

BRD – Groupe Société Générale S.A.

INTERIM FINANCIAL STATEMENTS

MARCH 31, 2021

BRD – Groupe Société Générale S.A.
CONSOLIDATED AND SEPARATE STATEMENT OF FINANCIAL POSITION
for the period ended March 31, 2021
(Amounts in thousands RON)

	Note	Group		Bank	
		Unaudited (*) March 31, 2021	December 31, 2020	Unaudited (*) March 31, 2021	December 31, 2020
ASSETS					
Cash in hand	4,32	2,215,783	1,889,556	2,215,779	1,889,552
Due from Central Bank	5	4,415,726	5,223,833	4,415,726	5,223,833
Due from banks	6	6,087,080	5,516,842	6,069,720	5,499,644
Derivatives and other financial instruments held for trading	7	2,694,920	2,400,365	2,694,952	2,400,365
Loans and advances to customers	8	30,731,321	29,642,998	30,009,255	28,873,021
Finance lease receivables	9	1,085,324	1,066,899	-	-
Financial assets at fair value through profit and loss	10	88,281	85,240	61,250	58,384
Financial assets at fair value through other comprehensive income	11	15,940,823	15,943,470	15,940,823	15,943,470
Investments in subsidiaries, associates and joint ventures		95,132	99,114	158,916	158,916
Property, plant and equipment	12	1,056,684	1,065,856	1,041,459	1,052,585
Investment property		17,636	17,798	17,636	17,798
Goodwill	13	50,130	50,130	50,130	50,130
Intangible assets	14	246,358	247,379	243,545	244,299
Current tax assets	19	-	4,911	-	4,905
Deferred tax asset	19	11,430	10,287	-	-
Other assets	15	360,065	293,067	278,075	217,683
Total assets		65,096,693	63,557,745	63,197,266	61,634,585
LIABILITIES AND SHAREHOLDERS' EQUITY					
Due to banks	16	354,562	199,011	354,562	199,011
Due to customers	17	51,356,337	49,957,754	51,553,317	50,152,126
Borrowed funds	18	1,697,102	1,742,352	5,646	6,765
Derivatives and other financial instruments held for trading	7	557,104	599,669	557,104	599,669
Current tax liability	19	29,587	2,069	27,072	-
Deferred tax liability	19	21,829	37,907	21,829	37,907
Other liabilities	20	1,227,860	1,246,918	1,129,700	1,166,964
Total liabilities		55,244,381	53,785,680	53,649,230	52,162,442
Share capital	21	2,515,622	2,515,622	2,515,622	2,515,622
Other reserves		662,216	804,442	662,216	804,442
Retained earnings and capital reserves		6,623,742	6,403,510	6,370,198	6,152,079
Non-controlling interest		50,732	48,491	-	-
Total equity		9,852,312	9,772,065	9,548,036	9,472,143
Total liabilities and equity		65,096,693	63,557,745	63,197,266	61,634,585

The financial statements have been authorized by the Group's management on May 5, 2021 and are signed on the Group's behalf by:

Giovanni Luca Soma
Chairman of the Board of
Directors

François Bloch
Chief Executive Officer

Stephane Fortin
Deputy Chief Executive Officer

Etienne Loulergue
Chief Financial Officer

The accompanying notes are an integral part of this financial statements

(*) Unaudited / unreviewed by the financial auditor

BRD – Groupe Société Générale S.A.
CONSOLIDATED AND SEPARATE PROFIT OR LOSS
for the period ended March 31, 2021
(Amounts in thousands RON)

	Note	Group Unaudited (*)		Bank Unaudited (*)	
		Three months ended March 31, 2021	Three months ended March 31, 2020	Three months ended March 31, 2021	Three months ended March 31, 2020
Interest and similar income	22	545,813	589,580	507,369	548,216
Interest and similar expense	23	(39,134)	(42,270)	(33,697)	(35,472)
Net interest income		506,679	547,310	473,672	512,744
Fees and commission income	24	247,304	236,350	237,121	222,798
Fees and commission expense	24	(67,858)	(59,234)	(66,014)	(57,671)
Fees and commissions, net		179,446	177,116	171,107	165,127
Gain on derivative, other financial instruments held for trading and foreign exchange	25	63,404	54,484	63,067	54,099
Gain from financial instruments at fair value through other comprehensive income		11,960	1,274	11,960	1,274
Gain / (loss) from financial instruments at fair value through profit and loss		1,149	(12,722)	974	(12,192)
Net (loss)/Income from associates and joint ventures		(3,982)	(1,746)	-	-
Other income/(expense) from banking activities	26	553	1,012	(614)	94
Net banking income		759,209	766,728	720,166	721,146
Personnel expenses	28	(200,079)	(210,883)	(187,692)	(197,197)
Depreciation, amortisation and impairment on tangible and intangible assets	29	(64,145)	(57,556)	(61,933)	(55,376)
Contribution to Guarantee Scheme and Resolution Fund	27	(49,392)	(43,307)	(49,392)	(43,307)
Other operating expenses	30	(124,797)	(113,409)	(117,317)	(106,533)
Total operating expenses		(438,413)	(425,155)	(416,334)	(402,413)
Gross operating profit		320,796	341,573	303,832	318,733
Cost of risk	31	(54,394)	(59,892)	(42,702)	(45,706)
Operating profit		266,402	281,681	261,130	273,027
Profit before income tax		266,402	281,681	261,130	273,027
Current tax expense	19	(34,039)	(36,313)	(31,976)	(34,819)
Deferred tax expense	19	(9,891)	(4,609)	(11,035)	(4,924)
Total income tax		(43,930)	(40,922)	(43,011)	(39,743)
Profit for the period		222,472	240,759	218,119	233,284
Profit attributable to equity holders of the parent		220,231	239,364	-	-
Profit attributable to non-controlling interests		2,241	1,395	-	-
Basic earnings per share (in RON)	37	0.3160	0.3435	0.3130	0.3347

The accompanying notes are an integral part of this financial statements

(*) Unaudited / unreviewed by the financial auditor

BRD – Groupe Société Générale S.A.
CONSOLIDATED AND SEPARATE STATEMENT OF COMPREHENSIVE INCOME
for the period ended March 31, 2021
(Amounts in thousands RON)

	Group		Bank	
	Unaudited (*)		Unaudited (*)	
	March 31, 2021	March 31, 2020	March 31, 2021	March 31, 2020
Profit for the period	222,472	240,759	218,119	233,284
Other comprehensive income				
Net comprehensive income that may be reclassified to profit and loss in subsequent periods	(142,226)	(312,437)	(142,226)	(312,437)
Net (loss) on financial assets at fair value through other comprehensive income	(142,226)	(312,437)	(142,226)	(312,437)
Reclassifications to profit and loss during the period	11,841	1,464	11,841	1,464
Revaluation differences	(181,180)	(373,376)	(181,180)	(373,376)
Income tax	27,113	59,476	27,113	59,476
Other comprehensive income for the period, net of tax	(142,226)	(312,437)	(142,226)	(312,437)
Total comprehensive income for the period, net of tax	80,246	(71,678)	75,893	(79,153)
Attributable to:				
Equity holders of the parent	78,005	(73,073)		-
Non-controlling interest	2,241	1,395		-

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BRD – Groupe Société Générale S.A.
CONSOLIDATED AND SEPARATE STATEMENT OF CHANGES IN EQUITY
for the period ended March 31, 2021
(Amounts in thousands RON)

Group Unaudited (*)

	Attributable to equity holders of the parent				Non-controlling interest	Total equity
	Other reserves					
	Issued capital	Reserves from financial assets at fair value through other comprehensive income	Reserves from defined pension plan	Retained earnings and capital reserves		
December 31, 2019	2,515,622	159,619	19,533	5,441,455	47,689	8,183,918
Total comprehensive income	-	(312,437)	-	239,364	1,395	(71,678)
Net Profit for the period	-	-	-	239,364	1,395	240,759
Other comprehensive income	-	(312,437)	-	-	-	(312,437)
March 31, 2020	2,515,622	(152,818)	19,533	5,680,819	49,084	8,112,240

	Attributable to equity holders of the parent				Non-controlling interest	Total equity
	Other reserves					
	Issued capital	Reserves from financial assets at fair value through other comprehensive income	Reserves from de fined pension plan	Retained earnings and capital reserves		
December 31, 2020	2,515,622	789,030	15,412	6,403,510	48,491	9,772,065
Total comprehensive income	-	(142,226)	-	220,231	2,241	80,246
Net Profit for the period	-	-	-	220,231	2,241	222,472
Other comprehensive income	-	(142,226)	-	-	-	(142,226)
March 31, 2021	2,515,622	646,804	15,412	6,623,742	50,732	9,852,312

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BRD – Groupe Société Générale S.A.
CONSOLIDATED AND SEPARATE STATEMENT OF CHANGES IN EQUITY
for the period ended March 31, 2021
(Amounts in thousands RON)

Bank Unaudited (*)

	<u>Other reserves</u>				Total equity
	Issued capital	Reserves from financial assets at fair value through other comprehensive income	Reserves from defined pension plan	Retained earnings and capital reserves	
December 31, 2019	2,515,622	159,619	19,533	5,200,513	7,895,288
Total comprehensive income	-	(312,437)	-	233,284	(79,153)
Net Profit for the period	-	-	-	233,284	233,284
Other comprehensive income	-	(312,437)	-	-	(312,437)
March 31, 2020	2,515,622	(152,818)	19,533	5,433,797	7,816,137

	<u>Other reserves</u>				Total equity
	Issued capital	Reserves from financial assets at fair value through other comprehensive income	Reserves from defined pension plan	Retained earnings and capital reserves	
December 31, 2020	2,515,622	789,030	15,412	6,152,079	9,472,143
Total comprehensive income	-	(142,226)	-	218,119	75,893
Net Profit for the period	-	-	-	218,119	218,119
Other comprehensive income	-	(142,226)	-	-	(142,226)
March 31, 2021	2,515,622	646,804	15,412	6,370,198	9,548,036

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BRD – Groupe Société Générale S.A.
NOTES TO THE CONSOLIDATED AND SEPARATE INTERIM FINANCIAL STATEMENTS
as of and for the period ended March 31, 2021
(Amounts in thousands RON)

1. Corporate information

BRD – Groupe Société Générale (the “Bank” or “BRD”) is a joint stock company incorporated in Romania. The Bank commenced business as a state owned credit institution in 1990 by acquiring assets and liabilities of the former Banca de Investitii. The Bank headquarters and registered office is 1-7 Ion Mihalache Blvd, Bucharest.

BRD together with its subsidiaries (the “Group”) offers a wide range of banking and financial services to corporates and individuals, as allowed by law. The Group accepts deposits from the public and grants loans and leases, carries out funds transfer in Romania and abroad, exchanges currencies and provides other financial services for its commercial and retail customers.

The ultimate parent is Société Générale S.A. as at March 31, 2021 (the “Parent” or “SG”).

The Bank has as at March 31, 2021 560 units throughout the country (December 31, 2020: 584).

The average number of active employees of the Group during first quarter was 6,759 (2020: 7,063), and the number of active employees of the Group as of the period-end was 6,733 (December 31, 2020: 6,860).

The average number of active employees of the Bank during first quarter was 6,274 (2020: 6,528), and the number of active employees of the Bank as of the period-end was 6,261 (December 31, 2020: 6,357).

The active employees are the full time employees (excluding maternity leave and long-term sick leave).

BRD – Groupe Société Générale has been quoted on Bucharest Stock Exchange (“BVB”) since January 15, 2001.

The shareholding structure of the Bank is as follows:

	March 31, 2021	December 31, 2020
Societe Generale	60.17%	60.17%
Fondul De Pensii Administrat Privat Nn/Nn Pensii S.A.F.P.A.P. S.A.	5.31%	5.31%
Fondul De Pensii Administrat Privat Azi Viitorul Tau/Allianz Pp	4.36%	4.26%
S.I.F. Oltenia	4.11%	4.11%
Fondul De Pensii Administrat Privat Metropolitan Life	3.02%	2.96%
S.I.F. Transilvania	2.99%	3.17%
Legal entities	15.89%	15.65%
Individuals	4.15%	4.37%
Total	100.00%	100.00%

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BRD – Groupe Société Générale S.A.
NOTES TO THE CONSOLIDATED AND SEPARATE INTERIM FINANCIAL STATEMENTS
as of and for the period ended March 31, 2021
(Amounts in thousands RON)

2. Basis of preparation

a) Basis of preparation

The separate interim financial statements as at March 31, 2021 are of the Bank BRD – Groupe Société Générale. The consolidated and separate interim financial statements as at March 31, 2021 and March 31, 2020 are not audited nor reviewed (references included in the financial statements and selected explanatory notes).

The interim financial statements for the three months ended March 31, 2021 has been prepared in accordance with IAS 34 *Interim Financial Reporting*.

The interim financial statements does not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Group’s annual financial statements for the year ended December 31, 2020. In accordance with European Regulation 1606/2002 of July 19, 2002 on the application of International Accounting Standards, and Order of the National Bank of Romania Governor no. 27/2010, as amended, BRD prepared consolidated and separate financial statements for the year ended December 31, 2020 in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union (“EU”).

The consolidated interim financial statements includes the consolidated statement of financial position, the consolidated income statement, the consolidated statement of comprehensive income, the statement of changes in shareholders’ equity, the consolidated cash flow statement, and selected explanatory notes.

The separate interim financial statements includes the separate statement of financial position, the separate income statement, the separate statement of comprehensive income, the statement of changes in shareholders’ equity, the separate cash flow statement, and selected explanatory notes.

The consolidated and separate interim financial statements is presented in Romanian lei (“RON”), which is the Group’s and its subsidiaries’ functional and presentation currency, rounded to the nearest thousand, except when otherwise indicated. The consolidated and separate interim financial statements has been prepared on a historical cost basis, except for financial assets at fair value through profit and loss, financial assets through other comprehensive income, derivative financial instruments, other financial assets and liabilities held for trading, which have all been measured at fair value.

The Bank’s management has made an assessment of the Bank’s ability to continue as a going concern and is satisfied that the bank has the resources to continue in business for the foreseeable future. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the Bank’s ability to continue as a going concern. Therefore, the financial statements are prepared on the going concern basis.

b) Basis for consolidation

The consolidated interim financial statements comprise the financial statements of the credit institution and its subsidiaries as at March 31, 2021. The financial statements of the subsidiaries are prepared for the same reporting period, using consistent accounting policies.

The accompanying notes are an integral part of this financial statements

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BRD – Groupe Société Générale S.A.
NOTES TO THE CONSOLIDATED AND SEPARATE INTERIM FINANCIAL STATEMENTS
as of and for the period ended March 31, 2021
(Amounts in thousands RON)

2. Basis of preparation (continued)

b) Basis for consolidation (continued)

A subsidiary is an entity over which the Bank exercises control. An investor controls an investee when it is exposed, or has rights to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The consolidated financial statements include the financial statements of BRD – Groupe Société Générale S.A. and the following subsidiaries: BRD Sogelease IFN S.A. (99.98% ownership, 2020: 99.98%), BRD Finance IFN S.A (49% ownership, 2020: 49%) and BRD Asset Management SAI SA (99.98% ownership, 2020: 99.98%). According to IFRS 12 9(b), the Group controls BRD Finance IFN S.A even though it holds less than half of the voting rights, through the power to govern the financial and operating policies of the entity under various agreements. All intercompany transactions, balances and unrealized gains and losses on transactions between consolidated entities are eliminated on consolidation.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Bank obtains control, and continue to be consolidated until the date such control ceases.

Equity and net income attributable to non-controlling interest are shown separately in the statement of financial position, statement of comprehensive income, statement of changes in equity and statement of comprehensive income, respectively.

The Bank is accounting the investments in subsidiaries and associates in the separate financial statements at cost less impairment adjustment.

