	339,444,009	1,399,207,687	54,405,465	18,496,494	13,936,200	3,046,320,933
Subordinated loans	-	19,830,000	-	-	-	1,783	19,831,783
Lease liabilities	-	-	-	-	-	42,342,144	42,342,144
Other financial liabilities	-	-	-	-	-	12,524,941	12,524,941
Total financial liabilities	**1,220,860,132**	**359,274,009**	**1,399,207,687**	**54,405,465**	**18,496,494**	**68,805,068**	**3,121,048,855**
Total sensitivity at the interest rate (gap)	**1,128,253,075**	**-135,162,994**	**-1,355,692,324**	**402,829,195**	**-4,803,046**	**6,228,164**	**41,652,070**

Line Loans and advances to customers for less than 1 month includes loans in amount of RON 1,182,156,119 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, 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
Financial assets mandatorily at fair value through profit or loss							
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 RON 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)

Sensitivity analysis

All amounts are in RON

	Effect on profit or loss	
	December 31, 2020	December 31, 2019
RON	+3,941,668/-3,941,668	+3,542,720/-3,542,720
EUR	-181,330/-181,330	-762,534/+762,534
USD	+6,062,228/-6,062,228	+6,605,269/-6,605,269
TOTAL Interest rate (± 200 b.p.)	**+9,822,566/-9,822,566**	**+9,385,455/-9,385,455**

Volatility interval	Stressed currency profile	Currency position % own funds 2020	2019	Effect on profit or loss 2020	Effect on profit or loss 2019
5 business days	current level	0,53%	1,23%	-290,960	-300,297
	average	11%	11%	-2,610,619	-1,459,246
	average-high	15%	15%	-3,559,935	-1,989,881
	high	20%	20%	-4,746,580	-2,653,175
10 business days	current level	0,53%	1,23%	-345,167	-378,111
	average	11%	11%	-3,146,246	-1,883,837
	average-high	15%	15%	-4,290,336	-2,568,869
	high	20%	20%	-5,720,448	-3,425,159

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

interval	**EUR**	**USD**	**GBP**	**CHF**
5 business days	5.17%	8.03%	10.22%	22.68%
10 business days	3.98%	6.65%	7.97%	20.42%

As at December 31, 2020, 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 9,823 thousand higher (2019: RON 9,385 thousand higher).

On December 31, 2020, 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 345 thousand lower (2019: RON 378 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, 2020

	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	338,550,897	-	-	-	-	338,550,897
Placements with banks	531,678,637	-	-	-	-	531,678,637
Loans and advances to customers	65,080,818	112,891,444	457,805,565	488,841,032	529,452,984	1,654,071,843
Investments at amortised cost	-	123,232,895	10,077,680	320,042,483	-	453,353,058
Financial assets at fair value through other comprehensive income	172,415,643	-	-	-	-	172,415,643
Financial derivatives	50,739					50,739
Financial assets mandatorily at fair value through profit or loss	2,482,735					2,482,735
Other financial assets	5,387,827	600,834	1,781,526	2,327,186	-	10,097,373
Total financial assets (contractual maturities)	**1,115,647,296**	**236,725,173**	**469,664,771**	**811,210,701**	**529,452,984**	**3,162,700,925**
Financial liabilities						
Bank deposits	29,054	-	-	-	-	29,054
Customers deposits	1,204,684,460	344,330,075	1,424,053,235	68,360,174	25,827,853	3,067,255,797
Subordinated loans	-	162,282	490,414	2,605,435	20,102,848	23,360,979
Lease liabilities	681,486	1,364,735	5,574,266	23,354,237	11,367,420	42,342,144
Other financial liabilities	12,524,941	-	-	-	-	12,524,941
Loans and other liabilities regarding lending	298,313	10,803,401	36,269,394	12,366,190	790,294	60,527,592
Guarantee letters issued	2,129,193	4,283,673	18,668,254	14,705,047	586,162	40,372,329
Total financial liabilities (contractual maturities)	**1,220,347,447**	**360,944,166**	**1,485,055,563**	**121,391,083**	**58,674,577**	**3,246,412,836**
Net position	**-104,700,151**	**-124,218,993**	**-1,015,390,792**	**689,819,618**	**470,778,407**	**-83,711,911**

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, 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	35,638	-	-	-	-	35,638
Financial assets mandatorily at fair value through profit or loss	4,642,171	-	-	-	-	4,642,171
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**

**Also includes lease 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

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, 2020

	Level 1	Level 2	Level 3	Total
Financial assets				
Other financial assets				
Financial assets at fair value, of which				
- Financial assets at fair value through other comprehensive income	172,386,662	-	28,981	172,415,643
- Financial derivatives	-	-	50,739	50,739
- Financial assets mandatorily at fair value through profit or loss	-	-	2,482,735	2,482,735
Total assets stated at fair value	**172,386,662**	-	**2,562,455**	**174,949,117**
Financial liabilities				
Financial derivatives	-	-	-	-
Total liabilities at fair value	-	-	-	-

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, of which				
- Financial assets at fair value through other comprehensive income	-	-	35,638	35,638
- Financial derivatives	-	-	-	-
- Financial assets mandatorily at fair value through profit or loss	-	-	4,642,171	4,642,171
Total assets stated at fair value	-	-	**4,677,809**	**4,677,809**

The Visa shares in amount of RON 4,642,171 were restated because in 2020 they were reclassified from Financial assets at fair value through other comprehensive income to Financial assets mandatorily at fair value through profit or loss.

	Level 1	Level 2	Level 3	Total
Financial liabilities				
Financial derivatives	-	-	314,885	314,885
Total liabilities at fair value	-	-	**314,885**	**314,885**

(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)

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.

Assets and liabilities whose fair value is presented as at December 31, 2020:

	Level 1	Level 2	Level 3	Total
Financial assets				
Cash and balances with central banks	338,550,897	-	-	338,550,897
Placements with banks	-	531,678,637	-	531,678,637
Loans and advances to customers	-	-	1,649,181,685	1,649,181,685
Financial assets at amortised cost	453,353,058	-	-	453,353,058
Other financial assets	-	-	10,097,373	10,097,373
Total financial assets	**791,903,955**	**531,678,637**	**1,659,279,058**	**2,982,861,650**

	Level 1	Level 2	Level 3	Total
Financial liabilities				
Bank deposits	-	29,053	-	29,053
Customers deposits	-	3,046,320,933	-	3,046,320,933
Subordinated loans		19,831,783	-	19,831,783
Other financial liabilities	-	-	12,524,941	12,524,941
Total financial liabilities	**-**	**3,066,181,769**	**12,524,941**	**3,078,706,710**

(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**

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.

3. FINANCIAL RISK MANAGEMENT (continued)

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

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. Financial assets 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 shares 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, 2020, the request for equity was as follows:

- a basic capital adequacy ratio Tier 1 of 7.16%;
- a capital adequacy ratio Tier 1 of 9.55%;
- a total capital adequacy ratio of 12.73%.

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, 2020 and December 31, 2019.

	December 31, 2020	December 31, 2019
Capital level 1		
Total capital level 1	307,688,154	309,055,994
Capital level 2		
Total capital level 2	19,830,000	-
Total capital	**327,518,154**	**309,055,994**
Total credit risk exposure	1,527,886,496	1,482,115,233
Total risk weighted exposure	1,600,284,333	1,586,520,919
Equity ratio level 1	**19.23%**	**19.48%**
Total equity ratio	**20.47%**	**19.48%**

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. In 2020, there was no increase in share capital, but the Bank contracted 2 subordinated loans worth USD 5 million.

In June 2020, the National Bank of Romania approved the inclusion of USD 5 million as Level 2 equity, which represents two subordinated loans granted for a period of 5 years by Mr. Goulandris Nicholas John (USD 2 million), and by EDEN SHIPHOLDING LTD (USD 3 million).

