EximBank
ROMANIA IS GROWING WITH US

ANNUAL REPORT
2019

ROMANIA IS GROWING WITH US!

Executive Board

TRAIAN HALALAI

Executive President of EximBank since November 2012, he has a large experience in the banking sector, as a Deputy CEO and Member of the Board of Directors of Banca Românească SA, part of the National Bank of Greece Group, as well as CFO of ING Romania and Member of various Boards of ING Group Romania entities. Mr. Halalai was part of the team which set up ING Securities in Romania in 1998. He holds an MBA degree from the Bucharest Finance and Banking PhD School and conducted PhD research with the Erasmus University of Rotterdam, the Netherlands.

FLORIN KUBINSCHI

The Executive Vice President of EximBank has embraced the new challenge since 2016 as a follow-up of his activity in banking: Tiriac Bank – Financial Director and Vice president until 2005, consequently HVB Tiriac and Unicredit Tiriac - Financial Director and Vice president, member of the Board of Directors and President of the Audit Committee up to 2009. He has also hold the positions of Deputy Executive Director of MKB Romexterra Bank – up to 2013 and Financial Director, Vice president of Volksbank, up to 2015. He has graduated the Academy of Economic Studies, Bucharest.

CRISTIAN ŞAITARIU

Executive Vice President of EximBank since December 2019. He has an extended 18 years professional experience in banking. He acted as Director of Corporate Banking Directorate of First Bank Romania, Executive Director of Business Development and Corporate Products Division of BCR, where he has also held the position of Executive Director of the Large Corporate Clients Directorate, and Deputy Executive Director of the Corporate Clients Directorate of Piraeus Bank Romania. He graduated from the Faculty of Finance, Insurance, Banking and Stock Exchange of the Academy of Economic Studies Bucharest.

President's Message

The results of an organization and particularly those of a bank are a consequence of both the strategic decisions taken over the years and the operational decisions and actions taken during the last year. Thus, looking at the results, we can say that they clearly show the accuracy of the principles we have applied in our strategic thinking.

Each year EximBank manages to prove that its products and services have reached high quality standards which allow us to be one of the favorite banking partners of the business community. We thank all our partners for their trust and for challenging us to be better and more efficient every day.

Through ambition and determination, we have managed to enter and position ourselves among the most profitable banks on the local market and to make EximBank one of the most valuable companies in Romania. I also want to thank the EximBank team for everything we have accomplished.

As for 2019, EximBank marks the sixth consecutive year of growth in results. The Bank increased its sales, the total exposure doubled compared to 2012, it accelerated the sale of complementary products, overall, it strengthened its position in the banking market increasing its market share.

Yet, perhaps the most daring step we took in 2019 was that we dared to dream big. We aimed at reaching the top of the banking system and to become a Romanian benchmark bank. In this regard, we turned an opportunity into a unique transaction on the local banking market: EximBank and the National Bank of Greece signed the agreement to acquire 99.28% of Banca Românească. An extraordinary project that will be remembered over the years, being proud of the fact that we were a part of this process which proved that a state-owned bank is also able to buy a private bank, not just the other way around.

As for 2020, it is a year of major challenges triggered by the COVID-19 pandemic, when the whole world is facing an unexpected, unique situation whose impact on the economic life is difficult to estimate at this point in time. However, because we anticipate a need for more funding in the economy, our objectives are to further strengthen our business and efficiently optimize our resources.

We will support the Romanian entrepreneurs who are forced to adopt different strategic behaviors in order to overcome the turning points for their companies and we will provide the financial solutions to help them move forward.

Because Romania is growing with them!

ROMANIA IS GROWING WITH US!

Traian Halalai,
Executive President

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1 General overview of the Bank and the Group

The Export-Import Bank of Romania – EximBank S.A. Group („the Group") includes the Export-Import Bank of Romania – EximBank S.A. („The Bank" or „EximBank") and Exim Romania S.A. Insurance - Reinsurance Company („EximAsig").

The Bank, which is the parent company of the Group, was set up in 1992 as a specialized institution which provides services to support the Romanian business environment and international transactions through specific financial, banking and insurance tools. EximBank is a private law entity, a joint stock company owned in proportion of 95.374% by the State, through the Ministry of Public Finances.

1.1 EXPORT-IMPORT BANK OF ROMANIA – EXIMBANK S.A.

EximBank operates in accordance with Law no. 96/2000 regarding the organization and functioning of Export - Import Bank of Romania – EximBank S.A., republished, with subsequent changes and amendments, with banking legislation requirements, with legislation requirements regarding commercial companies operating in the insurance and reinsurance field, with Law 31/1990 requirements, republished, as well as with its own statutes.

EximBank has a specific business model that combines two complementary ways of sustaining the economy:

1 As a State agent - EximBank intermediates the placing of state funds in the economy, encouraging the development of the Romanian business environment through specific financing, guarantee and insurance products (generically this component is regarded as an activity on behalf of and to the benefit of the State – „BBS");

2 As a commercial bank – EximBank has its own portfolio of banking products and services, operating under fair competition rules with other banks of the banking system (generally, this activity is seen as being conducted on behalf of and to the benefit of the Bank – "BBB").

Currently the portfolio, focused on three broad lines of action - financing, guarantee, insurance - allows EximBank to support both exports and international transactions but also other activities of small and medium enterprises, companies developing projects within priority areas of the economy or companies that develops projects financed through European Funds. By mobilizing the funds in these converging directions with those of the Romanian Government policy in relation to the European Union and the Organization for Economic Cooperation and Development, the sustainable economic development of the country is pursued by increasing the competitiveness of the Romanian companies. Supporting existing or new economic projects also means engaging the Romanian labor force, maintaining or creating new jobs, implicitly increasing the living standards of the population.

1.2 EXIM ROMANIA INSURANCE – REINSURANCE COMPANY S.A.

Exim Romania S.A. Insurance - Reinsurance Company (EximAsig) was established in 2009 as a specialized entity providing insurance against financial risks both for export operations and domestic operations. The Company became operational in August 2010 and was authorized to provide insurance against risks related to loans and guarantees. The Company has extended its activity by obtaining authorization to practice 6 new insurance classes, namely: fire and natural calamities insurance, insurances for property damage, civil liability insurance, accident insurance, insurance of goods in transit and financial loss insurance.

The Company's insurance products are addressed to clients developing business with both foreign and domestic counterparties, in various areas such as trading/commerce, goods and products, transportation, constructions/building, oil and gas, IT, etc.

The main shareholder of EximAsig is EximBank S.A., with a participation of 98.57% of the share capital as at 31.12.2019 (31.12.2018: 97.05%). In 2019, the share capital of EximAsig was increased by converting the subordinated loan in the amount of RON 20 million received from EximBank.

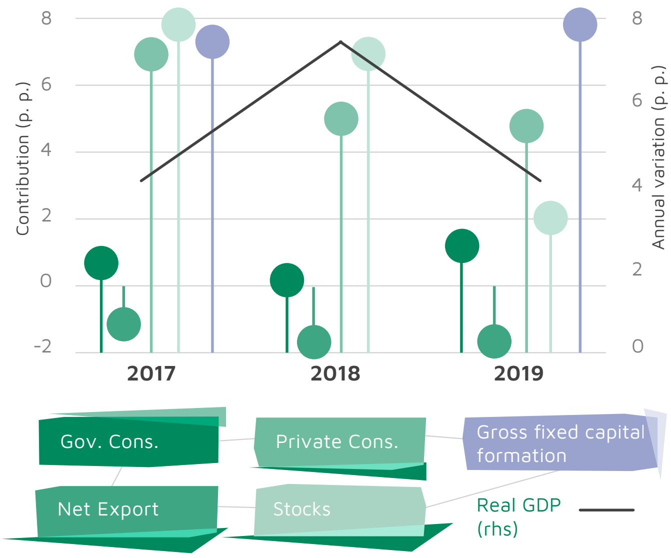
2 The Romanian macroeconomic context in 2019

Romania's economy experienced a moderation of the growth rate in 2019, with a real GDP growth rate of 4.2 %, compared with the previous year, while in 2018 the growth rate recorded was 4.5 %.

In line with developments in previous periods, private consumption continued to be the main vector of economic progress, its contribution to real GDP dynamics in 2019 being 4.0 pp. Against the background of sustained dynamics of real disposable income of the population and consumer credit, private consumption recorded an annual growth rate of 5.9%, down from the advance of 7.3% in 2018, and manifested itself in both the consumer goods and durable goods segment (for example, the purchase of cars and goods for housing) and market services.

The year 2019 recorded a significant advance of investments in the Romanian economy, the gross fixed capital formation increasing by 15.7% compared to 2018, which led to the registration of a significant contribution to the real GDP dynamics of 3.4 p.p. (2018: negative contribution of 0.1 pp). In terms of structure, the data available for the first three quarters of 2019 indicate favorable developments both in the segment of purchases of industrial equipment and means of transport, as well as in the segment of new constructions and capital repairs. Public investment in infrastructure continued to decline, with some signs of recovery only in the second half of 2019, stressing the need to improve the absorption of European funds.

DYNAMICS OF REAL GDP AND ITS MAIN COMPONENTS (AGGREGATE DEMAND)



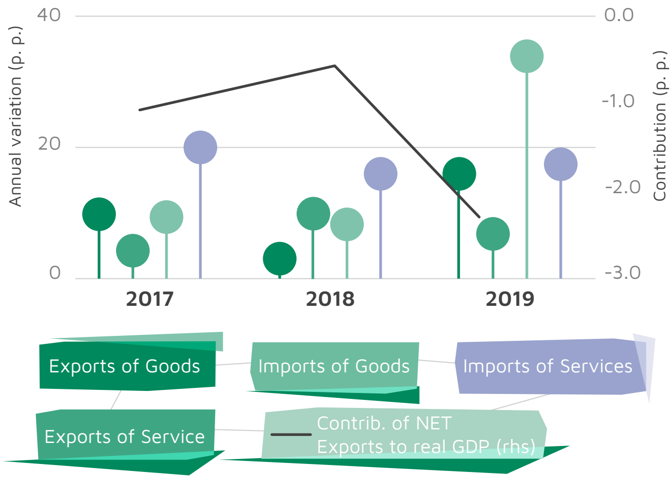
Source: NBR, Eurostat, EximBank calculations

In the context of the economic climate dominated by uncertainties and tensions in Romania's main trading partner states, and amid the slowdown in the economic advance of the Eurozone in 2019, exports of goods and services increased by only 2.6% compared to the previous year, after they had experienced a significantly faster dynamics in 2018 (+ 5.6% compared to 2017). This slowdown was manifested in the context of the reduction in external demand for goods produced in integrated industries in international production chains, especially in the automotive industry, while the services sector remained at robust levels (+ 10.5% in 2019, compared to + 11.7% in 2018). Regarding imports, they also registered a slowdown in the annual rate (+ 4.6% in 2019 versus + 7.8% in 2018), less the component of consumer goods, which maintained its growth trend.

The evolution of net exports, corroborated with the reduction of the competitiveness of exporting companies, mainly against the background of the increase of unit labor costs, generated an increase of approx. 17% of the current account deficit, from EUR 9 billion in 2018 to EUR 10.5 billion in 2019. These developments were only partially offset by the positive balance of services, which translated into a negative contribution in increase in net exports to real GDP dynamics of -2.6 pp compared to -2.0 p.p. in 2018.

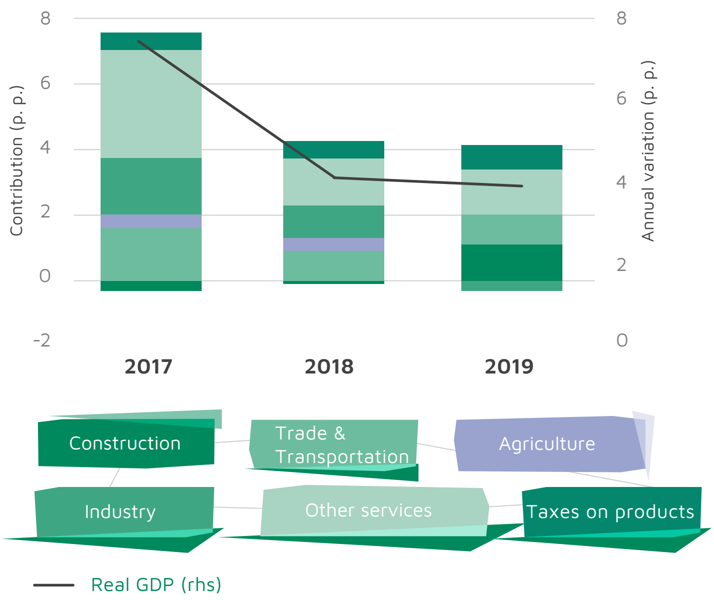
The analysis of net exports from the perspective of aggregate supply reveals that, in 2019, the largest contribution went to the services sector (+2.0 pp, increasing from +1.8 pp in 2018), while the industrial sector had a negative contribution (-0.3 pp, compared to the contribution of +1.1 pp recorded in 2018), a trend partially offset by the progress of the commercial and transport sector (+0.9 pp, compared to +0.7 pp in the previous year). In the context of the recovery of investments in the Romanian economy, the construction sector has made a significant contribution to real GDP growth (+0.8 pp vs. -0.1 pp in 2018), while the quasi-stagnation of the agricultural sector (value added achieved by approx. 0.3% lower than in 2018) resulted in an almost zero contribution to the economic growth (2018: +0.4 pp).

DYNAMICS OF ROMANIAN IMPORTS AND EXPORTS 2017-2019



Source: NBR, Eurostat, EximBank calculations

SECTORAL CONTRIBUTIONS TO THE REAL GDP DYNAMICS 2017-2019



Source: NBR, Eurostat, EximBank calculations

The annual inflation rate (CPI) remained consistent at the limit or outside the NBR variation target range of 2.5% +/- 1 p.p. throughout 2019, while the value recorded for December was 4.04%. In the first half of the year, inflationary pressures were mainly driven by factors such as oil prices on international markets and the prices of certain agricultural and tobacco products, plus trends in the slight depreciation of the national currency against the euro and the US dollar. In the last quarter of the year, the increase in the annual inflation rate was determined by a basic effect associated with the sharp reduction in fuel prices and a significant increase in fruit prices, in the context of unfavorable weather conditions that characterized 2019.

The exchange rate of the national currency against the euro fluctuated in 2019, the RON showing a downward trend in the first part of the year, against the background of new fiscal and budgetary measures implemented (eg tax on banks' financial assets) and concerns about the deterioration of the external position of the Romanian economy. In the second quarter of 2019, the EUR/RON exchange rate was influenced by factors such as accelerating inflation and exacerbating the trade deficit, on the one hand, and exogenous elements, such as the

China-US trade war and the reconfiguration of global appetite at risk in the context of signals from the Fed and the ECB on easing monetary policy.

Money market yields fluctuated in the first quarter of 2019, amid liquidity volatility in the interbank market, which led to the placement of short-term interest rates at the upper limit of the interest rate corridor in February 2019. In the following periods, the evolution of liquidity on the interbank money market led to the placement of interest rates close to the NBR reference rate. Regarding the yields of securities issued by the Romanian Government, they had a decreasing trend at the beginning of the year compared to the values recorded at the end of 2018, influenced by the deterioration of Romania's fiscal position, followed by the flattening of the yield curve in May - October 2019.

Bank lending granted to the non-governmental sector accelerated in 2019, rising by an annual rate of 6.6%, compared to an annual dynamics of 7.9% in 2018, supported by both the non-financial companies segment (nominal growth of 6.3%), and especially the population, which recorded a 7.6% increase compared to the end of 2018. The credit advance was given against the RON component, the share of non-government credit granted in the national currency in the total reaching a new peak post-1996, namely 67%. This dynamics was supported by the advance of economic activity, the relatively low financing costs against historical values and the reduction of credit risk for individuals and companies.

+6,6%

BANK LENDING DYNAMICS

3 Commercial activity in 2019: objectives and achievements

3.1. EXIMBANK ACTIVITY IN 2019

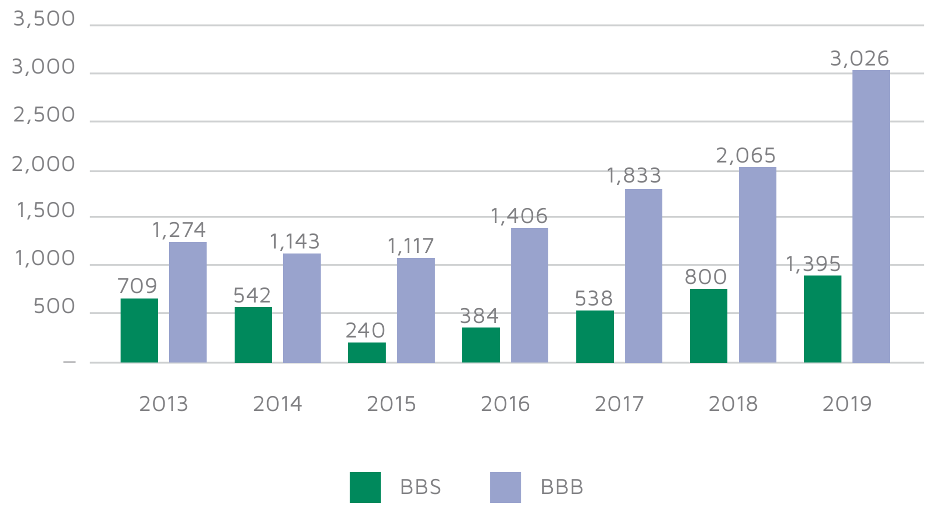
The Bank's strategy in 2019 continued to align the organic growth target with the specific objectives set by its own Statute and Government Policy, while taking into account the requirements and constraints of the market in the current context.

Through integrated and flexible financial solutions, the Bank's efforts have focused on identifying and supporting as many business projects impacting the local community and the economy in general, developping the customer base, supporting SMEs, increasing the number and volume of the products offered, increasing the volumes and the loans market share, as well as diversifying the offer of complementary products and services, all on the basis of competitive, prudent and, at the same time, efficient use of own and State resources.

3.1.1. ANALYSIS OF OBJECTIVES AND DYNAMICS OF COMMERCIAL ACTIVITY

The volume of products invested in the economy, both in name and in own account and in name and state account, registered an increasing trend, this being accentuated in the last years.

VOLUME OF BANKING FINANCIAL PRODUCTS GRANTED

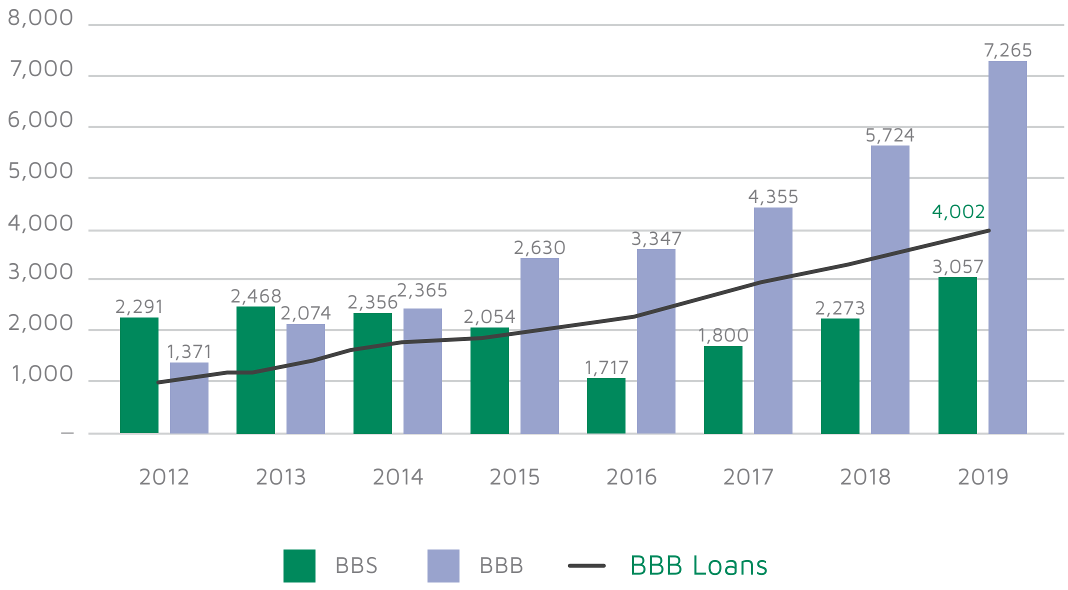


At the end of 2019, the Bank managed total exposures amounting to RON 10.3 billion, increasing by RON 2.3 billion (+ 29%) compared to the end of 2018 and by 14% over the budgeted target, structured as follows:

Exposures under management	2019		2018		Variation	
	RONm	% in total	RONm	% in total	RONm	%
On Behalf of and to the Benefit of the Bank	**7.265**	**70%**	**5.725**	**72%**	**+1.540**	**+27%**
Financing, of which:	5.745	56%	4.635	58%	+1.111	+24%
Balance of drawn loans	4.002		3.421		+581	+17%
Guarantees and multiproduct	1.511	15%	1.070	13%	+441	+41%
Letters of Credit	9	0%	21	0%	-12	-59%
On Behalf of and to the Benefit of the State	**3.057**	**30%**	**2.273**	**28%**	**+784**	**+34%**
Financing	223	2%	70	1%	+153	+217%
Guarantees	2.326	23%	1.809	23%	+517	+29%
Insurance	508	5%	394	5%	+114	+29%
Total	**10.321**	**100%**	**7.998**	**100%**	**+2.324**	**+29%**

In the period 2012-2019, in the context of the ambitious growth strategy of lending activity, the total managed exposures recorded an average annual growth rate of 15%, with a stronger dynamics over the past three years, as shown in the chart below:

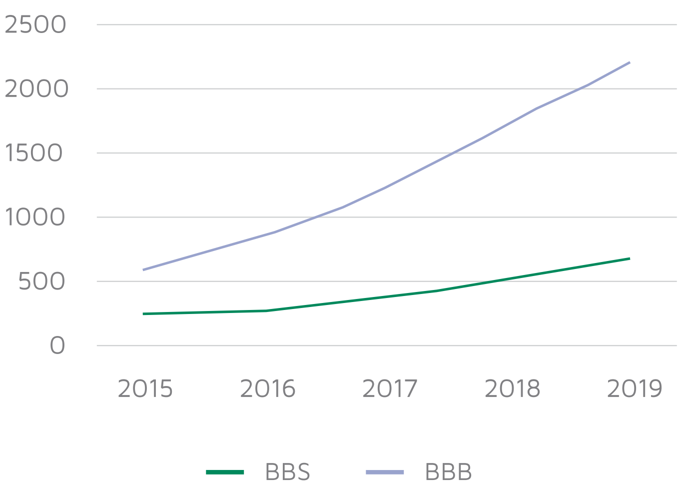
EVOLUTION OF THE EXPOSURE



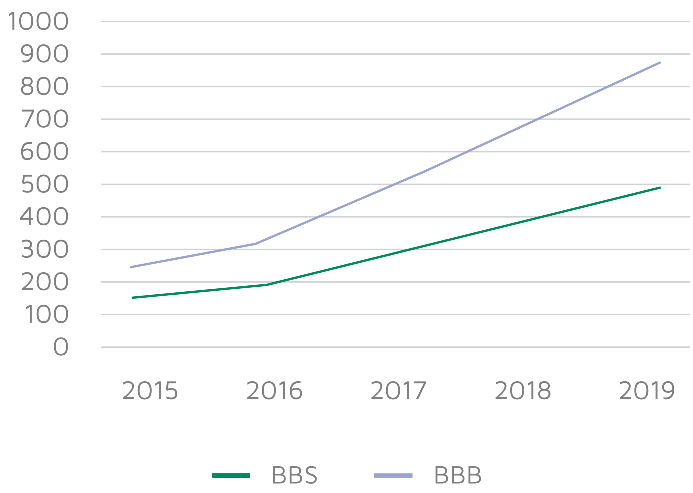
One of the objectives of 2019 was to increase the number of credit customers, this fact confirming the orientation of EximBank resources towards supporting companies with growth needs and potential, according to the assumed mission.

The number of clients and the number of contracts concluded had a higher growth rate than the volume of commitments, 69% of new customers attracted representing small customers, highlighting the Bank's focus on covering a wider range of clients and projects, and at the same time its credit risk spreading policies and increasing the support offered to small, developing customers.