Group			
Associates	Field of activity	Address	%
ALD Automotive SRL	Operational leasing	1-7, Ion Mihalache Street, floor 3, district 1, Bucharest 58-60 Gheorghe Polizu Street, Bucharest Corporate Center building, floor 8 (zone 3) and floor 9, district 1, Bucharest	20.00%
BRD Asigurari de Viata SA	Insurance	5 Occidentului Street, district 1, Bucharest	49.00%
Fondul de Garantare a Creditului Rural IFN SA	Loans guarantee	29 Sfanta Vineri Street, floor 4, district 3, Bucharest	33.33%
Biroul de Credit S.A.	Financial institution	58-60 Gheorghe Polizu Street, floor 8 (zone 1, 2 and 4), district 1, Bucharest	16.38%
BRD Societate de Administrare a Fondurilor de Pensii Private SA	Pension fund management		49.00%
BRD Sogelease Asset Rental SRL	Operational leasing	1-7, Ion Mihalache Street, Bucharest	20.00%
Joint ventures			
CIT One SA	Protection and guard	319L Splaiul Independentei Street, Paris Building/A1, 1st floor, district 6, Bucharest,	33.33%
Bank			
Associates	Field of activity	Address	%
ALD Automotive SRL	Operational leasing	1-7, Ion Mihalache Street, floor 3, district 1, Bucharest 58-60 Gheorghe Polizu Street, Bucharest Corporate Center building, floor 8 (zone 3) and floor 9, district 1, Bucharest	20.00%
BRD Asigurari de Viata SA	Insurance	5 Occidentului Street, district 1, Bucharest	49.00%
Fondul de Garantare a Creditului Rural IFN SA	Loans guarantee	29 Sfanta Vineri Street, floor 4, district 3, Bucharest	33.33%
Biroul de Credit S.A.	Financial institution	58-60 Gheorghe Polizu Street, floor 8 (zone 1, 2 and 4), district 1, Bucharest	16.38%
BRD Societate de Administrare a Fondurilor de Pensii Private SA	Pension fund management		49.00%
Joint ventures			
CIT One SA	Protection and guard	319L Splaiul Independentei Street, Paris Building/A1, 1st floor, district 6, Bucharest,	33.33%
Subsidiaries			
BRD Sogelease IFN SA	Financial lease	1-7, Ion Mihalache Street, floor 12, district 1, Bucharest	99.98%
BRD Finance IFN SA	Financial institution	1-7, Ion Mihalache Street, floor 15, district 1, Bucharest	49.00%
BRD Asset Management SAI SA	Fund administration	2 Doctor Staicovici Street, district 5, floor 5, Bucharest	99.98%

The accompanying notes are an integral part of this financial statements

(*) Unaudited / unreviewed by the financial auditor

2. Basis of preparation (continued)

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

The accounting policies adopted are consistent with those of the previous financial year.

d) Standards and Interpretations that are issued but have not yet come into effect

• **Amendment in 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**

The amendments address an acknowledged inconsistency between the requirements in IFRS 10 and those in IAS 28, in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognized when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. In December 2015 the IASB postponed the effective date of this amendment indefinitely pending the outcome of its research project on the equity method of accounting. The amendments have not yet been endorsed by the EU.

• **IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current (Amendments)**

The amendments are effective for annual reporting periods beginning on or after January 1, 2022 with earlier application permitted. However, in response to the covid-19 pandemic, the Board has deferred the effective date by one year, i.e. 1 January 2023, to provide companies with more time to implement any classification changes resulting from the amendments. The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of financial position, debt and other liabilities with an uncertain settlement date should be classified as current or non-current. The amendments affect the presentation of liabilities in the statement of financial position and do not change existing requirements around measurement or timing of recognition of any asset, liability, income or expenses, nor the information that entities disclose about those items. Also, the amendments clarify the classification requirements for debt which may be settled by the company issuing own equity instruments. These Amendments have not yet been endorsed by the EU.

• **IFRS 3 Business Combinations; IAS 16 Property, Plant and Equipment; IAS 37 Provisions, Contingent Liabilities and Contingent Assets as well as Annual Improvements 2018-2020 (Amendments)**

The amendments are effective for annual periods beginning on or after 1 January 2022 with earlier application permitted. The IASB has issued narrow-scope amendments to the IFRS Standards as follows:

- **IFRS 3 Business Combinations (Amendments)** update a reference in IFRS 3 to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations.
- **IAS 16 Property, Plant and Equipment (Amendments)** prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognise such sales proceeds and related cost in profit or loss.

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2. Basis of preparation (continued)

d) Standards and Interpretations that are issued but have not yet come into effect (continued)

- **IAS 37 Provisions, Contingent Liabilities and Contingent Assets (Amendments)** specify which costs a company includes in determining the cost of fulfilling a contract for the purpose of assessing whether a contract is onerous.
- **Annual Improvements 2018-2020** make minor amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 9 Financial Instruments, IAS 41 Agriculture and the Illustrative Examples accompanying IFRS 16 Leases.

The amendments have not yet been endorsed by the EU.

- **IFRS 16 Leases-Covid 19 Related Rent Concessions (Amendment)**

The amendment applies, retrospectively, to annual reporting periods beginning on or after 1 June 2020. Earlier application is permitted, including in financial statements not yet authorized for issue at 28 May 2020. IASB amended the standard to provide relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the covid-19 pandemic. The amendment provides a practical expedient for the lessee to account for any change in lease payments resulting from the covid-19 related rent concession the same way it would account for the change under IFRS 16, if the change was not a lease modification, only if all of the following conditions are met:

- The change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change.
- Any reduction in lease payments affects only payments originally due on or before 30 June 2021.
- There is no substantive change to other terms and conditions of the lease.

The amendment has not yet been endorsed by the EU.

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

In August 2020, the IASB published Interest Rate Benchmark Reform – Phase 2, Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16, completing its work in response to IBOR reform. The amendments provide temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR). In particular, the amendments provide for a practical expedient when accounting for changes in the basis for determining the contractual cash flows of financial assets and liabilities, to require the effective interest rate to be adjusted, equivalent to a movement in a market rate of interest. Also, the amendments introduce reliefs from discontinuing hedge relationships including a temporary relief from having to meet the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component. Furthermore, the amendments to IFRS 4 are designed to allow insurers who are still applying IAS 39 to obtain the same reliefs as those provided by the amendments made to IFRS 9. There are also amendments to IFRS 7 Financial Instruments: Disclosures to enable users of financial statements to understand the effect of interest rate benchmark reform on an entity's financial instruments and risk management strategy. The amendments are effective for annual periods beginning on or after 1 January 2021 with earlier application permitted. While application is retrospective, an entity is not required to restate prior periods. These Amendments have not yet been endorsed by the EU.

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NOTES TO THE CONSOLIDATED AND SEPARATE INTERIM FINANCIAL STATEMENTS
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2. Basis of preparation (continued)

e) Significant accounting judgments and estimates

In the process of applying the Group and Bank's accounting policies, management is required to use its judgments and make estimates in determining the amounts recognized in the consolidated and separate financial statements. The most significant use of judgments and estimates are as follows:

Fair value of financial instruments

Where the fair values of financial assets and financial liabilities recorded on the statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The inputs to these models are derived from observable market data where possible, but where observable market data are not available, judgment is required to establish fair values. The judgments include considerations of liquidity and model inputs such as volatility for longer dated derivatives and discount rates, prepayment rates and default rate assumptions for asset backed securities. The valuation of financial instruments is described in more detail in Note 38.

Expected credit losses on financial assets at amortised cost and FVOCI

The measurement of impairment losses across all categories of financial assets requires judgement, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances. The Bank reviews its loans and advances to customers at each reporting date to assess whether there is any objective evidence of impairment. The main considerations for the loan impairment assessment include whether any payments of principal or interest are overdue by more than 90 days, whether a severe alteration in the counterparty's financial standing is observed, entailing a high probability that the debtor will not be able to fully meet its credit obligations, whether concessions in the form of restructuring were consented under the circumstances of financial hardship experienced by the debtor, whether legal procedures were initiated or the debtor was transferred to specialized recovery structures (regardless of the number of days past due).

The Bank's expected credit loss model (ECL) relies on several underlying assumptions regarding the choice of variable inputs and their interdependencies, which affect the level of allowances:

- The internal credit grading model, which assigns probabilities of default (PDs) to the individual grades
- The criteria defined (both in relative and absolute terms) for the assessment of significant increase in credit risk since initial recognition and consequently the computation of allowances based on life time expected credit loss (LTECL)
- The grouping of financial assets when their ECL is measured on a collective basis
- The development of ECL model, including the various formulas and the choice of inputs
- The macroeconomic scenarios and their probability weightings based on which ECL is derived
- The inputs and models used for calculating ECL may not always capture all characteristics of the market at the date of the financial statements. To reflect this, the Bank assesses the need/opportunity for additional amounts of provisions in the form of overlays, in order to address:
 - Sector of activity specific risks (adjustment of ECL on sectors that have a different default behaviour from the whole calibration segment)
 - Visible macroeconomic threat impossible to be captured by the models (typically, when the predicted stress did not occur in the observed past serving as a base for models)
- The overlays booked by the Bank represent 5.4% (2020: 5.5%) of total stock of expected credit losses.
- For individually significant loans and advances, the Group and Bank identify and quantify the expected future cash flows to be used for a total or partial reimbursement of the obligations, based on the capacity of the client/business to generate revenues, proceeds resulting from sale of collaterals and other clearly

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2. Basis of preparation (continued)

e) Significant accounting judgments and estimates (continued)

identified sources of repayment. The individual assessment threshold is defined in between 500 -1,500 thousands EUR, depending on the client type and customers' management departments.

Provisions for other risks and charges

The Bank operates in a regulatory and legal environment that, by nature has a heightened element of litigation risk inherent to its operations and, as a result it is involved in various litigations or is subject to various obligations arising from legislation in force.

When the Bank can reliably measure the outflow of economic benefits in relation to a specific case and considers such outflows to be probable, the Bank records a provision against the case, as mentioned in this note. Where the probability of outflow is considered to be remote, or probable, but a reliable estimate cannot be made, a contingent liability is disclosed.

Generally, the first step is to establish the existence of the present obligation followed by the estimation of the amount needed to settle that obligation taking into account a number of factors including legal advice, the stage of the matter and historical evidence from similar incidents. Significant judgment is required to conclude on these estimates.

In case of litigations:

i. For a single individual litigation the Bank assess whether there is more likely than not to have an unfavourable court decision considering the factors mentioned above; then it estimates the amount at risk; in case there are several scenarios possible with different outcomes, the amount at risk is the weighted average of the amounts at risk for each scenario using the probability distribution for all scenarios (100% is allocated to the possible scenarios) and provisions 100% of the estimated amount;

ii. For multiple litigations, the assessment of “more likely than not” could be substantiated for the entire population using statistics and provision computation to be made at pool level.

In case of obligations arising from various legislation, the bank assesses first if there is no realistic alternative of settling that obligation, and if not, it estimates the amount needed to settle that obligation (using similar approach as above) and books provisions representing 100% of the estimated amount.

Please refer to note 20 for more details.

COVID - 19

The outbreak of the COVID-19 pandemic has prompted rapid social and economic responses worldwide. Within the EU, Member States have implemented a broad range of support measures aimed at minimizing the medium- and long-term economic impacts of the pandemic. The response included some forms of moratorium on payments of credit obligations (with the aim of supporting the operational and liquidity challenges faced by borrowers), introduced either jurisdiction-wide (legislative moratorium) or voluntary industry-wide or individual initiatives by institutions (non-legislative moratorium). In Romania, the moratorium reflects a combination of statewide legislation (GEO 37/2020, and GEO 227/2021) doubled by various initiatives of the banking system.

In addition to legislative moratorium provisions, BRD has also designed internal deferral programs in order to support its debtors under the temporary distress. These measures fall into the non-legislative category.

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2. Basis of preparation (continued)

e) Significant accounting judgments and estimates (continued)

The Group did not automatically mark the loans benefitting from payment suspension as credit impaired (Stage 3) or as loans with significant increase in credit risk (Stage 2), in line with guidance on the treatment of general moratoria. However, the potential risk was accounted for through more prudent rating, which has ultimately resulted in an overall migration towards Stage 2, above the average share at BRD level, as detailed below as at March 31, 2021:

- The distribution of moratoria loans across stages is: 19% Stage 1, 75% Stage 2, 6% Stage 3
- The distribution of total Group portfolio across stages is: 70% Stage 1, 26% Stage 2, 4% Stage 3

f) Segment information

A segment is a component of the Group and Bank:

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

The Group and Bank's segment reporting is based on the following segments: *Retail* including Individuals and Small Business, *Non-retail* including Small and medium enterprises ("SMEs") and Large corporate and *Corporate Center* including: treasury activities, ALM and other categories unallocated to the business lines mentioned above (fixed assets, taxes, equity investments, etc).

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3. Segment information

The segments used for management purposes are based on customer type and size, products and services offered as follows:

In Retail (Individuals & Small Business) category the following customer's segments are identified:

- Individuals – the Bank provides individual customers with a range of banking products such as: saving and deposits taking, consumer and housing loans, overdrafts, credit card facilities, funds transfer and payment facilities, etc.
- Small business – business entities with annual turnover lower than EUR 1 million and having an aggregated exposure at group level less than EUR 0.3 million. Standardised range of banking products is offered to small companies and professional: saving and deposits taking, loans and other credit facilities, etc.

Retail customers include clients with similar characteristics in terms of financing needs, complexity of the activity performed and size of business for which a range of banking products and services with medium to low complexity is provided.

In Non –Retail category the following customer's segments are identified:

- Small and medium enterprises (companies with annual turnover between EUR 1 million and EUR 50 million and the aggregated exposure at group level higher than EUR 0.3 million);
- Large corporate (corporate banking and companies with annual turnover higher than 50 million EUR, municipalities, public sector and other financial institutions).

The Bank provides these customers with a range of banking products and services, including saving and deposits taking, loans and other credit facilities, transfers and payment services, provides cash-management, investment advices, securities business, project and structured finance transaction, syndicated loans and asset backed transactions.

The Corporate Center includes: treasury activities, ALM and other categories unallocated to Retail and Non-Retail business lines.

The Executive Committee monitors the activity of each segment separately for the purpose of making decisions about resource allocation and performance assessment.