On December 31, 2020, after the audit of the financial statements, the Bank registered both a level 1 equity ratio of 19.23%, and a total equity ratio of 20.47%, above the minimum level imposed by the National Bank of Romania, namely 14.05% and 17.23%.

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

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 an 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 the reported tax losses, and considers that the deferred tax assets recognised in this respect at December 31, 2019 will be absorbed in the following 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 at fair value through other comprehensive income.

5 NET INTEREST INCOME

	2020	2019
Interest income		
Current accounts and deposits with banks	4,180,969	5,753,987
Loans and advances to customers	76,306,035	61,414,446
Financial assets at amortised cost	12,881,869	9,615,843
Financial assets at fair value through other comprehensive income	1,768,459	-
Total	**95,137,332**	**76,784,276**

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

5 NET INTEREST INCOME (continued)

	2020	2019
Interest expenses		
Current account, loans and deposits with banks	-268,913	-239,795
Customers deposits	-36,963,330	-30,266,069
Subordinated loans	-398,838	-
Lease liabilities	-1,129,311	-1,067,154
Other interest expenses	-14,885	-
Total	**-38,775,278**	**-31,573,018**

6 NET FEE INCOME

	2020	2019
Fee income		
Inter-bank transactions fees	69,417	18,592
Customer proceeds and payments fees	1,511,316	1,285,707
Customer credit fees	963,709	71,519
Fees from loan commitments and issued guarantee letters	520,346	592,581
Assistance and consultancy fees	106,607	354,652
Means of payment fees	2,604,121	2,862,887
Other fees	20,485	21,447
Total	**5,796,001**	**5,207,385**

Fee income is income from contracts with customers and is accounted for in accordance with IFRS 15. Income from contracts with customers comes from the following categories:

Payment method fees:

These fees are charged when the transaction takes place. This category includes all fees related to direct debit agreements, Money Gram, payment orders and other payment methods.

In the case of transaction-based fees (e.g. cash withdrawal / payment fee, merchants' fee, exchange fee, etc.), the fees will be paid immediately after the transaction or monthly. The fee is usually determined as percentage of the transaction with a fixed minimum amount.

Customers' receipts and payment fees:

Applies to a wide range of standard banking services, related fees (SMS alert, internet banking, monthly administration fee, opening current accounts, escrow accounts, significant collateral account and closing accounts, etc.)

These fees are considered as single fees related to a specific service that is provided by the Bank and are therefore accounted for when the service is provided, but may also be charged monthly for services provided in the previous month.

Loan commitment fees and letters of guarantee issued:

This category includes fees related to loans that are not included in the calculation of the effective interest rate due to their nature. Also, in this category, the Bank includes the following fees: credit analysis fee (for analyses for which no loans are granted), early repayment fee, non-withdrawal fee (for off-balance sheet exposures), agent’s fee, etc.

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

6 NET FEE INCOME (continued)

Fees for financial and credit guarantees are amortized on a straight-line basis over the life of the instruments.

	2020	2019
Fees expenses		
Inter-bank transactions fees	-530,148	-484,571
Customer operation fees	-134,067	-83,449
Means of payment fees	-607,284	-440,592
Other fees	-61,469	-61,881
Total	**-1,332,968**	**-1,070,493**

7 OTHER OPERATING INCOME

	2020	2019
Operating income from:		
Dividends	28,825	28,825
Profit from sale of financial assets at FVOCI (i)	2,552,252	-
Reclassification of financial assets (ii)	503,474	1,354,843
Safe deposit boxes	26,123	19,859
Sale of repossessed assets (iii)	4,102,616	3,055,644
Net income from impairment allowances of repossessed assets	91,831	-
Sale of fixed assets	78,140	-
Sale of investment property	283,132	3,758,314
Revaluation of investment property	819,184	3,422,770
Lease of investment property	554,043	382,826
Revaluation of property, plant and equipment	142,197	-
Other income	555,404	566,502
Total	**9,738,075**	**12,589,583**

i. In 2020, the Bank sold bonds issued by the Government of Romania from its portfolio of financial assets measured at fair value through other comprehensive income, at a market price higher than their acquisition price.

ii. The Visa shares in amount of RON 4,642,171 were restated in 2019 because in 2020 they were reclassified from financial assets measured at fair value through other comprehensive income to financial assets mandatorily at fair value through profit or loss. The amount of RON 2,570,828 restated to other operating income, represents the fair value differences registered out of which the differences registered during the year are in amount of RON 1,354,843. The previous years' differences in amount of RON 1,215,985 were carried to retained earnings.

iii. In 2020, the Bank sold properties held further to the execution of non-performing loans, at a total price of RON 31,467,406 (2019: RON 27,521,716), which were registered at a net carrying amount of RON 27,364,790 (2019: RON 24,652,047), registering a profit of RON 4,102,616 (2019: loss of RON 2,869,669).

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

8 OTHER OPERATING EXPENSES

	2020	2019
Operating expenses, of which:		
Rents	-212,414	-440,308
Employees' benefits	-37,351,222	-34,856,310
Social contributions	-1,087,422	-989,389
Deposit Guarantee Fund Contributions	-824,205	-2,243,464
Other fees and taxes	-1,708,101	-2,021,164
Supplies	-1,236,943	-1,276,703
Maintenance and repairs	-6,211,907	-5,784,684
Utilities	-1,274,728	-1,433,501
Post office and telecommunications	-3,421,572	-3,309,903
Collaborators and brokerage	-787,664	-1,233,370
Dislocations, secondments, transfers	-60,480	-354,824
Other services performed by third parties	-7,139,126	-6,760,073
Protocol	-260,548	-457,359
Publicity and advertising	-678,385	-2,001,483
Deregistration of the sold repossessed assets (i)	-	-3,309,150
Amortization/depreciation of tangible and intangible assets	-3,307,462	-2,703,534
Amortisation of right-of-use assets	-8,042,920	-7,695,442
Net expenses with adjustments for receivables from sundry operations	-2,615,565	-53,400
Net expenses with other provisions	-1,088,056	-808,442
Other operating expenses	-624,288	-698,468
Total	**-77,933,009**	**-78,430,971**

The average number of employees at the end of the year is 284 (2019: 247).

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 2020: RON 339,456 (2019: RON 319,488). The fees paid to the statutory auditor do not include the audit services for the information presented in the FINREP separate financial statements – F04.00 as at June 30, 2020 and the FINREP audit at December 31, 2020, **which are not measured at fair value**. 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:

	2020	2019
Profit before tax	**472,824**	**-16,964,804**
Income tax for the period	-	-
Theoretical income tax expense/(income) calculated at the provided rate of 16%	-75,652	2,714,369
The tax effect of:		
Non-deductible expenses	-2,569,666	-2,876,753
Assimilated income items	-1,931	-463,481
Other deductions	532,977	432,565
Non-taxable incomes elements	2,062,941	4,062,152
Use of reported and unrecognized tax loss	51,331	-3,868,852

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

9. INCOME TAX EXPENSE (continued)

The current tax is calculated by applying a 16% rate (2019: 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 profit registered by the Bank in 2020 in amount of RON 472,824 was adjusted for the calculation of the tax result by RON 152,005, resulting from non-taxable income, assimilated income items, non-deductible expenses and other deductions. The tax profit generated by the Bank in 2020 in amount of RON 320,819 decreased the tax losses carried forward from previous periods in amount of RON 234,015,354 (following the rectification for 2019 in amount of RON 213,502 representing additional non-deductible expenses with lease operations – amortisation and interest).