THE EVOLUTION OF THE NUMBER OF CONTRACTS

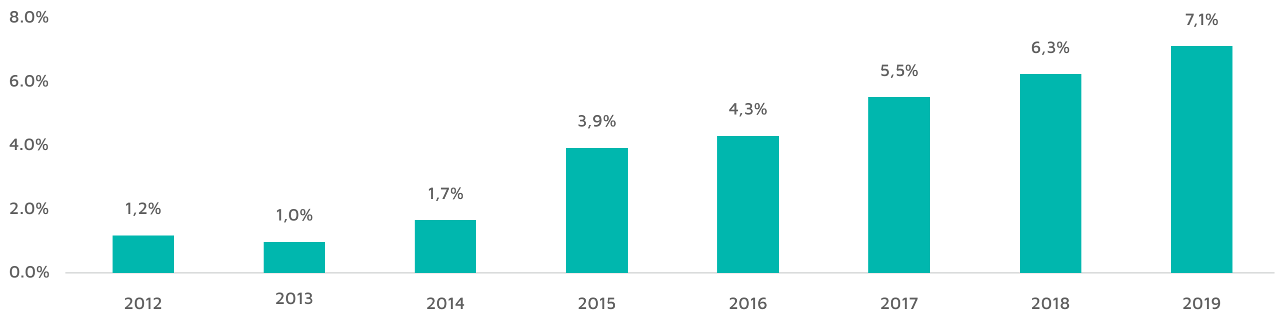


THE EVOLUTION OF THE NUMBER OF CUSTOMERS



Another strategic priority was the development of an attractive range of treasury and cash management products, so that the higher volume of customer operations will increase the contribution that revenues from complementary products to the bank's profit.

EVOLUTION OF THE SHARE OF COMPLEMENTARY PRODUCTS (CASH MANAGEMENT & FOREIGN EXCHANGE)



In line with the business strategy, the products in the bank's total portfolio focused mainly on the following areas of the economy: manufacturing (25%), extractive industry (14%), trade (9%), construction (9%) , energy production, gas, water (9%).

The strategic priority of supporting SMEs is reflected in the share of 70% that the number of products granted to this segment occupies in the total portfolio of the Bank.

In 2019, the Bank's market share in corporate lending reached 3.02% (2018: 2.69%), above the proposed level of 2.8%.

3.1.2. BUSINESS CONDUCTED ON BEHALF OF AND TO THE BENEFIT OF THE BANK

In the period 2012-2019, exposures on Behalf of and to the Benefit of the Bank (BBB) had an average annual growth rate of 24%, reaching a 5.3 fold higher level than at the beginning of the interval.

Exposures on Behalf of and to the Benefit of the Bank at the end of 2019 consist of loans, letters of credit, incasso, guarantees and multi-product limits amounting to RON 7,265 million, up from the end of 2018 by 27 % - as value and 29 % as number of commitments assumed.

BBB EXPOSURES	2019		2018		Variation	
	RONm	% in total	RONm	% in total	RONm	%
Financing	5.745	79%	4.635	81%	+1111	+24%
Guarantee and multi-product	1.511	21%	1.070	19%	441	41%
Letters of credit	9	0,1%	21	0%	(12)	1%
Total	**7.265**	**100%**	**5.725**	**100%**	**+1540**	**+27%**

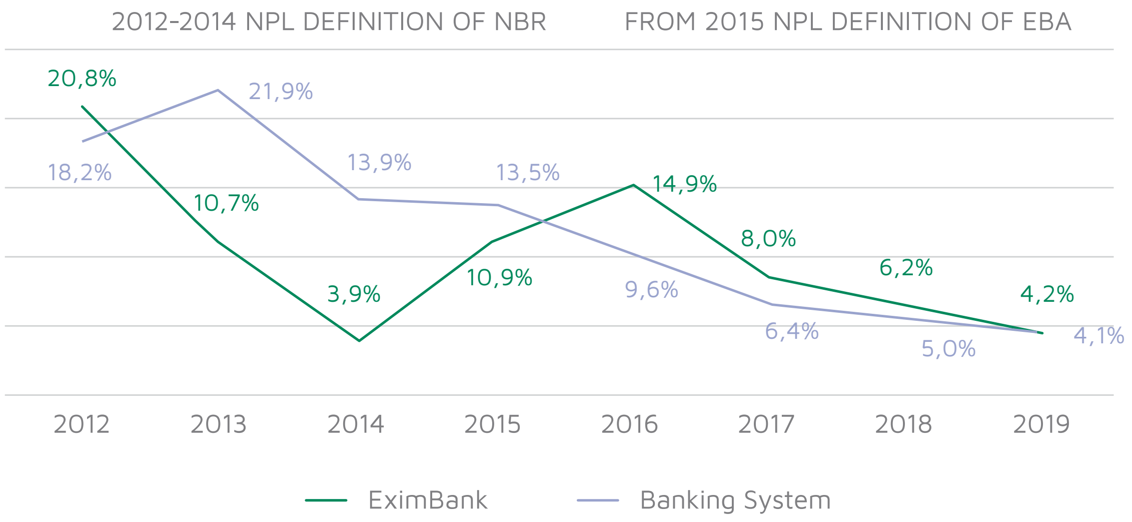
1. FINANCING

During 2019, the BBB financing activity was focused on both the promotion of short-term financing facilities to secure working capital for target customer groups and the promotion of medium- and long-term financing facilities for investment projects, including those supported by structural funds. The total financing BBB exposures at the end of 2019 was RON 5,745 million, increasing by 24% compared to the previous year and by 16% above the budgeted level. The share of credit investments also registered a positive evolution in the total assets, which increases compared to 2018 from 48% to 52%.

In the context of the stabilization of the factoring market, the Bank registered on this segment a turnover of 148.7 million euros at the end of the year, of which 94% represent export factoring operations, respectively for insuring the risk of non-payment in international commercial transactions.

The development of the loan portfolio was accompanied by an improvement in its quality. The non-performing exposure rate, calculated according to the definition of the European Banking Authority (EBA), decreased from 6.2% to 4.2% at the end of 2019, convergent with the average in the banking system, of 4.1%. Considering only exposures to non-financial corporations, the rate has the same trend, decreasing from 11.8% on 31.12.2018, to 7.5% on 31.12.2019, comparable to the corresponding value in the banking sector (7.1%).

EVOLUTION OF THE NON-PERFORMING LOANS RATE



The prudence of the Bank's commitments is indicated by the increase in the coverage of non-performing exposures related to non-financial companies from 20.2% to 45.5% provisions. Given that the average of the banking system was 59.8% in 2019, it should be emphasized that a large part of EximBank's non-performing exposures are covered by liquid guarantees (guarantees received from the state, collateral deposits, collateral from guarantee funds), as evidenced by the coverage ratio of non-performing exposures related to non-financial companies with provisions and liquid collateral, which is 66.6% as at 31.12.2019.

2. TRADE FINANCE AND MULTIPRODUCT

The total volume of trade finance products and multiproducts committed on Behalf of and to the Benefit of the Bank reached RON 1,519 million at the end of 2019, up 39% compared to the end of 2018, following a higher sales volume by 63% in the reporting year.

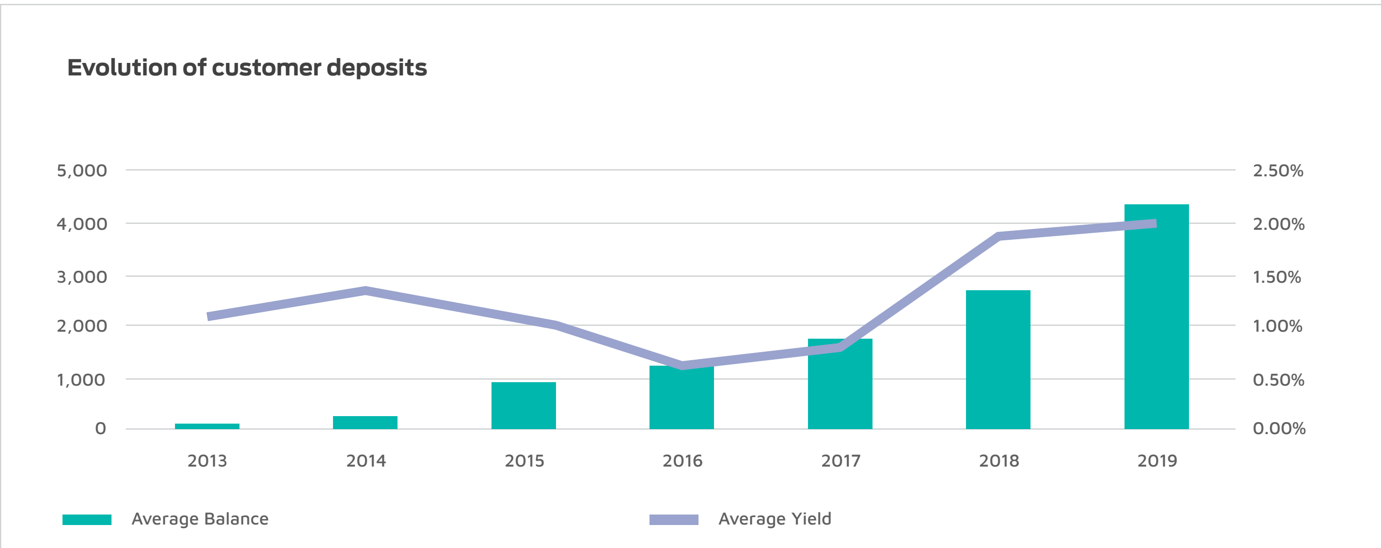
Of these, RON 927.6 million represent letters of guarantee issued to non-bank clients, RON 451.2 million - letters of guarantee issued to bank clients, RON 131.1 million represent unused guarantee/multi-product limits and RON 9 million are import letters of credit.

Trade finance products and multiproducts approved during the year were in the amount of RON 999 million, almost 12 times higher than in 2012, most of them being ceilings for guarantee products or other trade finance products for customers. The beneficiaries of these products were 48% exporters.

3. TREASURY AND CAPITAL MARKETS

In order to achieve the objective of increasing revenues from the treasury activity, the aim was to constantly identify the potential to increase the activity of existing customers, as well as to increase the customer base, including with financial institutions and public companies. The development of the client portfolio was possible due to the quality of the offers submitted to the clientele (superior to other banks), as well as the adaptation of the product range to the clientele needs, by integrating the treasury offer in a product mix, together with the Bank's cash management and finance/guarantee/insurance products.

The main source of financing the growth of assets was the segment of cash attracted from non-bank customers, their growth in 2019 being more accelerated than in recent years.



At the same time as the increase in the sources attracted from non-bank customers, there is also an increase in the financing cost related to them, but together with the reference rates, it remains lower than that of state funds managed by EximBank, as can be seen from the structure of interest-bearing liabilities, below:

	2019		2018	
Financial resources	**Average balance (mRON)**	**Financing cost**	**Average balance (mRON)**	**Financing cost**
Interbank	182	1,92%	427	0,65%
Non-bank customers	4.328	1,98%	2.541	1,87%
State funds	1.686	3,34%	1.680	2,18%
Total	6.196	2,33%	4.648	1,91%

Transactions in the government securities market during the year were materialized in transactions with securities measured through other comprehensive income or measured at amortized cost (banking book) and with securities held for trading (trading book). Total portfolio decreased in 2019 by RON 101 million, from RON 2,253 million at the end of 2018, to 2,152 RON million at the end of 2019.

The volume of transactions on the interbank foreign exchange spot market was EUR 2,261 billion in 2019 (4.20% of the total volume traded on the interbank market), EximBank continuing to be an active counterpart on this market. The value of FX swap transactions increased, registering a total turnover of EUR 2,373 million.

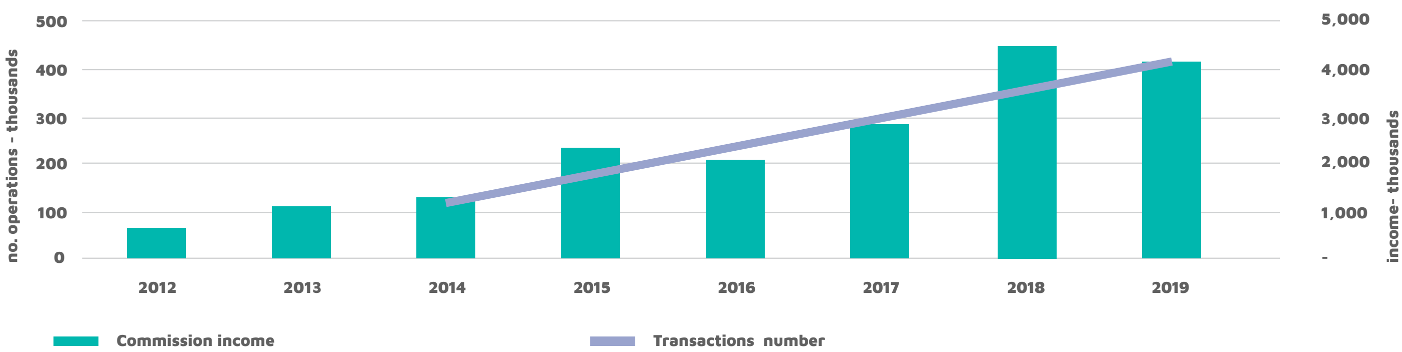
Foreign exchange transactions with non-bank customers reflect the bank's proactive approach in this segment and the interest in developing this line of activity, registering a volume of EUR 954 million.

4. CASH MANAGEMENT

In 2019, cash management continued the upward trend shown in recent years, following the strategic line of increasing the contribution to the bank's profit as a complementary activity to financing. The increase in the number of deposits, on the one hand, and an attractive cash management policy added to the consolidation of first-line customer support and internet banking, on the other hand, resulted in an increase in volumes and number of customer operations.

Below we present the picture of the evolution of the volume of transactions compared to the net revenues realized:

Dynamics of the number of operations vs fees colected



5. OTHER PRODUCTS

The commercial and credit information activity continued on the two main coordinates: in order to support the Romanian business environment and in order to support the activity of the other structures of the Bank. In 2019, EximBank analysts prepared, at the request of customers, a number of 955 reports, of which 705 about Romanian companies and 250 about foreign companies. At the request of the domestic structures, 9 reports on Romanian companies and 11 reports on foreign companies were also provided.

3.1.3. BUSINESS CONDUCTED ON BEHALF AND TO THE BENEFIT OF THE STATE

In order to meet the specific objective of supporting Romania's economy and in accordance with the provisions of Law 96/2000, EximBank acts as a representative of the Romanian State. In this capacity, during 2019, the Bank was actively involved in the activity of working groups and partnerships initiated together with the Romanian authorities, at governmental level, to encourage the increase of the volume of Romanian exports from different economic sectors.

As an export credit agency, EximBank chaired the Export Credit Working Group of the Council of the European Union in the first six months of 2019, and during the second half of the year, it continued its efforts to implementation of the measures established during Romania's mandate together with the representatives of the European troika countries, respectively Finland and Croatia.

In collaboration with the Ministry of Public Finance, EximBank hosted in Bucharest:

1 The informal meeting of the working group on export credits in Brussels, with the participation of the Member States who had the opportunity to know the profile of relevant Romanian exporters,

2 The conference "The role of development banks and export credit agencies in the macroeconomic perspective", an event that brought together representatives of the Romanian business environment, development banks in Central and Eastern Europe, international financial institutions, and the local financial banking environment, and,

3 "The work of the International Working Group (IWG)", where new ways of supporting the presence of national companies on international markets were debated in the current context marked by changing economic paradigms and increasing the impact of economies until recently considered "emerging".

ExímBank remained involved in 2019 in the efforts of the Romanian authorities to support Romania's accession to the Organization for Economic Cooperation and Development (OECD). Thus, in order to align with international export credit requirements, EximBank participated in OECD meetings on export credits and guarantees, both on the basis of the ad hoc invitation received from the OECD Working Group on Export Credits and Guarantees, and and as part of the European Union delegation.

On 29 May 2019, EximBank and Bank Gospodarstwa Krajowego Poland, as shareholders, signed in Luxembourg the Articles of Incorporation of the Three Seas Initiative Investment Fund (FII3M). The project to set up FII3M was initiated following the "Joint Declaration on the Three Seas Initiative" in Dubrovnik in August 2016 and the Warsaw Summit in July 2017 attended by EU Member States across the Adriatic Sea, Baltic Sea and Black Sea - Austria, Bulgaria, Croatia, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Romania, Slovakia and Slovenia. FII3M is a commercial vehicle created on commercial principles through the combined efforts of national promotion /development banks as Principal Sponsors, with the intention of subsequently attracting other potential partners (co-investors), such as US pension funds, Nordic investment, international financial institutions such as the European Bank for Reconstruction and Development, the European Investment Bank, etc., in order to allocate financial resources for projects in the field of energy, infrastructure and digitalisation in the Three Seas region.

To support Romania's position, EximBank appointed, on the basis of reciprocity with Polish counterparts, two representatives in the Supervisory Board and two other representatives in the FII3M Board of Directors, acting within the directions established by the Romanian Government, through the Ministry of Public Finance. EximBank hosted in Bucharest the first regional promotion event of FII3M, which offered the possibility to fulfill the mandate granted by the Romanian state to represent the interests of our country in FII3M and to be actively involved in promoting the projects proposed by Romania.

In order to effectively be involved in the Romanian economy, in its capacity as a state agent, EximBank has access to the following funds - in the form of deposits from the Ministry of Public Finance - remunerated under market conditions:

Fund for guarantee operations

Law 96/2000 - art. 10 a

Fund for insurance and reinsurance operations

Legea 96/2000 - art. 10 b

Fund for financing operations

Law 96/2000 - art. 10 c

The temporary available amounts from the aforementioned funds are fructified through commitments made by EximBank - S.A. on Behalf and to the Benefit of the State (BBS), namely specific guarantee, financing, insurance products and services approved by the Inter-ministerial Committee for Financing, Guarantees and Insurance. These are not controlled by the Bank and do not meet the recognition conditions set by the applicable International Financial Reporting Standards and the IASB General Framework and are therefore not disclosed in the Bank's financial position.

BBS commitments amounted RON 3,057 million at the end of 2019 and represent 30% of the total commitments of the Bank, an increasing share compared to 2018.

	2019		2018		Variation	
BBS Exposures	**RONm**	**% in total**	**RONm**	**% in total**	**RONm**	**% in total**
Financing	223	7%	70	3%	+153	+217%
Guarantees	2.326	76%	1.809	80%	517	29%
Insurance	508	17%	394	17%	114	29%
Total	**3.057**	**100%**	**2.273**	**100%**	**+784**	**+34%**

In line with EximBank's mission and the BBS business strategy objectives, over 50% of NCS products are granted to exporters; by branches of the national economy, the largest share is occupied by priority areas such as: extractive industry (27%), energy production and distribution (20%), manufacturing (18%), construction (15%); by types of customers, SMEs benefit from 85% of the number of these products.

1. BBS GURANTEES

The main BBS activity is the guarantee up to 80% of the loans and guarantees granted by financial institutions, including EximBank, like the following:

EximBank guarantee
Facilitates the obtaining of working capital and investment loans from commercial banks for all target groups, amounting to a maximum of EUR 50 million;

EximBank counter-guarantee
Complements the Romanian companies' collateral requirements by up to 80%, so that commercial banks can issue the necessary bank guarantees for companies without blocking their liquidity;

SME guarantee limit
facilitates SMEs' access to credit in the maximum amount of RON 1.5 million in a simplified procedure implemented in partnership with commercial banks.

The average exposure is RON 4.9 million in 2019, continuously decreasing starting with the reference year 2012, when it was RON 15.8 million. The decrease in the average guarantee value is explained by the sharp increase in the number of SME clients, mainly by using the Guarantee SME Scheme provided to banks to support the financing of the eligible SME segment.

2. BBS FINANCING

The loans portfolio on Behalf and to the Benefit of the State registered a significant jump in 2019, its value reaching RON 223 million vs RON 70 million in 2018.

The beneficiaries of credit facilities are 43.4% of SMEs and 57% of exporters. Within the structure of the national economy, the extractive industry (72%) is preponderant.

3. INSURANCE

In accordance with the principles and rules of the European Commission regarding the provision of short-term insurance policies, EximBank insures on Behalf and to the Benefit of the State the risks that the private insurers' market in Romania cannot take over. In this respect, the Romanian state, through EximBank, grants exporters the protection of foreign encashments in accordance with the Government's policy of supporting access to extra-community markets.

EximBank takes over the risk of non-collection of exporters' claims in countries outside of the European Union, as well as in other developed OECD member states, members known to have no market risk (typically CIS countries, Middle East, Africa, Asia). At the end of 2019, the insurance exposure amounted to RON 508 million, where 60% of the total value amounted for the the field of extractive industry.

Using the complementarity of its financing range, assurance and insurance instruments, during 2019 EximBank structured a multitude of transactions, including in collaboration with other commercial banks, demonstrating once again the bank's ability to contribute in an innovative way to catalyze financial resources, public and private, in order to facilitate the realization of complex projects both in the internal market and in external markets, following European and international standards and practices.

3.2. ACTIVITY OF EXIMASIG IN 2019

ExinAsig Romania continues the process of optimizing the quality of the business model, being concerned also about the overall operational framework and resources efficiency and about the quantitative and qualitative improvement of the customer and product portfolio, leading to a consistent boost in business under prudent risk conditions.

The total number of new insurance contracts was 3,623 (2018: 2,263 - new contracts), in the context of maintaining an medium level of risk tolerance. Gross written premiums in the reference period amounted to RON 16.89 million (2018: RON 10.97 million), the insured amount for the contracts in force at the end of the period being of RON 6.152 billion (the insured amounts related to the new contracts and not were canceled, concluded in the reporting period, being of RON 4,314 billion) (2018: RON 4,067 billion).

As of 31.12.2019, the premiums ceded to reinsurance amounted to RON 5.898 million (2018: RON 3.485 million), in a percentage of 34.91% (2018: 31.75%) of the value of gross written premiums in Romania.

EximBank's coordination and control of EximAsig aimed aimed at aligning it with correct business principles, efficiency, procedures and corporate governance applicable across the EximBank group, making periodic recommendations.

Thus, the majority shareholder pursued and coordinated:

- The process of integrating EximAsig's financial data into EximBank's consolidated financial statements;
- Endorse EximAsig policies and strategies and analyze compliance with the Group's policies and strategies in terms of business, risk management, financial accounting, marketing, internal control, human resources, computerization, procurement and travel activities;
- Performance analysis, continuous monitoring of EximAsig associated risks, exposures, concentration of customers and product groups and regular reporting to the Executive Committee and the Board of Directors;
- The correlation of gross written premiums with the evolution of public procurement;
- Optimization of the offered products in the sense of their competitiveness and flexible adaptation to the evolution of the financial-banking market, the economic conjuncture and the investment and development needs of SMEs and exporting companies.

4 Consolidated and Separate Financials

The separate and consolidated financial statements of EximBank S.A. for 2019 were prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union, and are based on the accounting records of the Bank and its subsidiary EximAsig.

1. CONSOLIDATED AND INDIVIDUAL STATEMENT OF FINANCIAL POSITION

As of 31 December 2019, consolidated balance sheet assets amounted to RON 7,832.8 million, up 7% from RON 7,293.4 million as at 31.12.2018, similar to the increase at the Bank level.

The evolution of the main assets in RON millions is as follows:

	2019		2018	
Assets (RONm)	**Group**	**Bank**	**Group**	**Bank**
Cash and accounts with the NBR	686,5	686,5	743,1	743,1
Due from banks	898,2	869,2	792,2	767,9
Trading financial instruments	110,8	110,8	68,6	68,6
Financial instruments at fair value	1.529,2	1.529,2	1.667,3	1.667,3
Financial instruments at amortised cost	552,4	512,1	557,0	517,3
Loans to customers, net	3.855,5	3.855,5	3.321,5	3.321,5
Investment in subsidiaries	0,0	34,0	0,0	34,0
Fixed assets	96,7	95,5	57,8	57,1
Defferred tax asset	0,1	0,1	4,0	4,0
Other assets	103,4	53,2	82,0	20,2
Total Assets	**7.832,8**	**7.746,2**	**7.293,4**	**7.200,9**

The positive evolution in 2019 of the Group's assets (+539.5 RON million) is mainly due to the significant increase of EximBank loans (+534.0 million lei). The gross value of the loan portfolio (4,002.4 million lei), higher by 581.4 million lei (+ 17%) compared to the previous year, is constituted in proportion of 68% of the loans in lei.