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3. Segment information (continued)

	Group							
	March 31, 2021 Unaudited (*)				December 31, 2020			
	Total	Retail	Non retail	Corporate Center	Total	Retail	Non retail	Corporate Center
Total assets	65,096,693	22,055,230	9,761,415	33,280,048	63,557,745	22,108,317	8,601,580	32,847,847
Loans and advances to customers, net & Finance lease receivables	31,816,645	22,055,230	9,761,415	-	30,709,897	22,108,317	8,601,580	-
Other assets	33,280,048	-	-	33,280,048	32,847,847	-	-	32,847,847
Total liabilities	65,096,693	34,201,467	17,154,870	13,740,356	63,557,745	33,708,531	16,249,223	13,599,991
Due to customers	51,356,337	34,201,467	17,154,870	-	49,957,754	33,708,531	16,249,223	-
Other liabilities	13,740,356	-	-	13,740,356	13,599,991	-	-	13,599,991
	Bank							
	March 31, 2021 Unaudited (*)				December 31, 2020			
	Total	Retail	Non retail	Corporate Center	Total	Retail	Non retail	Corporate Center
Total assets	63,197,266	21,074,629	8,934,626	33,188,011	61,634,585	21,096,342	7,776,679	32,761,564
Loans and advances to customers, net	30,009,255	21,074,629	8,934,626	-	28,873,021	21,096,342	7,776,679	-
Other assets	33,188,011	-	-	33,188,011	32,761,564	-	-	32,761,564
Total liabilities	63,197,266	34,201,467	17,351,850	11,643,949	61,634,585	33,708,531	16,443,595	11,482,459
Due to customers	51,553,317	34,201,467	17,351,850	-	50,152,126	33,708,531	16,443,595	-
Other liabilities	11,643,949	-	-	11,643,949	11,482,459	-	-	11,482,459

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3. Segment information (continued)

	Group							
	Unaudited (*)				Unaudited (*)			
	Three months ended March 31, 2021				Three months ended March 31, 2020			
	Total	Retail	Non retail	Corporate Center	Total	Retail	Non retail	Corporate Center
Net interest income	506,679	341,550	105,747	59,382	547,310	353,993	101,481	91,836
Fees and commissions, net	179,446	128,118	54,685	(3,357)	177,116	125,493	54,127	(2,504)
Total non-interest income	73,084	21,022	19,486	32,576	42,302	22,723	19,605	(27)
Operating income	759,209	490,690	179,918	88,601	766,728	502,209	175,213	89,305
Total operating expenses	(438,413)	(290,092)	(101,327)	(46,994)	(425,155)	(283,389)	(99,757)	(42,009)
Cost of risk	(54,394)	(72,303)	22,101	(4,192)	(59,892)	(83,293)	24,651	(1,250)
Profit before income tax	266,402	128,295	100,692	37,415	281,681	135,527	100,107	46,047
Total income tax	(43,930)	(21,134)	(16,588)	(6,208)	(40,922)	(19,648)	(14,513)	(6,761)
Profit for the period	222,472	107,161	84,104	31,207	240,759	115,879	85,594	39,286
Cost Income Ratio	57.7%	59.1%	56.3%	53.0%	55.5%	56.4%	56.9%	47.0%

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3. Segment information (continued)

	Unaudited (*)				Bank	Unaudited (*)			
	Three months ended March 31, 2021					Three months ended March 31, 2020			
	Total	Retail	Non retail	Corporate Center		Total	Retail	Non retail	Corporate Center
Net interest income	473,672	320,580	92,285	60,808		512,744	330,649	103,930	78,167
Fees and commissions, net	171,107	129,330	56,292	(14,515)		165,127	117,425	53,370	(5,667)
Total non-interest income	75,387	20,850	18,362	36,175		43,275	22,695	18,822	1,758
Operating income	720,166	470,759	166,939	82,468		721,145	470,767	176,121	74,257
Total operating expenses	(416,334)	(274,078)	(95,183)	(47,072)		(402,413)	(266,690)	(93,801)	(41,922)
Cost of risk	(42,702)	(68,456)	29,947	(4,193)		(45,706)	(73,842)	29,384	(1,247)
Profit before income tax	261,130	128,225	101,703	31,203		273,027	130,235	111,704	31,088
Total income tax	(43,011)	(21,120)	(16,752)	(5,139)		(39,743)	(18,957)	(16,260)	(4,525)
Profit for the period	218,119	107,105	84,951	26,064		233,284	111,277	95,444	26,563
Cost Income Ratio	57.8%	58.2%	57.0%	57.1%		55.8%	56.7%	53.3%	56.5%

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4. Cash in hand

	Group		Bank	
	Unaudited (*)	December 31, 2020	Unaudited (*)	December 31, 2020
	March 31, 2021		March 31, 2021	
Cash in vaults	1,805,542	1,317,039	1,805,538	1,317,035
Cash in ATM	410,241	572,516	410,241	572,516
Total	2,215,783	1,889,556	2,215,779	1,889,552

5. Due from Central Bank

	Group		Bank	
	Unaudited (*)	December 31, 2020	Unaudited (*)	December 31, 2020
	March 31, 2021		March 31, 2021	
Current accounts	4,415,726	5,223,833	4,415,726	5,223,833
Total	4,415,726	5,223,833	4,415,726	5,223,833

6. Due from banks

	Group		Bank	
	Unaudited (*)	December 31, 2020	Unaudited (*)	December 31, 2020
	March 31, 2021		March 31, 2021	
Deposits at Romanian banks	137,857	31,642	137,857	31,641
Deposits at foreign banks	5,608,277	3,285,359	5,590,918	3,268,163
Current accounts at Romanian banks	31	1	31	1
Current accounts at foreign banks	281,199	706,131	281,199	706,131
Reverse repo	59,715	1,493,708	59,715	1,493,708
Total	6,087,080	5,516,842	6,069,720	5,499,644

The Due from banks portfolio is classified as Stage 1. The Group and Bank registered an impairment allowance for Due from banks of 185 as at March 31, 2021 (December 31, 2020: 91).

7. Derivative and other financial instruments held for trading

Group Unaudited (*)	March 31, 2021		
	Assets	Liabilities	Notional (total)
Interest rate swaps	57,970	39,841	6,215,831
Currency swaps	8,317	13,368	3,081,402
Forward foreign exchange contracts	10,227	10,854	1,056,465
Options	18,831	18,881	3,202,893
Total derivative financial instruments	95,345	82,944	13,556,591

	March 31, 2021	
	Assets	Liabilities
Treasury notes	720,339	273,248
Trading loans/deposits	-	151,968
Reverse repo/Repo	1,879,236	48,944
Total financial assets and liabilities held for trading	2,599,575	474,160

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7. Derivative and other financial instruments held for trading (continued)

Group	December 31, 2020		
	Assets	Liabilities	Notional (total)
Interest rate swaps	81,970	22,571	5,610,596
Currency swaps	11,323	18,604	2,957,717
Forward foreign exchange contracts	23,724	17,399	1,610,565
Options	13,273	13,357	3,206,095
Total derivative financial instruments	130,290	71,931	13,384,973

	December 31, 2020	
	Assets	Liabilities
Treasury notes	1,274,558	147,527
Trading deposits	-	371,210
Total financial assets and liabilities held for trading	2,270,075	527,738

Bank
Unaudited (*)

	March 31, 2021		
	Assets	Liabilities	Notional (total)
Interest rate swaps	57,970	39,841	6,215,831
Currency swaps	8,317	13,368	3,081,402
Forward foreign exchange contracts	10,259	10,854	1,071,241
Options	18,831	18,881	3,202,893
Total derivative financial instruments	95,377	82,944	13,571,367

	March 31, 2021	
	Assets	Liabilities
Treasury notes	720,339	273,248
Trading loans/deposits	-	151,968
Reverse repo/Repo	1,879,236	48,944
Total financial assets and liabilities held for trading	2,599,575	474,160

	December 31, 2020		
	Assets	Liabilities	Notional (total)
Interest rate swaps	81,970	22,571	5,610,596
Currency swaps	11,323	18,604	2,957,717
Forward foreign exchange contracts	23,724	17,399	1,610,565
Options	13,273	13,357	3,206,095
Total derivative financial instruments	130,290	71,931	13,384,973

	December 31, 2020	
	Assets	Liabilities
Treasury notes	1,274,558	147,527
Trading deposits	-	371,210
Total financial assets and liabilities held for trading	2,270,075	527,738

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7. Derivative and other financial instruments held for trading (continued)

The Group continue to apply hedge accounting (fair value hedge) as at March 31, 2021 and has 3 hedging relationships (4 hedging relationships as at December 31, 2020).

- The macro fair value hedge of interest rate risk associated with the current accounts initiated on September 30, 2013 closed on March 29, 2021.
- On June 30, 2018, the Bank initiated two macro fair value hedges one in EUR and one in USD of interest rate risk associated with the current accounts, using several interest rate swaps (pay variable, receive fixed). The change in the fair value of the macro fair value hedge swaps offsets the change in the fair value of the hedged portion of the current accounts. The hedged items are represented by the portion of the current accounts portfolio equal to the swaps nominal values of:
 - 144 million EUR yearly with a fixed interest rate of 0.42%, the remaining period of 7.25 years.
 - 48 million EUR yearly with a fixed interest rate of -0.0125%, the remaining period of 2.25 years.
 - 50 million EUR yearly with a fixed interest rate of 0.171%, the remaining period of 4.25 years.
 - 42 million EUR yearly with a fixed interest rate of -0.0125%; the remaining period of 2.25 years.
 - 32 million USD yearly with a fixed interest rate of 2.813%; the remaining period of 7.25 years.
 - 18 million USD yearly with a fixed interest rate of 2.765%; the remaining period of 2.25 years.
- On October 30, 2020, the Bank initiated a macro fair value hedge of interest rate risk associated with the current accounts, using several interest rate swaps (pay variable, receive fixed). The change in the fair value of the macro fair value hedge swaps offsets the change in the fair value of the hedged portion of the current accounts. The hedged item is represented by the portion of the current accounts portfolio equal to the swaps nominal of 350 million EUR with a fixed interest rate of -0.403%. The remaining period for the hedging instrument is of 9.5 years.

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7. Derivative and other financial instruments held for trading (continued)

All hedging relationships have quarterly settlement periods for both fixed and variable legs. The hedging relationships were effective throughout the reporting period.

Main source of hedge ineffectiveness that might be expected to affect the hedging relationships is the amortization model of current accounts. However, the amortization of the hedged item is based on a behavioral ALM model that is reviewed / back tested on a yearly basis. In order to avoid inefficiency generated by the underestimated amortization of the current accounts, maximum 70% of the current accounts portfolio per each time band is designated as hedged item.

The hedging relationship were designated on the date of the IRS origination. At that date, the theoretical derivative was built as to match the interest rate behavior of the current accounts, the hedged item (i.e. a spread was added to the variable leg so that the fair value of the theoretical swap on the designation date to be zero). Consequently no other major sources of ineffectiveness were identified.

As at March 31, 2021, the accumulated amount of fair value hedge adjustments on the current accounts hedged item are included in the carrying amount and presented in due to customer line in the statement of financial position and amounts to 18,201. The change in value of the hedged item during the period is explained by loss from revaluation in amount of 33,020 and by the exchange rate evolution effect in amount of -809. During 2021, the difference between the hedging gains or losses of the hedging instrument and the hedged item recognized in profit or loss amounts 3,951.

The fair value of hedging instrument for Group and Bank was the following:

	March 31, 2021		
	Assets	Liabilities	Notional (total)
Interest rate swaps	37,886	19,257	3,332,358

	December 31, 2020		
	Assets	Liabilities	Notional (total)
Interest rate swaps	47,931	1,132	3,386,881

Forwards

Forward contracts are contractual agreements to buy or sell a specified financial instrument at a specific price and date in the future. Forwards are customised contracts transacted in the over-the-counter market.

Swaps

Swaps are contractual agreements between two parties to exchange streams of payments over time based on specified notional amounts, in relation to movements in a specified underlying index such as an interest rate, foreign currency rate or equity index.

Interest rate swaps relate to contracts concluded by the Bank with other financial institutions in which the Bank either receives or pays a floating rate of interest in return for paying or receiving, respectively, a fixed rate of interest. The payment flows are usually netted against each other, with the difference being paid by one party to the other.

In a currency swap, the Bank pays a specified amount in one currency and receives a specified amount in another currency. Currency swaps are mostly gross-settled.

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7. Derivative and other financial instruments held for trading (continued)

Options

Options are contractual agreements that convey the right, but not the obligation, for the purchaser either to buy or sell a specific amount of a financial instrument at a fixed price, either at a fixed future date or at any time within a specified period. The Bank purchases and sells options in the over-the-counter markets.

Options purchased by the Bank provide the Bank with the opportunity to purchase (call options) or sell (put options) the underlying asset at an agreed-upon value either on or before the expiration of the option.

The Bank is exposed to credit risk on purchased options only to the extent of their carrying amount, which is their fair value. Options written by the Bank provide the purchaser the opportunity to purchase from or sell to the Bank the underlying asset at an agreed-upon value either on or before the expiration of the option. The options are kept in order to neutralize the customer deals.

Trading treasury notes are treasury discount notes and coupon bonds held for trading purposes. All the treasury notes in Bank's portfolio are issued by the Romanian Government in RON, EUR and USD.

8. Loans and advances to customers

	Group		Bank	
	Unaudited (*)		Unaudited (*)	
	March 31, 2021	December 31, 2020	March 31, 2021	December 31, 2020
Loans, gross	32,737,964	31,534,050	31,880,372	30,633,863
Loans impairment	(2,006,643)	(1,891,052)	(1,871,117)	(1,760,842)
Total	30,731,321	29,642,998	30,009,255	28,873,021

The structure of loans is the following:

	Group		Bank	
	Unaudited (*)		Unaudited (*)	
	March 31, 2021	December 31, 2020	March 31, 2021	December 31, 2020
Working capital loans	4,483,269	3,836,151	4,483,269	3,836,151
Loans for equipment	3,219,238	2,676,540	2,993,226	2,459,487
Trade activities financing	735,644	914,760	735,644	914,760
Acquisition of real estate, including mortgage for individuals	13,100,617	13,040,071	13,100,617	13,040,071
Consumer loans	9,163,981	9,121,155	8,532,401	8,438,022
Other	2,035,215	1,945,373	2,035,214	1,945,373
Total	32,737,964	31,534,050	31,880,372	30,633,863

As of March 31, 2021 the amortized cost of loans granted to the 20 largest corporate clients (groups of connected borrowers) amounts to 3,727,696 (December 31, 2020: 2,854,386), while the value of letters of guarantee and letters of credit issued in favour of these clients amounts for the Group and Bank to 3,707,090 (December 31, 2020: 3,491,353).

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8. Loans and advances to customers (continued)

Sector analysis of loans granted and impairment allowance

Group Unaudited (*) %	March 31, 2021									
	Stage 1		Stage 2		Stage 3		POCI		Total	
	Gross carrying amount	Impairment allowance	Gross carrying amount	Impairment allowance	Gross carrying amount	Impairment allowance	Gross carrying amount	Impairment allowance	Gross carrying amount	Impairment allowance
Individuals	66.4%	56.6%	74.9%	80.5%	61.4%	61.4%	42.3%	10.2%	68.3%	67.1%
Agriculture, forestry and fishing	2.1%	3.2%	2.7%	2.3%	1.3%	1.1%	0.1%	0.2%	2.2%	1.8%
Mining and quarrying	0.1%	0.1%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.1%	0.0%
Manufacturing	4.7%	5.1%	7.6%	4.3%	4.0%	4.8%	3.3%	0.1%	5.4%	4.6%
Electricity, gas, steam and air conditioning supply	5.5%	6.1%	0.0%	0.0%	7.4%	3.0%	0.0%	0.0%	4.2%	2.2%
Water supply	0.4%	0.7%	0.1%	0.2%	0.2%	0.2%	0.0%	0.0%	0.3%	0.3%
Construction	0.9%	1.4%	0.6%	0.4%	8.8%	10.9%	1.3%	0.4%	1.2%	5.6%
Wholesale and retail trade	7.7%	9.1%	2.9%	1.6%	3.5%	4.0%	7.2%	12.4%	6.3%	3.9%
Transport and storage	1.9%	3.1%	2.0%	2.3%	0.6%	0.7%	0.0%	0.0%	1.8%	1.6%
Accommodation and food service activities	0.4%	1.3%	1.3%	1.2%	3.6%	4.7%	0.0%	0.1%	0.7%	2.9%
Information and communication	1.8%	1.8%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	1.2%	0.2%
Financial institutions	1.8%	2.6%	2.8%	1.0%	0.0%	0.0%	0.0%	0.0%	2.0%	0.7%
Real estate activities	1.3%	2.5%	2.8%	3.4%	1.0%	1.4%	43.2%	73.5%	1.7%	3.6%
Professional, scientific and technical activities	0.4%	0.4%	0.2%	0.2%	2.9%	3.9%	0.0%	0.0%	0.5%	2.1%
Administrative and support service activities	0.1%	0.1%	0.1%	0.1%	0.2%	0.2%	1.8%	3.0%	0.1%	0.2%
Public administration and defence, compulsory social security	3.9%	4.8%	0.7%	0.7%	4.4%	2.9%	0.0%	0.0%	3.1%	2.2%
Education	0.0%	0.0%	0.5%	0.7%	0.0%	0.0%	0.0%	0.0%	0.1%	0.3%
Human health services and social work activities	0.5%	0.9%	0.6%	0.7%	0.3%	0.3%	0.5%	0.1%	0.5%	0.6%
Arts, entertainment and recreation	0.0%	0.0%	0.2%	0.4%	0.3%	0.3%	0.0%	0.0%	0.1%	0.3%
Other services	0.2%	0.2%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.1%	0.0%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Loans to individuals include mortgage loans, consumer loans and overdrafts.