Thus, as at December 31, 2020, the Bank reported a tax loss carried forward of RON 233,694,535 of which RON 93,284,639 expired, resulting a tax loss recoverable from previous years of RON 140,409,896, 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 22,465,583. On the basis of the Bank's prospects relating future income, the Bank continues to recognise within the balance sheet a receivable with the deferred tax related to tax losses from previous years on December 31, 2020 in amount of RON 10,948,417 (2019: RON 10,948,417), given the analysis made in respect of the budgets for the following financial years, where it considers that it will be able to generate enough profit to amortise deferred tax assets recognised at December 31, 2020.

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 11,517,166 (2019: RON 26,528,200). The tax losses carried forward expire as follows:

	2020	2019
The tax losses carried forward expire on:		
December 31, 2020	-	93,284,639
December 31, 2021	116,443,071	116,763,890
December 31, 2026	23,966,825	23,966,825
Total	**140,409,896**	**234,015,354**

Following a rectifying statement for 2019 regarding corporate tax, made in order to mark as non-deductible 50% of the impairment and interest on the leases for the Bank's vehicles purchased under lease agreements, the tax loss for 2019 becomes RON 23,966,825, and the total amount of the tax losses at the end of 2019 is RON 234,015,354.

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

	December 31, 2019	Tax recognised in profit or loss expense/ (loan)	Tax recognised in other comprehensive income	December 31, 2020
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	-	-	134,628	134,628
Net tax effect of the temporary non-deductible/ (taxable) differences	**10,948,417**	**-**	**134,628**	**11,083,045**

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

	2020	2019
Petty cash	39,164,488	41,490,247
Current accounts with NBR	299,386,409	319,668,628
- in RON	186,810,496	138,015,672
- in EUR	112,575,913	181,652,956
Total	**338,550,897**	**361,158,875**

The current accounts 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 2020, the interest rates varied between 0.10 % and 0.19 % (2019: 0.14% and 0.22%) for reserves held in RON, and dropped from 0.01% to 0.00% for reserves held in EUR (2019: 0.01%).

All these balances have been included in cash and cash equivalents (Note 31).

11 PLACEMENTS WITH BANKS

	2020	2019
Correspondent accounts (Nostro)	250,160,622	4,125,016
Sight deposits	120,405,288	152,224,702
Term deposits	161,165,832	140,293,256
Expected loss	-53,105	-942,642
Total	**531,678,637**	**295,700,332**

During 2020, the interest rates with the USD placements varied between 0.01% and 4.28% (2019: 1.35% and 4.28%) and the ones with the EUR placements between -0.65% and 0.10% (2019: -0.08% and 2.60%). The interest rates with the RON placements varied between 1.00% and 3.30% (2019: 1.50% and 3.55%).

All these balances were included in Cash and cash equivalents as they have a contractual maturity under 3 months (please see Note 31).

12 FINANCIAL ASSETS AT AMORTISED COST

	2020	2019
Bonds issued by the Romanian Government		
- in RON	382,323,026	260,761,075
- in EUR	34,367,882	24,613,203
- in USD	36,662,150	39,782,295
Total	**453,353,058**	**325,156,573**

Bonds issued by the Government of Romania - gross	453,888,285	325,531,100
Expected loss	-535,227	-374,527
Total	**453,353,058**	**325,156,573**

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

12 FINANCIAL ASSETS 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% (2019: 2.25% and 5.85%), for the EUR bond portfolio between 0.45% and 2.75% (2019: 1% and 4.875%) and for those in USD they ranged between 4.375% and 6.75% (2019: 4.375% and 6.75%).

The movements in the financial assets at amortised cost are presented below:

	Total
Balance on January 1, 2020	**325,531,099**
Inputs (purchases)	258,730,481
Outputs (matured)	-125,000,000
Collected interest	-15,876,067
Amortisation discount / premium	12,881,869
Exchange rate differences	-2,379,097
Total	**453,888,285**
Provisions	-535,227
Balance on December 31, 2020	**453,353,058**
Balance on January 1, 2019	**307,554,720**
Inputs (purchases)	134,178,487
Outputs (sold or 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**

Movement of the provision related to financial assets at amortized cost:

	Total
Balance on December 31, 2020	**-374,526**
Inputs	241,221
Outputs	-77,182
FX differences	-3,338
Balance at December 31, 2020	**-535,227**
Balance on January 1, 2019	**-368,403**
Inputs	149,275
Outputs	-144,189
FX differences	-11,209
Balance on December 31, 2019	**-374,526**

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

13 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2020	2019
Bonds issued by the Government of Romania		
- in RON	52,323,603	-
- in EUR	98,352,778	-
- in USD	21,710,281	-
Total	**172,386,662**	**-**

	2020	2019
Participations		
- in RON	28,981	35,638
Total	**28,981**	**35,638**

	Total
Balance on January 1, 2020	**-**
Inputs (purchases)	220,647,817
Outputs (matured)	-50,640,479
Collected interest	-3,432,698
Interest	1,768,460
income from sale	2,552,252
Adjustment of market value	841,427
Exchange rate differences	649,883
Balance on December 31, 2020	**172,386,662**

Participations are presented separately after reclassifying the Visa shares in amount of RON 4,642,171 from Financial assets at fair value through other comprehensive income to Financial assets mandatorily at fair value through profit or loss.

Movements in financial assets at fair value through other comprehensive income are presented below:

	Total
Balance on January 1, 2020	**35,638**
Loss on changes in fair value	-6,657
Balance on December 31, 2020	**28,981**
Balance on January 1, 2019	**31,432**
Gains from changes in fair value	4,206
Balance on December 31, 2019	**35,638**

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

14 FINANCIAL ASSETS MANDATORILY AT FAIR VALUE THROUGH PROFIT OR LOSS

	2020	2019
Visa shares		
- in USD	2,482,735	4,642,171
Total	**2,482,735**	**4,642,171**

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.

In 2020, the Visa shares were reclassified from equity instruments at fair value through other comprehensive income to Equity instruments mandatorily at fair value through profit or loss. The assets and liabilities were restated at the level of 2019.

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

	Total
Balance on January 1, 2020	**4,642,171**
Loss on changes in fair value	-2,159,436
Balance on December 31, 2020	**2,482,735**
Balance on January 1, 2019	**3,676,804**
Gains from changes in fair value	965,367
Balance on December 31, 2019	**4,642,171**

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

15 INTANGIBLE ASSETS

	IT software
Net carrying amount as at January 1, 2020	**3,534,731**
Inputs	1,264,923
Transfers	-
Outputs	-
Amortization expense	-1,451,347
Accumulated amortization for outputs	-
Net carrying amount as at December 31, 2020	**3,348,307**
December 31, 2020	
Cost	11,427,255
Accumulated amortization	-8,078,948
Net carrying amount	**3,348,307**
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**

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

16 TANGIBLE ASSETS

December 31, 2020	Lands and buildings	Design	Furniture and equipment	Assets in progress	Total
Net carrying amount on January 1, 2020	**2,106,439**	**631,142**	**4,457,565**	**1,561,053**	**8,756,200**
Inputs	-	137,269	139,311	2,995,163	3,271,743
Transfers	-	671,527	1,227,055	-1,898,582	-
Outputs	-	-	-548,793	-	-548,793
Amortization expense	-44,140	-380,839	-1,431,138	-	-1,856,117
Revaluation	361,667	-	-	-	361,667
Accumulated amortization for outputs and impairment adjustments	-	-	548,793	-	548,793
Net carrying amount as at December 31, 2020	**2,423,966**	**1,059,099**	**4,392,794**	**2,657,634**	**10,533,493**
Cost	2,423,966	16,212,541	23,343,151	2,657,634	44,637,292
Accumulated amortization	-	-15,153,442	-18,950,357	-	-34,103,799
Net carrying amount as at December 31, 2020	**2,423,966**	**1,059,099**	**4,392,794**	**2,657,634**	**10,533,493**
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**

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

17 RIGHT-OF-USE ASSETS

Right-of-use assets	**2020**	**2019**
Right-of-use assets	54,623,695	51,840,439
Amortization/depreciation of right-of-use assets	-15,091,406	-7,462,601
Total	**39,532,289**	**44,377,838**

Most leases are in EUR and only three in RON and are concluded for a contractual period of maximum 10 years.