At the end of 2019, EximBank's consolidated and individual equity and liabilities, compared to the end of the previous year, are presented in the following table:

	2019		2018	
Liabilities and shareholders' equity (RONm)	**Group**	**Bank**	**Group**	**Bank**
Due to banks	313,5	313,5	435,8	435,8
Deposits from Ministry of Public Finance	1.686,6	1.686,6	1.727,0	1.727,0
Due to customers	4.487,8	4.488,5	3.815,3	3.815,4
Other liabilities	182,6	96,4	192,8	100,8
Total liabilities	6.670,4	6.585,0	6.170,9	6.079,0
Share capital	1.701,5	1.701,5	1.701,5	1.701,5
Retained earnings, not distributed	27,4	26,9	75,4	75,6
Retained earnings, application of IAS 29	-900,7	-900,7	-900,7	-900,7
Reserves	333,8	333,6	245,8	245,6
Total equity	1.162,0	1.162,2	1.122,0	1.122,0
Non – controlling interests	0,5	0,0	0,5	0,0
Total equity	1.162,5	1.161,2	1.122,5	1.122,0
Total liabilities and equity	7.832,8	7.746,2	7.293,4	7.200,9

Non-bank customers' deposits of RON 4,487.8 million increased significantly during 2019 (+672.5 RON million); Of these, 67% are mainly denominated in RON, and 85% are term deposits. Growth of the Group's assets is financed entirely of the additional funds attracted from the Bank's clients.

The Group's equity increased by 40.0 million lei, 29.1 million lei net profit and 11 million lei increase in reserves due to favorable differences in the market marking of securities.

Contingent liabilities/commitments of the Bank/Group show a positive development for the main product categories:

	2019		2018	
Contingent liabilities/commitments (RONm)	**Group**	**Bank**	**Group**	**Bank**
Letters of guarantee issued to customers	893,7	893,7	629,6	629,6
Letters of guarantee issued to banks	33,9	33,9	55,1	55,1
Undrawn gurantee commitments	582,5	582,5	259,9	396,8
Undrawn loan commitments	1.742,9	1.742,9	1.201,5	1.201,5
Letters of credit	8,5	8,5	20,0	20,0
Contingent liabilities/commitments	3.261,6	3.261,6	2.166,1	2.302,9

2. CONSOLIDATED AND SEPARATE STATEMENT OF PROFIT OF LOSS

The net consolidated profit for 2019 is RON 29.1 million (2018: RON 120.9 million), comprising the Bank's profit in the amount of RON 28.3 million (2018: RON 113.5 million) and the profit of RON 0.74 million (2018: RON -2.6 million) of the EximAsig subsidiary.

The dynamics of the Bank's and consolidated financial results is as follows (RON million):

	2019		2018	
Statement of Profit or Loss (RONmillion)	**Group**	**Bank**	**Group**	**Bank**
Net interest income	99,3	98,2	109,5	109,6
Net fee and commission income	47,2	47,2	38,8	38,8
Net income from insurance activities	10,8	0,0	4,4	0,0
Net gain/(loss) from foreign exchange	27,9	27,3	14,3	14,3
Net gain/(loss) from derivatives	12,5	12,5	7,8	7,8
Net gain on available for sale financial assets	1,5	1,5	0,0	0,0
Gain/(loss) on investment property	1,6	1,6	0,9	0,9
Other income	5,5	5,3	6,1	6,0
Net operating income	206,3	193,6	181,9	177,4
Salaries and other similar expenses	-84,5	-77,2	-83,9	-78,3
Depreciation and amortization	-13,3	-12,3	-6,6	-6,4
Other operating expenses	-30,4	-28,2	-31,4	-29,3
Operational expenses	-128,2	-117,8	-121,8	-114,0
Net result before depreciation	78,1	75,8	60,1	63,4
Gain/(loss) on impairment	-44,0	-42,5	82,4	71,7
Gross profit before tax	34,0	33,3	142,6	135,1
Income tax	-5,0	-5,0	-21,7	-21,7
Net profit	29,1	28,3	120,9	113,5

The significant decrease in EximBank's net profit in 2019 compared to the previous period is decisively marked by the risk cost of RON 42.5 million in the reporting year, compared to the revenues of RON 71.7 million obtained in the previous year from reversals of provisions and recoveries.

The Group achieves a net operating income of RON 206.3 million, up by RON 24.3 million compared to the previous year, effect of the development of the commercial activity.

5 Capital adequacy and main financial indicators dynamics

The Bank's capital adequacy indicator on 31.12.2019, calculated in accordance with Regulation 575/2013, indicates a solid solvency ratio of 27% (excluding dividend distribution), down compared to 2018 (31%), but maintained at a comfortable level for business development and well above the average of the banking system (20%). The evolution of the main performance indicators of the Group/Bank during 2019 is presented below compared to the previous year:

	2019		2018	
Indicators	**Group**	**Bank**	**Group**	**Bank**
ROA (%)	0,4%	0,4%	2,4%	1,9%
ROE (%)	2,5%	2,5%	11,7%	10,9%
Cost to income	62%	61%	67%	64%
Immediat liquidity	--	54%	--	59%
Loan-deposit ratio	--	89%	--	90%
Debt-to-assets ratio	--	27%	--	31%
Market share – assets	--	1,6%	--	1,6%
Market share – corporate loans	--	3,0%	--	2,7%
NPL ratio (EBA)	--	4,2%	--	6,2%
NPL ratio (EBA) – non-financial companies	--	7,5%	--	11,8%

6 Corporate Governance

1. EXPORT-IMPORT BANK OF ROMANIA - EXIMBANK S.A.

The Board of Directors (BoD) is the the leading management body of EximBank, exercising general management of the bank's activity. BoD consists of 7 members, individuals (of which 3 executive directors and 4 non-executive directors) appointed by General Shareholders Meeting for a four-year term, which may be renewed.

During 2019, the **Board of Directors** was formed as follows:

Traian Sorin Halalai	Executive President	Term renewed on 9.10.2019
Paul Ichim	Executive Vice President	Term concluded by reaching the deadline on 9.10.2019
Florian Raimund Kubinschi	Executive Vice President	Term renewed on 9.10.2019
Vasile Secăreș	Chairman of the Board of Directors	Term renewed on 9.10.2019
Emilian Bădică	Non-executive member	Term concluded by reaching the deadline on 9.10.2019
Nina Puiu	Independent non-executive member	Term renewed on 9.10.2019
Ionuț Mișa	Non-executive member	Mandate concluded by revocation on 22.07.2019
Cristian - Florin Șaitariu	Executive Vice President	Appointed on 9.10.2019, beginning of term of office 30.12.2019
Daniel Mihail Tudor	Non-executive member	Appointed on 9.10.2019, beginning of term of office 30.01.2020
Andrei Răzvan Micu	Non-executive member	Appointed on 9.10.2019, beginning of term of office 30.02.2020

The Executive Committee (ExC) is the operational management body of EximBank - S.A. acting based on delegation from the Board and under its supervision, except for duties in the express competence of the General Meeting of Shareholders and Board of Directors (BoD). The Executive Committee comprises three members, the executive president and two executive vice-presidents.

The composition of the Executive Committee in 2019 is as follows:

Traian Sorin Halalai	Executive President	
Florian Raimund Kubinschi	Executive Vice President	
Paul Ichim	Executive Vice President	until 9.10.2019
Cristian Florin Șaitariu	Executive Vice President	exercising mandate from 30.12.2019

The Inter-ministerial Committee for Financing, Guarantees and Insurance (ICFGI) examines and approves the internal regulations, the activity and the products granted on behalf and to the benefit of the State. The Committee is made up of representatives of the specialized bodies of central public administration and of EximBank. Both the designation of members and the activity of this body are subject of Government's decision.

2. EXIM ROMANIA INSURANCE - REINSURANCE COMPANY S.A.

The Board of Directors was appointed by the Decision of the General Meeting of Shareholders no. 2/30.05.2017, the composition of which is as follows:

Bogdan Iulian Popa	Chairman of the Board of Directors	Non-executive member
Andrei Răzvan Micu		Executive Member
Adrian Răzvan Florescu		Executive Member
Gabriel Vasile Oltean		Non-executive member
Cezar Flavian Patriche		Non-executive member

The Executive Committee comprises 2 members appointed by mandate for a period of 4 years. Its composition was the following:

Andrei Răzvan Micu	General Manager
Adrian Răzvan Florescu	Deputy General Manager

7 Human Resources

ExiimBank's remuneration policy is based on the Nomination and Remuneration Committee's views to support the establishment of sound remuneration practices by issuing competent and independent opinions on remuneration policies and practices and on the incentives created for risk, capital and liquidity management, taking into account the long-term interests of the shareholders.

In order to prevent conflicts of interest, supervision of the implementation of the remuneration policy is done at all higher levels in the sense that the General Meeting of Shareholders decides the terms and conditions of the remuneration of the members of the Board of Directors, the Board of Directors for the members of the Executive Committee and the members of the Executive Committee for middle-management and execution positions.

The EximBank remuneration system has, in addition to the fixed base component, a variable component, which can not exceed the fixed component for each employee, which is preponderant. The variable component is correlated with the individual performance of each employee and other criteria related to the Bank's risk profile, financial performance and medium/long-term outlook. In accordance with Article 94 (1) (l) of Directive 2013/36/EU, for identified staff, 50% of any variable remuneration shall be granted non-cash, in the form of virtual shares, in order to encourage value added and medium and long term contribution to the Bank's development.

The Bank applies a flexible policy that can considerably reduce or even cancel the payment of the variable component in case of low or negative financial performance, including malus or clawback agreements.

EximBank operates on the basis of the Regulation on organization and functioning, which describes and establishes the organization and functioning of the bank, respectively in the Bank's headquarters and through the territorial network formed, at the end of 2019, of 25 territorial units, with a total number of 381 employees (including the executive management of the bank with mandate contracts) of which: 374 employees for an indefinite period, 3 members of the Management Committee with mandate contracts and 4 employees for a fixed term, respectively 278 employees in the Central (including executive management of the Bank) and 103 employees in the territorial units. At the end of the year, out of a total of 381 employees, 63% were women. Higher education employees account for 97% of the total.

As for the EximAsig subsidiary, as at 31.12.2019 the number of employees was 40, (31.12.2018: 36), continuing the process of streamlining the activities within the internal structures of EximAsig in order to meet the objectives assumed for the current and future period.

8 Risk Management

Risk management is an integral part of all decision-making and business processes within the EximBank Group. The Group's management and structures continuously assess the risks to which its activity may be exposed by affecting its objectives and take steps on any changes of the conditions under which the bank operates.

Within the Bank, risk management activities are conducted mainly at the following levels:

The duties of the Board of Directors (BoD) and of the Risk Management Committee as advisory and assisting body of the BoD for periodically approving and revising the Bank's risk profile, appetite or tolerance;

The responsibility of the Executive Committee (ExC) to ensure the implementation of the significant risk management strategy and policies approved by BoD and to develop procedures and methodologies for risk identifying, measuring, monitoring and controlling risk so that the bank has effective risk management processes in line with the nature and complexity of the relevant activities;

In the decision-making process, the risk management function ensures that risk issues are duly taken into account, but the responsibility for the decisions taken remains at the operational units, the supporting functions and, ultimately, at the governing body of the Bank;

Managing the exposure of the Bank to currency risk, interest rate risk, liquidity risk, etc. by Asset and Liability Management;

Operational risk management, at the level at which they are created;

The independent review function of the Internal Audit Department.

The Bank's risk monitoring and control functions have defined clear, independent responsibilities for risk-taking functions.

The Risk Management Strategy sets out the risk profile that EximBank regards as acceptable, the tolerance and risk appetite for the significant risk categories assumed by the bank in order to optimize the risk-to-profit ratio as well as the correlation of the risk profile assumed with the capital requirements calculated by the bank under the conditions of a sound and prudent banking activity.

The Bank uses key indicators, with limits, specific to each category of risk - credit, interest rate, currency, liquidity, the risk associated with excessive leverage - permanently adapted to the evolution of activity and the economic environment. They are regularly monitored, taking into account, in particular, the implications of operational risk, reputational risk, risk associated with outsourced activities, strategic risk, and compliance risk.

The Bank periodically carries out a process of self-assessment of risks and related controls. Risk mitigation actions are required for high-risk indicators.

With regard to risk management at ExímAsig subsidiary, it consists of identifying, evaluating, monitoring, controlling and reporting to the management body of the risks (generated by internal or external factors) that could have a negative impact on the company's activity. In this respect at ExímAsig we aim at sizing the technical reserves in terms of percentages, setting maximum concentration limits on insurance classes/risks, on top clients/exposures, on currencies as well as framing the risk indicators within the limits set for the tolerance at risk. The management of the company is actively involved in the risk management process, especially in the periodic (at least annually) process of amending/updating the Significant Risk Policy and Strategy, respectively the ORSA Policy and the Outside Activities Policy. At the same time, all identified (including potential) risk events as well as the monitoring of risk indicators for the significant risks identified by the company are reviewed quarterly in the Risk Management Committee meetings (Committee of which members of the Steering Committee) and subsequent reporting to Board of Directors.

9 Internal Control System

The Bank develops and maintains a robust, comprehensive framework for its internal controls, including specific independent control functions of appropriate authority to perform their attributions. In organizing and maintaining an internal control system, EximBank has observed the independence of the three functions: risk management, compliance and internal audit.

The internal control framework is structured on three levels:

The first level of control is implemented to ensure that transactions are correctly performed. Controls are performed by the entities that take risks and are incorporated into specific procedures. Responsibility for this area is delegated to each internal structure;

The second level is exercised by the Risk Management and Compliance Function;

The third level of checks is carried out by the Internal Audit Function that assesses and periodically checks the completeness, functionality and adequacy of the internal control framework.

Internal control framework ensures the deployment of efficient and effective operations, proper control of risks, prudent conduct of business, credibility of financial and non-financial information, reported both internally and externally, and compliance with legal and regulatory frameworks, as well as requirements, rules and internal decisions of the Bank.

Regarding the internal control of the EximAsig subsidiary, the same procedure of harmonizing strategies and policies is applied for all activities performed, through approval by the relevant organizational structures at the Bank level, the Group following the harmonizing of processes and the governance framework at the level of all structures and entities. In applying the harmonized strategies, policies and procedures at Group level, the internal control functions of the Bank perform, at the request or with the approval of the managing body of the Bank, inspection missions at the headquarters of EximAsig, taking control measures to remedy the deficiencies found or to establish a plan of measures, with deadlines and responsible persons.

10 Subsequent Events

Acquisition of Banca Romaneasca. EximBank completed the acquisition of a 99.28% stake in the share capital of Banca Romaneasca S.A. of the National Bank of Greece S.A. ("NBG") on 23 January 2020 , the sale-purchase contract being signed on 20.06.2019. The purchase of the 99.28% stake in BROM's share capital is represents 371,624,509 shares with a nominal value of RON 2/share, less a portfolio of non-performing loans excluded in a net value of EUR 0.7 million which were divested to an entity within the NBG Group before EximBank took control.

The transaction was completed after obtaining the no-objection notices from the Competition Council on 29 November 2019, respectively from the National Bank of Romania on 13 December 2019.

The price paid for the participation of 99.28% of the share capital of Banca Romanesti was EUR 59.4 million. The net assets of the Romanian Bank, based on the International Financial Reporting Standards adopted by the European Union on 31 December 2019 (unaudited), amounted to approximately EUR 130 million. The gain realized by EximBank from the purchase in advantageous conditions (bargain gain) is estimated by independent third party consultants at EUR 70 million, to be mentioned in the consolidated financial statements of EximBank in 2020.

On the trade date (23 January 2020) EximBank transferred EUR 65 million to NBG as a collateral deposit with maturity in July 2020 when it will achieve subrogation rights by EximBank for the subordinated loan granted to Banca Romaneasca by NBG. The amount of intra-bank financing attracted by Banca Romaneasca from NBG in the amount of EUR 90 million (as of 23 January 2020) was reimbursed directly by Banca Romaneasca to NBG from its own sources.

Banca Romaneasca is not consolidated in the financial statements of 2019, as the takeover toom place at the beginning of 2020.

On 31 January 2020, Romanian Bank Extraordinary Shareholders' Meeting approved the bank's management, Board of Directors consisting of 5 members, as follows:

Traian Sorin Halalai	Non-executive President
Lidia Stan	Non-Executive Vice President
Lucian Claudiu Anghel	Executive member
Oana Lucia Ilie	Executive member
Doru Bebe Bulată	Non-executive member

By completing the transaction on 23 January 2020 and appointing the new management on 31 January 2020, EximBank took control of Banca Romaneasca's operations.

Banca Romaneasca was founded in 1992 and became a member of the NBG group in 2003, occupying the 13th position in the banking top by volume of assets, according to the data of the National Bank of Romania at the end of 2019.

At the end of 2019, the credit institution had a market share of 1.3% in terms of total assets. On 31.12.2019, the main category of customers was represented by individuals, the share of gross exposures recorded in accounts receivable is 88%. Also on that date, the share of credit facilities to businesses (including under the internal segmentation BROM - Large Corporate, SME and SBB) was 12%. Banca Romaneasca is a well-established provider of mortgages within the government program "Prima Casa".

At the end of 2019 Banca Romaneasca held the following market shares: retail loans - 2.6%; corporate loans - 0.4%; total loans - 1.6%; deposits - 1.4%. In order to obtain these results, Banca Romaneasca aimed to stabilize and increase the loan portfolio, optimize the structure of interest rates and commissions, improve the risk profile of Banca Romanesti and the efficiency of the operational model.

Banca Romaneasca is a universal bank that offers a wide range of products and services that are addressed to both individuals and legal entities. Banca Romaneasca's acquisition creates new opportunities for the Group EximBank because the two banks operate in complementary sectors, Banca Romaneasca is focused mainly on the retail business, while EximBank acts only on the corporate clients segment.

The products and services offered to the retail segment (standard or Select - customized solutions for privileged retail customers) include:

- Current account products;
- Debit and credit cards;
- Financing products: loans for personal needs, loans for the house, loans for refinancing;
- Money transfer - through Western Union;
- Bancassurance.

The products and services offered to the corporate segment are similar to the products and services offered by EximBank and mainly include:

- Cash Management and Treasury Products;
- Credit and Guarantee Products;
- International Trade: opening of documentary letters of credit (import/export), stand-by letters of credit;
- Syndications;
- Factoring - domestic with appeal.

COVID-19 pandemic. At the end of the first quarter of 2020, the COVID-19 pandemic broke out, which had a global and national impact on the banking economy and financial industry, causing disruptions to business and economic activities. On 11 March 2020, the World Health Organization declared the coronavirus epidemic a pandemic, and the President of Romania declared a state of emergency on 16 March 2020. The Group/ Bank considers that the pandemic is an unjustifiable event at the balance sheet date.

In order to face this situation, also affecting Romania, the Romanian authorities issued the Emergency Ordinance no. 37/2020 on 30 March 2020, by which the Government decided that credit customers can request until 15 May 2020 from banks a grace period of up to nine months from the payment of credit installments if they meet the conditions included in the Emergency Ordinance. Through this emergency ordinance, the Romanian state has decided to offer benefits to both customers and banks, namely the Ministry of Finance will issue letters of guarantee that will cover interest calculated for mortgages granted to individuals who have requested deferred payments.

Given the actual context, based on information available to the public at the date these financial statements were authorized to be issued, management assessed a series of pessimistic but plausible scenarios regarding the potential evolution of the epidemic and its estimated impact on the Group/Bank and on the economic environment in which the Group/Bank operates, including the measures already taken by the Romanian government and by the governments of other countries, where there are important business partners and clients.

The stress scenarios in terms of credit risk, liquidity risk, business continuity and capital adequacy to risks, revealed that the Group/Bank has adequate resources to continue its activity for a period of at least 12 months from the date of financial statements.

We estimate that the effects of the COVID-19 pandemic cannot be quantified at this time, the impact on the expected credit risk losses is very difficult to estimate. The NBR announced the relaxation of the conditions regarding the definition of restructured loans, namely that the postponement of rates, due to the effects of the COVID-19 pandemic, will not be considered a restructuring due to financial difficulties and the loans will not be reclassified to another stage during of grace. Future GDP developments may have an impact on risk parameters, but the analysis of the impact of Covid-19 on Romania’s real GDP growth is not yet available.

The Bank/Group continuously monitors and evaluates the impact of Covid-19 on its operations.

11 Strategy and Priorities

In 2020, in the activity carried out on Behalf of and to the Benefit of the Bank, EximBank continues the general strategy of product portfolio development and balanced reconfiguration in relation to customer needs and specific market conditions, including taking into account measures to revitalize domestic companies and the economy in general, following the COVID-19 pandemic.

Taking into consideration the overall situation and the measures taken by the authorities to mitigate risks arising from potential adverse scenarios, including Romanian economy and global recession, with direct impact on profitability, leadership EximBank began to implement a series of measures, including:

Postponement of the payment of principal rates, interest and commissions, for clients affected by the coronavirus pandemic, due for a maximum period until the end of 2020, with the rescheduling of principal rates for the equivalent period after the current maturity of the loans (which extends so);

The possibility for EximBank to pay due obligations of customers to third party guarantors (for example: state guarantee fees or guarantee funds) with their subsequent recovery from customers, in order to preserve the validity of guarantees issued in favor of the bank;

Extension of credit lines that have reached maturity, by 12 months and granting increases in existing loans and new facilities, etc., under conditions of simplified processing, approval and implementation flows, in the current situation;

As the bank anticipates a greater need for financing in the economy, the targets set for 2020 continue to target business consolidation, optimized with the efficient use of resources. The dynamization of the commercial activity targets on the one hand the credit facilities, on the other hand the complementary products to the financing. Customer loyalty is considered by promoting the competitive advantages of a fair price, a predictability and clarity of the products offered, accompanied by a quick response.

Regarding the activity on Behalf and to the Benefit of the State, during 2020, EximBank intends to support the development projects of Romanian companies, by intensifying cooperation with commercial banks present on the local market, as well as with other financial institutions that contribute to increasing the presence Romanian exporters on international markets, especially in the context of the uncertain economic climate determined by the existence of the COVID-19 pandemic.

Given the flexibility of the regulations on state aid rules that Romania as a member state of the European Union implements, as well as the need to create macroeconomic mechanisms to react to the economic crisis, the specific instruments of action of EximBank on Behalf and to the Benefit of the State will be permanently adapted to respond effectively to the requirements of companies and the local financial-banking environment.

Thus, when cementing its position as a viable partner in supplementing the commercial offers of banks active on the local market, EximBank will be involved in providing financing for investments and/or current activity in priority areas, as well as those affected by specific measures to combat the COVID-19 pandemic, complementary to commercial banks and in consideration of impact projects in terms of continuing economic activity, maintaining jobs and production chains.

In terms of guarantees issued by EximBank on Behalf and to the Benefit of the State, the increasing dynamics of exposures in this segment between 2016 – 2019 indicated an increased interest of commercial banks and companies towards the characteristics of guarantee and counter-guarantee products offered by EximBank on Behalf and to the Benefit of the State. Meanwhile, in the present context, the Bank will act, on the one hand, to streamline workflows in order to improve the speed of response to customer and bank requirements, and on the other hand to develop the portfolio of guarantee products, including the improvement of commission schemes, thus stimulating the inclusion of state guarantees in the guarantee structure of the corporate clientele.

With the help of export receivables insurance products, EximBank reaffirms its role as an ECA type institution, through which the support of Romanian exporters and investments abroad is made on Behalf and to the Benefit of the State, in full compliance with the National Export Strategy and the risk policy approved by the Romanian Government.

EximAsig subsidiary has set the following goals for 2020:

Strengthening partnerships with state public institutions, including EximBank, CEC Bank and Banca Românească through the bancassurance distribution channel;

Strengthening the position obtained in the segment of commercial credit insurance by developing new trade receivables insurance products ;

An overall improvement in business efficiency, profitability and efficiency, including by digitizing and securing products through an appropriate IT system.

As to the the new subsidiary, Banca Românească S.A., EximBank wishes that in 2020 there will be a consistency of medium and long term policies, strategies, procedures and targets, for a better integration of it.

BOARD OF DIRECTORS

Vasile Secăreș

President

Statement Regarding the Responsibility for the Preparation of the Separate and Consolidated Financial Statements

In accordance with Article 10, paragraph 1 of the Accounting Law No.82/1991, the administrator, the accounting officer or any other person which has the obligation to manage the entity, holds responsibility to organize and manage the accounting operations.

As Executive President of the Export - Import Bank of Romania - EximBank S.A., in accordance with Articles 30 and 31 of Accounting Law No. 82/1991, I assume responsibility for the preparation of consolidated financial statements of the Export – Import Bank of Romania EximBank S.A. Group and for the preparation of separate financial statements Export – Import Bank of Romania EximBank S.A. as at and for the year ended 31 December 2019, and I confirm that:

A The accounting policies used in the preparation of the separate and consolidated financial statements as at 31 December 2019 are in accordance with the International Financial Reporting Standards as endorsed by Europeam Union as at 31 December 2019 and implemented through the Order of the National Bank of Romania no. 27/2010, with subsequent changes and amendments;

B The consolidated and separate financial statements as at 31 December 2019 fairly present the financial position, financial performance and other information related to the operations carried out;

C The Export – Import Bank of Romania EximBank S.A. Group, respectively the Export – Import Bank of Romania EximBank S.A. operate as a going concern.