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8. Loans and advances to customers (continued)

Sector analysis of loans granted and impairment allowance (continued)

Bank Unaudited (*) %	March 31, 2021									
	Stage 1		Stage 2		Stage 3		POCI		Total	
	Gross carrying amount	Impairment allowance	Gross carrying amount	Impairment allowance	Gross carrying amount	Impairment allowance	Gross carrying amount	Impairment allowance	Gross carrying amount	Impairment allowance
Individuals	65.9%	53.5%	75.3%	80.7%	58.6%	57.6%	42.3%	10.2%	68.1%	65.4%
Agriculture, forestry and fishing	1.7%	3.3%	2.5%	2.1%	0.7%	0.6%	0.1%	0.2%	1.9%	1.5%
Mining and quarrying	0.1%	0.1%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.1%	0.0%
Manufacturing	4.8%	5.5%	7.6%	4.4%	4.4%	5.4%	3.3%	0.1%	5.5%	4.9%
Electricity, gas, steam and air conditioning supply	5.7%	6.6%	0.0%	0.0%	8.1%	3.4%	0.0%	0.0%	4.3%	2.4%
Water supply	0.4%	0.7%	0.1%	0.2%	0.2%	0.2%	0.0%	0.0%	0.3%	0.3%
Construction	0.9%	1.5%	0.6%	0.4%	9.7%	12.2%	1.3%	0.4%	1.2%	6.0%
Wholesale and retail trade	7.9%	9.8%	2.9%	1.7%	3.8%	4.4%	7.2%	12.4%	6.4%	4.1%
Transport and storage	1.7%	3.2%	1.6%	2.0%	0.5%	0.5%	0.0%	0.0%	1.6%	1.4%
Accommodation and food service activities	0.4%	1.4%	1.3%	1.2%	4.0%	5.3%	0.0%	0.1%	0.8%	3.1%
Information and communication	1.8%	1.9%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	1.3%	0.2%
Financial institutions	2.0%	2.9%	2.8%	1.0%	0.0%	0.0%	0.0%	0.0%	2.2%	0.7%
Real estate activities	1.3%	2.6%	2.9%	3.5%	1.1%	1.6%	43.2%	73.5%	1.8%	3.8%
Professional, scientific and technical activities	0.4%	0.4%	0.2%	0.2%	3.2%	4.4%	0.0%	0.0%	0.5%	2.2%
Administrative and support service activities	0.1%	0.1%	0.1%	0.1%	0.2%	0.2%	1.8%	3.0%	0.1%	0.2%
Public administration and defence, compulsory social security										
Education	4.0%	5.2%	0.7%	0.7%	4.9%	3.3%	0.0%	0.0%	3.2%	2.4%
Human health services and social work activities	0.0%	0.0%	0.5%	0.7%	0.0%	0.0%	0.0%	0.0%	0.1%	0.3%
Arts, entertainment and recreation	0.5%	1.0%	0.6%	0.7%	0.3%	0.4%	0.5%	0.1%	0.6%	0.6%
Other services	0.0%	0.0%	0.2%	0.4%	0.3%	0.4%	0.0%	0.0%	0.1%	0.3%
Other services	0.2%	0.2%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.1%	0.0%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Loans to individuals include mortgage loans, consumer loans and overdrafts.

The accompanying notes are an integral part of this financial statements

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8. Loans and advances to customers (continued)

Sector analysis of loans granted and impairment allowance (continued)

Group %	December 31, 2020									
	Stage 1		Stage 2		Stage 3		POCI		Total	
	Gross carrying amount	Impairment allowance	Gross carrying amount	Impairment allowance	Gross carrying amount	Impairment allowance	Gross carrying amount	Impairment allowance	Gross carrying amount	Impairment allowance
Individuals	69.3%	62.8%	75.7%	77.1%	64.0%	61.4%	42.9%	9.5%	70.8%	66.9%
Agriculture, forestry and fishing	2.0%	3.0%	2.5%	2.1%	1.5%	1.1%	0.1%	0.1%	2.1%	1.7%
Mining and quarrying	0.1%	0.1%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.1%	0.0%
Manufacturing	4.4%	5.1%	6.8%	4.1%	4.3%	5.2%	3.7%	2.3%	5.0%	4.7%
Electricity, gas, steam and air conditioning supply	2.7%	3.9%	1.3%	3.6%	0.2%	0.3%	0.0%	0.0%	2.2%	2.0%
Water supply	0.5%	0.8%	0.1%	0.2%	0.3%	0.3%	0.0%	0.0%	0.4%	0.3%
Construction	1.0%	1.1%	0.5%	0.3%	10.3%	12.5%	1.4%	0.6%	1.2%	6.2%
Wholesale and retail trade	7.6%	8.2%	2.7%	1.6%	4.6%	5.2%	5.3%	9.4%	6.1%	4.2%
Transport and storage	1.4%	2.0%	1.8%	2.2%	0.6%	0.7%	0.0%	0.0%	1.5%	1.4%
Accommodation and food service activities	0.6%	0.9%	0.5%	0.9%	3.4%	2.8%	0.6%	0.5%	0.7%	1.8%
Information and communication	2.2%	2.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	1.5%	0.3%
Financial institutions	1.7%	2.4%	3.1%	1.1%	0.0%	0.0%	0.0%	0.0%	2.0%	0.7%
Real estate activities	1.2%	1.7%	2.7%	3.7%	1.2%	1.5%	45.3%	77.7%	1.7%	3.7%
Professional, scientific and technical activities	0.4%	0.4%	0.3%	0.3%	3.1%	4.0%	0.0%	0.0%	0.4%	2.0%
Administrative and support service activities	0.1%	0.1%	0.1%	0.1%	0.5%	0.6%	0.0%	0.0%	0.1%	0.3%
Public administration and defence, compulsory social security	4.2%	4.3%	0.7%	0.7%	5.5%	3.7%	0.0%	0.0%	3.3%	2.5%
Education	0.0%	0.0%	0.4%	0.7%	0.0%	0.0%	0.0%	0.0%	0.1%	0.3%
Human health services and social work activities	0.5%	0.8%	0.6%	0.7%	0.3%	0.4%	0.7%	0.0%	0.6%	0.6%
Arts, entertainment and recreation	0.0%	0.0%	0.2%	0.5%	0.3%	0.4%	0.0%	0.0%	0.1%	0.4%
Other services	0.2%	0.5%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.1%	0.0%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Loans to individuals include mortgage loans, consumer loans and overdrafts.

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8. Loans and advances to customers (continued)

Sector analysis of loans granted and impairment allowance (continued)

Bank %	December 31, 2020									
	Stage 1		Stage 2		Stage 3		POCI		Total	
	Gross carrying amount	Impairment allowance	Gross carrying amount	Impairment allowance	Gross carrying amount	Impairment allowance	Gross carrying amount	Impairment allowance	Gross carrying amount	Impairment allowance
Individuals	68.8%	59.2%	76.1%	77.1%	61.1%	57.5%	42.9%	9.5%	70.5%	65.0%
Agriculture, forestry and fishing	1.6%	3.1%	2.3%	2.0%	0.8%	0.7%	0.1%	0.1%	1.8%	1.5%
Mining and quarrying	0.1%	0.1%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.1%	0.0%
Manufacturing	4.5%	5.6%	6.9%	4.2%	4.8%	5.8%	3.7%	2.3%	5.2%	5.0%
Electricity, gas, steam and air conditioning supply	2.7%	4.3%	1.3%	3.6%	0.2%	0.3%	0.0%	0.0%	2.2%	2.1%
Water supply	0.5%	0.9%	0.1%	0.2%	0.3%	0.3%	0.0%	0.0%	0.4%	0.3%
Construction	1.1%	1.2%	0.5%	0.3%	11.4%	14.1%	1.4%	0.6%	1.2%	6.7%
Wholesale and retail trade	7.8%	9.1%	2.7%	1.7%	5.0%	5.8%	5.3%	9.4%	6.3%	4.5%
Transport and storage	1.2%	2.0%	1.5%	2.0%	0.6%	0.6%	0.0%	0.0%	1.2%	1.3%
Accommodation and food service activities	0.7%	1.0%	0.5%	0.9%	3.7%	3.2%	0.6%	0.5%	0.7%	1.9%
Information and communication	2.3%	2.3%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	1.6%	0.3%
Financial institutions	2.0%	2.6%	3.1%	1.1%	0.0%	0.0%	0.0%	0.0%	2.2%	0.7%
Real estate activities	1.2%	1.9%	2.7%	3.7%	1.3%	1.7%	45.3%	77.7%	1.7%	4.0%
Professional, scientific and technical activities	0.4%	0.5%	0.2%	0.3%	3.5%	4.5%	0.0%	0.0%	0.4%	2.2%
Administrative and support service activities	0.2%	0.1%	0.1%	0.1%	0.5%	0.7%	0.0%	0.0%	0.2%	0.4%
Public administration and defence, compulsory social security	4.3%	4.8%	0.7%	0.7%	6.1%	4.1%	0.0%	0.0%	3.4%	2.7%
Education	0.0%	0.0%	0.5%	0.7%	0.0%	0.0%	0.0%	0.0%	0.1%	0.3%
Human health services and social work activities	0.6%	0.9%	0.6%	0.7%	0.3%	0.4%	0.7%	0.0%	0.6%	0.6%
Arts, entertainment and recreation	0.0%	0.0%	0.2%	0.5%	0.3%	0.4%	0.0%	0.0%	0.1%	0.4%
Other services	0.2%	0.5%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.1%	0.1%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Loans to individuals include mortgage loans, consumer loans and overdrafts.

The accompanying notes are an integral part of this financial statements

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8. Loans and advances to customers (continued)

Rating analysis of loans

Considering the internal rating quality, the exposures of the counterparties not impaired are split in 4 categories which are defined below:

Very good – The counterparty is considered to be very reliable. The capacity to service its debt is very strong.

Good – The counterparty is judged to be of good quality. The capacity to service its debt is strong but counterparty is somewhat more sensitive to adverse changes in circumstances and economic conditions.

Standard grade – The counterparty has an average solvency. The ability to service its debt is still sufficient, but more likely to be undermined by unfavourable economic conditions and changes in circumstances.

Sub-standard grade - The counterparty reflected credit behaviour or financial deterioration implying increased credit risk. Timely debt service repayment is uncertain and depends on favourable economic and financial conditions. Close and more frequent monitoring of the client's capacity to service the bank debt is needed, in order to be able to react to a potential deterioration via implementation of corrective measures.

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8. Loans and advances to customers (continued)

Rating analysis of loans (continued)

Group	Retail lending				
	March 31, 2021				
	Stage 1	Stage 2	Stage 3	POCI	Total
Unaudited (*)					
Gross carrying amount					
Internal rating grade					
Very good grade	11,243,114	10,217	-	-	11,253,331
Good grade	3,134,936	3,756,842	-	-	6,891,778
Standard grade	769,073	1,645,107	-	-	2,414,180
Sub-standard grade	-	968,706	-	14,289	982,994
Non- performing	-	-	735,502	11,945	747,447
(out of which) Individual assessment	-	-	45,467	302	45,768
Not rated internally	666,714	21,411	118,692	-	806,817
Total	15,813,837	6,402,283	854,194	26,233	23,096,548
Less allowance	(138,947)	(622,935)	(621,964)	(3,719)	(1,387,565)
Net Carrying amount	15,674,890	5,779,349	232,230	22,514	21,708,983

Group	Non-Retail lending				
	March 31, 2021				
	Stage 1	Stage 2	Stage 3	POCI	Total
Gross carrying amount					
Internal rating grade					
Very good grade	429,866	-	-	-	429,866
Good grade	4,368,407	982,229	-	-	5,350,636
Standard grade	2,364,909	656,176	-	-	3,021,085
Sub-standard grade	7,143	313,767	-	-	320,910
Non- performing	-	-	483,301	35,618	518,919
(out of which) Individual assessment	-	-	418,794	33,143	451,937
Total	7,170,325	1,952,172	483,301	35,618	9,641,417
Less allowance	(99,313)	(136,096)	(351,454)	(32,215)	(619,078)
Net Carrying amount	7,071,012	1,816,077	131,847	3,403	9,022,338

Group	Total				
	March 31, 2021				
	Stage 1	Stage 2	Stage 3	POCI	Total
Gross carrying amount					
Internal rating grade					
Very good grade	11,672,979	10,217	-	-	11,683,197
Good grade	7,503,344	4,739,071	-	-	12,242,415
Standard grade	3,133,982	2,301,283	-	-	5,435,265
Sub-standard grade	7,143	1,282,473	-	14,289	1,303,905
Non- performing	-	-	1,218,803	47,563	1,266,366
(out of which) Individual assessment	-	-	464,260	33,445	497,705
Not rated internally	666,714	21,411	118,692	-	806,817
Total	22,984,162	8,354,456	1,337,495	61,851	32,737,964
Less allowance	(238,260)	(759,031)	(973,419)	(35,934)	(2,006,643)
Net Carrying amount	22,745,902	7,595,425	364,076	25,917	30,731,321

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8. Loans and advances to customers (continued)

Rating analysis of loans (continued)

Group	Retail lending December 31, 2020				Total
	Stage 1	Stage 2	Stage 3	POCI	
Gross carrying amount					
Internal rating grade					
Very good grade	11,168,748	10,792	-	-	11,179,540
Good grade	2,809,964	4,030,807	-	-	6,840,771
Standard grade	889,118	1,718,855	-	-	2,607,973
Sub-standard grade	-	929,590	-	14,308	943,898
Non-performing	-	-	676,735	12,080	688,815
(out of which) Individual assessment	-	-	47,792	-	47,792
Not rated internally	695,003	17,883	113,032	-	825,918
Total	15,562,833	6,707,926	789,767	26,388	23,086,915
Less allowance	(136,252)	(597,234)	(572,879)	(3,955)	(1,310,320)
Net Carrying amount	15,426,581	6,110,692	216,888	22,434	21,776,595

Group	Non-Retail lending December 31, 2020				Total
	Stage 1	Stage 2	Stage 3	POCI	
Gross carrying amount					
Internal rating grade					
Very good grade	427,956	-	-	-	427,956
Good grade	3,462,227	876,300	-	-	4,338,527
Standard grade	2,233,275	611,507	-	-	2,844,783
Sub-standard grade	3,524	404,444	-	-	407,968
Non-performing	-	-	394,964	32,936	427,901
(out of which) Individual assessment	-	-	333,215	31,089	364,304
Total	6,126,982	1,892,252	394,964	32,936	8,447,135
Less allowance	(72,613)	(157,710)	(320,906)	(29,502)	(580,731)
Net Carrying amount	6,054,370	1,734,542	74,059	3,434	7,866,404

Group	Total December 31, 2020				Total
	Stage 1	Stage 2	Stage 3	POCI	
Gross carrying amount					
Internal rating grade					
Very good grade	11,596,704	10,792	-	-	11,607,496
Good grade	6,272,191	4,907,107	-	-	11,179,298
Standard grade	3,122,393	2,330,362	-	-	5,452,755
Sub-standard grade	3,524	1,334,034	-	14,308	1,351,866
Non-performing	-	-	1,071,699	45,017	1,116,716
(out of which) Individual assessment	-	-	381,007	31,089	412,096
Not rated internally	695,003	17,883	113,032	-	825,918
Total	21,689,815	8,600,178	1,184,731	59,325	31,534,050
Less allowance	(208,865)	(754,945)	(893,785)	(33,457)	(1,891,051)
Net Carrying amount	21,480,950	7,845,233	290,947	25,868	29,642,999