The Bank operates as lessee in vehicle leases and leases for rental of office spaces for the Bank's branches. Expenses with short-term leases and low value assets are expensed directly to profit or loss. In 2020, expenses with such items totalled RON 212,414 (2019: RON 440,308).

Right-of-use assets	**2020**	**2019**
Right-of-use assets – vehicles	1,064,279	1,556,543
Right-of-use assets - rentals	38,468,010	42,821,295
Total	**39,532,289**	**44,377,838**

Movement of right-of-use assets in 2020

	Vehicles	**Land and buildings**	**Total**
Balance at January 1, 2020	**1,556,543**	**42,821,295**	**44,377,838**
New leases	-	-	-
Amended leases	-	2,783,255	2,783,255
Cessation / Annulment	-	-	-
Amortization during the year (-)	-492,264	-7,136,540	-7,628,804
Balance at December 31, 2020	**1,064,279**	**38,468,010**	**39,532,289**

Movement of right-of-use assets in 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**

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

17 RIGHT-OF-USE ASSETS (continued)

Amounts recognised to profit or loss for IFRS 16 lines

RON	Vehicles	Land and buildings	Total
Expenses with impairment of right-of-use assets	492,264	7,550,656	8,042,920
Expenses with interest of leasing liabilities	12,906	1,116,405	1,129,311
Total	**505,170**	**8,667,061**	**9,172,231**

The RON 414,116 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 contracts further to the contractual changes in terms of amount and duration (Domenii branch).

18 INVESTMENT PROPERTY

Investment property	2020	2019
Investment property		
- land	77,966,208	78,781,636
- buildings	20,980,397	18,727,648
Total	**98,946,605**	**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 or 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 leasing investment properties is in the amount of RON 554,043 (2019: RON 382,826).

The movements in the investment property portfolio were as follows:

	December 31, 2020	December 31, 2019
Opening balance	97,509,284	-
Reclassification from repossessed assets	2,931,080	94,712,848
Inflows	819,184	14,102,638
Outflows	-2,312,943	-11,306,202
Closing balance	**98,946,605**	**97,509,284**
Price received	**2,596,076**	**15,064,516**

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

19 REPOSSESSED ASSETS

	2020	2019
Repossessed assets		
Repossessed assets – gross amount	140,866,889	170,131,657
Impairment allowance for repossessed assets	-24,861,314	-29,626,442
Net value	**116,005,575**	**140,505,215**

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

	December 31, 2020	December 31, 2019
Opening balance (gross value)	170,131,657	346,060,341
Inflows (gross value)	5,704,400	19,905,509
Outflows (gross value)	-32,035,493	-37,266,615
Reclassification of investment property	-2,933,675	-158,567,578
Closing balance	**140,866,889**	**170,131,657**
Price received for assets sold	**31,467,406**	**27,521,716**

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

	December 31, 2020	December 31, 2019
Opening balance	29,626,441	80,608,726
Increases	1,992,284	6,052,227
Decreases	(2,084,114)	-2,743,078
Reversal of sold repossessed assets	(4,670,702)	-12,611,970
Restatement to investment property	(2,595)	-41,679,464
Closing balance	**24,861,314**	**29,626,442**

20 OTHER ASSETS

	2020	2019
Other financial assets		
Values to be recovered	105,161	1,006,515
Various debtors - net	4,984,826	1,333,711
Incomes to be received - net	5,007,386	387,570
Total	**10,097,373**	**2,727,796**
Other non-financial assets		
Inter-bank settlements	1,663,678	-
Advances to personnel	428	540
Deductible/recoverable VAT	1,667	4,551
Other receivables regarding the state budget	471,756	473,400
Expenses registered in advance	3,703,500	3,756,854
Total	**5,841,029**	**4,235,345**

20. OTHER ASSETS (continued)

Nature of the assets	December 31, 2020	December 31, 2019
Various debtors - gross	7,474,304	1,772,171
Provision	-2,489,478	-438,460
Net carrying amount	**4,984,826**	**1,333,711**
Gross incomes to be received	5,303,615	513,371
Provision	-296,229	-125,801
Net carrying amount	**5,007,386**	**387,570**

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

	December 31, 2020	December 31, 2019
Opening balance	438,460	438,311
Increases	2,434,700	1,451
Decreases	-383,682	-1,302
Closing balance	**2,489,478**	**438,460**

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

	December 31, 2020	December 31, 2019
Opening balance	125,801	93,475
Increases	170,428	32,326
Decreases	-	-
Closing balance	**296,229**	**125,801**

21 DEPOSITS FROM BANKS

	2020	2019
Correspondent accounts (Loro)	29,053	29,053
Maturity deposits	-	77,625,997
Total	**29,053**	**77,655,050**

In 2020, for inter-banking deposits drawn, expressed in RON, interest rates were 2.45% (2019: between 1.50% and 3.55%). For inter-bank deposits denominated in EUR, the interest rates were 0.10% (2019: 0.01%).

22 CUSTOMERS' DEPOSITS

	2020	2019
Current accounts	829,913,241	373,680,264
Sight deposits	125,714,859	34,637,634
Maturity deposits	2,040,396,261	1,676,203,085
Collateral deposits	50,296,573	40,705,039
Total	**3,046,320,934**	**2,125,226,022**

The interest rates regarding customers deposits in 2020 varied between 0.1% and 4.45% (2019: between 0% and 4.45%) on deposits denominated in RON and between 0% and 2.85% (2019: between 0% and 2.85%) on deposits denominated in EUR.

23 SUBORDINATED LOANS

	2020	2019
Subordinated loans on undefined term	19,831,783	-
Total	**19,831,783**	**-**

The amount represents the equivalent of USD 5 million, relating to two subordinated loans granted for a period of 5 years by Mr. Goulandris Nicholas John (USD 2 million), and by EDEN SHIPHOLDING LTD (USD 3 million) due on June 3, 2026, at an interest rate of LIBOR 3M + 3% margin.

24 FINANCE ASSETS AND LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

	2020	2019
Finance liabilities at fair value through profit or loss		
Foreign exchange swaps	50.739	-
Finance liabilities at fair value through profit or loss		
Foreign exchange swaps	-	314,885
Total	**50,739**	**314,885**

The amount represents unrealised gain on a foreign exchange swap. The swaps are made for liquidity purposes for foreign exchange management.