The Export – Import Bank of Romania EximBank S.A. Group comprises the Export – Import Bank of Romania EximBank S.A. and the Exim Romania S.A. Insurance - Reinsurance Company.

The Export – Import Bank of Romania EximBank S.A. is the parent company of the Group, with headquarters located at 6A, Barbu Delavrancea Street, District 1, Bucharest, Romania and is registered with the Commerce Registry, under registration number J40/8799/1992.

The Exim Romania S.A. Insurance - Reinsurance Company is the subsidiary of Export – Import Bank of Romania EximBank S.A. Group, with the headquarters at Aviatorilor Blvd., No. 33, District 1, Bucharest, Romania, and is registered at the Commerce Registry, registration number J40/3151/2009.

Traian Halalai,
Executive President

KPMG

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Independent Auditors' Report

(free translation[1])

To the Shareholders of Banca de Import Export a Romaniei EximBank S.A.

Barbu Delavrancea Street, no. 6A, District 1, Bucharest

Unique Registration Code: 361560

Report on the Audit of the Financial Statements

Opinion

1. We have audited the accompanying consolidated and separate financial statements of Banca de Import Export a Romaniei EximBank S.A ("the Bank") and its subsidiary (referred to as "the Group"), which comprise the consolidated and separate statement of financial position as at 31 December 2019, the consolidated and separate statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information (referred to as "the financial statements").

2. The financial statements as at and for the year ended 31 December 2019 are identified as follows:

• Total assets (Group):	7,832,838 thousand RON
• Total assets (Bank):	7,746,191 thousand RON
• Net profit for the year (Group):	29,066 thousand RON
• Net profit for the year (Bank):	28,325 thousand RON

3. In our opinion, the accompanying financial statements give a true and fair view of the consolidated financial position of the Group and of the unconsolidated financial position of the Bank as at 31 December 2019, respectively and of their respective consolidated and unconsolidated financial performance and consolidated and unconsolidated cash flows for the year then ended in accordance with the International Financial Reporting Standards as adopted by the European Union.

[1] TRANSLATOR'S EXPLANATORY NOTE: The above translation of the auditors' report is provided as a free translation from Romanian which is the official and binding version and refers to the Romanian official and binding version of the consolidated financial statements, which was subject to our audit.

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Basis for Opinion

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

Key Audit Matters

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

Expected Credit Losses ("ECL") related to loans granted to customers

As at 31 December 2019, the financial statements include gross loans to customers of RON 4,002,440 thousand, expected credit losses of RON 146,943 thousand and impairment expenses recognized in the statement of profit or loss of RON 47,786 thousand (31 December 2018: gross loans to customers RON 3,421,066 thousand, expected credit losses of RON 99,580 thousand, impairment income recognized in the statement of profit or loss of RON 47,045 thousand and IFRS 9 transition adjustments of RON 31,301 thousand).

See Notes 2d, 2j, 2m, 5, 17, 36 and 37 to the financial statements.

Key audit matter	How the matter was addressed in our audit
As described in the notes to the financial statements, the expected credit losses ("ECLs") have been determined in accordance with the Group's and the Bank's accounting policies based on the requirements of IFRS 9 *Financial Instruments* ("IFRS 9"). As required by IFRS 9, the Group and Bank estimates the expected credit losses considering a stage allocation of the loan exposures. In measuring the ECLs, the Management Board is required to make judgements as to whether there is any significant increase in credit risk since initial recognition or any objective evidence of impairment (default), based on the assessment of the borrower's historical debt service and expected future cash inflows from the borrower (in case of	Our audit procedures in the area, performed where applicable assisted by our own valuation, financial risk management and information technology specialists, included, among others: • Evaluating the appropriateness of the loan impairment-reated accounting policies against the requirements of the relevant financial reporting standards, our business understanding and industry practice; • Making relevant inquiries of the Group's and the Bank's risk management and information technology (IT) personnel to update an understanding of the provisioning process, IT applications used therein, as well as key data sources and assumptions in the ECL model. Also, testing of IT control environment for data security and access;

Stage 3 (non-performing) exposures often based on the estimation of the fair value of the related collateral). For performing exposures (Stage 1 and Stage 2 in the IFRS 9 hierarchy), the expected credit losses are determined on a portfolio basis, applying statistical models using historical data and also forward-looking macroeconomic factors. The Management Board's key assumptions in this area are the probability of borrower's default (PD) and the assessment of the amount non-recoverable from the borrower in the event of a default ("loss given default", "LGD"). We consider impairment of loans and advances granted to customers to be a key audit matter due the magnitude of the related balances as well as due to the significant judgment required and complex accounting requirements of IFRS 9 in respect of the assumptions made and models developed to measure ECLs, including macro-economic inputs.	• Testing the design, implementation and effectiveness of the key controls in the loans and advances expected credit losses process. This included (i) testing the controls over the completeness and accuracy of data input (mainly for loan and advances exposure, collaterals and interest rate data), (ii) approval of loans and (iii) system computation of debt service; • Assessing of the Group's and the Bank's credit risk modeling techniques and methodology against the requirements of the financial reporitng standards. As part of the procedure, also evaluating the forward-looking information and macroeconomic forecasts used in the ECL assessment by means of corroborating inquiries of the Management Board and through inspection of publicly available market information; • For a sample of loan exposures, with focus on those with the greatest potential impact on the financial statements due to their magnitude and risk characteristics: — Critically assessing, by reference to the underlying documentation (loan files) and through discussion with the credit risk management personnel, the existence of any significant increase in credit risk since initial recognition or any objective evidence of impairment; — For exposures with Stage 3 triggers identified, challenging key assumptions applied in the estimates of future cash flows used in the impairment calculation, such as discount rates, collateral values and realization period, and performing respective independent recalculations, where relevant. • For Stage 1 and Stage 2 exposures: — In respect of the ECL computation model, challenging the key assumptions/ judgements relating to the incorporation of the forward-looking macroeconomic factors in establishing the PD and LGD parameters; — Testing the completeness and accuracy of underlying data used in the Group's and Bank's process of calculating and validating of the key parameters of PD and LGD. • Critically assessing the overall reasonableness of the ECL, including both the share of the gross performing and non-performing exposure in total gross exposure and the performing and non-performing loans provision coverage; • Assessing the accuracy, completeness and relevance of the expected credit losses financial statements disclosures as required by the relevant financial reporting standards.

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Other information – Administrators' Report

6. The Board of Directors is responsible for the preparation and presentation of other information. The other information comprises the Administrators' Report, but does not include the financial statements and our auditors' report thereon.

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

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

   With respect to the Administrators' Report we read and report whether the Administrators' Report is prepared, in all material respects, in accordance with NBR Order no. 27/2010, articles 12, 13, 15, 17 and 32 of the accounting regulations in accordance with International Financial Reporting Standards applicable to credit institutions.

   Based solely on the work required to be undertaken in the course of the audit of the financial statements, in our opinion:

   a) The information given in the Administrators' Report for the financial year for which the financial statements are prepared is consistent, in all material respects, with the financial statements;

   b) The Administrators' Report has been prepared, in all material respects, in accordance with NBR Order no. 27/2010, articles 12, 13, 15, 17 and 32 of the accounting regulations in accordance with International Financial Reporting Standards applicable to credit institutions.

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

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

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

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

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

Auditors' Responsibility for the Audit of the Financial Statements

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

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

    - Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
    - Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and Bank's internal control.
    - Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
    - Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and/or the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group and / or the Bank to cease to continue as a going concern.
    - Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
    - Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

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

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

Report on Other Legal and Regulatory Requirements

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15. We were appointed by the General Shareholders' Meeting on 20 April 2017 to audit the financial statements of Banca de Import Export a Romaniei - EximBank S.A. for the years ended 31 December 2017, 31 December 2018 and 31 December 2019. Our total uninterrupted period of engagement is 6 years, covering the periods ending 31 December 2014 to 31 December 2019.

16. We confirm that:

- our audit opinion is consistent with the additional report presented to the Audit Committee of the Bank, which we issued on 7 April 2020. We also remained independent of the audited Group and the Bank in conducting the audit.
- we have not provided to the Bank the prohibited non-audit services (NASs) referred to in Article 5(1) of EU Regulation (EU) No 537/2014.

Other matters

17. This independent auditors' report is made solely to the Bank's Shareholders, as a body. Our audit work has been undertaken so that we might state to the Bank's Shareholders those matters we are required to state in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Bank and the Bank's Shareholders, as a body, for our audit work, for the report on the audit of the financial statements and the report on other legal and regulatory requirements or for the opinion we have formed.

For and on behalf of KPMG Audit S.R.L.:

Refer to the original signed Romanian version	**Refer to the original signed Romanian version**
FURTUNA CEZAR-GABRIEL	**KPMG Audit SRL**
registered in the electronic public register of financial auditors and audit firms under no AF1526	registered in the electronic public register of financial auditors and audit firms under no FA9

Bucharest, 7 April 2020

12 Consolidated and Separate Statement of Profit or Loss

Separate and Consolidated Financial Statement for the year ended as at 31 December 2019 (all amounts are in thousands RON ("RON'000"), unless otherwise specified).

	Note	31 Dec 19		31 Dec 18	
		Group	Bank	Group	Bank
Interest income	3	249.716	248.599	201.079	201.176
Interest expense	4	-150.437	-150.414	-91.546	-91.549
Net interest income		99.279	98.185	109.533	109.627
Fee and commission income		59.951	59.952	45.521	45.521
Fee and commission expense		-12.795	-12.766	-6.699	-6.676
Net fee and commission income	8	47.156	47.186	38.822	38.845
Gross written premiums, net of reinsurance		10.995	-	7.491	-
Gross written premiums		16.894	-	10.976	-
Premiums ceded to reinsurance		-5.899	-	-3.485	-
Variation of technical reserves, net of reinsurance		-432	-	-1.330	-
Income from reinsurance commissions		1.071	-	484	-
Acquisition and other underwriting expenses		-343	-	-1.996	-
Other technical expenses, net of reinsurance		-452	-	-210	-
Claims related to insurance contracts		-8.563	-	-549	-
Claims ceded to reinsurance		8.111	-	339	-
Net income from insurances activities	9	10.839	-	4.439	-
Net gain from foreign exchange differences	6	27.879	27.293	14.337	14.264
Net trading income	6	12.483	12.483	7.821	7.821
Net gain from financial assets at fair value through other comprehensive income	7	1.538	1.538	-	-
Gain from investment property	20	1.589	1.589	863	863
Other income	10	5.491	5.341	6.114	6.012
Net operating income		206.254	193.615	181.929	177.432
Salaries and other similar expenses	11	-84.497	-77.239	-83.854	-78.312
Depreciation and amortization	19	-13.263	-12.346	-6.576	-6.448
Other operating expenses	12	-30.434	-28.204	-31.376	-29.268
Release/(Charge) on impairment of financial assets, commitments and guarantees	5	-44.040	-42.547	82.438	71.727
Gross profit before tax		34.020	33.279	142.561	135.131
Income tax	13	-4.954	-4.954	-21.660	-21.660
Net profit		29.066	28.325	120.901	113.471

The financial statements were approved by the Board of Directors on 07 April 2020.

13 Consolidated and Separate Statement of Profit or Loss and Other Comprehensive Income

Separate and Consolidated Financial Statement for the year ended as at 31 December 2019 (all amounts are in thousands RON ("RON'000"), unless otherwise specified).

	31 Dec 19		31 Dec 18	
	Group	Bank	Group	Bank
Net profit for the period	**29.066**	**28.325**	**120.901**	**113.471**
Other comprehensive income, net of tax	**10.949**	**10.949**	**3.277**	**3.277**
Items that are or may be reclassified subsequently to profit or loss	**10.415**	**10.415**	**3.277**	**3.277**
Net gain/(Loss) from the reevaluation of financial instruments at fair value through other comprehensive income	12.513	12.513	3.801	3.801
Net gain/(Loss) from the reevaluation of equity instruments at fair value through other comprehensive income	-104	-104	104	104
Deffered tax related to financial instruments through other comprehensive income	-2.011	-2.011	-611	-611
Deffered tax related to equity instruments at fair value through other comprehensive income	17	17	-17	-17
Items that will not be subsequently reclassified to profit or loss	**534**	**534**	-	-
Revaluation surplus	636	636	-	-
Deferrend tax on revaluation surplus	**-102**	**102**	-	-
Total comprehensive income for the period	**40.015**	**39.274**	**124.178**	**116.748**

	31 Dec 19		31 Dec 18	
	Group	Bank	Group	Bank
Net profit/(Loss) attributable to:	**29.066**	-	**120.901**	-
Controlling interests	29.056	-	**120.939**	-
Non-controlling interests	**10**	-	**-38**	-
Total comprehensive income attributable to:	**40.015**	-	**124.178**	-
Controlling interests	**40.005**	-	**124.216**	-
Non-controlling interests	**10**	-	**-38**	-

The financial statements were approved by the Board of Directors on 07 April 2020.

14 Consolidated and Separate Statement of Financial Position

Separate and Consolidated Financial Statement for the year ended as at 31 December 2019 (all amounts are in thousands RON ("RON'000"), unless otherwise specified).

		31 Dec 19		31 Dec 18	
Assets	**Note**	**Group**	**Bank**	**Group**	**Bank**
Cash and cash equivalents		395	394	373	370
Accounts with the National Bank of Romania	14	686.127	686.127	742.684	742.684
Due from banks	15	898.188	869.172	792.185	767.927
Derivative financial instruments	16	3.025	3.025	4.495	4.495
Financial instruments at fair value through profit and loss	18	110.819	110.819	68.620	68.620
Financial assets at fair through other comprehensive income	18	1.529.215	1.529.215	1.667.255	1.667.255
Financial assets at amortised cost	18	552.415	512.116	556.959	517.260
Loans and advances to customers, net	17	3.855.497	3.855.497	3.321.486	3.321.486
Investments in subsidiaries	18	-	34.046	-	34.047
Property, plant and equipment, net	19	48.747	47.839	10.922	10.475
Intangible assets, net	19	5.808	5.497	6.269	5.996
Investment property, net	20	42.176	42.176	40.587	40.587
Other assets	21	100.369	50.211	77.529	15.696
Deffered tax asset		57	57	4.014	4.014
Total assets		**7.832.838**	**7.746.191**	**7.293.378**	**7.200.912**

The financial statements were approved by the Board of Directors on 07 April 2020.

		31 Dec 19		31 Dec 18	
Liabilities and shareholders' equity	**Note**	**Group**	**Bank**	**Group**	**Bank**
Derivative financial instruments	16	1.016	1.016	756	756
Due to banks	22	313.467	313.467	435.798	435.798
Deposits from Ministry of Public Finance	23	1.686.565	1.686.565	1.727.021	1.727.021
Due to customers	25	4.487.760	4.488.544	3.815.260	3.815.354
Deferred income and accrued expenses	29	23.754	23.690	22.217	22.198
Provisions	26	30.954	26.313	40.558	36.106
Other liabilities	27	126.851	45.362	129.315	41.719
Total liabilities		**6.670.367**	**6.584.957**	**6.170.925**	**6.078.952**
Share capital	30	1.701.474	1.701.474	1.701.474	1.701.474
Retained earnings	32	27.434	26.867	75.399	75.553
Retained earnings , IAS 29 application	32	-900.714	-900.714	-900.714	-900.714
Reserves	33	311.595	311.429	234.573	234.418
Revaluation reserves for tangible assets	33	26.195	26.195	25.661	25.661
Reserves for instruments at fair value through other comprehensive income	34	-4.017	-4.017	-14.432	-14.432
Total equity attributable to shareholders of the Parent company		**1.161.967**	**1.161.234**	**1.121.961**	**1.121.960**
Non – controlling interests		**504**	-	**492**	-
Total equity		**1.162.471**	**1.161.234**	**1.122.453**	**1.121.960**
Total liabilities and equity		**7.832.838**	**7.746.191**	**7.293.378**	**7.200.912**

The financial statements were approved by the Board of Directors on 07 April 2020.

15 Consolidated and Separate Statement of Changes in Equity

Separate and Consolidated Financial Statement for the year ended as at 31 December 2019 (all amounts are in thousands RON ("RON'000"), unless otherwise specified).

Group – 2018	Share capital	Revaluation reserve	Reserves for instruments at fair value through other comprehensive income	Reserves	Retained earnings, adjustment for inflation of share capital under IAS 29	Retained earnings	Total attributable to shareholders of the Parent company	Non – controlling interests	Total equity
Balance as at 1 January 2018 (IFRS 9)	**1.701.474**	**25.661**	**-17.709**	**226.422**	**-900.714**	**-24.941**	**1.010.193**	**504**	**1.010.697**
Revaluation of assets at fair value – other comprehensive income	-	-	3.277	-	-	-	**3.277**	-	**3.277**
Revaluation of land/ buildings	-	-	-	-	-	-	-	-	-
Other movements in retained earnings	-	-	-	1.379	-	**-1.379**	-	-	-
Profit for the year	-	-	-	6.770	-	**114.168**	**120.938**	-37	**120.901**
Comprehensive income – subtotal	-	-	**3.277**	**8.149**	-	**112.789**	**124.215**	**-37**	**124.178**
Dividends to shareholders	-	-	-	-	-	**-12.409**	**-12.409**	-	**-12.409**
Minority interest change	-	-	-	2	-	**-40**	**-38**	25	**-13**
Balance as at 31 December 2018	**1.701.474**	**25.661**	**-14.432**	**234.573**	**-900.714**	**75.399**	**1.121.961**	**492**	**1.122.453**

Group – 2019	Share capital	Revaluation reserve	Reserves for instruments at fair value through other comprehensive income	Reserves	Retained earnings, adjustment for inflation of share capital under IAS 29	Retained earnings	Total attributable to shareholders of the Parent company	Non – controlling interests	Total equity
Balance as at 1 January 2019	**1.701.474**	**25.661**	**-14.432**	**234.573**	**-900.714**	**75.399**	**1.121.961**	**492**	**1.122.453**
Revaluation of assets at fair value – other comprehensive income	-	-	10.502	-	-	-	**10.502**	-	**10.502**
Revaluation of land/ buildings	-	534	-87	-	-	-	**447**	-	**447**
Other movements in retained earnings	-	-	-	75.347	-	**-75.347**	-	-	-
Profit for the year	-	-	-	1.675	-	**27.380**	**29.055**	11	**29.066**
Comprehensive income - subtotal	-	**534**	**10.415**	**77.022**	-	**-47.967**	**40.004**	**11**	**40.015**
Dividends to shareholders	-	-	-	-	-	-	-	-	-
Minority interest change	-	-	-	-	-	**2**	**2**	1	**3**
Balance as at 31 December 2019	**1.701.474**	**26.195**	**-4.017**	**311.595**	**-900.714**	**27.434**	**1.161.967**	**504**	**1.162.471**

The financial statements were approved by the Board of Directors on 07 April 2020.

Bank - 2018	Share capital	Revaluation reserve	Reserves for instruments at fair value through other comprehensive income	Reserves	Retained earnings, adjustment for inflation of share capital under IAS 29	Retained earnings	Total Equity
Balance as at 1 January 2018 (IFRS 9)	-	-	**-17.709**	-	-	**-17.373**	**1.017.621**
Re-evaluation of assets at fair value – other comprehensive income	-	-	3.277	-	-	-	**3.277**
Revaluation of land/ buildings	-	-	-	-	-	-	-
Other movements in retained earnings	-	-	-	1.379	-	**-1.379**	-
Profit for the year	-	-	-	6.757	-	**106.714**	**113.471**
Comprehensive income – subtotal	-	-	**3.277**	**8.136**	-	**105.335**	**116.748**
Dividends to shareholders	-	-	-	-	-	**-12.409**	**-12.409**
Balance as at 31 December 2018	**1.701.474**	**25.661**	**-14.432**	**234.418**	**-900.714**	**75.553**	**1.121.960**

Bank - 2019	Share capital	Revaluation reserve	Reserves for instruments at fair value through other comprehensive income	Reserves	Retained earnings, adjustment for inflation of share capital under IAS 29	Retained earnings	Total Equity
Balance as at 1 January 2019	**1.701.474**	**25.661**	**-14.432**	**234.418**	**-900.714**	**75.553**	**1.121.960**
Re-evaluation of assets at fair value – other comprehensive income	-	-	10.502	-	-	-	**10.502**
Revaluation of land/ buildings	-	534	-87	-	-	-	**447**
Other movements in retained earnings	-	-	-	75.347	-	**-75.347**	-
Profit for the year	-	-	-	1.664	-	**26.661**	**28.325**
Comprehensive income - subtotal	-	**534**	**10.415**	**77.011**	-	**-48.686**	**39.274**
Dividends to shareholders	-	-	-	-	-	-	-
Balance as at 31 December 2019	**1.701.474**	**26.195**	**-4.017**	**311.429**	**-900.714**	**28.867**	**1.161.234**

The financial statements were approved by the Board of Directors on 07 April 2020.

16 Consolidated and Separate Cash Flow Statement

Separate and Consolidated Financial Statement for the year ended as at 31 December 2019 (all amounts are in thousands RON ("RON'000"), unless otherwise specified).

CONSOLIDATED AND SEPARATE CASHFLOW STATEMENT

		31 Dec 19		31 Dec 18	
Cash flows from operating activities	**Note**	**Group**	**Bank**	**Group**	**Bank**
Profit before tax		34.020	33.279	142.561	135.131
Adjustments for:		**16.962**	**15.641**	**-40.685**	**-30.737**
Depreciation and amortization	19	13.263	12.346	6.576	6.448
Net impairment allowances for financial assets and guarantees granted	5	44.040	42.547	-56.157	-46.160
Other provisions		-7.238	-7.238	9.618	9.618
Other non-cash adjustments		-3.162	-3.162	-722	-643
Impact of IFRS16 adoption		-29.942	-28.853	-	-
Change in operating assets		**-641.078**	**-652.752**	**-467.039**	**-465.919**
Decrease/(Increase) in loans and advances to customers		-581.374	-581.374	-467.348	-467.348
Decrease/(Increase) in trading assets		-42.199	-42.199	170	170
Decrease/(Increase) in other assets		-17.504	-29.178	139	1.259
Change in operating liabilities		**543.046**	**551.099**	**1.512.639**	**1.511.501**
(Decrease)/Increase in due to banks		-122.331	-122.331	-82.087	-82.087
(Decrease)/Increase in due to customers		672.500	673.190	1.510.879	1.510.310
(Decrease)/Increase in other liabilities		-7.122	241	83.847	83.278
Income tax paid		**-40.254**	**-40.254**	**-1.235**	**-1.235**
Net cash used in operating activities		**-87.304**	**-92.987**	**1.146.241**	**1.148.741**
Cash flows from investing activities					
Acquisition of investment securities		-719.096	-718.496	-933.511	-933.511
Proceeds from sale and buy back of financial investments		872.122	872.122	929.816	929.014
Investment in subsidiaries	18	-	-	-	-
Acquisition of property, plant and equipment and intangible assets		-16.966	-16.639	-5.785	-5.118
Proceeds from the sale of property and equipment and intangible assets		-	-	-	-
Dividends received	10	484	484	581	581
Net cash flows used in investing activities		**136.545**	**137.472**	**-8.899**	**-9.034**
Dividends paid		-	-	-12.409	-12.409
Net cash flows used in financing activities		**-**	**0**	**-12.409**	**-12.409**
Change in cash and cash equivalents		**49.241**	**44.485**	**1.124.933**	**1.127.298**
Balance at the beginning of the period		1.535.680	1.511.419	410.747	384.121
Balance at the end of the period		**1.584.921**	**1.555.904**	**1.535.680**	**1.511.419**
Cash and cash equivalents		**1.584.921**	**1.555.904**	**1.535.680**	**1.511.419**
Cash		395	394	373	370
Accounts with the National Bank of Romania	14	686.257	686.257	742.873	742.873
Due from banks – maturity less than 3 months	15	898.269	869.253	792.434	768.176
Interest received		291.369	290.252	241.472	240.449
Interest paid		139.893	139.812	83.422	82.305

17 Notes to the Consolidated and Separate Financial Statements

1. GENERAL INFORMATION

Export – Import Bank of Romania – EximBank S.A. ("the Bank" or "EximBank") was founded in 1992 as a joint stock company having the Romanian Government as majority shareholder, through the Ministry of Public Finances (MPF). The Government participation is of 95.374% of the share capital.