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8. Loans and advances to customers (continued)

Rating analysis of loans (continued)

Bank	Retail lending December 31, 2020				Total
	Stage 1	Stage 2	Stage 3	POCI	
Gross carrying amount					
Internal rating grade					
Very good grade	11,168,748	10,792	-	-	11,179,540
Good grade	2,809,964	4,030,807	-	-	6,840,771
Standard grade	889,118	1,718,855	-	-	2,607,973
Sub-standard grade	-	929,590	-	14,308	943,898
Non-performing	-	-	676,735	12,080	688,815
(out of which) Individual assessment	-	-	47,792	-	47,792
Not rated internally	21,567	9	-	-	21,576
Total	14,889,396	6,690,053	676,735	26,388	22,282,572
Less allowance	(116,439)	(588,818)	(477,017)	(3,956)	(1,186,230)
Net Carrying amount	14,772,957	6,101,234	199,718	22,433	21,096,342

	Non-Retail lending December 31, 2020				Total
	Stage 1	Stage 2	Stage 3	POCI	
Gross carrying amount					
Internal rating grade					
Very good grade	427,956	-	-	-	427,956
Good grade	3,486,630	872,874	-	-	4,359,504
Standard grade	2,160,477	592,937	-	-	2,753,414
Sub-standard grade	3,524	384,088	-	-	387,612
Non-performing	-	-	389,869	32,936	422,805
(out of which) Individual assessment	-	-	333,215	31,089	364,304
Total	6,078,587	1,849,899	389,869	32,936	8,351,291
Less allowance	(72,116)	(154,895)	(318,100)	(29,502)	(574,612)
Net Carrying amount	6,006,472	1,695,004	71,769	3,434	7,776,679

	Total December 31, 2020				Total
	Stage 1	Stage 2	Stage 3	POCI	
Gross carrying amount					
Internal rating grade					
Very good grade	11,596,704	10,792	-	-	11,607,496
Good grade	6,296,593	4,903,681	-	-	11,200,275
Standard grade	3,049,595	2,311,792	-	-	5,361,387
Sub-standard grade	3,524	1,313,677	-	14,308	1,331,509
Non-performing	-	-	1,066,604	45,017	1,111,620
(out of which) Individual assessment	-	-	381,007	31,089	412,096
Not rated internally	21,567	9	-	-	21,576
Total	20,967,984	8,539,951	1,066,604	59,325	30,633,863
Less allowance	(188,555)	(743,714)	(795,117)	(33,457)	(1,760,842)
Net Carrying amount	20,779,429	7,796,237	271,487	25,868	28,873,021

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9. Finance lease receivables

The Group acts as a lessor through the subsidiary BRD Sogelease IFN SA, having in the portfolio vehicles, equipment (industrial, agricultural) and real estate leases. The leases are denominated mainly in EUR and RON, with transfer of ownership of the leased asset at the end of the lease term. The receivables are secured by the underlying assets and by other collateral. The payment timing analysis of lease receivables is as follows:

	Group	
	Unaudited (*)	
	March 31, 2021	December 31, 2020
Gross investment in finance lease:		
Under 1 year	498,687	496,655
Between 1 and 5 years	734,753	712,998
Higher than 5 years	8,107	9,135
	1,241,547	1,218,788
Unearned finance income	(71,417)	(71,568)
Net investment in finance lease	1,170,130	1,147,220
Net investment in finance lease:		
Under 1 year	464,541	462,601
Between 1 and 5 years	697,740	675,885
Higher than 5 years	7,849	8,734
	1,170,130	1,147,220
	March 31, 2021	December 31, 2020
Net investment in the lease	1,170,130	1,147,220
Accumulated allowance for uncollectible minimum lease payments receivable	(84,806)	(80,321)
Total	1,085,324	1,066,899

As at March 31, 2021 and December 31, 2020, the future minimum lease receipts regarding operating leases (rents) concluded by the Group and Bank as a lessor are:

	Group		Bank	
	Unaudited (*)		Unaudited (*)	
	March 31, 2021	December 31, 2020	March 31, 2021	December 31, 2020
Less than one year	544	519	544	519
Between one and five years	455	470	455	470
More than five years	237	252	237	252
Total	1,236	1,241	1,236	1,241

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10. Financial assets at fair value through profit or loss

	Group		Bank	
	Unaudited (*) March 31, 2021	December 31, 2020	Unaudited (*) March 31, 2021	December 31, 2020
Equity investments	40,807	39,747	40,807	39,747
Other securities	47,475	45,493	20,444	18,637
Total	88,281	85,240	61,250	58,384

Equity investments

Other equity investments represent shares in Visa Inc, Romanian Commodities Exchange (Bursa de Valori Bucuresti), Romanian Credit Guarantee Fund for Private Investors (Fondul Roman de Garantare a Creditelor pentru Intreprinzatorii Privati SA), National Society for Transfer of Funds and Settlements-TransFonD (Societatea Nationala de Transfer de Fonduri si Decontari), SWIFT, Shareholders' Register for the National Securities Commission (Depozitarul Central S.A.), Bucharest Stock Exchange (Bursa Romana de Marfuri SA), Investor Compensating Fund (Fondul de Compensare a Investitorilor).

Other securities

The Group holds fund units in:

	Unaudited (*) March 31, 2021	Unit value RON	No of units	Market value
	BRD Simfonia			
BRD Obligatiuni	190	21,980	4,182	
BRD Simplu	101	6,000	608	
BRD Diverso	199	37,578	7,486	
BRD Actiuni	263	44,358	11,645	
BRD Global	201	6,514	1,312	
Total			47,475	

	December 31, 2020	Unit value RON	No of units	Market value
BRD Simfonia	46			
BRD Obligatiuni	189	21,980	4,159	
BRD Simplu	101	6,000	606	
BRD Diverso	190	37,578	7,157	
BRD Actiuni	231	44,358	10,266	
BRD Global	186	6,514	1,214	
Total			45,493	

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10. Financial assets at fair value through profit or loss (continued)

The Bank holds fund units in:

March 31, 2021	Unaudited (*)		
	Unit value RON	No of units	Market value
BRD Diverso	199	37,578	7,486
BRD Actiumi	263	44,358	11,645
BRD Global	201	6,514	1,312
Total			20,444

December 31, 2020	Unit value RON	No of units	Market value
BRD Diverso	190	37,578	7,157
BRD Actiumi	231	44,358	10,266
BRD Global	186	6,514	1,214
Total			18,637

11. Financial assets at fair value through other comprehensive income

Financial assets at fair value through other comprehensive income include treasury notes, respectively treasury discount notes and coupon bonds issued by the Ministry of Public Finance, in amount of 14,516,214 rated as BBB- by Standard&Poors, bonds issued by Frech State in amount of 708,463 rated as AA by Standard&Poors and bonds issued by the Belgian State in amount of 716,147 rated as AA by Standard&Poors.

As at March 31, 2021, these financial assets at fair value through other comprehensive income are classified as Stage 1 and ECL impairment allowance amounts to 2,800 (December 31, 2020: 2,681).

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12. Property, plant and equipment

	Group						Total
	Land & Buildings	Investment properties	Office equipments	Materials and other assets	Construction in progress	Right of use	
Cost:							
as of December 31, 2019	1,323,332	37,222	241,667	510,247	71,291	492,925	2,676,684
Additions	131	-	1,102	224	78,064	34,134	113,655
Transfers	8,488	5,762	31,876	33,035	(79,161)	-	-
Disposals	(34,869)	(2,547)	(12,487)	(24,844)	(16,237)	(73,243)	(164,227)
as of December 31, 2020	1,297,082	40,437	262,158	518,662	53,957	453,816	2,626,112
Additions	-	-	52	-	18,778	30,261	49,091
Transfers	8,701	-	11,818	3,590	(24,109)	-	-
Disposals	(3,727)	-	(153)	(9,478)	(10,167)	(12,754)	(36,279)
as of March 31, 2021 Unaudited	1,302,056	40,437	273,875	512,774	38,459	471,323	2,638,924
Depreciation and impairment:							
as of December 31, 2019	(773,954)	(19,403)	(179,944)	(406,295)	-	(85,769)	(1,465,365)
Depreciation	(37,489)	(656)	(28,289)	(32,815)	-	(91,120)	(190,369)
Impairment	611	-	-	339	(1,954)	-	(1,004)
Disposals	21,694	684	12,461	22,052	-	57,389	114,280
Transfers	3,346	(3,264)	(32)	(50)	-	-	-
as of December 31, 2020	(785,792)	(22,639)	(195,804)	(416,769)	(1,954)	(119,500)	(1,542,458)
Depreciation	(9,192)	(162)	(7,122)	(8,232)	-	(22,064)	(46,772)
Impairment	28	-	-	237	-	-	265
Disposals	3,201	-	84	8,558	-	12,518	24,361
as of March 31, 2021 Unaudited	(791,755)	(22,801)	(202,842)	(416,206)	(1,954)	(129,046)	(1,564,604)
Net book value:							
as of December 31, 2019	549,378	17,819	61,723	103,952	71,291	407,156	1,211,319
as of December 31, 2020	511,290	17,798	66,354	101,893	52,003	334,316	1,083,654
as of March 31, 2021 Unaudited	510,301	17,636	71,033	96,568	36,505	342,277	1,074,320

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12. Property, plant and equipment (continued)

The Group and Bank holds investment property as a consequence of the ongoing rationalisation of its retail branch network. Investment properties comprise a number of commercial properties that are leased to third parties. The investment properties have a fair value of 12,721 as at March 31, 2021 (December 31, 2020: 12,883). The fair value has been determined based on a valuation by an independent valuer in 2020. Rental income from investment property of 183 (March 31, 2020: 290) has been recognised in other income.

	Bank						Total
	Land & Buildings	Investment properties	Office equipments	Materials and other assets	Construction in progress	Right of use	
Cost:							
as of December 31, 2019	1,313,220	37,222	233,669	509,650	71,292	476,704	2,641,756
Additions	131	-	-	14	78,065	32,937	111,147
Transfers	8,489	5,762	31,876	33,036	(79,165)	-	(2)
Disposals	(34,869)	(2,547)	(12,385)	(24,608)	(16,237)	(73,242)	(163,888)
as of December 31, 2020	1,286,971	40,437	253,160	518,092	53,955	436,399	2,589,013
Additions	-	-	-	-	18,778	26,409	45,187
Transfers	8,702	-	11,818	3,589	(24,109)	-	-
Disposals	(3,728)	-	(5)	(9,478)	(10,167)	(12,754)	(36,132)
as of March 31, 2021 Unaudited	1,291,945	40,437	264,973	512,203	38,457	450,054	2,598,068
Depreciation and impairment:							
as of December 31, 2019	(768,981)	(19,403)	(174,038)	(406,025)	-	(80,218)	(1,448,665)
Depreciation	(37,238)	(655)	(27,305)	(32,774)	-	(85,192)	(183,164)
Impairment	611	-	-	339	(1,954)	-	(1,004)
Disposals	21,694	684	12,385	22,049	-	57,391	114,203
Transfers	3,347	(3,264)	(32)	(51)	-	-	-
as of December 31, 2020	(780,567)	(22,638)	(188,990)	(416,462)	(1,954)	(108,019)	(1,518,630)
Depreciation	(9,128)	(162)	(6,844)	(8,224)	-	(20,534)	(44,892)
Impairment	28	-	-	237	-	-	265
Disposals	3,201	-	5	8,560	-	12,518	24,284
as of March 31, 2021 Unaudited	(786,466)	(22,800)	(195,829)	(415,889)	(1,954)	(116,035)	(1,538,973)
Net book value:							
as of December 31, 2019	544,239	17,819	59,631	103,625	71,292	396,486	1,193,091
as of December 31, 2020	506,404	17,799	64,170	101,630	52,001	328,380	1,070,383
as of March 31, 2021 Unaudited	505,479	17,637	69,144	96,314	36,503	334,019	1,059,095

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12. Property, plant and equipment (continued)

Group	Right-of-use assets			
	Land & Buildings	IT Office equipments	Cars and other assets	Total
Unaudited (*)				
as of January 1, 2021	323,403	5,510	5,403	334,316
Additions	5,909	1,097	9,200	16,206
Depreciation expense	(20,354)	(592)	(1,118)	(22,064)
Disposals and other decreases	(236)	-	-	(236)
Contractual changes	14,039	16	-	14,055
as of March 31, 2021	322,761	6,031	13,485	342,277
	Lease liabilities			
as of January 1, 2021	342,813			
Additions	16,206			
Disposals and other decreases	(5,019)			
Other movements (FX, other contractual changes)	22,222			
Interest expense	1,072			
Payments	(23,887)			
as of March 31, 2021	353,407			
Bank	Right-of-use assets			
Unaudited (*)	Land & Buildings	IT Office equipments	Cars and other assets	Total
as of January 1, 2021	319,395	4,514	4,471	328,380
Additions	5,909	1,097	9,200	16,206
Depreciation expense	(19,018)	(592)	(924)	(20,534)
Disposals and other decreases	(236)	-	-	(236)
Contractual changes	10,203	-	-	10,203
as of March 31, 2021	316,253	5,019	12,747	334,019
	Lease liabilities			
as of January 1, 2021	336,838			
Additions	16,206			
Disposals and other decreases	(4,781)			
Other movements (FX, other contractual changes)	18,155			
Interest expense	1,041			
Payments	(22,388)			
as of March 31, 2021	345,071			

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12. Property, plant and equipment (continued)

Group	Right-of-use assets			
	Land & Buildings	IT Office equipments	Cars and other assets	Total
as of January 1, 2020	391,651	6,087	9,418	407,156
Additions	8,625	598	557	9,780
Depreciation expense	(84,082)	(2,441)	(4,597)	(91,120)
Disposals and other decreases	(16,230)	351	25	(15,854)
Contractual changes	23,439	915	-	24,354
as of December 31, 2020	323,403	5,510	5,403	334,316
	Lease liabilities			
as of January 1, 2020	417,309			
Additions	9,779			
Disposals and other decreases	(30,829)			
Other movements (FX, other contractual changes)	16,513			
Interest expense	4,959			
Payments	(74,918)			
as of December 31, 2020	342,813			
	Bank			
	Right-of-use assets			
	Land & Buildings	IT Office equipments	Cars and other assets	Total
as of January 1, 2020	382,680	6,087	7,719	396,486
Additions	8,586	598	431	9,615
Depreciation expense	(79,047)	(2,441)	(3,704)	(85,192)
Disposals and other decreases	(16,227)	351	25	(15,851)
Contractual changes	23,403	(81)	-	23,322
as of December 31, 2020	319,395	4,514	4,471	328,380
	Lease liabilities			
as of January 1, 2020	406,523			
Additions	9,614			
Disposals and other decreases	(25,830)			
Other movements (FX, other contractual changes)	10,851			
Interest expense	4,848			
Payments	(69,168)			
as of December 31, 2020	336,838			

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13. Goodwill

Goodwill represents the excess of the acquisition cost over the fair value of net identifiable assets transferred from Société Générale Bucharest to the Group in 1999.

Following the acquisition, the branch became the present Sucursala Mari Clienti Corporativi (“SMCC”) – the branch dedicated to large significant clients, most of them taken over from the former Societe Generale Bucharest.

As at March 31, 2021, the branch had a number of 3,435 active customers (2020: 3,433), with loans representing approximately 12 % from total loans managed by the network (2020: 13%) and with deposits representing about 12 % of networks’ deposits (2020: 13%). Most of the SMCC non-retail clients are large multinational and national customers.