At December 31, 2020	**within 1 month**	**1-3 months**	**3 – 12 months**
Finance liabilities at fair value through profit or loss (SWAP)			
Unrealised gain (asset)	50,739	-	-
Unrealised loss (liability)	-	-	-

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	-	-

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

24 FINANCE ASSETS AND LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

Off-balance sheet foreign exchange positions for swaps are as follows:

Off-balance sheet foreign exchange positions	2020		2019	
	Assets	Liabilities	Assets	Liabilities
USD	-	-	-	16,231,075
GBP	-	37,885,977	16,545,960	-
EUR	31,748,488	-	-	-
Total	**31,748,488**	**37,885,977**	**16,545,960**	**16,231,075**

25 LEASE LIABILITIES

Lease liabilities	2020	2019
Lease liabilities – vehicles	1,149,534	1,619,246
Lease liabilities – rentals	41,191,513	44,181,084
Associated liabilities	1,097	1,550
Total	**42,342,144**	**45,801,880**

Maturities of lease liabilities at December 31, 2020

RON	Vehicles	Land and buildings	Total
Within 1 year	506,115	7,114,372	7,620,487
1 - 5 years	644,516	22,709,721	23,354,237
Over 5 years	-	11,367,420	11,367,420
Total	**1,150,631**	**41,191,513**	**42,342,144**

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**

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

25 LEASE LIABILITIES (continued)

Changes in lease liabilities in 2020

	Vehicles	Land and buildings	Total
Balance at January 1, 2020	**1,620,796**	**44,181,084**	**45,801,880**
Interest expenses	12,906	1,116,405	1,129,311
Lease payments (principal + interest)	-515,066	-7,728,764	-8,243,830
New leases	-	-	-
Amended leases	-	2,783,255	2,783,255
FX impact	31,995	839,533	871,528
Cessation /Annulment	-	-	-
Balance at December 31, 2020	**1,150,631**	**41,191,513**	**42,342,144**

Changes in lease liabilities in 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**

26 OTHER LIABILITIES

	2020	2019
Other financial liabilities		
Other due amounts	11,625,201	2,073,216
Sundry creditors	520,165	1,817,993
Expenses payable	379,575	520,992
Total	**12,524,941**	**4,412,201**
Other non-financial liabilities		
Collected/payable VAT	55,437	104,194
Other payable taxes and social benefits	2,134,911	1,921,967
Income registered in advance	804,738	542,716
Other regulatory accounts and differences	191,838	253,256
Total	**3,186,924**	**2,822,133**

Other non-financial liabilities presented above are estimated to be paid in the following 12 months.

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

27 OTHER PROVISIONS

	2020	2019
Provisions for loan commitments, financial guarantees and other given commitments	1,619,826	1,256,520
Litigation provisions	745,222	-
Provisions for employees' benefits	1,831,760	1,837,108
Total	**4,196,808**	**3,093,628**

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 refer mainly to provisions registered for employees' legal holidays, not taken.

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

	2020	2019
Balance at the beginning of the year	**3,093,628**	**2,271,728**
Increases	5,068,940	4,538,019
Decreases	-3,980,884	-3,729,578
FX differences	15,124	13,459
Balance at the end of the year	**4,196,808**	**3,093,628**

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, 2020, the Bank registers no litigation provisions.

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

28 SHARE CAPITAL

	2020	2019
Shared capital registered with the Trade Registry	468,582,594	468,582,594
Adjusting the share capital with inflation (IAS 29)	36,171,458	36,171,458
Share capital according IFRS	**504,754,052**	**504,754,052**

Shareholder	**2020**	**2019**
	(%)	*(%)*
Barniveld Enterprises Limited	99.72	99.72
Shareholders – legal entities	0.17	0.17
Shareholders - natural persons	0.11	0.11
Total	**100.00**	**100.00**

The Bank's share capital consists of 4,685,825,940 (2019: 4,685,825,940) ordinary shares allocated and paid in full in the amount of RON 0.1 each share (2019: 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.

In 2020, no share capital increase took place.

29 RESERVES

	2020	2019
Legal reserve	6,896,589	6,872,948
General reserve for banking risks	7,568,063	7,568,063
Other reserves	847,046	627,575
Differences from changes in the fair value of equity instruments at fair value through other comprehensive income – credit office	22,599	29,257
Differences from the alterations of the fair value of equity instruments at fair value through other comprehensive income – securities	1,203,834	-
Total	**16,538,131**	**15,097,843**

The differences from changes in the fair value of equity instruments at fair value through other comprehensive in amount of RON 2,570,828 in 2019 were restated due to the reclassification of the Visa shares from Equity instruments at fair value through other comprehensive income to Debt instruments mandatorily at fair value through profit or loss.

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

Legal reserve	**2020**	**2019**
Balance at the beginning of the year	**6,872,948**	**6,872,948**
Transfer as profit allocation	23,641	-
Balance at the end of the year	**6,896,589**	**6,872,948**

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

29. RESERVES (continued)

Differences from changes in the fair value of equity instruments at fair value through other comprehensive income:

	2020	2019
Balance at the beginning of the year	**29,257**	**25,050**
Registering the differences regarding the fair value	-6,658	4,207
Balance at the end of the year	**22,599**	**29,257**

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.

30 CASH AND CASH EQUIVALENTS

Cash and cash equivalents at the end of the reporting period, as presented in the statement of cash flows, may be reconciled with the related items in the reporting position, as follows:

	2020	2019
Cash and balances with the Central Banks (Note 10)	338,550,897	361,158,875
Placements with banks (Note 11)	531,678,637	253,763,154
Total	**870,229,534**	**614,922,029**

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

31 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, 2020 is herein presented.

Barniveld Enterprises Limited is the parent bank.

The main related parties of the Group are as follows:

- Mr. Ioannis Vardinogiannis – Greek citizen, ultimate beneficial owner of 100% of the share capital of Gem Force Investments Limited.

- Gem Force Investments Limited owns 100% of the share capital of Barniveld Enterprises Limited

- Barniveld Enterprises Limited, owns 99.72% of the share capital of Vista Bank SA.

2020	Management	Key positions	Parent bank	Other entities from the Group
Assets				
Current accounts with banks	-	-	-	3,425,490
Placements with banks	-	-	-	-
Customers' loans	79,835	2,183,943	-	95,937,717
Total assets	**79,835**	**2,183,943**	**-**	**99,363,207**
Liabilities				
Current accounts with banks	-	-	-	29,053
Deposits of banks	-	-	-	-
Subordinated loans	-	-	-	19,831,783
Customers' deposits	1,023,552	2,898,547	393,861	480,132,358
Total liabilities	**1,023,552**	**2,898,547**	**393,861**	**499,993,194**

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**

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

31. RELATED PARTIES 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. Laiki group included: Marfin Leasing Romania SA. International Bank of Greece and Axia Nova Property Holdings SRL.

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

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

				2020				**2019**
	Management	**Key positions**	**Parent bank**	**Other entities from the Group**	**Management**	**Key positions**	**Parent bank**	**Other entities from the Group**
Income								
Bank placement interest	-	-	-	190,402	-	-	-	493,274
Customers' loans interest	-	58,069		2,256,911	-	49,677	-	961,035
Total income	**-**	**58,069**	**-**	**2,447,313**	**-**	**49,677**	**-**	**1,454,308**
Expenses								
Bank deposit interest	-	-	-	5,308	-	-	-	265
Customer deposit interest	9,594	34,406	-	953,978	22,192	46,102	-	574,985
Interest on subordinated loans				398,838				
Expenses with salaries	1,738,144	4,375,613	-	-	2,952,777	3,536,142	-	-
Total expenses	**1,747,738**	**4,410,019**	**-**	**1,358,124**	**2,974,969**	**3,582,244**	**-**	**575,250**

In 2020, the Bank paid salaries to management in amount of RON 6,113,757 (December 31, 2019: RON 6,488,919).

32 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 amended GEO no. 114/2018 which introduced the tax on assets. 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 were:

- 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.

32 COMMITMENTS AND CONTINGENT LIABILITIES (continued)

Tax on assets (continued)

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

Banks that had 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. Instead, the tax on assets was monitored and the notice was sent on the terms and in the pre-established format in accordance with the tax regulations in force.

GEO no. 1 of January 6, 2020 abrogated the tax on assets. The tax on assets for 2019 is declared until August 25, 2020. It is specifically stipulated that the tax on assets is not calculated or due for 2020. At any rate, as the Bank registered an accounting loss, it was not subject to tax on assets in 2019. The fiscal statements, according to the legislation in force, were sent on the terms and in the form provided by the law.

Transfer pricing

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.

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

32 COMMITMENTS AND CONTINGENT LIABILITIES (continued)

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 fulfil its 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.