In accordance with Law 96/2000 and subsequent amendments, the Bank operates both as an agent of the Government and also on its own behalf offering to the corporate clients, both residents and non-residents, financing, cofinancing, refinancing, guarantees and other banking products, insurance and reinsurance for export operations.

The head office of the Bank is located at 6A, Barbu Delavrancea Street, District 1, Bucharest, Romania. The Bank is registered with the Trade Register under number J40/8799/1992. At 31 December 2019, the Bank has 25 branches out of which one in Bucharest and 24 branches throughout the country located in: Bucharest, Bacau, Brasov, Buzau, Cluj, Constanta, Craiova, Oradea, Timisoara, Iasi, Sibiu, Pitesti, Targu Mures, Ploiesti, Galati, Arad, Ramnicu-Valcea, Bistrita, Baia-Mare, Suceava, Deva, Alba Iulia, Miercurea Ciuc and Satu Mare.

The Export - Import Bank of Romania - EximBank S.A. Group („the Group") comprises of Export - Import Bank of Romania - EximBank S.A. („the Bank" or „EximBank") and the Exim Romania S.A. Insurance - Reinsurance Company („EximAsig"). Export - Import Bank of Romania - EximBank S.A. is the parent company of the Group, and is not subject to consolidation as a subsidiary of another Group.

The Exim Romania S.A. Insurance - Reinsurance Company („EximAsig") was founded in 2009 as an entity specialized in providing financial risk insurance for both domestic and foreign operations. The subsidiary became operational in August 2010, and was authorized for the insurance activity of loans and guarantees. Its products are designed for companies that operate in commerce, manufacturing, transportation, construction, factoring, oil and gas industry and IT services and have business relations with internal and external partners. The headquarter of the subsidiary is in Bucharest, district 1, Aviatorilor Blvd., No. 33.

The Bank controls the activity of the EximAsig subsidiary through a holding of 98,57% from equity as at 31.12.2019, according to the evidence present at the Trade Register (31.12.2018: 97.05%).

The consolidated and separate financial statements of the Bank, respectively of the Group, for the year ended 31 December 2018 were authorized by the Board of Directors on 07 April 2020.

The Group had 425 employees as at 31 December 2019 (out of which 381 are employees of the Bank and 44 are employees of EximAsig, respectively), whereas as at 31 December 2018 the Group had 410 employees (out of which 374 were employees of the Bank and 36 were employees of EximAsig, respectively).

2. ACCOUNTING PRINCIPLES, POLICIES AND METHODS

a. Basis of preparation

The separate and consolided financial statements (hereinafter reffered to as „financial statements") are prepared and presented in Romanian Lei, the functional and presentation currency of the Bank and of the Group, rounded to the nearest thousand (RON '000).

The financial statements have been prepared in accordance with International Financial Reporting Standards as endorsed by the European Union as at 31 December 2019, on an amortised cost and historical cost basis, modified under IAS 29, except for property, plant and equipment, representing buildings or investment property which are valued at their revalued value, and derivative financial instruments, as well as financial assets and liabilities measured at fair value through profit and loss and at fair value through other comprehensive income.

The Bank's accounting records are kept in RON, in accordance with the Romanian Accounting Law and banking regulations issued by the National Bank of Romanian („NBR") and are based on International Financial Reporting Standards as endorsed by the European Union (hereinafter reffered to as „IFRS"), implemented as accounting framework under the Order of National Bank of Romanian No. 27/2010 with subsequent amendments.

EximAsig accounting records are prepared and presented in Romanian lei in accordance with the Romanian Accounting Law and specific regulations issued by the Financial Supervisory Authority, being restated and adjusted accordingly to IFRS, in all material respects, in order to be consolidated within the financial statements of the Group.

b. Basis of consolidation

The Group's consolidated financial statements comprise of the financial statements of EximBank S.A. and of its subsidiary as at 31 December 2019.

A subsidiary is an entity, including an unincorporated entity such a partnership, which is controlled by the parent company. The financial statements of the subsidiary are prepared for the same reporting period as for the Bank, using consistent acounting policies, while the balances, transactions, income and expenses within the Group are compensated at full value.

Non-controlling interests are disclosed in the consolidated statement of financial position in equity section, separately from the equity of the Group, proportionally with the participation percentage. Non-controlling interests are disclosed separately in the Group's profit or loss account, pro-rata according to the ownership percentage.

If losses attributable to non-controlling interests exceed the non-controlling interests in the relevant subsidiary's equity position, the excess or any further losses attributable to non-controlling interests are posted on the Group's accounts, excepting the case when a liability with legal implications exists, or losses absorbing capacity exists. If excess losses have been covered by the Group, and the subsidiary subsequently reports profits, all such profits are allocated to the Group until prior Group covered losses attributable to the minority's interests, have been recovered.

In the separate financial statements, the Bank presents the participation in ExímAsig as an investment in subsidiaries, measured at cost, anually performing the impairment test in order to evaluate whether there are objective evidence of the participation impairment.

Concerning the applicable consolidation method for investments in subsidiaries, the Bank applies "the global consolidation - purchase method" as described by the International Financial Reporting Standard 10 „Consolidated financial statements". The consolidation process involves the restatement of accounts and statutory financial statements of subsidiaries, whenever national accounting regulations significantly differ from International Financial Reporting Standards.

Settlements and transactions within the Group, as well as unrealized profits as a result of transactions within the group, are eliminated entirely from the consolidated financial statements. The unrealized profits resulting from transactions with related or jointly controlled parties, are eliminated based on the Group's participation percentage. The unrealized profits as a result of transactions with a related party, are eliminated as well as the investment in that related party. Unrealized losses are eliminated in the same manner as unrealized profits, provided that no objective evidence of impairment exist.

c. Accounting for hyperinflation

IFRS requires that financial statements prepared on a historical cost basis to be adjusted by taking into account the effects of inflation, if significant. Based on IAS 29 "Financial Reporting in Hyperinflationary Economies", financial statements are restated based on the a general price index which reflects the changes in general purchasing power.

The Bank has applied hyperinflation accounting until 1 July 2004. Effectively that date, Romanian economy ceased to be hyperinflationary and has been officially declared as such.

d. Judgments and accounting estimates

By applying Bank's and Group's accounting policies, management uses professional judgment and estimates, which may have a significant impact on the amounts recognized in the financial statements. These judgments and estimates are reviewed on a timely basis and changes in estimates are recognized when become known. The most significant use of judgments and estimates are as follows:

d.1 Expected losses on impairment of financial assets at amortised cost

The Bank/Group periodically reviews all financial assets designated at amortised cost (including lending and guarantee commitments) to identify exposures whose credit risk has significantly increased since initial recognition and also impaired exposures; for all of these exposures, the amount of expected credit loss is determined over their residual life. For loans and receivables and credit and guarantee commitments whose credit risk did not increase significantly since initial recognition, an adjustment equal to the expected credit loss over a maximum of one year from the reporting date is determined.

In order to identify a significant credit risk deterioration, the Bank/Group reviews a set of quantitative and qualitative criteria, including at least the customer's payment history, financial performance, other adverse aspects assessed on a case-by-case basis. Lifetime expected credit losses are recognized by taking into account the relevant available information as well as the Bank's future expectations.

For impaired exposures, the Bank determines expected credit losses based on individual analysis/assessment of exposures; otherwise expected losses are calculated based on collective analysis/assessment by grouping financial instruments with similar credit risk characteristics.

The credit risk review process is continuous. The methodology and assumptions used to estimate impairment adjustments are reviewed on a regular basis to adequately estimate the expected loss in the value of the financial asset. The methodology incorporates the effect of macroeconomic indicators on recovery estimates and the probability of default.

d.2 Impairment of investments in subsidiaries

As at each reporting date, the Bank and the Group assesses whether evidence of impairment exists in relation to its investments in subsidiaries. Investments in subsidiaries are measured based on the net present value of future cash flows, discounted at market rate of returns for comparable financial assets. The Bank/Group makes such estimates based on projected bugdet and medium term business plan. Impairment test is performed by authorised external valuators. Based on the professional analysis, the Bank records the impairment of investments as the difference between the net book value of the asset and the valuation amount.

d.3 Taxation

The value payable or receivable income tax is based on the assumptions regarding the recovery value of loans and on the existence of appropriate taxable profits. Estimates are required in deriving the tax provision as at the reporting date, and therefore, the tax amount is uncertain. When the final tax value is different from the amounts that were initially recognised, such differences impact profit or loss, current and deferred tax assets/liabilities for the period in which the final tax amount is set.

d.4 Provisions for retirement benefits

The Bank/Group calculates the provision for retirement benefits in accordance with IAS 19, "Employee Benefits" using actuarial techniques based on assumptions about discount rates, inflation rates, and future increases in staff salaries.

d.5 Insurance technical reserves

The professional judgment of Group's estimates regarding the level of technical reserves for insurance activities, are as follows

PREMIUM RESERVES

The premium reserve is determined on a monthly basis, by adding the installments of gross written premiums corresponding to the remaining period of the insurance contracts, so that the difference between the volume of gross written premiums and this reserve reflects the gross premiums assigned to the part of expired risks, as at the reporting date.

RESERVE FOR REPORTED BUT NOT SETTLED CLAIMS (RBNS)

The RBNS reserve is set up and updated on a monthly basis, through estimated claim notifications received by the insurer. The RBNS reserve is set up for reported claims and which have not yet been settled and it is calculated for each insurance contract where the insured event has been notified, starting with the predictable expenses to be incurred in the future, in order for these claims to be settled.

RESERVE FOR INCURRED BUT NOT REPORTED CLAIMS (IBNR)

The IBNR reserve is set up and updated at least at the end of each reporting period, based on the insurer's estimates, statistical data and actuarial calculations for claims which have occurred, but are not yet reported. In order to estimate this reserve the following methods are used, based on the insurance class: the Chain-Ladder method (without inflation and adjusting the claims spread), and the Bornhuetter – Ferguson method.

UNEXPIRED RISKS RESERVE

The unexpired risks reserve is computed based on the claims estimates which have not yet occurred as at the reporting date, and in respect of which the subsidiary assumes future estimated claims will exceed premium reserves currently set up and, as a result, the next years' premium reserve will not be sufficient to cover the claims which incur in upcoming financial years.

BENEFITS AND REBATES RESERVE

The benefits and rebates reserve is established for insurance contracts where premium discounts are foreseen, where there are renewals and/or premium refunds, as well as the participation of the insured to the insurers' profit.

e. Changes in accounting policies

As of 1 January 2019, the Bank implemented IFRS 16 Leases, which supersedes IAS 17 Leases and related interpretations. The Standard eliminates the current dual accounting model for lessees and instead requires companies to bring most leases on-balance sheet under a single model, except for leases for which the exemptions from recognition permitted by IFRS 16 apply (see note 2.bb), eliminating the distinction between operating and finance leases.

Under IFRS 16, a contract is, or contains, a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. For such contracts, the new model requires a lessee to recognise a right-of-use asset and a lease liability. The right-of-use asset is depreciated and the liability accrues interest. For more details on lease accounting policies, see note 2.bb.

The Bank/Group, as lessee, applies IFRS 16 using the modified retrospective approach, in the sense that, at the date of initial application (1 January 2019), it recognizes:

- a lease liability at the present value of the remaining lease payments, discounted on the basis of the marginal lending rate from the date of initial application.
- a right-of-use asset, at a value equal to the lease liability, on the date of initial application.

thousand RON	Bank Balance as at 1 January 2019	Group Balance as at 1 January 2019
Right-of-use	28.853	29.942
Total right-of -use assets	**28.853**	**29.942**
Total lease liability	**28.853**	**29.942**

At the date of initial application, the marginal lending rate applied is EURIBOR at 3 months plus a margin of 0.4% per annum (0%) for the Bank/Group's leases, all in EURO.

Except for the changes below, in Note 2 jj), the Bank/Group has consistently applied the accounting policies set out in Note 2 (f) to 2ii) for all periods presented in the financial statements.

STANDARDS AND INTERPRETATIONS THAT ARE NOT YET EFFECTIVE

The Bank and the Group ensure the alignment of their accounting policies with the amendments to international financial reporting standards, whenever appropriate. The International Accounting Standards Board has published a series of pronouncements detailed in the section below but which do not have a material impact on the Group's or the Bank's financial statements for the year ended 31 December 2019 that may require significant review of their accounting policies.

The following new accounting Standards, amendments to Standards and Interpretations are not yet mandatory effective for the financial year ended 31 December 2019 and have not been applied in preparing the financial statements as at 31 December 2019. The Bank/Group plans to adopt these pronouncements when they become effective.

IFRS 17 INSURANCE CONTRACTS

(Effective for annual periods beginning on or after 1 January 2021; to be applied prospectively. Early application is permitted. This pronouncement is not yet endorsed by the EU.)

IFRS 17 replaces IFRS 4, which was brought in as an interim Standard in 2004. IFRS 4 has given companies dispensation to carry on accounting for insurance contracts using national accounting standards, resulting in a multitude of different approaches.

IFRS 17 solves the comparison problems created by IFRS 4 by requiring all insurance contracts to be accounted for in a consistent manner, benefiting both investors and insurance companies. Insurance obligations will be accounted for using current values, instead of historical cost.

The Group has not assessed the impact that IFRS 17 will have on the financial statements of EximAsig subsidiary.

AMENDMENTS TO IFRS 3 BUSINESS COMBINATIONS

(Effective for annual periods beginning on or after 1 January 2020. These amendments are not yet endorsed by the EU)

The amendments narrowed and clarified the definition of a business. They also permit a simplified assessment of whether an acquired set of activities and assets is a group of assets rather than a business.

AMENDMENTS TO IAS 1 PRESENTATION OF FINANCIAL STATEMENTS AND IAS 8 ACCOUNTING POLICIES, CHANGES IN ACCOUNTING ESTIMATES AND ERRORS

(Effective for annual periods beginning on or after 1 January 2020. These amendments are not yet endorsed by the EU)

The amendments clarify and align the definition of 'material' and provide guidance to help improve consistency in the application of that concept whenever it is used in IFRS Standards.

INTEREST RATE BENCHMARK REFORM (AMENDMENTS TO IFRS 9, IAS 39 AND IFRS 7)

(Effective for annual periods beginning on or after 1 January 2020.)

The amendments are mandatory and apply to all hedging relationships directly affected by uncertainties related to the interbank offered rates (IBOR) reform. The amendments provide temporary relief from applying specific hedge accounting requirements to the hedging relationships affected by the Interest Rate Benchmark Reform, which allow the continuation of hedge accounting in the period of uncertainty before replacing an existing interest rate benchmark with an almost risk-free alternative interest rate. The amendments also require companies to provide additional information to investors about their hedging relationships that are directly affected by these uncertainties.

The Bank/Group does not expect that any of these Amendments will have a material impact on its financial statements when initially applied.

f. Foreign exchange

Transactions in foreign currencies are translated to the functional currency of the Bank/Group at exchange rates valid on transaction dates. Foreign exchange translation differences are recognized in the profit or loss account based on the foreign exchange rate at the respective date.

Monetary assets and liabilities denominated in foreign currencies at the date of the statement of financial position are translated to the functional currency at the exchange rate as at reporting date, using the NBR closing exchange rate. Non-monetary assets and liabilities are measured in terms of historical cost in a foreign currency and translated using the exchange rate as at the date of the transaction.

At 31 December 2019 and 31 December 2018 respectively, the exchange rates of the main foreign currencies were:

1 EUR = 4,7793 RON (31 December 2018: 1 EUR = 4,6639 RON).

1 USD = 4,2608 RON (31 December 2018: 1 USD = 4,0736 RON).

Gains and losses arising from foreign exchange differences on the translation of monetary assets and liabilities are registered in the profit or loss account for the reporting period.

g. Interest income and interest expenses

Interest income and expense are recognised in the income statement using the effective interest rate method. The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or liability (or, where appropriate, a shorter period) to the net carrying amount of the financial asset or liability.

When calculating the effective interest rate, the Bank/Group estimates cash flows considering all contractual terms of the financial instrument but does not consider future credit losses. By applying the effective interest rate method, the Bank/Group amortizes any commissions, transaction costs or other premiums or discounts that are included in the calculation of the effective interest rate over the expected life of the financial instrument.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for:

- financial assets purchased or originated credit-impaired, when a credit-adjusted effective interest rate (credit-adjusted EIR) is applied to the depreciated cost of the financial asset from initial recognition.

- financial assets that are not purchased or originated credit-impaired, but which subsequently became credit-impaired financial assets, in which case the entity applies the effective interest rate to the amortised cost of the financial assets in subsequent reporting periods.

The credit adjusted effective interest rate (credit-adjusted EIR) is determined as the rate that discounts the estimated future cash flows, by taking into consideration all contractual terms of the financial asset, as well as the expected losses from credit risk.

When applying the effective interest rate method, the Bank/Group identifies commissions that are an integral part of the effective interest rate of a financial instrument. Commissions that are an integral part of the effective interest rate of a financial instrument are treated as an adjustment to the effective interest rate unless the financial instrument is measured at fair value, the change in fair value being recognized in profit or loss. In these circumstances, commissions are recognized as income or expenses at initial recognition.

Commissions that are an integral part of the effective interest rate of a financial instrument include:

- granting and analysis commissions charged by the Bank/Group, related to the origination of a financial asset. Such fees may include compensation for activities such as assessing the debtor's financial condition, assessing and recording collaterals, actual guarantees and other securities commitments, negotiating instrument clauses, drafting and processing documents and closing the transaction;

- commitment fees charged by the Bank/Group to issue a loan when it is probable that the entity will enter into a particular lending agreement. If the commitment term expires without the Bank/Group granting the loan, the commission is recognized as income at the expiration date;

- issuing commissions paid on the issue of financial liabilities measured at Amortised cost.

Commissions that are not an integral part of the effective interest rate of a financial instrument and that are accounted for in accordance with IFRS 15 include:

- loan administration fees;

- commitment fees for issuing a loan when it is unlikely to conclude a specific lending agreement;

- syndication fees.

h. Fee and commission income and expense

Fee and commission income is recognized based on commitment accounting, once the service has been performed. The income from this category includes commission income and charges for banking services, such as: loans, guarantees, letters of credit, client transactions, foreign exchange, mandate operations etc.

Commission expense include expenditure on services rendered by third parties, mainly:

- Commissions for guarantees and securities transactions settled by the Bank on behalf of its customers;
- Commissions for processing payment orders and other related expenses or revenues, and other account management charges;
- Commissions charged for foreign exchange operations and for foreign currencies settlement on behalf of its customers, etc.

Commissions that are part of the effective interest rate are deferred over the tenor of the loan and recognized as interest income.

i. Dividend income

Dividend income is recognized in the statement of profit or loss, at the date the right to receive the payment is established. Dividends are presented as a component of other operating income.

Income from shares and investments other than fixed income securities are recognized as dividend income only at transaction date.

Dividends are treated as profit distribution for the period they are reported and approved by the General Shareholders Meeting.

In case of subsidiaries, the profit available for distribution is the current year profit, as per the statutory financial statements, which is different from the profit included in consolidated financial statements prepared in accordance with IFRS as endorsed by the European Union, due to differences between the Romanian accounting standards and IFRS.

j. Financial instruments – initial recognition, classification and subsequent measurement

1. DATE OF RECOGNITION

Purchase or sale of financial assets that involves delivery of assets within a time frame, generally established by regulation or convention in the market, are recognized on settlement date, namely at the date the contract is settled through the delivery of instruments.

Derivatives are recognized at transaction date, which is the date on which the Bank/Group commits itself to buy or sell the derivatives.

2. INITIAL RECOGNITION OF FINANCIAL INSTRUMENTS

All financial instruments are initially measured at their fair value plus, in case of financial assets and financial liabilities not designated at fair value through profit or loss, any directly attributable incremental acquisition or issuing costs.

3. CLASSIFICATION AND MEASUREMENT OF FINANCIAL ASSETS AND LIABILITIES

The Bank/Group classifies financial assets either as measured at amortised cost, fair value through other comprehensive income ("FVOCI") or fair value through profit or loss ("FVTPL") based on the following criteria:

- The Bank's/Group's business model for managing the financial assets and
- The contractual cash flow characteristics of the financial asset.

The business model represents the way to manage the financial assets in order to generate cash flows, by determining whether the Bank's goal is to collect contractual cash flows, sell financial assets, or both. The factors considered by the Bank to establish the business model are: history of collecting cash flows, asset performance valuation, assessment and management of the associated risk.

FINANCIAL ASSETS MEASURED AT AMORTISED COST

Amortised cost is the amount at which financial assets or financial liabilities are measured at initial recognition minus principal repayments plus or minus accumulated depreciation using the effective interest rate method for each difference between the initial amount and the amount at maturity. In the case of financial assets, the amortised cost is adjusted with the amount of the expected credit loss provision.

Category of financial assets measured at amortised cost include: loans and advances (including placements to credit institutions and loans to customers) and debt securities.

The Bank/Group designates a financial asset at amortised cost if both of the below conditions are met:

- The asset is held within a business model whose objective is to hold the financial assets in order to collect contractual cash flows and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding amount.

In order to test these conditions, the Bank/Group assesses the lending agreements in terms of solely receipts of principal and interest, hereinafter referred to as the SPPI test.

The purpose of the SPPI test is to determine whether a signed agreement between parties generates cash flows which represents only repayments of principal and interest, at dates settled into the payment schedule. The Bank/Group considers that a financial asset can be measured at amortised cost only if it meets the conditions of the SPPI test. The contracts which are more complex and do not include solely cash flows from principal and interest payments are measured at fair value through profit or loss.

In accordance with IFRS 9, the Bank/Group defines the principal of a financial asset as its fair value at initial recognition, but which varies over the life of the financial instrument (for example, in the case of principal repayments).

Interest represents the cost of principal over the life of the financial instrument - according to the time value of money principle - and it is intended to cover the associated credit and liquidity risks, the administrative costs and the profit margin of the financial instrument.

The analysis of cash flows associated to a financial instrument is performed by determining:

- The lender's rights to collect amounts according to the concluded agreement;
- The risks associated with the collection and market volatility to which the lender is exposed.

As a general rule, loans and receivables are considered to meet the conditions of the SPPI test if they have only fixed payments on fixed dates or fixed or variable payments determined by applying an interest rate index (e.g. ROBOR, EURIBOR, LIBOR, prime rate index, etc.) plus a fixed margin on the oustanding loan.

The Bank/Group considers the criteria below for the analysis of credit agreements from the perspective of the SPPI test:

- Contractual payment terms cannot be considered "de minimis" or non-authentic;
- The lender's contractual rights when the client is in insolvency or default;
- Currency-denominated contracts;
- Options for early repayment or extension of maturity;
- Other contractual provisions to modify payments - contingent payments;
- Non-recourse contracts;
- Time value of money included in interest;
- Negative interest and tranche funding.

FINANCIAL ASSETS DESIGNATED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

The category of financial assets measured at fair value through other comprehensive income includes: debt securities and equity instruments.

A financial asset is measured at fair value through other comprehensive income if both of the criteria below are met:

- the financial asset is held for both contractual cash flows collection and held for sale, and
- the contractual terms of the financial asset generate, at certain dates, cash flows that are solely payments of principal and interest related to due principal.

FINANCIAL ASSETS DESIGNED AT FAIR VALUE THROUGH PROFIT AND LOSS

Category of financial assets designed at fair value through profit or loss includes: loans and advances that have not meet the SPPI test criteria (including placements with credit institutions and loans to customers; not applicable as at 31 December 2018 and 31 December 2019), debt securities and equity instruments held for trading, and financial derivative instruments. As at 31 December 2018 and 31 December 2019, there are no financial assets classified as loans and advances that have not passed the SPPI test.

The Bank/Group classifies the financial assets at fair value through profit or loss, if the asset is not measured at amortised cost or at fair value through other comprehensive income.

REPURCHASE AGREEMENTS FINANCIAL ASSETS AND REVERSE REPURCHASE AGREEMENTS (REPO AND REVERSE REPO)

Securities sold with a repurchase agreement, at a specified future date (repos) continue to be recognized in the balance sheet as securities and are measured in accordance with the accounting policy applicable to that class of financial instruments. The obligation to repay the cash received is recognized under liabilities as repo operations reflecting the economic substance of a loan received by the Bank/Group.

Securities purchased under a similar commitment, to resell at a specified date (reverse repos), are not recognized in the statement of financial position and the receivables corresponding to the cash advance are recognized as asset in the statement of financial position as a reverse repo operation.