Taking into account the stable base of clients and the contribution to the bank’s net banking income, the branch which generated the goodwill is considered profitable, without any need of impairment.

14. Intangible assets

The balance of the intangible assets as of March 31, 2021 and December 31, 2020 represents mainly software.

	Group	Bank
Cost:		
as of December 31, 2019	<u>611,614</u>	<u>579,732</u>
Additions	117,645	116,377
Disposals	(427)	-
as of December 31, 2020	<u>728,832</u>	<u>696,109</u>
Additions	17,117	16,712
Disposals	(402)	-
as of March 31, 2021 Unaudited	<u><u>745,547</u></u>	<u><u>712,822</u></u>
Amortization:		
as of December 31, 2019	<u>(426,325)</u>	<u>(398,308)</u>
Amortization expense	(55,128)	(53,502)
as of December 31, 2020	<u>(481,453)</u>	<u>(451,810)</u>
Amortization expense	(17,799)	(17,468)
Disposals	63	-
as of March 31, 2021 Unaudited	<u><u>(499,189)</u></u>	<u><u>(469,278)</u></u>
Net book value:		
as of December 31, 2019	185,289	181,424
as of December 31, 2020	247,379	244,299
as of March 31, 2021 Unaudited	246,358	243,544

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15. Other assets

	Group		Bank	
	Unaudited (*) March 31, 2021	December 31, 2020	Unaudited (*) March 31, 2021	December 31, 2020
Advances to suppliers	57,625	49,052	-	-
Sundry receivable	220,441	177,748	210,076	167,833
Prepaid expenses	63,419	43,293	55,216	34,748
Repossessed assets	6,855	6,698	5,171	5,171
Other assets	11,725	16,276	7,612	9,931
Total	360,065	293,067	278,075	217,683

The sundry receivables balances includes various commissions, sundry debtors, dividends and are net of impairment allowance, which at Group level is 126,658 (December 31, 2020: 117,002) and at Bank level is 117,005 (December 31, 2020: 107,222). In addition, sundry receivable include an amount of 43,108 (December 31, 2020: 43,108) paid to the fiscal authorities following a tax inspection carried out in 2016; the amount is under litigation with the authorities and the Bank estimates that is more likely than not that it will win the litigation.

As of March 31, 2021 the carrying value of repossessed assets for Group is 6,855 (December 31, 2020: 6,698). As of March 31, 2021 the carrying value of repossessed assets for Bank is 5,171 (December 31, 2020: 5,171), representing 7 residential buildings (December 31, 2020: 7 residential buildings).

Group Unaudited (*)	Total (Stage3)
Sundry receivables	
Impairment allowance as at January 1, 2021	117,001
Additional expenses	13,397
Reversals of provisions	(2,953)
Receivables written off	(915)
Foreign exchange adjustments	128
Impairment allowance as at March 31, 2021	126,658
	Total (Stage3)
Impairment allowance as at 1 st January 2020	88,787
Additional expenses	52,176
Reversals of provisions	(21,420)
Receivables written off	(2,441)
Foreign exchange adjustments	(101)
Impairment allowance as at 31 December 2020	117,001

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15. Other assets (continued)

Bank Unaudited (*)		Total (Stage3)
Sundry receivables		107,223
Impairment allowance as at January 1, 2021		12,999
Additional expenses		(2,810)
Reversals of provisions		(504)
Receivables written off		97
Foreign exchange adjustments		
Impairment allowance as at March 31, 2021		117,005
Total (Stage3)		
Impairment allowance as at 1 st January 2020		78,491
Additional expenses		51,460
Reversals of provisions		(19,769)
Receivables written off		(2,441)
Foreign exchange adjustments		(518)
Impairment allowance as at 31 December 2020		107,223

16. Due to banks

	Group		Bank	
	Unaudited (*)		Unaudited (*)	
	March 31,	December 31,	March 31,	December 31,
	2021	2020	2021	2020
Demand deposits	329,919	173,678	329,919	173,678
Term deposits	24,643	25,333	24,643	25,333
Due to banks	354,562	199,011	354,562	199,011

17. Due to customers

	Group		Bank	
	Unaudited (*)		Unaudited (*)	
	March 31,	December 31,	March 31,	December 31,
	2021	2020	2021	2020
Demand deposits	39,719,510	38,464,257	39,800,484	38,572,697
Term deposits	11,636,826	11,493,497	11,752,833	11,579,429
Due to customers	51,356,336	49,957,754	51,553,317	50,152,126

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18. Borrowed funds

	Group		Bank	
	Unaudited (*)		Unaudited (*)	
	March 31, 2021	December 31, 2020	March 31, 2021	December 31, 2020
Borrowings from related parties	1,391,189	1,408,308	165	190
Borrowings from international financial institutions	305,913	334,044	5,481	6,575
Total	1,697,102	1,742,352	5,646	6,765

Funds borrowed from related parties are senior unsecured and are used in the normal course of business.

19. Taxation

Current income tax is calculated based on the taxable income as per the tax statement derived from the stand alone accounts of each consolidated entity. As at March 31, 2021 the Group has a current tax liability in total amount of 29,587 (December 31, 2020: 2,069) and 0 current tax asset (December 31, 2020: 4,911). The deferred tax liability/asset is reconciled as follows:

	Group March 31, 2021 Unaudited (*)			
	Temporary differences Asset / (Liability)	Consolidated Statement of Financial Position Asset / (Liability)	Consolidated Income Statement (Expense) / Income	Consolidated OCI (Expense) / Income
<i>Elements generating deferred tax</i>				
Defined benefit obligation	18,122	(2,900)	-	-
Investments and other securities	766,672	(122,668)	-	27,113
Tangible and intangible assets	(134,938)	21,590	(49)	-
Provisions and other liabilities	(584,866)	93,579	(9,842)	-
Taxable items	64,991			
Deferred tax		(10,399)	(9,891)	27,113

	Bank March 31, 2021 Unaudited (*)			
	Temporary differences Asset / (Liability)	Individual Statement of Financial Position Asset / (Liability)	Individual Income Statement (Expense) / Income	Consolidated OCI (Expense) / Income
<i>Elements generating deferred tax</i>				
Defined benefit obligation	18,122	(2,900)	-	-
Investments and other securities	766,672	(122,668)	-	27,113
Tangible and intangible assets	(135,010)	21,602	(65)	-
Provisions and other liabilities	(513,354)	82,137	(10,970)	-
Taxable items	136,430			
Deferred tax		(21,829)	(11,035)	27,113

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19. Taxation (continued)

	Group December 31, 2020			
	Temporary differences Asset / (Liability)	Consolidated Statement of Financial Position Asset / (Liability)	Consolidated Income Statement (Expense) / Income	Consolidated OCI (Expense) / Income
<i>Elements generating deferred tax</i>				
Defined benefit obligation	18,122	(2,900)	-	785
Investments and other securities	936,130	(149,781)	-	(119,856)
Tangible and intangible assets	(135,245)	21,639	(1,099)	-
Provisions and other liabilities	(646,378)	103,421	3,595	-
Taxable items	172,629			
Deferred tax		(27,620)	2,496	(119,071)

	Bank December 31, 2020			
	Temporary differences Asset / (Liability)	Individual Statement of Financial Position Asset / (Liability)	Individual Income Statement (Expense) / Income	Consolidated OCI (Expense) / Income
<i>Elements generating deferred tax</i>				
Defined benefit obligation	18,122	(2,900)	-	785
Investments and other securities	936,130	(149,781)	-	(119,856)
Tangible and intangible assets	(135,416)	21,667	(1,098)	-
Provisions and other liabilities	(581,916)	93,107	(851)	-
Taxable items	236,920			
Deferred tax		(37,907)	(1,949)	(119,071)

Movement in deferred tax is as follows:

	Group	Bank
Deferred tax asset, net as of December 31, 2019	88,955	83,113
Deferred tax recognized in other comprehensive income	(119,071)	(119,071)
Deferred tax recognized in profit and loss	2,496	(1,949)
Deferred tax liability, net as of December 31, 2020	(27,620)	(37,907)
Deferred tax recognized in other comprehensive income	27,113	27,113
Deferred tax recognized in profit and loss	(9,891)	(11,035)
Deferred tax liability, net as of March 31, 2021	(10,398)	(21,829)

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19. Taxation (continued)

Reconciliation of total tax charge

	Group		Bank	
	Unaudited (*)	Unaudited (*)	Unaudited (*)	Unaudited (*)
	Three months ended March 31, 2021	Three months ended March 31, 2020	Three months ended March 31, 2021	Three months ended March 31, 2020
Profit before income tax	266,402	281,681	261,130	273,027
Income tax (16%)	42,624	45,069	41,781	43,684
Fiscal credit	(2,139)	(7,239)	(1,833)	(6,286)
Non-deductible elements	6,429	4,270	3,732	2,907
Non-taxable elements	(2,984)	(1,178)	(669)	(563)
Expense from income tax at effective tax rate	43,930	40,922	43,011	39,743
Effective tax rate	16.5%	14.5%	16.5%	14.6%

Recognition of deferred tax asset is based on the management's profit forecasts, which indicates that it is probable that future taxable profits will be available against which the deferred tax assets can be utilised.

At the Bank level, as at March 31, 2021, permanent non-deductible elements include the impact of provisions for overdue commissions 2,080 (March 31, 2020: 1,544), sponsorship expenses with an impact of 278 (March 31, 2020: 736), and debt sales and other operations with limited deductibility in amount of 897 (March 31, 2020: 263); permanent non-taxable elements are mainly a result of releases for provisions for over-due commissions in amount of 445 (March 31, 2020: 368), provisions and risk and charges/litigations 97 (March 31, 2020: 146).

20. Other liabilities

	Group		Bank	
	Unaudited (*)	Unaudited (*)	Unaudited (*)	Unaudited (*)
	March 31, 2021	December 31, 2020	March 31, 2021	December 31, 2020
Sundry creditors	229,375	235,462	155,234	178,249
Other payables to State budget	97,031	48,366	95,290	46,994
Deferred income	35,772	24,045	35,772	24,045
Payables to employees	118,652	154,132	111,953	145,250
Financial guarantee and loan commitments provisions	320,987	368,707	332,722	381,172
Other provisions	72,636	73,393	53,658	54,416
Creditors - Lease liabilities	353,407	342,813	345,071	336,838
Total	1,227,860	1,246,918	1,129,700	1,166,964

Sundry creditors are expected to be settled in no more than twelve months after the reporting period.

Payables to employees include, among other, gross bonuses, amounting 29,237 as of March 31, 2021 (December 31, 2020: 61,122) and post-employment benefits amounting 66,469 as of March 31, 2021 (December 31, 2020: 65,651).

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20. Other liabilities (continued)

The movement in other provisions is as follows:

Group	TOTAL
Carrying value as of December 31,2019	52,005
Additional expenses	35,890
Reversals of provisions	(11,700)
Usage	(2,802)
Carrying value as of December 31,2020	73,393
Additional expenses	686
Reversals of provisions	(947)
Usage	(496)
Carrying value as of March 31, 2021Unaudited	72,636
 Bank	
Carrying value as of December 31,2019	47,075
Additional expenses	19,725
Reversals of provisions	(9,645)
Usage	(2,739)
Carrying value as of December 31,2020	54,416
Additional expenses	685
Reversals of provisions	(948)
Usage	(495)
Carrying value as of March 31, 2021Unaudited	53,658

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20. Other liabilities (continued)

Post-employment benefit plan

This is a defined benefit plan under which the amount of benefit that an employee is entitled to receive on retirement depends on years of service and salary. The plan covers substantially all the employees and the benefits are unfunded. A full actuarial valuation by a qualified independent actuary is carried out annually. During 2021, the movements in service cost, benefits paid from defined benefit obligation and changes in financial assumptions resulted in a change of obligation carrying value: 66,469 as of March 31, 2021 and 65,651 as of December 31, 2020.

21. Share capital

The nominal share capital, as registered with the Registry of Commerce is 696,901 (2020: 696,901). Included in the share capital there is an amount of 1,818,721 (2020: 1,818,721) representing hyperinflation restatement surplus.

Share capital as of March 31, 2021 represents 696,901,518 (2020: 696,901,518) authorized common shares, issued and fully paid. The nominal value of each share is RON 1 (2020: RON 1). During 2021 and 2020, the Bank did not buy back any of its own shares.

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22. Interest and similar income

	Group		Bank	
	Unaudited (*)		Unaudited (*)	
	Three months ended March 31, 2021	Three months ended March 31, 2020	Three months ended March 31, 2021	Three months ended March 31, 2020
Interest on loans	397,721	445,441	372,570	416,996
Interest on finance lease	13,130	12,808	-	-
Interest on deposit with banks	5,570	11,281	5,407	11,170
Interest on financial assets at FVOCI	124,424	116,180	124,424	116,180
Interest from hedging instruments	4,968	3,870	4,968	3,870
Total	545,813	589,580	507,369	548,216

The interest income on loans includes the accrued interest on net (after impairment allowance) impaired loans in amount of 14,501 for Bank (2020: 15,801) and of 15,679 for Group (2020: 17,292).

23. Interest and similar expense

	Group		Bank	
	Unaudited (*)		Unaudited (*)	
	Three months ended March 31, 2021	Three months ended March 31, 2020	Three months ended March 31, 2021	Three months ended March 31, 2020
Interest on term deposits	18,432	21,232	18,608	21,410
Interest on demand deposits	13,711	12,448	14,042	12,773
Interest on borrowings	5,919	7,272	6	3
Interest expense on lease liabilities	1,072	1,318	1,041	1,286
Total	39,134	42,270	33,697	35,472

24. Fees and commissions, net

	Group		Bank	
	Unaudited (*)		Unaudited (*)	
	Three months ended March 31, 2021	Three months ended March 31, 2020	Three months ended March 31, 2021	Three months ended March 31, 2020
Services	146,765	144,606	143,707	139,324
Management fees	28,150	27,643	28,150	27,643
Packages	13,459	12,479	13,459	12,479
Transfers	18,815	18,103	18,815	18,103
OTC withdrawal	15,174	14,192	15,174	14,192
Cards	46,834	46,546	46,834	46,546
Brokerage and custody	13,731	10,220	13,731	10,220
Other	10,602	15,423	7,544	10,141
Loan activity	24,068	24,457	18,787	17,750
Off balance sheet	8,613	8,053	8,613	8,053
Total	179,446	177,116	171,107	165,127

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25. Gain on derivative and other financial instruments held for trading and foreign exchange

	Group		Bank	
	Unaudited (*)		Unaudited (*)	
	Three months ended March 31, 2021	Three months ended March 31, 2020	Three months ended March 31, 2021	Three months ended March 31, 2020
FX position revaluation	(8,913)	(13,941)	(8,913)	(13,941)
FX Spot	41,089	41,892	40,752	41,507
Gain / (Loss) on instruments held for trading	13,503	(2,258)	13,503	(2,258)
Derivative financial instruments	17,725	28,792	17,725	28,792
Gain/ (loss) on interest rate derivatives	(44)	6,000	(44)	6,000
Gain on currency and interest swap	4,661	3,705	4,661	3,705
Gain on forward foreign exchange contracts	9,537	18,057	9,537	18,057
Gain on currency options	1,402	1,634	1,402	1,634
Gain/ (loss) on hedging	3,951	(181)	3,951	(181)
Other	(1,782)	(424)	(1,782)	(424)
Gain on derivative, other financial instruments held for trading and foreign exchange	63,404	54,484	63,067	54,099

26. Other income/expense from banking activities

	Group		Bank	
	Unaudited (*)		Unaudited (*)	
	Three months ended March 31, 2021	Three months ended March 31, 2020	Three months ended March 31, 2021	Three months ended March 31, 2020
Provision for litigations	(89)	150	(86)	150
Held for sale fixed assets expenses	(1,528)	(399)	(1,378)	-
Other income/(expenses)	2,170	1,261	850	(56)
Total income / (expense) from banking activity	553	1,012	(614)	94

For the Bank, other income includes income from banking activities offered to the clients and income from non-banking activities, such as income from rentals. The income from rental of investment properties, for the Bank, is 183 (2020: 290).