The outstanding amounts are as follows:

	2020	2019
Commitments in favour of the customers (irrevocable unused credit facilities)	60,527,592	55,097,513
Openings of documentary letters of credit in foreign currency	-	330,128
Guarantees for customers	40,372,329	34,831,003
Total	**100,899,921**	**90,258,644**

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

32 COMMITMENTS AND CONTINGENT LIABILITIES (continued)

Performance guarantees

Details regarding the letters of guarantee on December 31, 2020 and December 31, 2019 are presented below:

	2020	2019
Letters of financial guarantee	22,310,828	20,109,283
Performance bond letters	18,061,501	14,721,720
Total	**40,372,329**	**34,831,003**

In 2020 and 2019, the Bank had no pledged securities.

33 MEASURES TAKEN IN 2020 TO SUPPORT CLIENTS IN THE CONTEXT OF THE COVID PANDEMIC

At the end of the first quarter of 2020, a global COVID-19 pandemic broke out that had a global and national impact on the economy and the financial and banking industry, causing disruptions to businesses and economic activities. On March 11, 2020, the World Health Organization declared the coronavirus epidemic a pandemic, and the President of Romania declared a state of emergency on March 16, 2020.

In order to support customers whose financial situation was affected by the Covid-19 pandemic and to limit the adverse effects of the health crisis on loan portfolios, the Bank offered the possibility to postpone the repayment of instalments due both by applying a legislative moratorium, based on GEO 37 / 2020, as well as by implementing non-legislative moratoriums in accordance with the provisions of EBA Guide 02/2020 on legislative and non-legislative moratoriums applied to the payment of loans in the context of the Covid-19 crisis.

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

33 MEASURES TAKEN IN 2020 TO SUPPORT CLIENTS IN THE CONTEXT OF THE COVID PANDEMIC (continued)

The situation of deferred payments (number of debtors and value of exposures by activity segments), both at December 31, 2020 and on the last reporting date of the current year, March 31, 2021, is presented as follows:

Client segment	Number of debtors					
	Public moratorium		Private moratorium		TOTAL	
	December 31, 2020	March 31, 2021	December 31, 2020	March 31, 2021	December 31, 2020	March 31, 2021
Individuals	197	184	4	0	201	184
Legal entities	38	37	1	1	39	38
TOTAL	**235**	**221**	**5**	**1**	**240**	**222**

Client segment	Value of postponed loans (RON)					
	Public moratorium		Private moratorium		TOTAL	
	December 31, 2020	March 31, 2021	December 31, 2020	March 31, 2021	December 31, 2020	March 31, 2021
Individuals	69,583,426	67,183,715	376,529	-	69,959,955	67,183,715
Legal entities	171,006,104	172,787,902	17,788,284	17,993,129	188,794,388	190,781,031
TOTAL	**240,589,530**	**239,971,617**	**18,164,813**	**17,993,129**	**258,754,343**	**257,964,746**

The Bank constantly monitors the situation of the clients that have applied for the postponement of the repayment of the due instalments by applying both the public and private moratorium and applies optimal negotiation measures with them.

34 SUBSEQUENT EVENTS

Acquisition of Credit Agricole Romania

On January 4, 2021 the contract for the acquisition of 100% (99.94% Vista Bank Romania SA and 0.06% Barniveld Enterprises Limited) of the shares of Credit Agricole Bank Romania SA, a credit institutions registered with the Bucharest Trade Registry under no. J40/3797/1996, holding tax reference number 8490099, with its registered office at 19 Berzei St., 1st District, Bucharest, Romania.

The transfer of ownership of the shares will operate only after obtaining the necessary approvals from the relevant authorities (NBR and the Competition Council).

From a legal standpoint, Credit Agricole Bank Romania SA will continue to exist as a standalone legal entity after the acquisition, until the end of the merger process that will be initiated after acquisition.

Covid health crisis

The Covid-19 health crisis continues in 2021, with the only difference being that the vaccination process of the population has started.

The Bank continues to maintain the necessary measures to ensure business continuity and customer support in these unprecedented times.

Thus, all the necessary precautions are taken for the protection of both employees and customers in order to mitigate the risk generated by the Covid-19 virus.

In order to reduce the risk of contamination, work from home is continued for most employees in the central office.

The activity takes place in normal parameters, focusing on digitization and coordination of remote work teams and providing banking services at the same standard.

The Bank's infrastructure and IT applications work without problems, without qualitative decreases in the banking services provided.

Liquidity indicators and the evolution of deposits are constantly monitored, in order to prevent any disturbances in activity.

There were no qualitative decreases in services, the Bank relying on the ability to keep the online platforms functional and uninterrupted.

34 SUBSEQUENT EVENTS (continued)

Regarding the public moratorium, to date the bank has received 255 applications for rescheduling of instalments, of which: 213 from individuals and 42 from legal entities. These cases are carefully analysed in order to adequately solve the applications. IT solutions for registering the related contractual changes in the IT systems were analysed and implemented.

At the moment, the Bank has no unpaid debts, all the obligations regarding taxes and social contributions have been paid on time. The potential deviation from the budgeted estimates does not affect the quality of the services and does not affect the level of the prudential ratios.

The Bank has all the tools and support from the group to continue the activity without disruptions.

The financial statements were approved in the General Meeting of Shareholders of May 7, 2021 and signed by:

Theodor Cornel Stanescu	**Marilena Eparu**
Deputy General Manager	**Financial Control & MIS Manager**

REPORT OF THE BOARD OF ADMINISTRATION
ON THE ACTIVITY CARRIED OUT IN 2020

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 - 2020

In line with the revised Budget, the following levels of principal elements have been estimated for 2017:

- Total assets - EUR 680 mil;
- Customer loans (gross value) - EUR 381 mil;
- Instruments – EUR 95 mil;
- Customer deposits – EUR 590 mil.

Profit & Loss account:

- Net interest income - EUR 13.54 mil;
- Net commission income - EUR 1.19 mil;
- Net FX earning - EUR 0.76 mil;
- Operational costs - EUR 15.71 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 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 2020 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 2020 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 Bank's overall 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) 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) 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, USD and GBP.

e) 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) 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) 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 2020 are presented below, underlying the main items of assets and liabilities from the Balance sheet and Profit & Loss account:

Actual 2020 - Balance sheet

Due from banks

The total due from banks amounted to RON 870.23 million representing 25% from the total assets and has the following structure:

- Balances with National Bank of Romania amounted to RON 299.38 million, out of which the local currency reached the level of RON 186.81 million and the foreign currency reached EUR 23.12 million. Minimum mandatory reserves at December 31, 2020 were: RON 77.23 million and EUR 15.77 million;
- Funds in the correspondent accounts amounted to RON 250.16 million, representing reserves at the banks abroad.
- Placements represented RON 281.57 million, with local banks.

Allowances for expected loss are set up in accordance with IFRS and amount to RON 0.07 million.

Customer loans

The loans granted to customers at a value net of provisions, including the related accruals, represent 48% from the total assets and amounted to RON 1,654.07 million. Their gross value is RON 1,733.64 million, out of which:

- ❑ RON 1,219.72 million legal entities (70%)
- ❑ RON 513.92 million private individuals (30%)

Specific risk provisions are constituted as per the IFRS regulations, amounting to RON 79.56 million.

Fixed assets

The fixed assets amounted to RON 13.88 million, representing 0.4% 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

- ❑ deposits from banks in amount of RON 0.03 million are entirely abroad;

Customer Deposits

- ❑ liabilities to customers amount to RON 3,046.32 million represent 88% of the total funds attracted, out of which:
    - RON 1,338.32 million – granted to legal entities (44%)
    - RON 1,708.00 million – granted to individuals (56%)

Subordinated loan

- ❑ The subordinated loan is in USD, for a defined period of time and amounts to RON 19.83 million

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 2020 - Income statement

The total income for 2020 amounting to RON 118.52 million, out of which:

- RON 95.14 million - interest income received;
- RON 5.80 million - income from commissions;
- RON 3.35 million - net profit from exchange operations;
- RON 14.23 million - other income.