CLASSIFICATION OF FINANCIAL LIABILITIES

The Bank classifies all financial liabilities as subsequently measured at amortised cost, except for:

- financial liabilities measured at fair value through profit or loss (derivatives);
- financial liabilities that occur when a transfer of a financial asset does not qualify for derecognition or is accounted for using the continuous commitment approach;
- financial guarantee contracts. After initial recognition, the bank subsequently evaluates them at the highest of:
    - the loss provision amount and
    - the amount initially recognized less, where applicable, the cumulative amount of income recognized in accordance with IFRS 15.
- commitments to provide a loan at an interest rate below market value.

4. RECLASSIFICATION OF FINANCIAL ASSETS

The Bank/Group reclassifies the affected financial assets if and only if they change the business model for managing the financial assets. The Bank/Group does not reclassify the financial liabilities.

The Bank applies reclassification prospectively. The Bank/Group does not restate previously recognized gains, losses (including impairment losses) or interest.

If the Bank/Group reclassifies a financial asset from outside the category of assets measured at amortised cost to the category of assets measured at fair value through profit or loss, its fair value is measured at the date of reclassification. Any gain or loss that results from the difference between the previously amortised cost of the financial asset and the fair value is recognized in profit or loss.

If the Bank/Group reclassifies a financial asset from outside the category of assets measured at fair value through profit or loss to the category of assets measured at amortised cost, its fair value at the date of reclassification becomes its new gross carrying amount.

If the Bank/Group reclassifies a financial asset from outside the category of assets measured at amortised cost to the category of assets measured at fair value through other comprehensive income, its fair value is measured at the date of reclassification. Gain or loss attributable to the difference between the previously amortised cost of the financial asset and the fair value is recognized in other comprehensive income. The effective interest rate and the measurement of expected credit losses are not adjusted as a result of reclassification.

If the Bank/Group reclassifies a financial asset from outside the category of assets measured at fair value through other comprehensive income to the category of assets measured at amortised cost, the financial asset is reclassified to its fair value at the date of reclassification. Gain or loss previously recognized in other comprehensive income is written-off from equity and adjusted against the fair value of the financial asset at the date of reclassification. Therefore, the financial asset is measured at the date of reclassification as if it had always been measured at amortised cost. This adjustment affects other comprehensive income but does not affect profit or loss and is therefore not an reclassification adjustment. The effective interest rate and the measurement of the expected credit loss are not adjusted as a result of reclassification.

If the Bank/Group reclassifies a financial asset from outside the category of assets measured at fair value through profit or loss to the category of assets measured at fair value through other comprehensive income, the financial asset continues to be measured at fair value.

If the Bank/Group reclassifies a financial asset from outside the category of assets measured at fair value through other comprehensive income to the category of assets measured at fair value through profit or loss, the financial asset continues to be measured at fair value. Gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment at the date of reclassification.

During 2018 an 2019, the Bank/Group did not reclassify any financial assets. At the time of transition to IFRS 9, the Bank reclassified a portfolio of securities in the amount of RON 501,041 thousand issued by the MPF from the category of available for sale financial instruments to the category of financial instruments measured at amortised cost.

5. DERECOGNITION OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

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

- the contractual rights to collect cash flows from the financial asset have expired; or
- it transfers the financial asset under the conditions below:
    - transfers the contractual rights to collect cash flows from the financial asset, or
    - retains the contractual rights to receive cash flows of the financial asset, but assumes a contractual obligation to pay the cash flows to one or more recipients in an arrangement that meets the three following conditions:
        - The Bank/Group has no obligation to pay amounts to the eventual recipients unless it collects equivalent amounts from the orriginal asset. Short-term advances by the Bank with the right of full recovery of the amount lent plus accrued interest at market rates do not violate this condition.
        - The Bank/Group is prohibited by the terms of the transfer agreement from selling or pledging the original asset other than as security to the eventual recipients for the obligation to pay them cash flows..
        - The Bank/Group has an obligation to remit any cash flows it collects on behalf of the eventual recipients without material delay.

When the Bank/Group transfers a financial asset under the conditions set out above, it assesses the extent to which it maintains the risks and rewards of ownership of the financial asset, as follows:

- If the majority of the risks and rewards of ownership of the financial asset are transferred, the financial asset is derecognized and any rights and obligations created or retained in the transfer are recognized separately as assets or liabilities.

- If the majority of the risks and rewards of ownership of the financial asset are retained, the financial asset continues to be recognized.

- If the majority of the risks and rewards of ownership of the financial asset are neither transferred nor retained, it will determine whether the control over the financial asset was retained as follows:

• if no control has been retained, the financial asset is derecognized and any rights and obligations created or retained in the transfer are recognized separately as assets or liabilities.

• if control has been retained, the Bank continues to recognize the financial asset to the extent of its continued involvement in the financial asset

When the Bank/Group has transferred its rights to collect cash flows from a financial asset or has entered into a brokering commitment and it has neither transferred nor retained all the risks and rewards of the asset, nor transferred the control of the asset, the asset is recognized to the extent of the Bank/Group continues involvement. In that case, the Bank/Group also recognizes a related liability. The transferred financial asset and the related liability are measured on a basis that reflects the rights and obligations the Bank has retained. Continues involvement in the form of guaranteeing the transferred asset is measured at the lowest of the asset's carrying amount and the maximum amount that the Bank could be required to repay.

Securities sold with a repurchase agreement, at a specified future date (repos) continue to be recognized in the balance sheet as securities and are measured in accordance with the accounting policy applicable to that class of financial instruments. The obligation to repay the cash received is recognized under liabilities as repo operations reflecting the economic substance of a loan received by the Bank/Group.

Securities purchased under a similar commitment, to resell at a specified date (reverse repos), are not recognized in the statement of financial position and the receivables corresponding to the cash advance are recognized as asset in the statement of financial position as a reverse repo operation.

Financial liabilities are derecognized when and only when they are extinguished, namely when the obligation specified in the contract is discharged/ liquidated, cancelled or expires.

The financial asset or part of the financial asset, in the nature of loans and advances to customers, for which there are no reasonable expectations of recovery, is written-off in the category of contingent assets by direct reduction of gross value in line with impairment allowance previously established. This operation is carried out as there is no reasonable expectation that the aforementioned asset will generate future economic benefits for the Bank so that the definition of the asset in the overall IFRS framework is no longer met.

The Bank directly reduces the gross carrying amount of a financial asset by writing-off the part of the financial asset for which there is no realistic prospect of recovery. The Bank may write-of the financial asset either partially or in full.

Starting from 1 January 2018, under IFRS 9 (paragraph 5.4.4.), write-off constitutes a derecognition event.

6. RESTRUCTURED LOANS (FORBORNE)

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

• If the expected restructuring does not result in derecognition of the existing asset, then the expected cash flows arising from the modified financial asset are included in calculating the cash shortfalls from the existing asset;

• If the expected restructuring results in derecognition of the existing asset, then the expected fair value of the new asset is treated as the final cash flow from the existing financial asset at the time of its derecognition. This amount is included in calculating the cash shortfalls from the existing financial asset that are discounted from the expected date of derecognition to the reporting date using the original effective interest rate of the existing financial asset.

In accordance with the UE 575/2013 regulation, the restructured exposures are those loans for which restructuring measures have been taken which consists of concessions granted to a debtor which is facing or is about to face difficulties in meeting its financial commitments.

A concession might appear in the following set of conditions:

- The modification of the previous terms and conditions of a contract the debtor in unable to comply with due to its financial difficulties, in order to allow for sufficient debt service ability, and which would not have been granted if the debtor not been in financial difficuties.
- A total or partial refinancing of a troubled debt contract, that would not have been granted had the debtor not been in financial difficulties.

Performance-wise, the forborne exposures (loans) are classified as follows:

- non-performing restructured loans;
- performing restructured loans that are either in a probation period or out of the probation period;

If the restructuring measures apply to non-performing exposures or result in a diminished financial obligation, the loans fall in the category of non-performing restructured exposures.

A restructured loan stays classified as non-performing if at least one of the following conditions is fulfilled:

- Less than a year has passed since the last restructuring or since the end of the grace period after the last restructuring.
- The maximum number of days past-due per client in the last 12 months (at the end of the month) was equal or greater than 30;
- The number of days past-due per client is > 0 at the end of the 12 months passed from the restructuring date (end of month) or from the end of the grace period established after restructuring/at the reporting date after the expiry of the 12 months from the date of restructuring or the end of the grace period.

Restructured loans are out of the category of non performing loans and fall in the category of performing loans under probation if the following criteria are cumulatively met:

- At least one year has passed since last restructuring was implemented or since the end of the grace period established after the last restructuring;
- The client does not meet the other conditions to be classified as non-performing;
- Maximum number of days past-due in the last 12 months < 30;
- The number of days past-due = 0 at the end of 12 months from the date of the restructuring or from the end of the grace period established after the restructuring/at the reporting date after the expiration of 12 months from the date of the restructuring or from the end of the grace period.

The exposure is no longer classified as forborne when all the criteria presented below are met:

- Minimum 2 year probation period has passed since date when the exposure was considerred to be performing;
- Significant payments of principal and interest have been regularly made on half period of probation;
- At the end of probation, the exposure is performing and the client has no outstanding amounts.

k. Offsetting agreements

Financial assets and liabilities are offset and the net amount reported into the statement of financial position when, and only when, the Bank has a legally enforceable right to set off the recognized amounts and intends to settle on a net basis, or realize the asset and settle the liability simultaneously.

Income and expenses are not offset in the income statement unless required or permitted by IFRS or related interpretations, in which case they are specified in the accounting policies.

l. Fair value measurement

Fair value is the price that would be received from the sale of an asset or paid to settle a liability in a regular transaction between market participants at the measurement date, mainly or, in its absence, the most advantageous market to which the Bank/Group has access at that date. The fair value of a liability reflects the risk of not settling the respective liability.

When sufficient data is available, the Bank/Group measures the fair value of an instrument using quoted prices in an active market for that instrument. A market is considered active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted price in an active market, then the Bank/Group uses valuation techniques that maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

The chosen valuation technique incorporates all factors that market participants would take into account in pricing a transaction.

The best evidence of the fair value of a financial instrument at initial recognition is normally the transaction price – i.e. the fair value of the consideration given or received. If the Bank/Group determines that the fair value at initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique that uses only data from observable markets, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value at initial recognition and the transaction price. Subsequently, the respective difference is recognized in profit or loss appropriately over the life of the instrument but no later than when the valuation is entirely supported by observable market data or the transaction is closed out. The Bank/Group recognizes transfers between hierarchical levels of fair value at the end of the reporting period, as well as in the period when such transfers occur.

m. Impairment of financial assets

Staring from 1 January 2018 the Bank/Group has implemented IFRS 9 which replaces the "loss-incurred" model of IAS 39 with an "expected credit loss" model (ECL). Starting from 1 January 2018, the Group uses a forward-looking approach for expected credit losses (ECL) with respect to the following categories of financial assets: loans and deposits measured at amortised cost, debt securities measured at fair value through other comprehensive income, loan commitments and financial guarantee contracts and trade receivables.

The Bank/Group recognizes loss allowances for expected credit losses at each reporting date based on the following principles:

- The measurement of the impairment of financial assets is based on the recognition of the expected loss from credit risk;
- If, at the reporting date, the credit risk of the asset has significantly increased since the initial recognition, the allowance will be equal to the expected credit losses over the lifetime of the asset; otherwise, an adjustment will be calculated, which is equal to the expected credit loss over a time horizon equal to the minimum of the residual maturity of the exposure expressed in months and one year. For credit lines, ceilings and factoring agreements, adjustments will be calculated on a one-year horizon, irrespective of contractual maturity;
- Expected credit losses over the life of the asset for all instruments whose credit risk has significantly increased since initial recognition are recognized by taking into account the relevant available information and the future expectations of the Bank/Group;
- In the case of credit commitments and financial guarantee contracts, the date of initial recognition for the purpose of impairment calculation is the date when the Bank registrates the irrevocable commitment;
- At each reporting date, the Bank/Group assesses whether the credit risk of a financial instrument has significantly increased from initial recognition; assessment can be made at both individual and collective level (by grouping financial instruments with similar features).

The amount of expected credit losses must reflect:

- Analysis of a number of possible scenarios, weighted by the probability of the occurrence of these scenarios;
- Time value of money;
- Reasonable and justifiable information about past events, current conditions and expectations regarding future economic conditions.

For the impairment of Eximasig's receivables and subrogations, the Group proceeds to the individual analysis of each receivable, considering the number of days past due against the contractual maturity and the debtor's quality, including its legal status, as well as the recoverable amount of collaterals and other data and information available at the time loss allowances are determined.

PRESENTATION OF ALLOWANCE FOR ECL IN THE STATEMENT OF FINANCIAL POSITION

Expected credit losses are presented in the financial statements as follows:

- Financial assets measured at amortised cost: as a deduction from the gross carrying amount of the assets;
- Loan commitments and financial guarantee contracts: as a provision;
- Debt instruments measured at fair value in other comprehensive income: no loss allowance is recognized in the statement of financial position because the carrying amount of these assets is their fair value. However, the loss allowance is disclosed and is recognized in the fair value reserve.

n. Provisions

Provisions are recognized in the statement of financial position when the Bank/Group has a present obligation (legal or constructive) as result of a past event, it is probable that an outflow of economic benefits will be required to settle the liability and the obligation can be reliably measured.

When the Bank/Group expects some or the whole amount of provision to be cashed, for example under an insurance contract, the cash in is recognized as a separate asset, but only when the release is virtually certain.

The expense relating to any provision is presented in the statement of profit or loss net of any reimbursement.

o. Cash and cash equivalents

For the purpose of the cash flow statement, cash and cash equivalents include cash on hand, current accounts and short-term placements with other banks and the National Bank of Romania with an original maturity of less than 90 days.

p. Property, plant and equipment

Property and equipment represent assets that:

- Generate future economic benefits;
- Are meant to be used during the normal course of business by the Bank;
- Are used over a period longer that 1 year;
- Have an aquisition value higher or equal to RON 2,500, either as a separate item or as part of an aggregate of more components of the same item of property and equipment.

Tangible assets that do not qualify for recognition as property, plant and equipment are fully recognized in the statement of profit or loss at the date of placing into service and will be separately recorded, in the off balance sheet accounts.

Property and equipment includes:

a) Land and land improvements;
b) Constructions;
c) Office improvements;
d) Technical equipment and means of transportation;
e) Furniture, office equipment, protective equipment for human and material assets, and other tangible assets.

The Bank uses the revaluation model for the “Buildings” category, respectively the cost model for all the other items of property, including “Leasehold improvements”. If an asset is re-valued, all the assets in that group are re-valued except for the initial case when there is no active market for that respective asset.

After the recognition of an asset, a tangible asset measured at cost is subsequently measured at cost less any accumulated depreciation and/or any accumulated impairment losses. Until 30 June 2004, the cost has been determined by restating the historical cost in RON with the general price index for the period between acquisition date and reporting date.

After the initial recognition as an asset, an item of property classified as "Building" whose fair value can be reliably measured is carried at a revalued amount, representing its fair value at the date of revaluation less any accumulated depreciation and any accumulated impairment losses.

Revaluation surplus is included in equity and directly transferred in retained earnings when the asset is derecognized. Decreases in value are offset against any existing revaluation reserve for the respective asset. If such surplus does not exist or it is not sufficient for the decrease, the corresponding amount is recognized in the statement of profit or loss. The Bank re-valuates its "Buildings" portfolio every three years using professionally qualified valuators, members of ANEVAR body.

Depreciation of Property, Plant and Equipment is charged from the month following the date when the asset was put into operation until the full recovery of their cost, by using straight-line method.

Land is not depreciated. Leasehold improvements are depreciated using the straight-line method, over the shorter of the remaining lease term and their useful lives.

The annual depreciation rates and the useful lives are as follows:

Category	Useful Life	Annual Depreciation Rate
Buildings	50 years	2%
Office equipment	3 – 6 years	16,67% - 33,33%
Furniture and fixtures	5 – 24 years	4,16% - 20%
Motor vehicles	5 years	20%

Expenses with repairs and maintenance are charged to operating expenses as incurred. Subsequent expenditure on property, plant and equipment is only recognized as an asset when the expenditure improves the condition of the asset beyond the originally assessed standard of performance.

When the carrying amount of a tangible asset is greater than the estimated recoverable amount, it is written down to its recoverable amount. Gains and losses on disposals of property and equipment are determined by reference to their carrying amount and are included in the statement of profit or loss.

q. Intangible assets

Intangible assets owned by the Bank are assets acquired for own activities and include: computer software, licenses and other similar assets.

Intangible assets are initially recognized at cost. After the initial recognition, an intangible asset is recognized at its historical cost less any cumulated amortization and any cumulated impairment loss.

Intangible assets are amortised using the straight-line method over their useful life period estimated at 3-5 years. Licenses and other intangible assets are amortised over the contractual period or during the period they are available for use, whichever is appropriate.

r. Impairment of tangible and intangible assets

Tangible and intangible assets are assessed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Whenever the carrying amount of an asset exceeds its recoverable amount, an impairment loss is recognized in the statement of profit or loss for items carried at cost and treated as a revaluation decrease for assets that are carried at revalued amounts to the extent that the impairment loss does not exceed the amount held in the revaluation surplus for the same asset.

The recoverable amount is the higher of an asset's net selling price and value in use. The net selling price is the amount obtainable from the sale of an asset in an arm's length transaction while value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life. Recoverable amounts are estimated for separate assets or, if it is not possible, for the cash generating unit.

A release of an impairment loss recognized in prior years is recorded when there is an indicator that the impairment loss previously recognized no longer exists or has decreased. The release is recorded in the statement of profit or loss unless the asset is carried at a revalued amount in which case the release is treated as a revaluation increase.

s. Investment property

Real estate investments are either properties held for rent, or for capital appreciation, or both, but not for sale under normal course of business; they are used in curent activity or for other administrative purposes.

Investment property is initially recognized at cost, including the acquisition price and any other directly attributable expenses, and subsequently measured at their fair value, after initial recognition.

In order to transfer an investment property booked at fair value in the Bank's property and equipment, the presumed cost of the property used for its subsequent measurement in accordance with IAS 16, is the fair value at the date of change of use.

If a property used by the Bank changes to an investment property measured at fair value, the Bank applies IAS 16 until the change of use date, considering any difference at that date, between the carrying amount of the property and the fair value, as a revaluation performed in accordance with IAS 16.

The Group's accounting policies regarding subsequent measurement of investment properties is based on fair value model and it is consistently applied to all investement properties. Gains or losses resulting from changes in the fair value of investment properties are recognized in the profit or loss of the financial period in which they take place in accordance with IAS 40, without determining and booking any depreciation. Fair value of investment properties denotes market conditions as at reporting date.

A transfer to or from investment properties is made only if there is a change in utilization of the respective asset. For transferring an investment property, measured at fair value, to fixed assets category, the implied booking value of the assets will be its fair value at the date of utilization change.

An investment property is derecognized when disposed off or when the investment property is permanently retired of and can no longer provide future economic benefits from its withdrawal. The gains or losses which results from investment propery sale or disposal are recognized to the income statement at the date of such event.

t. Employee benefits

SHORT TERM BENEFITS GRANTED TO EMPLOYEES

Short term benefits represent employee benefits (other than employment termination compensations) which are due in full within twelve months from the period end in which the employees perform the service, and include salaries, social security contributions, annual paid leave and annual paid medical leave, bonuses, profit participation and non-financial benefits.

The Bank's remuneration policy also includees variable remuneration of the type non-cash as virtual shares for the identified personnel. The value of the virtual shares is calculated depending on the bank's equity. The virtual shares can be bought back during a period of 36 months.

Short term benefits given to employees are recognized as expenses when incurred.

SOCIAL SECURITY

The Bank/Group as well as its employees are legally required to make contributions described in the financial statements as social security contributions to the National Pension Fund, managed by the National House of Public Pensions (a defined contribution plan financed on a pay-as-you-go basis). The Bank/Group has no legal or constructive obligation to pay future benefits. Its only obligation is to pay the contributions as they become due. If the members of the National House of Public Pensions cease to be employed by the Bank/Group, there will be no obligation by the Bank/Group to pay the benefits earned by these employees in previous years. The Bank/Group's contributions are included in salaries and related expenses.

LONG TERM BENEFITS

Long term benefits include bonuses and profit participations which are not payable in full within twelve months from the delivery of services.

For services supplied by the employees during an accounting period, the Bank recognizes the undiscounted value of short/long term benefits to be paid as expenses, respectively as expenses booked in advance, only if the already paid value exceeds the undiscounted value of the benefits. The short/long term benefits are recognized as expenses excluding the cases in which these are capitalized in the cost of assets according to IAS 2 or IAS 16. The Bank recognizes the estimated cost of the short term benefits represented by cumulated paid leave during the financial period in which the services are provided.

COMPENSATIONS

Compensations for employment termination are employee benefits that are paid as a result of the Bank's/ Group's decision to terminate the employment contract of an employee before the legal retirement date, or grant compensations for the termination of the employment contract as a result of an offer made to encourage voluntary layoffs. The Bank/Group recognizes the employment termination compensations as liabilities or provisions only if the Bank engaged to terminate the employment contract of an employee or group of employees before the legal retirement date, or grant compensations for the termination of the employment contract as a result of an offer made to encourage voluntary layoffs.

POST-EMPLOYMENT BENEFITS

Post-employment benefits include benefits granted for retirement, classified as defined benefits plan valuated through actuarial methods based on the projected credit unit method.

A defined benefits plan is a plan that defines the amount that an employee will receive at the retirement date, usually depending on one or more factors, such as age, number of years of activity and salary. The liability recognized in the Bank's statement of financial position in relation to the defined benefits retirement plan, is the present value of the defined benefits at the reporting date, less the fair value of assets of the plan at which adjustments for unrecognized actuarial gains/losses and costs of past services are added.

In accordance with the collective employment contract, the Bank has the legal obligation to pay all employees benefits consisting of two monthly salaries, at the retirement date.

u. State funds and activity as agent on behalf of the State

In order to achieve its strategic objective, namely, supporting Romanian national economy, the Bank/Group acts as an agent, on behalf of and to the benefit of the State, by offering specific products and services such as granting loans, guarantees and insurance products to local market participants.

In accordance with articles of Law 96/2000, with subsequent amendments, EximBank S.A. uses the following State funds:

a) The fund for guarantee operations – article 10a of Law 96/2000
b) The fund for the insurance – reinsurance activity – article 10b of Law 96/2000
c) The fund for financing activity – article 10c of Law 96/2000

which are used for fulfilling commitments assumed by EximBank S.A. – on behalf of and to the benefit of the State (article 12, paragraph 1 of Law 96/2000)..

The temporarily available balances of the above mentioned funds are used by EximBank S.A. as borrowings for financing the Bank's own activity, so as to fulfill its goal of encouraging external commercial trading, promoting and developing the Romanian business environment (Law 96, chapter 4 "The Activity of EximBank S.A. in its own name and on its behalf "). The above mentioned funds may be used indefinitely by the Bank except for those amounts which in accordance with the provisions of the Convention are available for a fixed period of at least 5 years.

State funds used by EximBank are presented in the consolidated and separate statement of financial position as financial liabilities in the "Deposits from Public Ministry of Finance" caption, being initially recognized at fair value of the amounts received less transaction costs. In order to utilize these funds the Bank reinstates the funds with the corresponding interest defined by Law 96/ 2000, which is included as "Interest expense " in the consolidated and separate statement of profit or loss.

Assets and commitments financed using state funds are granted on behalf of and to the benefit of the State, without being controlled by the Bank and without generating economic benefits for EximBank, and as such they do not meet the recognition criteria defined by IFRS and the IASB framework. Consequently, these assets and commitments are not included in the financial position of the Bank/Group.

The Bank earns a commission income for managing State funds and for its operations as agent of the Romanian State, including a commission for managing assets, loans and commitments granted from State funds. This commission income is included in the statement of profit or loss in the "Fee and commission income" caption.

v. Financial guarantees

Financial guarantees are contracts whereby the Bank/Group assumes a commitment to make specific payments to the beneficiary of the financial guarantee to compensate the loss suffered by the beneficiary if a specific debtor fails to make payment when due in accordance with the terms of a debt instrument.

The financial guarantees are presented in the financial statements at fair value as contingent liabilities, related fees collected in advance being Amortised over the life of the financial guarantee referred.

The Bank/Group has not granted loan commitments at fair value through profit/loss account. For other loan commitments, starting from the 1 January 2018, the Bank/Group recognise an adjustment for expected losses in accordance with IFRS 9.

The debts that would result from the financial guarantees or loan commitments are included in the provisioning.

w. Income tax

Current income tax payable, based on tax legislation in force, is recognized as an expense in the period in which profits arise.

Deferred tax is determined, using the balance sheet method, for all temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred income tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantially enacted at the reporting date.