27. Contribution to Guarantee Scheme and Resolution Fund

According to the Romanian legislation (Law no. 311/2015 on Deposit Guarantee Schemes and the Bank Deposit Guarantee Fund), the deposits of individuals and certain entities, including small and medium enterprises and large companies are covered up to EUR 100,000 by the Bank Deposit Guarantee Fund (“Fund”).

Each credit institution participating to deposit guarantee scheme shall pay the annual contribution as determined and notified by the Fund. The amount of the contribution refers to the total covered deposits at the end of the previous year and reflects also the degree of risk associated to each credit institution in the scheme.

The degree of risk is determined based on the financial and prudential indicators reported by the credit institutions to the National Bank of Romania. For this purpose, the Bank Deposits Guarantee Fund uses a methodology approved by the National Bank of Romania considering also the guidelines issued by the European Banking Authority.

For the year 2021 the expense related to the Deposit Guarantee Fund amounts to 11,547 (2020: 14,403).

According to Law no. 312/2015 on recovery and resolution of credit institution and investment firms, each credit institution shall pay an annual contribution to Bank Resolution Fund as determined and notified by the National Bank of Romania.

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27. Contribution to Guarantee Scheme and Resolution Fund (continued)

The National Bank of Romania as the local resolution authority establish the credit institutions annual contributions to Bank Resolution Fund, in compliance with Commission Delegated Regulation EU 2015/63, supplementing Directive 2014/59 of the European Parliament and of the Council with regard to ex ante contributions to resolution financing arrangements.

For the year 2021 the expense related to the Bank Resolution Fund was 37,949 (2020: 29,088).

Both contributions to the Bank Deposit Guarantee Fund and Bank Resolution Fund meet the criteria for recognition as taxes and accounted in accordance with IFRIC 21 “Levies” requirements. The liability is recognized at the date when the obligating event occurs and the contribution is recognized as an expense in full on 1st of January of the year in which the payment is made.

28. Personnel expenses

	Group Unaudited (*)		Bank Unaudited (*)	
	Three months ended March 31, 2021	Three months ended March 31, 2020	Three months ended March 31, 2021	Three months ended March 31, 2020
	Salaries	178,580	183,250	167,159
Social security	4,789	5,047	4,488	4,708
Bonuses	13,498	15,558	12,910	14,872
Post-employment benefits	1,241	1,149	1,241	1,149
Other	1,971	5,879	1,894	4,907
Total	200,079	210,883	187,692	197,197

In 2021, the expense related to the Bank defined benefit plan contribution was 549 (March 31, 2020: 845).

29. Depreciation, amortisation and impairment on tangible and intangible assets

	Group Unaudited (*)		Bank Unaudited (*)	
	Three months ended March 31, 2021	Three months ended March 31, 2020	Three months ended March 31, 2021	Three months ended March 31, 2020
	Depreciation and impairment	46,345	48,181	44,465
Amortisation	17,799	9,375	17,468	8,971
Total	64,145	57,556	61,933	55,376

The difference as at March 31, 2021 between the amount presented in note 12 and the amount presented in note 29 represents depreciation of investment property in total amount of 162 (March 31, 2020: 160).

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30. Other operating expense

	Group Unaudited (*)		Bank Unaudited (*)	
	Three months ended	Three months ended	Three months ended	Three months ended
	March 31, 2021	March 31, 2020	March 31, 2021	March 31, 2020
Administrative expenses	102,600	87,652	97,331	82,398
Publicity and sponsorships	3,524	7,230	3,468	7,133
Other expenses	18,673	18,527	16,518	17,002
Total	124,797	113,409	117,317	106,533

Administrative expenses include for the Bank maintenance expenses, various utilities such as energy and telecommunication, expenses related to short-term leases of 2,421 (March 31, 2020: 2,347) and to leases of low-value assets of 892 (March 31, 2020: 802).

31. Cost of risk

	Group Unaudited (*)		Bank Unaudited (*)	
	Three months ended	Three months ended	Three months ended	Three months ended
	March 31, 2021	March 31, 2020	March 31, 2021	March 31, 2020
Net impairment allowance for loans	112,765	88,033	107,493	76,820
Net impairment allowance for sundry debtors	10,519	7,152	10,218	7,348
Net impairment allowance for finance lease	5,762	4,077	-	-
Income from recoveries of derecognized receivables & sales of bad debts	(25,847)	(27,552)	(25,539)	(25,812)
Write-offs	1,125	2,328	1,034	1,486
Financial guarantee and loan contracts provisions	(50,049)	(13,956)	(50,623)	(13,946)
Net impairment allowance for debt securities	119	(190)	119	(190)
Total	54,394	59,892	42,702	45,706

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32. Cash and cash equivalents details

Cash and cash equivalents:

For the purpose of the cash flow statements, cash and cash equivalents comprise cash in hand, current accounts and short term placements at other banks. The amounts in transit in amount of 81,672 (December 31, 2020: 111,608) and loans to banks, with more than 90 days maturity from the date of acquisition in amount of 18,656 (December 31, 2020: 18,327) for the Bank and also the ones amounting 36,015 (December 31, 2020: 35,523) for the Group are excluded. The Group and Bank did not include in cash and cash equivalents the amounts representing minimum compulsory reserve held at National Bank of Romania.

	Group		Bank	
	Unaudited (*)		Unaudited (*)	
	March 31, 2021	December 31, 2020	March 31, 2021	December 31, 2020
Cash in hand	2,215,783	1,889,556	2,215,779	1,889,552
Current accounts and deposits with banks	5,969,393	5,369,711	5,969,392	5,369,709
Total	8,185,175	7,259,266	8,185,171	7,259,261

Impairment and provisions adjustment for non-cash items:

	Group		Bank	
	Unaudited (*)		Unaudited (*)	
	Three months ended March 31, 2021	Three months ended March 31, 2020	Three months ended March 31, 2021	Three months ended March 31, 2020
Net impairment allowance for loans	112,765	88,033	107,493	76,820
Net impairment allowance for sundry debtors	10,519	7,152	10,218	7,348
Net impairment allowance for financial leases	5,762	4,077	-	-
Write-offs	1,125	2,328	1,034	1,486
Financial guarantee and loan contracts provisions	(50,049)	(13,956)	(50,623)	(13,946)
Net movement in other provisions	(757)	(1,289)	(758)	(1,281)
Net impairment allowance for debt securities	119	(190)	119	(190)
Total	79,484	86,155	67,483	70,237

33. Guarantees and other credit facilities

Guarantees and letters of credit

The Group and Bank issues guarantees and letters of credit for its customers. The primary purpose of letters of credit is to ensure that funds are available to a customer as required. Guarantees and standby letters of credit, which represent irrevocable assurances that the Group and Bank will make payments in the event that a customer cannot meet its obligations (delivery of goods, documents submitting, etc) to third parties with which it entered previously into a contractual relationship, carry a similar credit risk as loans once they are executed.

The market and credit risks on these financial instruments, as well as the operational risk are similar to those arising from granting of loans. In the event of a claim on the Group and Bank as a result of a customer's default on a guarantee these instruments also present a degree of liquidity risk to the Group and Bank.

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33. Guarantees and other credit facilities (continued)

Credit related commitments

Financing commitments represent unused amounts of approved credit facilities.

The Group and Bank monitors the term to maturity of credit commitments because longer-term commitments generally have a greater degree of credit risk than shorter-term commitments. The total outstanding contractual amount of commitments does not necessarily represent future cash requirements, since many of these commitments will expire or be terminated without being funded.

	Group		Bank	
	Unaudited (*)		Unaudited (*)	
	March 31, 2021	December 31, 2020	March 31, 2021	December 31, 2020
Letters of guarantee granted	4,836,342	4,877,225	4,849,204	4,890,263
Financing commitments granted	4,364,638	4,148,139	3,917,434	3,725,475
Total commitments granted	9,200,980	9,025,364	8,766,638	8,615,738
Uncommitted facilities granted	8,715,605	9,048,662	8,787,121	9,113,659
Letters of guarantee received	16,826,786	15,592,838	16,826,786	15,592,838
Financing commitments received	492,510	486,940	492,510	486,940
Total commitments received	17,319,296	16,079,778	17,319,296	16,079,778

34. Other commitments

	Group		Bank	
	Unaudited (*)		Unaudited (*)	
	March 31, 2021	December 31, 2020	March 31, 2021	December 31, 2020
Tangible non-current assets	6,987	5,410	6,987	5,410
Intangible non-current assets	36,756	29,891	36,756	29,891
Commitments relating to short-term and low value leases	19,963	23,433	19,963	23,433
Total	63,706	58,734	63,706	58,734

Other commitments include short term and low value leases, software maintenance contracts and other IT services.

As at March 31, 2021 and December 31, 2020 the future minimum lease payments regarding rents concluded by the Group and Bank as a lessee are:

	Group		Bank	
	Unaudited (*)		Unaudited (*)	
	March 31, 2021	December 31, 2020	March 31, 2021	December 31, 2020
Less than one year	9,358	11,058	9,358	11,058
Between one and five years	7,633	8,560	7,633	8,560
More than five years	79	58	79	58
Total	17,069	19,676	17,069	19,676

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35. Related parties

The Group entered into related party transactions with its parent, other SG entities, subsidiaries, associates and key management personnel. All related party transactions were made on substantially the same terms, including interest rates and collateral requirements, as those prevailing for similar transactions with unrelated parties. The transactions/balances with subsidiaries were eliminated for consolidation purposes. The transactions/balances with related parties can be summarized as follows:

	Group							
	Parent	2021 Other related parties	Associates & Joint ventures	Key management of the institution	Parent	2020 Other related parties	Associates & Joint ventures	Key management of the institution
Assets	149,806	27,070	5,964	8,145	1,181,497	28,378	6,504	7,578
Nostro accounts	34,279	12,274	-	-	71,819	13,747	-	-
Deposits	38,291	-	-	-	38,059	-	-	-
Loans	18,656	14,738	3,685	8,137	990,562	14,546	3,370	7,570
Derivative financial instruments	56,651	-	-	7	79,027	-	-	7
Other assets	1,929	58	2,279	1	2,031	85	3,134	1
Liabilities	1,537,868	189,768	86,042	18,843	1,571,169	180,148	77,027	14,857
Loro accounts	42	3,972	-	-	114	616	-	-
Deposits	58,196	184,271	69,887	18,843	68,245	178,284	70,196	14,857
Borrowings	1,391,189	-	-	-	1,408,309	-	-	-
Derivative financial instruments	53,095	-	-	-	41,522	-	-	-
Other liabilities	35,345	1,525	16,155	-	52,980	1,248	6,831	-
Commitments	8,526,987	165,078	39,245	925	8,693,844	168,417	37,794	1,014
Total commitments granted	139,180	73,922	-	487	139,000	75,170	-	577
Total commitments received	694,847	84,019	13,395	214	694,906	85,211	11,924	215
Uncommitted facilities granted	2,955	7,137	25,851	-	-	8,036	25,870	-
Notional amount of foreign exchange transactions	3,584,446	-	-	223	3,589,333	-	-	222
Notional amount of interest rate derivatives	4,105,559	-	-	-	4,270,606	-	-	-
Income statement	(40,170)	(1,188)	(397)	47	8,646	(2,448)	2,337	(3)
Interest and commission revenues	5,761	1,120	3,978	61	5,084	647	4,499	10
Interest and commission expense	(7,935)	(500)	(1,153)	(9)	(8,510)	(355)	(617)	(6)
Net gain/(loss) on interest rate derivatives	(28,375)	-	-	0	5,476	-	-	0
Net gain/(loss) on foreign exchange derivatives	1,599	-	-	-	16,936	-	-	-
Other income	167	(0)	19	-	149	(0)	18	-
Other expenses	(11,387)	(1,808)	(3,241)	(5)	(10,489)	(2,740)	(1,564)	(7)

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35. Related parties (continued)

	Bank									
	2021					2020				
	Parent	Other related parties	Subsidiaries	Associates & Joint ventures	Key management of the institution	Parent	Other related parties	Subsidiaries	Associates & Joint ventures	Key management of the institution
Assets	111,515	27,070	47,361	4,027	8,145	1,143,439	28,378	44,560	4,589	7,578
Nostro accounts	34,279	12,274	-	-	-	71,819	13,747	-	-	-
Loans	18,656	14,738	45,241	3,685	8,137	990,562	14,546	42,555	3,370	7,570
Derivative financial instruments	56,651	-	32	-	7	79,027	-	-	-	7
Other assets	1,929	58	2,087	342	1	2,031	85	2,005	1,218	1
Liabilities	145,388	189,753	197,700	85,166	18,843	161,894	180,133	194,979	76,040	14,857
Loro accounts	42	3,972	-	-	-	114	616	-	-	-
Deposits	58,196	184,271	197,524	69,887	18,843	68,245	178,284	194,778	70,196	14,857
Lease payable	-	-	165	-	-	-	-	190	-	-
Derivative financial instruments	53,095	-	-	-	-	41,522	-	-	-	-
Other liabilities	34,055	1,509	11	15,279	-	52,014	1,233	11	5,844	-
Commitments	8,526,987	165,078	106,790	39,245	925	8,693,844	168,417	90,141	37,794	1,014
Total commitments granted	139,180	73,922	20,500	-	487	139,000	75,170	25,144	-	577
Total commitments received	694,847	84,019	-	13,395	214	694,906	85,211	-	11,924	215
Uncommitted facilities granted	2,955	7,137	71,515	25,851	-	-	8,036	64,997	25,870	-
Notional amount of foreign exchange transactions	3,584,446	-	14,775	-	223	3,589,333	-	-	-	222
Notional amount of interest rate derivatives	4,105,559	-	-	-	-	4,270,606	-	-	-	-
Income statement	(34,699)	(1,272)	5,243	(2,885)	52	15,287	(2,637)	4,400	(414)	(3)
Interest and commission revenues	5,599	911	4,858	1,171	61	4,915	396	4,359	1,301	10
Interest and commission expense	(2,441)	(500)	(507)	(1,152)	(9)	(1,885)	(355)	(503)	(616)	(6)
Net gain/(loss) on interest rate derivatives	(28,375)	-	-	-	0	5,476	-	-	-	0
Net gain/(loss) on foreign exchange derivatives	1,599	-	32	-	-	16,936	-	(50)	-	-
Other income	167	(0)	(35)	-	-	149	(0)	(53)	(0)	-
Other expenses	(11,248)	(1,683)	895	(2,904)	(5)	(10,303)	(2,679)	646	(1,099)	(7)

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35. Related parties (continued)

Other liabilities and other expenses include mainly corporate and technical assistance with Societe Generale Paris.

The Bank has collateral received from SG Paris regarding derivative instruments in total amount of 34,755 at March 31, 2021 (December 31, 2020: 47,088).

As of March 31, 2021 the Board of Directors and Managing Committee members own 1,730 shares (2020: 301,730).

36. Contingencies

As of March 31, 2021 the Bank is the defendant in a number of lawsuits arising in the course of business, amounting to approximately 710,814 (December 31, 2020: 741,664.). The amounts disclosed represent the additional potential loss in the event of a negative court decision, the amounts not being provisioned. The management believes that the ultimate resolution of these matters will not have a material adverse effect on the Group's overall financial position and performance. The Bank already booked a provision of 16,797 (December 31, 2020: 16,711) and the Group 35,776 (December 31, 2020: 35,689) in relation with the litigations.