The total expenses related to the income realized in 2020 amounted to RON 118.04 million, out of which the expenses from bank's operations are RON 40.11 million, are as follows:

- RON 38.78 million - interest expenses paid;
- RON 1.33 million – commissions expenses;

The net interest income is RON 56.36 million, and net commission income is RON 4.46 million.

Other operating costs amounting to RON 77.93 million have the following structure:

- RON 37.35 million expenses with the staff members;
- RON 26.10 million represent administrative expenses;
- RON 10.78 million expenses with the depreciation and revaluation of fixed assets;
- RON 3.70 million impairment of assets and provisions.

As at 31.12.2020, the Bank registered a profit of RON 0.47 million.

Other information

At December 31, 2020, the Bank operates in 31 branches that employ a total 314 people (central office and branches).

For the end of 2020, the Bank has registered the following financial performance indicators presented comparable with 2019:

Ratios/ Reporting data	Dec-20	Dec-19
	RON	RON
Own funds		
Own funds Tier 1	307,688,154	309,055,993
Own funds Tier 2	19,830,000	0
Total own funds	327,518,154	309,055,993
Capital adequacy ratios		
Capital adequacy ratio Tier 1	19.23%	19.48%
Total capital adequacy ratio	20.47%	19.48%
Debt-to-Equity ratio	8.78%	11.66%
Liquidity ratios		
Liquidity ratio	2.94	2.96
Quick ratio	47.82%	43.10%
Liquidity coverage ratio (LCR)	247.63%	165.80%
Profitability ratios		
Return on Assets (ROA)	0.01%	-0.71%
Return on Equity (ROE)	0.15%	-5.71%
Total expenses to total revenues	90.70%	159.93%
Ratios on the quality of the assets		
Non-performing loans ratio	4.60%	5.74%
Impaired receivables/Total credits	6.84%	9.09%
Other ratios		
Granted loans/attracted deposits	54.30%	60.27%
Total debt/Total equity	9.77	7.04

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 31.12.2020 were the following:

- RON/EUR – 4.8694
- RON/USD – 3.9660

Given the Covid-19 pandemic, in 2020, the European Central Bank decided upon a series of measures to make sure that banks under its direct supervision may still fulfil their role in financing the real economy, given the economic effects of Covid-19. Thus, a series of statements were given in order to explain certain aspects regarding the running of the prudential framework as regards the classification of default loans, the identification of forborne exposures and their accounting treatment. These clarifications contribute to ensuring the consistency and comparability of risk ratios across the entire banking sector of the EU, which are essential for monitoring the effects of the current crisis.

Consequently, the National Bank of Romania and the Romanian Government have adopted a series of measures meant to mitigate the adverse effects of the crisis generated by the pandemic on Romanian households and companies, as follows:

NBR measures:

1. monetary policy measures:
   - to cut the monetary policy rate in four steps (as of 23 March, 2 June, 6 August 2020 and 18 January 2021), by a cumulated 1.25 percentage points, from 2.5% in mid-March to 1.25% on 18 January 2021;
   - the deposit facility rate was lowered to 0.75%, while the lending (Lombard) facility rate was lowered to 1.75% from 3.50%. The effect was a reduction of the interest rates on loans to companies and households;
   - to provide liquidity to credit institutions via repo transactions;
   - to purchase RON-denominated government securities on the secondary market to ensure the smooth financing of real economy and the public sector;
   - cut of minimum reserve requirements for foreign exchange liabilities to 5% in two steps, by 2 percentage points in February 2020 and 1 percentage point in November 2020.
2. measures to increase the flexibility of the legislative framework:
   - postponement of payment of overdue loans. Lenders were allowed to delay payments of the loans of any individual or company affected by the Covid-19 pandemic, without applying the conditions related to the level of indebtedness, the loan-to-value limit and the maximum maturity of consumer credit;
   - In March 2020, NBR decided to allow banks to temporarily use the capital buffer previously set up, while also keeping in place the legal requirements for such flexibilities. Adapting capital buffers to the new conditions helps banks preserve their support role for the real economy. Furthermore, according to the regulatory framework, banks built and maintained liquidity reserves that may be used to deal with an increased demand for liquidity during times of crisis. Thus, in line with the actions taken to this end at European level, the NBR allows banks not to comply with the minimum liquidity ratio, for the purpose of using these reserves to contribute to the smooth functioning of the banking sector and to help banks ensure sufficient liquidity to firms and households;
3. measures regarding the bank resolution:
   - to postpone the deadline for collecting the annual contributions to the bank resolution fund for 2020 by 3 months, with the possibility of extension to up to 6 months;
   - to delay the reporting deadlines of some information on resolution planning, in line with the approach communicated by the European Banking Authority;

- to correlate the terms and conditions on the minimum requirements for own funds and eligible liabilities (MREL) with the decisions adopted by the Supervisory Committee in the meeting of 20 March 2020;

4. operational measures:

   - to ensure the smooth functioning of payment and settlement systems underlying payments in the domestic currency, so that commercial and financial transactions can be performed under normal conditions; the NBR committed to provide banks with continuous cash flows for all operations, including liquidity for ATMs, in case of increased household demand.

Governmental measures:

- The Emergency Governmental Ordinance 37/2020 requiring banks to provide moratorium to all customers impacted by Covid-19 was passed on 30 March 2020, while its Application Norms were passed on 6 April 2020; it covers a maximum period of 9 months of payment postponement, but not later than 31 December 2020, upon request from customers. The moratorium was extended beyond the end of 2020, until March 31, 2021 (Government Emergency Ordinance no. 227/30.12.2020) and the clients can postpone their reimbursements up to March 31, 2021 but having a total maximum period of postponement of 9 months (cumulated with the instalments postponed during the first moratorium).

  Interest accruing during the moratorium for all loans except mortgage loans to private individuals is capitalized and its payment is spread over the duration of the loan. For private individuals' mortgage loans, the interest deemed during the suspension period is treated as an individual claim, to be recovered in maximum 5 years after the suspension ends with no interest applied to it, having 100% guarantee from Ministry of Finance, while the principal is spread over the extended duration of the loan.

  Accounting wise, the Covid-19 related moratorium did not determine the derecognition of the credit exposures, due to the fact that the net present value of the loan is not materially impact by this restructuring.

  In accordance with the ESMA and EBA regulations and recommendations, the enforcement of the moratorium did not lead to an automatic reclassification of clients from Stage 1 to Stage 2. The Bank continued to assess credit risk taking into account both qualitative, and quantitative factors when classifying those credit exposures for which the increase of credit risk has nothing to do with the Covid-19 pandemic as Stage 2 or Stage 3.

- Under the IMM Invest Romania programme, the legislation was revised in 2020 so as to allow SMEs affected by Covid-19 to cover their liquidity needs for current operations or investment needs by accessing financing from banks within the FNGCIMM guarantee system.

Measures taken by Vista Bank in the context of the Covid-19 pandemic

The main measures taken by Vista Bank in the context of Covid-19 are described below:

- All going concern management scenarios have been fully implemented (all critical processes with BCM alternatives are now in place, with a special focus on work from home for most headquarters employees), and employee protective materials are available on large-scale, weekly sanitation takes place in all branches and headquarters with special antiviral materials;
- The bank continued to be concerned with the customer experience, ensuring the continuity of basic services in real time, with prompt intervention, constant communication with customers and accelerated the digitization process;
- Close monitoring of the evolution of liquidity and solvency and isolation of elements with high volatility potential;
- Active monitoring of market evolution and liquidity, as well as customer behaviour;
- In addition to public moratorium measures, the Bank has decided to support its clients through other dedicated loan forbearances, in accordance with the specific needs of clients.