Deferred tax liability is recognized for all temporary differences between carrying amount of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes, which will determine taxable amounts in future periods.

Deferred tax assets are recognized for all differences between carrying amount of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes, for all unused tax losses and unused tax credits, to the extent that it is probable that future taxable profits will be available against which they can be used.

Current and deferred tax assets and liabilities are offset when they arise from the same tax reporting entity and relate to the same tax authority and when the legal right to offset exists.

The tax rate used to calculate the current and deferred tax at 31 December 2019 was 16% (31 December 2018: 16%).

x. Contingent assets and liabilities

A contingent liability is:

- A possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events, that are not wholly within th control of the Bank/Group; or
- A present obligation that arises from past events but is not recognised because:
  - it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or
  - the amount of obligation cannot be measured with sufficient reliability.

Contingent liabilities are not recognised in the financial statements, but are disclosed.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Bank. A contingent asset is not recognised in the financial statements but is disclosed in the explanatory notes when an inflow of economic benefits is probable.

y. Related Party

A counterparty is considered to be a related party to the Group or Bank if that counterparty:

a. Directly or indirectly through one or more intermediaries:

- Controls, is controlled or is jointly controlled by the Group or Bank (including parent companies and subsidiaries)

• Has an interest in the Group or Bank, which gives a significant influence over the Bank or

• Jointly controls the Group or Bank;

b. Is an associate of the Group or Bank;

c. Is a joint venture in which the Group or Bank is a member;

d. Is a key management personnel of the Group or Bank;

e. Is a relative of any of the persons mentioned at points a) to d);

f. Is an entity controlled, under joint control or significant influence, or has significant voting rights, directly or indirectly by any person mentioned at points d) or e) or

g. Is a post-employment defined benefit plan for the benefit of the Bank's employees, or for any entity which is a related party of the Bank.

The Ministry of Public Finance is a related party of the Group/Bank, also all entities in which the Ministry of Public Finance is the main shareholder are considered related parties.

Related parties transactions represent a transfer of resources or obligations between related parties, regardless of whether a price is charged. In considering the transactions with related parties, attention is given to both the substance and the legal form of respective transactions.

z. Equity reserves

The equity reserves registered into the Bank's/Group's statement of financial position include:

• Financial assets designated at fair value through other comprehensive income reserve which comprises in changes in fair value of these instruments, net of deferred tax;

• Property, plant and equipment reserve including changes in the fair value, net of deferred tax;

• Reserve from share capital restatement includes the difference resulted from the adjustment of share capital to inflation.

• Legal reserve - is determined as up to 5% of profit before tax.

• General reserve for banking risks - includes reserves set up until the end of 2006, in limits provided by law.

• Other reserves represent own funding sources from asset and tax facilities, set up according to the law provisions or from the net profit, as decided by the general shareholders meeting.

aa. Segment information

A segment is a distinct component of the Group/Bank engaged in providing products or services that are subject to risks that are different from those of other segments.

bb. Leasing contracts

POLICY APPLICABLE BEFORE 1 JANUARY 2019

A lease is classified as a finance lease if it transfers substantially all the risks and rewards in respect of the leased asset ownership. A lease is classified as an operating lease if it does not transfers substantially all the risks and rewards in respect of the leased asset ownership.

The leases entered into by the Bank/Group are primarily operating leases. The payments made under operating leases are charged entirely to other operating expenses in the statement of profit or loss on a straight-line basis over the period of the lease.

When an operating lease is terminated before contractual maturity, any penalty payment required to be made to the lessor is recognised as an expense in the period in which termination takes place.

POLICY APPLICABLE FROM 1 JANUARY 2019

Initial recognition and measurement

At the beginning of a contract, the Bank/Group assesses whether that contract is or contains a lease. A contract is, or contains, a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. At the commencement date, the Bank/Group, as lessee, recognizes a right-of-use asset and a lease liability.

Initial measurement of the right-of-use asset

At the beginning of the contract, the Bank/Group measures at cost the right-of-use asset.

Initial measurement of the lease liability

At the commencement date, the Bank/Group measures the lease liability at the present value of the lease payments that are outstanding on that date. Lease payments are discounted using the interest rate implicit in the lease if that rate can be determined immediately. If this rate cannot be determined immediately, the Bank/Group uses its incremental borrowing rate.

The incremental borrowing rate of the Bank/Group is the interest rate that the Bank/Group should pay to borrow for a similar period, in the same currency, with a similar collateral, the funds needed to obtain an asset with a similar value to that of the right-of-use asset, in a similar economic environment.

Subsequent measurement of the right-of-use asset

After the commencement date, the Bank/Group measures the right-of-use asset using the cost-based model, that is it measures the right-of-use asset at cost, less any accumulated depreciation and any accumulated impairment losses.

Subsequent measurement of the lease liability

After the commencement date, the Bank/Group measures the lease liability by increasing the carrying amount to reflect the interest associated with the lease liability and by reducing the carrying amount to reflect the lease payments made, reflecting, if applicable, any changes to the lease.

The interest on the lease liability for each period during the term of the contract must be the amount that produces a constant periodic interest rate on the remaining balance of the lease liability.

After the commencement date, the interest on the lease liability is reflected in profit or loss.

Excemptions from recognition:

The Bank/Group, as lessee, chooses to apply the exemptions permitted by IFRS 16:

- short-term leases and
- leases where the underlying asset has a low value.

Consequently, in the case of short-term leases and in the case of leases where the underlying asset has a small value, the Bank/Group recognizes the lease payments associated with these leases as an expense, using a straight line basis over the lease term.

Transition

The Bank/Group applies IFRS 16 using the modified retrospective approach, in the sense that it recognizes on the date of initial application (1 January 2019):

- a lease liability on the date of initial application. The Bank/Group measures the lease liability at the present value of the remaining lease payments, discounted on the basis of the incremental borrowing rate from the date of initial application.
- a right-of-use asset. The right-of-use asset is measured at a value equal to the lease liability on the date of initial application.

cc. Deposits (from clients, credit institutions), borrowings

Deposits received (from clients, credit institutions) and borrowings are initially recognised at fair value and subsequently measured at amortised cost; any difference between the costs, including the costs of transaction, and the recovery value are recognised in the profit or loss account during the period, by using the effective interest method.

The financial sources are mainly represented by the deposits received from clients and credit institutions.

dd. Insurance premium income

Gross written premium income include the received and receivable premiums related to all insurance contracts that enter into force during the financial year. Gross written premium include the received and receivable premiums related to those insurance contracts for which the related risk begin during the financial year. If the duration of the insurance contract is greater than one year, gross written premium income is recognised on a pro-rata basis over the period of the insurance policy, excepting contracts having single premium payment for the whole insurance policy. For insurance contracts in foreign currencies, gross written premiums are presented in lei at the historical exchange rate as at subscription date.

Income from gross written premium are disclosed net of premium canceled for the terminated contracts before their maturity date or as a consequence of not collecting of the relevant cash premium.

ee. Other Claims

Companys' receivables from third parties other than staff – customers and suppliers – are booked in sundry debtors. By taking into consideration the nature of the insurance operations, the subsidiary register into its accounting books receivables from damage claims with recourse rights.

Thus, subsequent to the payment of compensations in accordance with the insurance contract terms, the Bank/Group recognises the receivables from recourse rights against the responsible party for the insured incident/ risk.

ff. Reinsurance

Within its operating activity, the Group transfers part of the insurance risk. Reinsurance receivables represent balances due from reinsurance companies.

Group entitled benefits arising from reinsurance contracts are recognised as reinsurance assets. The Group discloses in its assets the ceded into reinsurance part of premium reserve and claim reserve.

The amounts due from or due to reinsurers are valued according to the total consideration of insurance-reinsurance contract and consistent with the terms and conditions of the respective insurance-reinsurance contract. The liabilities arising from reinsurance consist of premium payables and they are recognised as a charge in the profit and loss account.

Reinsurance receivables and payables against the same entity could be set-off, since the payments effected by the involved parties are similar in nature and maturity date, the settlement taking place in the same time.

Receivables and payables from current reinsurance operations result from current account settlements with reinsurers and brokers, related to ceded in reinsurance.

Ceded in reinsurance receivables are periodically reviewed, at least at each reporting date. In case of impairment triggers identified, are analysed on individual basis. The impairment adjustments of such receivables are measured based on the loss probability and are charged in the profit and loss account

gg. Technical reserves

PREMIUM RESERVE

Premium reserve is calculated on a monthly basis by summing-up the shares in the gross written premiums, corresponding to the unexpired periods of the insurance contract, as such as the difference between the volume of gross written premiums and this reserve reflects the gross premiums assigned to the part of the expired risks at the calculation date. This reserve is calculated separately for every insurance contract.

REPORTED BUT NOT SETTLED RESERVE (RBNS)

Reported but not settled reserve is calculated for reported claims pending settlement for every insurance contract for which an insured event has been notified, starting from the predictable expenses to be incurred in the future to settle these claims. The total amount reserve to be established is determined by summing up the amounts of the reserve calculated for every non-life insurance contract.

The components of the claim reserve are, as follows:

- The estimated amount of compensations due for the reported claim;
- Costs relating to the ascertainment and assessment of damages, relating to the services rendered by third parties;
- Damage settlement costs, relating to the services rendered by third parties.

INCURRED BUT NOT REPORTED CLAIM RESERVE (IBNR)

IBNR claim reserve is created and adjusted at least at the end of the financial year, based on the company's estimates, as to the claims amount for events occurred, not reported or not enough documented.

For IBNR reserve estimation, mainly the following methods, but not limited to, are used, depending on the insurance class: Chain-Ladder, development tables, Bornhuetter – Ferguson.

UNEXPIRED RISK RESERVE

The unexpired risk reserve is computed based on the estimation of claims to occur after financial year closing date, where it is ascertained that the costs relating to claims estimated in the future exceed the premium reserves established less the procurement costs deferred and, as a consequence, during the future periods the amount of the premium reserve calculated less the deferred procurement costs shall not suffice to cover the claims to arise over the following financial years.

LIABILITY ADEQUACY TEST

The subsidiary performs the technical reserves adequacy test in order to assess if the insurance contract liabilities recognised into the technical reserves are sufficient. The test makes use of the estimation of present value of the best estimate of the future expected contractual cash flows. If this test proves that the accounting value of the insurance liabilities less deferred acquisition costs are not adequate, the whole amount of difference is recognised as charge in the profit and loss account. The test of technical reserves adequacy is carried out at least on an annual basis, as at closing date of financial exercise, based on gross cash flows.

The adequacy test of technical reserves for unexpired risks consist in comparison of the following two elements:

1 Premium reserve less deferred acquisition costs;

2 The summing-up of estimated claims (including legal costs) and the administration costs.

If the value at point 1) is lower than the one at point 2) then the level of reserves is considerred not to be satisfactory and it triggers a corresponding decrease in the balance of the deferred acquisition costs; if the balance of deferred acquisition costs is not sufficient, an additional reserve should be booked.

The subsidiary makes use of its best assumptions, as follows:

- Future claims (including legal costs) are estimated based on the annual final claim rate, per each underwriting year and per each insurance class; by taking into account the fact that most of the unexpired risks came from the last underwriting year/years; the administration expenses are estimated based on the average of the relevant expenses incurred for the whole insurance portfolio (less the acquisition costs included into deferred acqusition expenses);
- Recovery rate from claims is computed by dividing total proceeds from claims per each insurance class on the final amount necessary for claims payment in each period (ultimate incurred claims).

The liabilities adequacy test as at 31 December 2019 revealed a total deficiency amounting RON 295 thousand (31 December 2018: RON 1,610 thousand).

hh. Correction of accounting errors

Correction of an accounting error is performed at the date when the error is identified, with the following remarks:

- The errors belonging to the current financial year are corrected, before the financial statements are authorised for issuing, by reversing the incorrect transaction and posting the appropriate one;
- The errors belonging to the prior financial year are corrected according to their materiality level either by posting them to retained earning in case of significant errors ot to profit and loss account, for the other cases;
- In case of accumulated loss resulted from correction of an error, this loss is coverred before profits are distributed;
- Correction of the prior year errors does not involve a modification of prior year financial statements and hence they remain unchanged as they have been published;
- In case of error correction posted to retained earnings, the Bank/Group takes the following actions:
  - Makes the restatement of the prior period(s) comparatives when such an error has occurred;
  - If the error has occurred before the prior periods disclosed in the financial statements, then the opening balances of the earliest prior period are fully restated for all assets, liabilities and shareholders' equity accounts.

ii. Subsequent events

Adjusting subsequent events – that bring additional new information about Bank's/Group's financial position as at balance sheet date or they denote that continuity principle is not fulfilled – are dully disclosed in the financial statements. Non-adjusting subsequent events are disclosed in the notes to financial statements when it is ascertained to have significant impact.

jj. The impact of transition to IFRS 16

The Bank has adopted IFRS 16, Leases, as of 1 January 2019, with certain simplifications and exemptions, and does not present modified comparative figures for the 2018 reporting period, as permitted in the transitional provisions of IFRS16.

When adopting IFRS 16, the Bank recognized lease liabilities in relation to rental expenses that were previously classified as operating expenses. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental financing rate from 1 January 2019 with a weighted average lessee financing rate applied to the lease liabilities on 1 January 2019.

When applying IFRS 16 for the first time, the Bank used the following practical expedients permitted by the standard:

- applying a single financing rate to a leasing portfolio with reasonably similar characteristics;
- accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as a short-term leases; and
- use of judgments in determining the lease term in which the contract contains options to extend or terminate the lease.

The change in accounting policy affected the following items in the statement of financial position as at 1 January 2019.

thousand RON	Bank Balance as at 1 January 2019	Group Balance as at 1 January 2019
Right-of-use	28.853	29.942
Total right-of -use assets	**28.853**	**29.942**
Total lease liability	**28.853**	**29.942**

The right-of-use assets were measured at the value equal to the lease liability. There were no onerous leases, which would have required an adjustment of the right-of-use asset at the date of initial application.

The right-of-use asset refers to spaces rented by the Bank for carrying out the activity of both the Branches and the headquarters.

03. INTEREST INCOME

	31 Dec 19		31 Dec 18	
Interest income related to:	**Group**	**Bank**	**Group**	**Bank**
Loans to customers	163.518	163.520	133.957	135.077
Current accounts and deposits with banks	16.453	15.952	5.184	4.781
Negative interest on deposits taken	107	107	590	590
Reverse repurchase agreements	1.182	1.182	671	671
Bonds and government securities at fair value through other comprehensive income	49.142	49.142	41.299	41.299
Bonds and government securities at amortised cost	19.314	18.696	19.378	18.758
	249.716	**248.599**	**201.079**	**201.176**

The interest income related to impaired loans, both at Group and Bank level, amounted to RON 13,450 thousand in 2019 and RON 16,783 thousand in 2018 respectively.

04. INTEREST EXPENSE

	31 Dec 19		31 Dec 18	
Interest expense related to:	Group	Bank	Group	Bank
Deposits taken from MPF	57.169	57.169	37.120	37.120
Deposits taken from banks	3.692	3.642	6.163	6.166
Negative interest on deposits placed with banks	3.757	3.757	737	737
Customers deposits	85.819	85.846	47.526	47.526
	150.437	**150.414**	**91.546**	**91.549**

The methodology for determining the interest expense on deposits taken from Ministry of Public Finances (MPF) as well as details referring to the year on year variation are presented below in Note 23.

05. RELEASE/(CHARGE) ON IMPAIRMENT OF FINANCIAL ASSETS, COMMITMENTS AND GUARANTEES

	31 Dec 19		31 Dec 18	
	Group	Bank	Group	Bank
Release/(Charge) from loans allowances (see note 17)	-47.786	-47.786	47.045	47.045
Purchased or originated credit-impaired *)	947	947	14.712	14.712
Recoveries from loans written-off	667	667	24.363	24.363
Gain /(loss) from adjustments for impairment of sundry debtors (see note 21)	-1.238	255	920	206
Recoveries from sundry receivables previously written-off	322	322	1.365	1.365
Adjustments of expected losses – credit institutions	236	236	-10	-10
Adjustments of expected losses – securities at amortised cost and at fair value through other comprehensive income	-146	-146	-151	-151
Provisions for commitments and contigent liabilities (see note 26)	2.958	2.958	-5.806	-5.806
Allowances for the impairment of investments in subsidiaries (see note 18)	-	-	-	-9.997
	-44.040	**-42.547**	**82.438**	**71.727**

*) The amount of RON 14,712 thousand relating to 2018 represents purchased or originated credit-impaired loans recognised by the Bank in the balance sheet following the analysis on the recoverability of financial assets. In 2019, the amount of RON 947 thousand represents recoveries related to originated credit impaired loans over the 2018 recognition value.

06. NET TRADING INCOME

	31 Dec 19		31 Dec 18	
	Group	Bank	Group	Bank
Gain/(Loss) from foreign exchange differences	**27.879**	**27.293**	**14.337**	**14.264**
Gain/(Loss) from interest rate derivatives	-1.809	-1.809	908	908
Gain,(Loss) from foreign exchange derivatives	7.812	7.812	4.525	4.525
Gain/(Loss) from trading of financial instruments designated at fair value through profit and loss	6.481	6.481	2.388	2.388
Gain/(Loss) from trading financial instruments	**12.483**	**12.483**	**7.821**	**7.821**

Gains/(Losses) from foreign exchange differences include the following:

- Gains or losses arising from foreign exchange spot transactions;
- The net result arising from the revaluation of all assets and liabilities denominated in foreign currencies.

Gains/(Losses) on derivative financial instruments include the following:

- Unrealized gains or losses related to interest rate derivatives (determined based on alternative valuation methods using market observable data);
- Unrealized gains or losses related to derivatives on exchange rate transactions, unsettled at the balance sheet date (determined based on alternative valuation methods using market observable data);
- Unrealized gains or losses related to fixed income bonds designated as trading (determined based on market quotations).

07. NET GAIN FROM FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

During the financial year of 2019, the Group/Bank recorded a gain of RON 1,538 thousand from the ceding of financial instruments at fair value through other comprehensive income, mainly government securities and bonds. By comparison, in 2018 the Group/Bank did not have any records of ceding financial assets at fair value through other comprehensive income.

08. NET FEE AND COMMISSION INCOME

	31 Dec 19		31 Dec 18	
Commission income	**Group**	**Bank**	**Group**	**Bank**
Commissions income from transactions with clients	689	689	1.141	1.141
Commissions income from letter of guarantees	19.178	19.178	12.367	12.367
Commissions income from mandate operations, out of which:	31.521	31.521	25.983	25.983
Commision from Romanian state on mandate operations	17.151	17.151	11.136	11.136
Commissions income from intermediaries and beneficiaries of products offered on behalf of the State	14.370	14.370	14.847	14.847
Commissions income from import letters of credit	336	336	213	213
Commissions income from banking transactions	486	488	635	635
Other commissions income	7.741	7.740	5.182	5.182
	59.951	**59.952**	**45.521**	**45.521**
Commission expense	-12.795	-12.766	-6.699	-6.676
Net fee and commission income	**47.156**	**47.186**	**38.822**	**38.845**

Details regarding the computation of commission income from state funds mandate operations as well as details referring to the annual variation are presented below in Note 24.

09. NET INCOME FROM INSURANCE ACTIVITIES

	31 Dec 19		31 Dec 18	
Net income from insurance activities	**Group**	**Bank**	**Group**	**Bank**
Gross written premium income, net of reinsurance (a), out of which:	10.995	-	7.491	-
Gross written premium	16.894	-	10.976	-
Premiums ceded to reinsurance	-5.899	-	-3.485	-
Technical reserves variation expenses, net of reinsurance	-432	-	-1.330	-
Income from reinsurance commissions	1.071	-	484	-
Acquisition and other underwriting expenses	-343	-	-1.996	-
Other technical expenses, net of reinsurance (b), out of which:	-452	-	-210	-
Claims related to insurance contracts	-8.563	-	-549	-
Claims ceded to reinsurance	8.111	-	339	-
Income from insurance, net	**10.839**	**-**	**4.439**	**-**

(a) Income from gross written premiums include mainly premiums from insurance for loans, guarantees, fire and other natural disasters ;

(b) Other technical expenses, net of reinsurance, include mainly credit insurance claims paid.

10. OTHER INCOME

	31 Dec 19		31 Dec 18	
Other income	**Group**	**Bank**	**Group**	**Bank**
Income from contractual penalties	457	457	792	792
Other income	640	490	359	257
Operational leasing income (rentals)	3.909	3.909	4.382	4.382
Dividends and similar income	485	485	581	581
	5.491	**5.341**	**6.114**	**6.012**

11. SALARIES AND ASSIMILATED EXPENSES

	31 Dec 19		31 Dec 18	
	Group	**Bank**	**Group**	**Bank**
Salaries expenses and assimilated expenses	72.802	65.717	60.527	55.111
Provision releases, utilizations, charges	-3.169	-3.169	7.283	7.283
Total salaries expenses	**69.633**	**62.548**	**67.810**	**62.394**
Payments related to collaborators (i)	15.420	15.420	10.875	10.875
Provision releases, utilizations, charges	-4.370	-4.370	2.252	2.252
Total collaborators expenses	**11.050**	**11.050**	**13.127**	**13.127**
Layoff compensation payments	-	-	-	-
Provision releases, utilizations, charges	-	-	-	-
Total layoff expenses	**-**	**-**	**-**	**-**
Employers' contribution related to salaries	**2.354**	**2.181**	**1.940**	**1.814**
Retirement compensatory expenses	48	48	110	110
Provision releases, utilizations, charges	302	302	83	83
Total retirement benefits	**350**	**350**	**193**	**193**
Other salary related expenses	**1.110**	**1.110**	**784**	**784**
Total salaries and assimilated expenses	**84.497**	**77.239**	**83.854**	**78.312**

Details regarding the movement in provisions are presented below in note 26.

(i) Expenses with collaborators include the rights of administrators, executives and non – executives under mandate contracts, as well as indemnities for General Shareholders Meeting members and members of the Interministerial Committee for Foreign Trade, Loans and Guarantees, in accordance with Law 96/2000 (note 23, "State Funds ").

12. OTHER OPERATING EXPENSES

	31 Dec 19		31 Dec 18	
	Group	Bank	Group	Bank
Taxes	1.255	1.104	1.059	904
Postal and telecommunication expenses	3.299	3.217	3.104	3.042
Maintenance expenses	6.905	6.610	5.872	5.641
Advertising, protocol and sponsorship expenses	1.981	1.821	2.573	2.472
Consumables	1.539	1.389	1.567	1.442
Water and energy	938	938	727	727
Rent expenses	55	55	5.584	5.584
Consulting services	3.437	2.898	3.316	3.040
Other services provided by third parties	3.116	2.579	3.551	2.660
Security exspenses	751	751	648	648
Expenses on Deposits' Guarantee Fund and the bank resolution fund	6.485	6.485	2.821	2.821
Other expenses	673	357	554	287
	30.434	**28.204**	**31.376**	**29.268**

Group/Bank audit and non-audit expenses related to services provided by the statutory auditor are disclosed below:

	31 Dec 19		31 Dec 18	
	Group	Bank	Group	Bank
Statutory audit expenses	505	283	411	264
Non-audit service expenses	42	42	117	117
Expenses with statutary auditor	**547**	**325**	**528**	**381**

13. INCOME TAX

The main components of income tax are:

	31 Dec 19		31 Dec 18	
	Group	Bank	Group	Bank
Current income tax	3.093	3.093	20.734	20.734
Deferred income tax	1.861	1.861	926	926
	4.954	**4.954**	**21.660**	**21.660**

Reconciliation of tax expense to the accounting profit is presented below:

	31 Dec 19		31 Dec 18	
	Group	**Bank**	**Group**	**Bank**
Profit before tax (A)	**34.020**	**33.279**	**142.561**	**135.131**
Tax rate: 16%	**5.443**	**5.325**	**22.810**	**21.621**
Tax effect of non-taxable income	-9.265	-9.265	-11.940	-11.796
Tax effect of non-deductible expenses	7.793	7.492	15.734	15.663
Tax effect – reserves distributions	-268	-266	-1.083	-1.081
Tax effect of tax deductions/prudential filters	0	0	-3.498	-3.498
Impact of tax losses carried forward	-417	0	-1.114	-
Tax on profit before tax credit	**3.286**	**3.286**	**20.909**	**20.909**
Tax credit	-193	-193	-175	-175
Current profit tax	**3.093**	**3.093**	**20.734**	**20.734**
Effect of origination and reversal of temporary differences	1.861	1.861	926	926
Income tax recognized in profit and loss (B) (+) = expense/(-) =income	**4.954**	**4.954**	**21.660**	**21.660**
Effective tax rate (B/A%)	**14,6%**	**14,9%**	**15,2%**	**16,0%**

The differences between the fiscal regulations and accounting standards used in preparing these financial statements generated temporary differences in the carrying amount of assets and liabilities, for which deferred tax is applied.