37. Earnings per share

Basic earnings per share are calculated by dividing net profit/ (loss) for the reporting period attributable to ordinary equity holders of the parent by the weighted average number of shares outstanding during the year. As of March 31, 2021 and March 31, 2020 there were no dilutive equity instruments issued by the Group and Bank.

	Group Unaudited (*)		Bank Unaudited (*)	
	Three months ended March 31, 2021	Three months ended March 31, 2020	Three months ended March 31, 2021	Three months ended March 31, 2020
Ordinary shares on market	696,901,518	696,901,518	696,901,518	696,901,518
Profit attributable to shareholders	220,231	239,364	218,119	233,284
Earnings per share (in RON)	0.3160	0.3435	0.3130	0.3347

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38. Fair value

Determination of fair value and fair value hierarchy

To determine and disclose the fair value hierarchy of the financial instruments, the Group follows the three-level classification of the inputs to valuation techniques used to measure fair value:

- **Level 1: quoted (unadjusted) prices** in active markets for identical assets or liabilities;

Level 1 instruments contain the government bonds, priced directly by external counterparties on various dealing platforms (Bloomberg, Reuters etc);

- **Level 2: other inputs** than those quoted prices included within Level 1, **that are observable** for that particular asset or liability, either directly (i.e. prices) or indirectly (i.e. derived from prices);

Level 2 instruments include in particular securities that cannot directly be quoted on the market (e.g. corporate bonds) and firm derivatives, with standard features and common maturities, whose value can be retrieved or derived from market data;

- **Level 3:** inputs that are not based on observable market data (**unobservable inputs**).

Level 3 instruments include options traded over-the-counter and other derivatives with specifically-tailored return profiles and/or maturities extended over the normal spectrum;

The following table shows an analysis of financial instruments recorded at fair value by level of the fair value hierarchy:

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38. Fair value (continued)

	Group				Bank			
	March 31, 2021 Unaudited (*)				March 31, 2021 Unaudited (*)			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Assets measured at fair value								
Financial assets								
Derivative financial instruments								
Interest rate swaps	-	57,970	-	57,970	-	57,970	-	57,970
Currency swaps	-	8,317	-	8,317	-	8,317	-	8,317
Forward foreign exchange contracts	-	10,227	-	10,227	-	10,259	-	10,259
Options	-	-	18,831	18,831	-	-	18,831	18,831
	-	76,514	18,831	95,345	-	76,546	18,831	95,377
Financial assets at fair value through other comprehensive income	15,940,823	-	-	15,940,823	15,940,823	-	-	15,940,823
Equity investments (listed)	2,796	-	-	2,796	2,796	-	-	2,796
Equity investments (not listed)	-	-	38,010	38,010	-	-	38,010	38,010
Other securities quoted	-	47,475	-	47,475	-	20,444	-	20,444
Total	15,943,619	47,475	38,010	16,029,104	15,943,619	20,444	38,010	16,002,073
Other financial instruments held for trading	2,599,575	-	-	2,599,575	2,599,575	-	-	2,599,575
Total	18,543,194	123,989	56,841	18,724,023	18,543,194	96,990	56,841	18,697,025
Assets for which fair value is disclosed								
Cash in hand	2,215,783	-	-	2,215,783	2,215,779	-	-	2,215,779
Due from Central Bank	4,415,726	-	-	4,415,726	4,415,726	-	-	4,415,726
Due from banks	6,087,080	-	-	6,087,080	6,069,720	-	-	6,069,720
Loans and advances to customers	-	-	30,951,895	30,951,895	-	-	30,307,562	30,307,562
Financial lease receivables	-	-	1,086,302	1,086,302	-	-	-	-
Total	12,718,589	-	32,038,197	44,756,786	12,701,225	-	30,307,562	43,008,787

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38. Fair value (continued)

	Group				Bank			
	March 31, 2021 Unaudited (*)				March 31, 2021 Unaudited (*)			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
<u>Liabilities measured at fair value</u>								
Financial liabilities								
Derivative financial instruments								
Interest rate swaps	-	39,841	-	39,841	-	39,841	-	39,841
Currency swaps	-	13,368	-	13,368	-	13,368	-	13,368
Forward foreign exchange contracts	-	10,854	-	10,854	-	10,854	-	10,854
Options	-	-	18,881	18,881	-	-	18,881	18,881
Total	-	64,063	18,881	82,944	-	64,063	18,881	82,944
Other financial instruments held for trading	474,160	-	-	474,160	474,160	-	-	474,160
Total	474,160	64,063	18,881	557,104	474,160	64,063	18,881	557,104
<u>Liabilities for which fair value is disclosed</u>								
Due to banks	354,562	-	-	354,562	354,562	-	-	354,562
Due to customers	-	51,358,527	-	51,358,527	-	51,555,515	-	51,555,515
Borrowed funds	-	1,697,102	-	1,697,102	-	5,646	-	5,646
Total	354,562	53,055,629	-	53,410,191	354,562	51,561,161	-	51,915,723

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38. Fair value (continued)

<u>Assets measured at fair value</u>	Group				Bank			
	December 31, 2020				December 31, 2020			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Financial assets								
Derivative financial instruments								
Interest rate swaps	-	81,970	-	81,970	-	81,970	-	81,970
Currency swaps	-	11,323	-	11,323	-	11,323	-	11,323
Forward foreign exchange contracts	-	23,724	-	23,724	-	23,724	-	23,724
Options	-	-	13,273	13,273	-	-	13,273	13,273
	-	117,017	13,273	130,290	-	117,017	13,273	130,290
Financial assets at fair value through other comprehensive income	15,943,470	-	-	15,943,470	15,943,470	-	-	15,943,470
Equity investments (listed)	2,626	-	-	2,626	2,626	-	-	2,626
Equity investments (not listed)	-	-	37,121	37,121	-	-	37,121	37,121
Other securities quoted	-	45,493	-	45,493	-	18,637	-	18,637
Total	15,946,096	45,493	37,121	16,028,710	15,946,096	18,637	37,121	16,001,854
Other financial instruments held for trading	2,270,075	-	-	2,270,075	2,270,075	-	-	2,270,075
Total	18,216,171	162,510	50,394	18,429,075	18,216,171	135,654	50,394	18,402,219
<u>Assets for which fair value is disclosed</u>								
Cash in hand	1,889,556	-	-	1,889,556	1,889,552	-	-	1,889,552
Due from Central Bank	5,223,833	-	-	5,223,833	5,223,833	-	-	5,223,833
Due from banks	5,516,842	-	-	5,516,842	5,499,644	-	-	5,499,644
Loans and advances to customers	-	-	29,844,021	29,844,021	-	-	29,160,124	29,160,124
Financial lease receivables	-	-	1,067,860	1,067,860	-	-	-	-
Total	12,630,231	-	30,911,881	43,542,112	12,613,029	-	29,160,124	41,773,153

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38. Fair value (continued)

	Group				Bank			
	December 31, 2020				December 31, 2020			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
<u>Liabilities measured at fair value</u>								
Financial liabilities								
Derivative financial instruments								
Interest rate swaps	-	22,571	-	22,571	-	22,571	-	22,571
Currency swaps	-	18,604	-	18,604	-	18,604	-	18,604
Forward foreign exchange contracts	-	17,399	-	17,399	-	17,399	-	17,399
Options	-	-	13,357	13,357	-	-	13,357	13,357
Total	-	58,574	13,357	71,931	-	58,574	13,357	71,931
Other financial instruments held for trading	527,738	-	-	527,738	527,738	-	-	527,738
Total	527,738	58,574	13,357	599,669	527,738	58,574	13,357	599,669
<u>Liabilities for which fair value is disclosed</u>								
Due to banks	199,011	-	-	199,011	199,011	-	-	199,011
Due to customers	-	49,959,911	-	49,959,911	-	50,154,291	-	50,154,291
Borrowed funds	-	1,742,352	-	1,742,352	-	6,765	-	6,765
Total	199,011	51,702,263	-	51,901,274	199,011	50,161,056	-	50,360,067

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38. Fair value (continued)

Financial instruments measured at fair value

The following is a description of the determination of fair value for financial instruments which are recorded at fair value using valuation techniques. These incorporate the Group's estimate of assumptions that a market participant would make when valuing the instruments.

Treasury notes are represented by treasury bills and bonds, and are classified as financial assets at fair value through other comprehensive income or financial instruments held for trading measured at fair value through profit and loss, being measured using a valuation technique based on market quotes published by Bloomberg or by Reuters (market approach).

Derivatives

The fair value of the derivatives is determined using valuation techniques commonly known on the market, such as discounted cash flows for swaps or Black-Sholes formula for options.

Firm derivatives – interest rate swaps, currency swaps and forward foreign exchange contracts, are the main derivative products measured using as valuation technique the income approach (discounting cash flows) and incorporating observable inputs from market (foreign exchange spot rate, forward rates, interest rate rates, futures), both directly observable ones (explicit parameters) and indirectly observable ones.

The directly observable parameters are variables that come directly from the market and are presumed to be easily available, accessible to each market participant. The main explicit parameters used in valuation of firm financial instruments are interbank fixing FX rates published by NBR, interbank swap points, interbank bid/ask interest rates, futures quotes on EUR and USD. Implicit parameters are variables obtained through standard intermediary calculation, using market prices for relevant financial instruments. The yield curves designated at the level of each product and currency are fed with explicit parameters according to the pre-set configuration, facilitating the computation of implicit parameters used in computing the fair value such as Zero-coupons, Discount Factors and Forward Interest Rates.

Conditional derivatives - FX options, interest rate options and equity options, are valued daily, using the mark-to-model approach. The model is calibrated to derive the value of the option based on the current market conditions (spot rates) and the future values presumed to be attained by the underlying (forward exchange rates, FRAs etc), integrating in the calculation the standard option-sensitivities (delta, gamma, vega, theta), along with information regarding the size of the positions and the liquidity of the instrument. The fair value is determined through SG's computation module, the values of the specific parameters being daily retrieved from the market and stored in the database, serving as direct input in the daily final formula or further used for the statistical calculation implied by the valuation process.

BRD manages the group of these financial assets and liabilities (options) on the basis of the entity's net exposure to a particular market risk (foreign exchange, interest rate, price risk) and, according to the trading book policy in place, BRD assumes no residual market risk induced by option-trading. Any bought option is perfectly matched on the same day with a sold option, identical in terms of option type, underlying, exercise prices, maturity. The perfect back-to-back system is subject to daily controls performed at back-office level, to ensure that no mismatch occurred and there is no residual open position on options. Therefore, the impact of a specific change on the estimated value on one non-observable parameter used on the valuation of an option classified/ accounted as financial asset is offset by same specific change on estimated value of the same non-observable parameter on the valuation of the mirror-replicated option classified/ accounted as financial liability.

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38. Fair value (continued)

Equities

These assets are valued using models which sometimes only incorporate data observable in the market and at other times use both observable and non-observable data. The non-observable inputs to the models include assumptions regarding the financial performance of the investee.

The fair value of equity instruments not listed classified as at fair value through profit and loss and consisting of ordinary shares of other entities is determined by using the net assets of the entities as at the end of the last closed reporting period. The entities net assets represent the best estimation of the current replacement cost that would be paid in order to replace the holding as it consists of the initial capital investment adjusted by the financial performance of the entity.

In the case of Visa share, following the acquisition of VISA Europe by VISA Inc, transaction which was closed in June 2016, the Bank, as principal member, received a share of the sale proceeds, having both a cash component and a share in VISA Inc component. Following the SG approach, in order to determine the fair value of the share, the Bank adjusted the sale proceeds using some prudential haircuts (liquidity, litigation risks etc.).

Fair value of financial assets and liabilities not carried at fair value

Financial assets

Deposits with banks, loans originated by the Group and leases are measured at amortized cost using the effective interest rate method less any impairment allowance.

For deposits with banks, amortized cost is estimated to approximate fair value due to their short-term nature, interest rates reflecting current market conditions and no significant transaction costs.

For loans and lease receivables the fair value is determined by using discounted cash-flows based on interest rate offered to similar products and similar time horizons.

Financial liabilities

The amortized cost of deposits from banks is considered to approximate their respective fair values, since these items have predominantly short maturities, carry interest rates reflecting current market conditions and are settled without significant transaction costs.

For due to customers and borrowings amounts the fair value is determined by using discounted cash-flows based on interest rate offered to similar products and customers and with similar time horizons.

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38. Fair value (continued)

The following table presents the fair value and the carrying amount per type of financial instrument.

	Group				Bank			
	March 31, 2021 Unaudited (*)		December 31, 2020		March 31, 2021 Unaudited (*)		December 31, 2020	
	Carrying value	Fair value	Carrying value	Fair value	Carrying value	Fair value	Carrying value	Fair value
Financial assets								
Cash in hand	2,215,783	2,215,783	1,889,556	1,889,556	2,215,779	2,215,779	1,889,552	1,889,552
Due from Central Bank	4,415,726	4,415,726	5,223,833	5,223,833	4,415,726	4,415,726	5,223,833	5,223,833
Due from banks	6,087,080	6,087,080	5,516,842	5,516,842	6,069,720	6,069,720	5,499,644	5,499,644
Loans and advances to customers	30,731,321	30,951,895	29,642,998	29,844,021	30,009,255	30,307,562	28,873,021	29,160,124
Financial lease receivables	1,085,324	1,086,302	1,066,899	1,067,860	-	-	-	-
	44,535,234	44,756,786	43,340,128	43,542,112	42,710,480	43,008,787	41,486,050	41,773,153
Financial liabilities								
Due to banks	354,562	354,562	199,011	199,011	354,562	354,562	199,011	199,011
Due to customers	51,356,337	51,358,527	49,957,754	49,959,911	51,553,317	51,555,515	50,152,126	50,154,291
Borrowed funds	1,697,102	1,697,102	1,742,352	1,742,352	5,646	5,646	6,765	6,765
	53,408,001	53,410,191	51,899,117	51,901,274	51,913,525	51,915,723	50,357,902	50,360,067

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38. Fair value (continued)

The methods and significant assumptions applied in determining the fair value of the elements in the table above are listed below.

The fair value of fixed rate instruments is estimated by discounting the maturing cash flows with discount factors derived from the rates offered to similar clients, for similar products on similar maturities. The fair value of floating instruments is estimated by discounting from the next re-pricing date using as discount factors rates offered to similar clients, for similar products on similar time horizons.

Changes in the credit quality of loans within the portfolio are not taken into account in determining gross fair values, as the impact of impairment is recognized separately by deducting the amount of the allowance for credit losses from both carrying and fair values.

For the purposes of the fair value disclosure, the interest accrued to date is included in the carrying value of the financial instruments.

The transfers between levels of fair value hierarchy are deemed to have occurred the date of the event or change in circumstances that caused the transfer, but not later than the end of the reporting period.

Movement in level 3:

Fair value of equity investments not listed is estimated based on net assets of the investments.

	Equity investments (not listed)	Options (A)	Options (L)
Closing balance as at December 31, 2019	65,776	23,448	23,569
Acquisitions	-	2,639	2,639
Sales	(37,368)	(1,686)	(1,686)
Reimbursements	-	(4,588)	(4,589)
Gain losses from change in fair value	11,912	(6,540)	(6,576)
Translation differences	(3,199)	-	-
Closing balance as at December 31, 2020	37,121	13,273	13,357
Acquisitions	-	4,399	4,399
Sales	-	(210)	(210)
Reimbursements	-	(2,345)	(2,345)
Gain losses from change in fair value	(1,003)	3,714	3,680
Translation differences	1,893	-	-
Closing balance as at March 31, 2021 Unaudited	38,011	18,831	18,881

In September 2020 the Bank converted part of Visa shares from type C into type A, and afterwards in November 2020 sold the Visa shares type A at a price of 9.2 Million USD.

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39. Subsequent events

In April 2021 the Bank sold to Societe Generale its entire interest into VISA shares through a bilateral stock purchase agreement, for a total price of 8,989,145 USD.

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