Financial impact of the pandemic on the Bank's financial and prudential position

Due to the resilient activity and the results obtained in the last years, the Bank managed to maintain a good position even in this context, with adequate levels of capital and liquidity. During 2020, the Bank incorporated in the loss allowances from the lending activity the effect of the new macroeconomic scenarios and the non-performing loans rate decreased below 5%. All other prudential indicators of the bank were within the regulated limits. Even in the pandemic context, the Bank registered an increase on all levels of activity, both in terms of the bank's assets and liabilities (customer loans, securities, customer deposits), and in the structure of the profit and loss account.

Strict cost discipline is added to the factors that led to the Bank's positive financial results in 2020, with additional administrative costs related to Covid-19 being completely absorbed.

In 2020, measures were taken to reduce rents for the spaces where the branches operate. Almost all contracts have been revised and the amount of rent has been reduced for a period between 1 month and 9 months

The Bank has a reasonable estimate on the impact of Covid-19 on its future financial position and has conducted an analysis in this respect. The Bank considers that the assessment of the going concern principle is adequate and there is no risk for continuing the activity in the following 12 months.

Liquidity and solvency position

The Bank regularly assesses the impact of Covid-19 in its activity, risk profile and prudential and performance indicators. In this sense, the Bank evaluates its performance based on stress testing scenarios on key performance and prudence indicators, strict monitoring of position and liquidity indicators (mainly liquidity coverage ratio and immediate liquidity ratio), monitoring the evolution of the interest rates of government bond due to the high level of market volatility and its impact on the capital base and monitoring the simulations of solvency ratios. The results of the stress tests are comfortable both in terms of solvency and in terms of liquidity. The Bank expects to maintain a solid position compared to the regulated minimum levels.

Liquidity

In 2020, the following actions were taken:

- Strict monitoring of the evolution of volumes (loans, deposits, unused credit facilities);
- Strict monitoring of liquidity ratios with main emphasis on active observation of market evolution and customer behaviour and simulation of various scenarios;
- Managing financing initiatives to meet the liquidity needs of affected customers;
- Maintaining a sufficient stock of liquid assets to compensate for possible cash outflows in the event of a crisis.

Liquidity indicators comfortably exceed the minimum regulatory requirements, and the Bank estimates that they will remain above 100% in the future.

Solvency

The Bank has adopted a number of measures to conserve capital due to the impact of the pandemic, as follows:

- strict monitoring of the capital position and isolation of potential elements with high volatility;
- periodic simulations by using stress testing methodologies regarding the increase of the exchange rate, the increase of the interest rate and the increase of the non-repayment probabilities.

The financial impact of the Covid-19 pandemic on the Bank's operating costs and capital expenditures

As a result of the adoption of new safety and legal measures, the Bank incurred some administrative expenses (sanitary materials, face masks, hygiene kits, disinfection products, branch thermometers, protective panels, etc.), which were already recognized in the income statement. However, the additional costs due to the COVID-19 situation were partially offset by savings in other areas, such as advertising and marketing, protocol, training courses, fuel, travel, etc.

Subsequent events and going concern

Acquisition of Credit Agricole Romania

On January 4, 2021 the contract for the acquisition of 100% (99.94% Vista Bank Romania SA and 0.06% Barniveld Enterprises Limited) of the shares of Credit Agricole Bank Romania SA, a credit institutions registered with the Bucharest Trade Registry under no. J40/3797/1996, holding tax reference number 8490099, with its registered office at 19 Berzei St., 1st District, Bucharest, Romania.

The transfer of ownership of the shares will operate only after obtaining the necessary approvals from the relevant authorities (NBR and the Competition Council).

From a legal standpoint, Credit Agricole Bank Romania SA will continue to exist as a standalone legal entity after the acquisition, until the end of the merger process that will be initiated after acquisition.

Covid health crisis

At the end of the first quarter of 2020, a global COVID-19 pandemic broke out that had a global and national impact on the economy and the financial and banking industry, causing disruptions to businesses and economic activities. On March 11, 2020, the World Health Organization declared the coronavirus epidemic a pandemic, and the President of Romania declared a state of emergency on March 16, 2020.

In order to support customers whose financial situation was affected by the Covid-19 pandemic and to limit the adverse effects of the health crisis on loan portfolios, the Bank offered the possibility to postpone the repayment of instalments due both by applying a legislative moratorium, based on GEO 37 / 2020, as well as by implementing non-legislative moratoriums in accordance with the provisions of EBA Guide 02/2020 on legislative and non-legislative moratoriums applied to the payment of loans in the context of the Covid-19 crisis.

The situation of deferred payments (number of debtors and value of exposures by activity segments), both at December 31, 2020 and on the last reporting date of the current year, March 31, 2021, is presented as follows:

Client segment	Number of debtors					
	Public moratorium		Private moratorium		TOTAL	
	December 31, 2020	March 31, 2021	December 31, 2020	March 31, 2021	December 31, 2020	March 31, 2021
Individuals	197	184	4	0	201	184
Legal entities	38	37	1	1	39	38
TOTAL	**235**	**221**	**5**	**1**	**240**	**222**

Client segment	Value of postponed loans (RON)					
	Public moratorium		Private moratorium		TOTAL	
	December 31, 2020	March 31, 2021	December 31, 2020	March 31, 2021	December 31, 2020	March 31, 2021
Individuals	69,583,426	67,183,715	376,529	0	69,959,955	67,183,715
Legal entities	171,006,104	172,787,902	17,788,284	17,993,129	188,794,388	190,781,031
TOTAL	**240,589,530**	**239,971,617**	**18,164,813**	**17,993,129**	**258,754,343**	**257,964,746**

The Bank constantly monitors the situation of the clients that have applied for the postponement of the repayment of the due instalments by applying both the public and private moratorium and applies optimal negotiation measures with them.

The Covid-19 health crisis continues in 2021, with the only difference being that the vaccination process of the population has started.

The Bank continues to maintain the necessary measures to ensure business continuity and customer support in these unprecedented times.

Thus, all the necessary precautions are taken for the protection of both employees and customers in order to mitigate the risk generated by the Covid-19 virus.

In order to reduce the risk of contamination, work from home is continued for most employees in the central office.

The activity takes place in normal parameters, focusing on digitization and coordination of remote work teams and providing banking services at the same standard.

The Bank's infrastructure and IT applications work without problems, without qualitative decreases in the banking services provided.

Liquidity indicators and the evolution of deposits are constantly monitored, in order to prevent any disturbances in activity.

There were no qualitative decreases in services, the Bank relying on the ability to keep the online platforms functional and uninterrupted.

Regarding the public moratorium, to date the bank has received 255 applications for rescheduling of instalments, of which: 213 from individuals and 42 from legal entities. These cases are carefully analysed in order to adequately solve the applications. IT solutions for registering the related contractual changes in the IT systems were analysed and implemented.

At the moment, the Bank has no unpaid debts, all the obligations regarding taxes and social contributions have been paid on time. The potential deviation from the budgeted estimates does not affect the quality of the services and does not affect the level of the prudential ratios.

The Bank has all the tools and support from the group to continue the activity without disruptions.

Proposals

As a result of activity performed during the financial year 2020, 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, 2020;

- Discharge for the year ended December 31, 2020.

Stavros Lekkakos
Chairman of the Board of Administration

By proxy THEODOR CORNEL STANESCU
in accordance with the decision of the Board of Administration of Vista Bank (Romania) SA of April 6, 2021

May 7, 2021