Bank/Group*	Statement of financial position		Statement of profit or loss	
Deferred tax	**2019**	**2018**	**2019**	**2018**
IFRS 9 implementation	-	-	-	-5.975
Retirement benefits	246	198	48	14
Other provision regarding employees	1.421	2.627	-1.206	1.537
Provisions for letters of guarantee and credit commitments	2.544	2.952	-408	1.661
Impairment of investment in subsidiaries	-	-	-	-
Prudential filters	-	-	-	1.510
Adjustments for expected losses for securities	32	327	-295	327
	4.243	**6.104**	**-1.861**	**-926**
Transfer to current income tax	-	-	-	-
	4.243	**6.104**	**-1.861**	**-926**
Deferred through equity				
Reevalution reserve	**-4.990**	**-4.889**	-	-
The reevaluation of financial instruments at fair value through other comprehensive income	**804**	**2.799**	-	-
Net deferred tax	**57**	**4.014**	**-1.861**	**-926**

*) The value of deferred tax is the same for Bank and Group

The Bank/Group computed deferred income tax using the statutory tax rate of 16% in 2019 and 2018, tax rate which is applicable since 1 January 2005.

The Bank/Group did not compute deferred income tax for the statutory reserves recognized in accordance with Romanian Banking and Company Laws considering the applicable tax framework.

14. ACCOUNTS WITH THE NATIONAL BANK OF ROMANIA

	31 Dec 19		31 Dec 18	
	Group	Bank	Group	Bank
Current accounts in RON	326.576	326.576	231.357	231.357
Current accounts in foreign currency	359.681	359.681	511.516	511.516
Adjustments for expected losses	-130	-130	-189	-189
Total	**686.127**	**686.127**	**742.684**	**742.684**

Current accounts in RON at the National Bank of Romania represent the minimum mandatory reserve. The balance as at 31 December 2019 is higher than the one as at 31 December 2018 due to the higher average reservable liability balances during the applicable period, namely RON 293,833 thousand for 24 December 2019 - 23 January 2020 compared to RON 229,418 thousand for the period 24 December 2018 - 23 January 2019. The exposures with NBR are allocated in stage 1 and for these the Bank calculated, in accordance with IFRS 9, adjustments for expected losses in total amount of RON 130 thousand as at 31 December 2019 and RON 189 thousand as at 31 December 2018 respectively.

For liabilities in foreign currency, minimum mandatory reserve kept in the accounts opened with National Bank of Romania, complies with the calculated average level of EUR 21,502 thousand for period 24 December 2019 – 23 January 2020. For the period 24 December 2018 - 23 January 2019 the calculated level of minimum reserve requirements was EUR 24,544 thousand. As at 31 December 2019, the Bank recorded a total balance of RON 256,954 thousand in the euro account opened at NBR designed for settlements through the TARGET 2 system, against RON 445,833 thousand as at 31 December 2018.

The interest rate paid by National Bank of Romania in 2019 varied in a range between 0.20% and 0.23% for minimum reserves held in RON (2018: between 0.09% and 0.23%), while for the reserves held in Euro the interest rate paid ranged between 0.01% - 0.02% (2018: 0.02%).

As at 31 December 2019, the minimum reserve requirements rate was set at 8% for both local currency and balances denominated in USD or EUR (31 December 2018: 8% for RON and 8% for USD or EUR).

15. DUE FROM BANKS

	31 Dec 19		31 Dec 18	
	Group	Bank	Group	Bank
Repayable on demand and sight deposits	461.317	460.723	206.580	206.560
Term deposits	431.288	402.866	585.854	561.616
Collateral deposits	5.664	5.664	0	0
Adjustments for expected losses	-81	-81	-249	-249
Total	**898.188**	**869.172**	**792.185**	**767.927**

The exposures to credit institutions are allocated in stage 1 and the Bank calculated as at 31 December 2019 adjustments for expected losses of RON 81 thousand in accordance with IFRS 9 provisions (as at 31 December 2018 RON 249 thousand).

Adjustments for expected losses for the exposures to credit institutions and NBR are in the amount of RON 211 thousand as at 31 December 2019 (RON 81 thousand for exposures to credit institutions and RON 130 thousand for exposures to NBR) and respectively RON 438 thousand as at 31 December 2018 (RON 249 thousand for exposures to credit institutions and RON 189 thousand for exposures to NBR).

Adjustments for expected losses – finacial institutions, including NBR	Stage 1	Stage 2	Stage 3	Total
Balance as at 1 January 2019	**438**	**-**	**-**	**438**
Increase due to issuing or acquisition	211	-	-	211
Decrease due to derecognition	-438	-	-	-438
Balance as at 31 December 2019	**211**	**-**	**-**	**211**

Adjustments for expected losses – receivables from financial institutions, including NBR	Stage 1	Stage 2	Stage 3	Total
Balance as at 1 January 2018	**424**	**-**	**-**	**424**
Increase due to issuing or acquisition	438	-	-	**438**
Decrease due to derecognition	-424	-	-	**-424**
Balance on 31 December 2018	**438**	**-**	**-**	**438**

16. DERIVATIVE FINANCIAL INSTRUMENTS

The Bank/Group was engaged in operations with derivative financial instruments that did not mature and were not settled as follows:

		Fair Value	
	Notional	**Assets**	**Liabilities**
2019: Derivative Financial Instruments	**694.539**	**3.025**	**1.016**
Forex Swap Instruments	567.227	2.938	-
Rating Moody's A1	-	-	-
Rating Moody's A2	-	-	-
Rating Moody's Baa1	534.809	2.657	-
Rating Moody's P1	23.896	217	-
No rating	8.522	64	-
Forex Forward Instruments (no rating)	39.429	86	58
Interest rate instruments (A2)	87.883	-	958
2018: Derivative Financial Instruments	**703.019**	**4.496**	**756**
Forex Swap Instruments	536.302	2.653	161
Rating Moody's A1	49.437	263	-
Rating Moody's A2	61.711	79	50
Rating Moody's Baa1	231.773	1.824	89
Rating Moody's P1	93.278	378	-
No rating	100.103	109	22
Forex Forward Instruments (no rating)	82.695	92	595
Interest rate instruments (A2)	84.022	1.751	-

The exchange rate derivatives are revalued using the forward rate for the remaining tenor, determined based on the NBR spot rate and the interest reference rate for the remaining period, while the market value of interest rate derivatives (denominated in USD) is calculated using the "zero-coupon" yield curve for government bonds in USD.

17. LOANS

	31 Dec 19		31 Dec 18	
	Group	Bank	Group	Bank
Loans in RON - public authorities	613.641	613.641	456.230	456.230
Loans in RON – corporate clients	2.112.504	2.112.504	2.144.228	2.144.228
Loans in foreign currency- corporate clients	1.276.295	1.276.295	820.608	820.608
Total exposure	**4.002.440**	**4.002.440**	**3.421.066**	**3.421.066**
Expected losses for loans in RON– public authorities	-93	-93	-90	-90
Expected losses for loans in RON – other legal	-114.993	-114.993	-76.043	-76.043
Expected losses for loans in foreign currency – other legal entities	-31.857	-31.857	-23.447	-23.447
Expected losses for impaired loans	-100.355	-100.355	-55.272	-55.272
Expected losses stage 1 and 2	-46.588	-46.588	-44.308	-44.308
Total expected losses adjustments	**-146.943**	**-146.943**	**-99.580**	**-99.580**
Total loans, net	**3.855.497**	**3.855.497**	**3.321.486**	**3.321.486**

a) Movement in expected losses

	31 Dec 19		31 Dec 18	
	Group	Bank	Group	Bank
Initial balance for expected losses, out of which:	**99.580**	**99.580**	**146.529**	**146.529**
Adjustments for expected losses	105.176	105.176	150.942	150.942
Unrecognised interest for impaired loans	-5.596	-5.596	-4.413	-4.413
Gain (+) /Loss(-) from allowances in current period	**46.755**	**46.755**	**-47.045**	**-47.045**
Adjustments for expected losses	43.807	43.807	-45.862	-45.862
Unrecognised interest for impaired credits	-2.948	-2.948	-1.183	-1.183
Allowances cancellation for expected losses from write-off	-	-	-	-
Allowances cancellation for expected losses/impairement	-	-	-	-
Unrecognised interest for impaired credits	-	-	-	-
Exchange rate differences	**608**	**608**	**96**	**96**
Allowances related to impaired loans	614	614	96	96
Unrecognised interest for impaired loans	-6	-6	0	0
Allowances for expected losses, final balance:	**146.943**	**146.943**	**99.580**	**99.580**
Unrecognised interest for impaired credits	-2.654	-2.654	-5.596	-5.596

Allowances for expected losses - loans	2019				2018			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Balance as at 1 January	**-34.549**	**-9.759**	**-55.272**	**-99.580**	**-53.401**	**-11.020**	**-82.108**	**-146.529**
Increase due issuing or acquisition	-10.347	-7.435	-1.112	**-18.894**	-11.262	-3.893	-702	**-15.857**
Decrease due to derecognition	8.349	171	285	**8.805**	7.745	3.077	3.728	**14.550**
Change in credit risk (net) – stage migration	2.645	-679	-12.433	**-10.467**	1.910	-396	-4.120	**-2.606**
Increase or decrease due to changes other than derecognition (net)	3.374	1.643	-31.824	**-26.807**	20.459	2.473	27.930	**50.862**
Decrease in allowances due to write-off	-	-	-	-	-	-	-	-
Balance as at 31 December	**-30.528**	**-16.059**	**-100.356**	**-146.943**	**-34.549**	**-9.759**	**-55.272**	**-99.580**

b) Analysis by industry

	31 Dec 19		31 Dec 18	
	Group	Bank	Group	Bank
Public authorities	**613.641**	**613.641**	**457.234**	**457.234**
Other economic sectors, out of which:	**3.388.799**	**3.388.799**	**2.963.832**	**2.477.923**
A. Agriculture, forestry and fishing	388.606	388.606	151.517	151.517
B. Mining industry	230.588	230.588	144.373	144.373
C. Manufacturing	1.304.380	1.304.380	1.199.020	1.199.020
D. Electricity, gas, steam and air conditioning supply	93.898	93.898	30.805	30.805
E. Water supply	100.150	100.150	104.642	104.642
F. Construction	74.320	74.320	81.434	81.434
G. Retail and wholesale trade	506.194	506.194	465.672	465.672
H. Transportation and storage	307.954	307.954	306.744	306.744
I. Accommodation and restaurants	18.044	18.044	17.467	17.467
J. Information and communication	26.551	26.551	22.896	22.896
K. Financial services	274.532	274.532	393.097	393.097
L. Real estate activities	2.201	2.201	3.569	3.569
M. Professional, scientific and technical activities	34.458	34.458	31.588	31.588
N. Administrative and support activities	18.474	18.474	9.576	9.576
P. Education	592	592	404	404
Q. Health and social work services	7.668	7.668	882	882
R. Other services	189	189	146	146
Total portfolio	4.002.440	4.002.440	3.421.066	3.421.066

Out of the total loan portfolio, the Bank/Group is primarily financing the companies with Romanian residency, but also external factoring to other non-resident import factors.

c) Analysis of loan portfolio quality, before impairment adjustments

	31 Dec 19		31 Dec 18	
	Group	**Bank**	**Group**	**Bank**
Total unimpaired loans (stage 1 and 2)	**3.773.538**	**3.773.538**	**3.121.968**	**3.121.968**
Current	3.610.195	3.610.195	3.097.589	3.097.589
Overdue and unimpaired	163.343	163.343	24.379	24.379
Total impaired loans (stage 3), out of which:	**228.902**	**228.902**	**299.098**	**299.098**
Overdue < 30 days	146.344	146.344	210.743	210.743
Overdue > 30 days	82.558	82.558	88.355	88.355
Total portfolio, gross value	**4.002.440**	**4.002.440**	**3.421.066**	**3.421.066**

	31 Dec 19		31 Dec 18	
	Group	**Bank**	**Group**	**Bank**
Stage 1	3.310.460	3.310.460	2.956.589	2.956.589
Stage 2	463.078	463.078	165.378	165.378
Stage 3	218.842	218.842	284.387	284.387
Impaired at origination loans (stage 3)	10.060	10.060	14.712	14.712
Total portfolio, gross value	**4.002.440**	**4.002.440**	**3.421.066**	**3.421.066**

Credit exposures – transfers between stages:

In 2019: **Transfers between stage 1 and stage 2**		**Transfers between stage 2 and stage 3**	
Transfer from stage 2 to stage 1	62.220	Transfer from stage 3 to stage 2	125
Transfer from stage 1 to stage 2	199.479	Transfer from stage 2 to stage 3	68.335

In 2018: **Transfers between stage 1 and stage 2**		**Transferuri intre stadiu 2 și stadiul 3**	
Transfer from stage 2 to stage 1	10.460	Transfer from stage 3 to stage 2	3.721
Transfer from stage 1 to stage 2	90.466	Transfer from stage 2 to stage 3	69.861

The distribution of loan indirect exposures (loan commitments and letter of guarantees) by sector industries is presented into the table below:

	31 Dec 19		31 Dec 18	
	Loan commitments	Letters of Guarantee	Loan commitments	Letters of Guarantee
A. Agriculture. forestry and fishing	229.847	82.556	86.621	70.016
B. Mining industry	123.856	257.144	147.383	155.482
C. Manufacturing	265.589	217.198	270.426	211.425
D. Electricity and gas supply	-	217.140	2.125	130
E. Water supply	77.038	74	87.460	514
F. Construction	49.184	422.145	12.749	385.086
G. Retail and wholesale trade	145.441	110.040	148.524	75.683
H. Transportation and storage	23.055	1.123	43.956	1.055
I. Accommodation and restaurants	4.834	150	3.859	-
J. Information and communication	10.519	78.008	7.424	54.768
K. Financial intermediation	205.655	-	188.984	-
L. Real estate transactions	-	35.000	-	10.000
M. Professional. scientific and technical activities	53.963	26.210	88.784	33.382
N. Administrative and support activities	7.057	3.567	10.344	2.993
O. Local And Central Administrations	540.714	-	92.798	-
P. Education	199	-	31	-
Q. Services regarding health and social assistence	3.392	-	7.390	-
R. Art. entertainment and leisure actvities	-	760	-	746
S. Other services	2.598	25.077	2.661	25.076
Total portfoliu	**1.742.941**	**1.476.192**	**1.201.519**	**1.026.356**

18. INVESTMENTS

a) Investments in subsidiaries

	31 Dec 19		31 Dec 18	
	Group	Bank	Group	Bank
Investments in subsidiaries	-	81.353	-	80.763
Impairment adjustments	-	-47.307	-	-47.307
Subordinated loan convertible into shares	-		-	591
Total	**-**	**34.046**	**-**	**34.047**
% interest owned		98,57%		98,55%

The impairment test performed by the Bank as at 31 December 2019 showed no indications of impairment, the total amount of impairment in EximAsig subsidiary being adequate (RON 47,307 thousand both as at 31 December 2019, and 31 December 2018). As a result, the Bank recorded no impairment allowance in 2019 and in 2018 it recorded an impairment allowance in amount of RON 9,997 thousand.

As at 31 December 2018, the evaluation of the Bank's participation in EximAsig using the income approach is based on the net present value of future cash flows estimated for a seven-year period, which remains available to shareholders. The projection of future cash flows was based on the data estimated by EximAsig subsidiary for the period 2019-2025. The value thus obtained was compared with the value of the net assets held by EximBank, and based on professional judgment the Bank decided that the valuation of the subsidiary should be made by relating the net book value of EximBank investment to the value of equity held in EximAsig. The same approach was maintained in the evaluation conducted as at 31 December 2019.

b) Investments designated at fair value through other comprehensive income

	31 Dec 19		31 Dec 18	
	Group	Bank	Group	Bank
Debt instruments – municipality bonds and securities (cost)	1.503.468	1.503.468	1.651.621	1.651.621
Accrued interest	30.610	30.610	33.138	33.138
(Decrease)/increase in fair value of investments	-6.210	-6.210	-18.955	-18.955
Total investments at fair value	**1.527.868**	**1.527.868**	**1.665.804**	**1.665.804**
Other investments at cost	**1.347**	**1.347**	**1.451**	**1.451**
Total*)	**1.529.215**	**1.529.215**	**1.667.255**	**1.667.255**

As at 31 December 2019, the Bank/Group holds in stage 1 the following categories of fixed income financial instruments:

a. Debt instruments of central government denominated in lei, issued by the Ministry of Public Finance of Romania;

b. Debt instruments of central government denominated in foreign currency, issued by Ministry of Public Finance of Romania;

c. Bonds issued by other credit institutions;

d. Bonds issued by the Bucharest Municipality.

Investments designated at fair value through other comprehensive income are measured based on market prices of listed securities (classified as level 1) or using alternative valuation techniques in the case of bonds issued by other credit institutions (classified as level 2). Holdings of shares are valuated at fair value through other comprehensive income according to IFRS 9 as at 31 December 2019.

In order to determine the fair value of available for sale securities, classified as level 2, for which market prices are not quoted, the Bank/Group uses valuation techniques based on observable market data; price is calculated based on observable data (interest rates, swap quotes, CDS quotations), retrieved from markets corresponding to currencies in which the securities owned are denominated.

	31 Dec 19		31 Dec 18	
	Group	Bank	Group	Bank
MPF Treasury Bills (Baa3*)	292.298	292.298	424.787	424.787
MPF Bonds (Baa3-)	1.026.255	1.026.255	1.028.594	1.028.594
Bucharest Municipality Bonds (Baa3)	199.429	199.429	202.737	202.737
Banque Internationale à Luxembourg Bonds (A2)	9.886	9.886	9.686	9.686
Transfond, Swift Shares (no rating)	1.347	1.347	1.451	1.451
Total	**1.529.215**	**1.529.215**	**1.667.255**	**1.667.255**

The ratings are given by the Moody's rating agency, unless otherwise stated.

As at 31 December 2019 the Bank/Group set up collaterals consisting of bonds with a nominal value of RON 3,000 thousand (31 December 2018: RON 3,000 thousand), in favor of the National Bank of Romania which acts as the administrator of the real time payments system ReGIS, in order to ensure the settlement operations run by the Bank/Group through electronic clearing multilateral interbank payments - SENT.

c) Investments at amortised cost

	31 Dec 19		31 Dec 18	
	Group	**Bank**	**Group**	**Bank**
MPF Bonds (Baa3 *)	539.731	500.193	544.212	505.365
Accrued interest	12.755	11.994	12.846	11.994
Adjustments for expected losses	-71	-71	-99	-99
Total)**	**552.415**	**512.116**	**556.959**	**517.260**

*) The rating of MPF is assigned by external rating agency Moody's.

Financial instruments at amortised cost are allocated in stage 1 and for these the Bank has calculated according to IRFS 9 adjustments for expected losses in total amount of RON 71 thousand as at 31 December 2019 (RON 99 thousand as at 31 December 2018). As at 31 December 2019 and 31 December 2018 this portfolio of financial instruments consists of bonds issued in national currency by the Ministery of Public Finances.

Adjustments for expected losses – financial instruments at amortised cost	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Balance as at 1 January 2019	**99**	**-**	**-**	**99**
Increase due to issue or addition	-	-	-	-
Decrease due to derecognition	-	-	-	-
Change in credit risk (net) – stage migration	-	-	-	-
Increase or decrease due to other than derecognition (net)	-26	-	-	-26
Decrease due to write-off	-	-	-	-
Balance as at 31 December 2019	**72**	**-**	**-**	**72**

Adjustments for expected losses – financial instruments at amortised cost	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Balance as at 1 January 2018	**106**	**-**	**-**	**106**
Increase due to issue or addition	38	-	-	38
Decrease due to derecognition	-45	-	-	-45
Change in credit risk (net) – stage migration	-	-	-	-
Increase or decrease due to other than derecognition (net)	-	-	-	-
Decrease due to write-off	-	-	-	-
Balance as at 31 December 2018	**99**	**-**	**-**	**99**

d) Financial instruments at fair value through profit and loss account

	31 Dec 19		31 Dec 18	
	Group	Bank	Group	Bank
MPF Bonds (Level 1) (Baa3)	110.819	110.819	68.620	68.620
Total	**110.819**	**110.819**	**68.620**	**68.620**

Financial instruments held for trading are measured at fair value, based on the market price of listed securities (classified as level 1) .

As at 31 December 2019 and as at 31 December 2018 the portfolio of financial instruments held for trading of the Bank/Group consists of bonds issued by the Ministry of Public Finance of Romania in local currency.

19. PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

As at 31 December 2019 Bank **Cost**	Land and buildings	Improvements rented locations	Computer, equipment, furniture	Vehicles	Tangibles, in progress	Operating lease – right-of-use	**Total Tangibles**	Intangibles	Intangibles, in progress	**Total Intangibles**	**Total**
As at 1 January 2019	**5.651**	**1.320**	**28.418**	**4.371**	**47**	**28.853**	**68.660**	**33.924**	**870**	**34.794**	**103.454**
Of which impact of IFRS16, as at 1 January 2019	-	-	-	-	-	28.853	**28.853**	-	-	-	**28.853**
Additions	-	126	2.838	-	-	15.000	**17.964**	2.041	8	**2.049**	**20.013**
Revaluation *)	209	-	-	-	-	-	**209**	-	-	-	**209**
Disposals	-	-	-1.998	-578	-	-307	**-2.883**	-165	-	**-165**	**-3.048**
Transfers between categories	27	4	2	-	-33	-	-	184	-184	-	-
Transfers to investment property	-	-	-	-	-	-	-	-	-	-	-
As at 31 December 2019	5.887	1.450	29.260	3.793	14	43.546	**83.950**	35.984	694	**36.678**	**120.628**
Accumulated depreciation											
As at 1 January 2018	**296**	**1.156**	**24.105**	**3.775**	-	-	**29.332**	**28.798**	-	**28.798**	**58.130**
Amortization for the year	144	72	1.920	302	-	7.361	**9.799**	2.547	-	**2.547**	**12.346**
Revaluation	-428	-	-	-	-	-	**-428**	-	-	-	**-428**
Disposals	-	-	-1.997	-578	-	-17	**-2.592**	-164	-	**-164**	**-2.756**
Transfers between categories	-	-	-	-	-	-	-	-	-	-	-
Transfers to investment property	-	-	-	-	-	-	-	-	-	-	-
As at 31 December 2019	**12**	**1.228**	**24.028**	**3.499**	-	**7.344**	**36.111**	**31.181**	-	**31.181**	**67.292**
Carrying value as at 31 December 2019	**5.875**	**222**	**5.232**	**294**	**14**	**36.202**	**47.839**	**4.803**	**694**	**5.497**	**53.336**
Carrying value as at 1 January 2019	**5.355**	**164**	**4.313**	**596**	**47**	**28.853**	**39.328**	**5.126**	**870**	**5.996**	**45.324**

*) The last revaluation of the buildings was carried out in 2019 by expert evaluators, members of ANEVAR (The National Association of Romanian Authorized Valuers). The estimation of the market value was made in compliance with the valuation principles and techniques included in the International Valuation Standards.

As at 31 December 2018 Bank **Cost**	Land and buildings	Improvements rented locations	Computer, equipment, furniture	Vehicles	Tangibles, in progress	**Total Tangibles**	Intangibles	Intangibles, in progress	**Total Intangibles**	**Total**
As at 1 January 2018	**5.651**	**1.193**	**27.636**	**4.187**	**215**	**68.660**	**29.269**	**2.548**	**31.817**	**70.699**
Additions	-	127	1.782	142	28	**2.079**	2.012	1.047	-	127
Revaluation *)	-	-	-	-	-	-	-	-	-	-
Disposals	-	-	-1.077	-77	-	**-1.154**	-82	-	-	-
Transfers between categories	-	-	77	119	-196	-	2.725	-2.725	-	-
Transfers to investment property	-	-	-	-	-	-	-	-	-	-
As at 31 December 2018	**5.651**	**1.320**	**28.418**	**4.371**	**47**	**39.807**	**33.924**	**870**	**34.794**	**74.601**
Accumulated depreciation										
As at 1 January 2018	**154**	**993**	**21.978**	**3.161**	-	**26.286**	**26.612**	-	**26.612**	**52.898**
Amortization for the year	142	163	3.190	685	-	**4.180**	2.268	-	2.268	**6.448**
Revaluation	-	-	-	-	-	-	-	-	-	-
Disposals	-	-	-1.063	-71	-	**-1.134**	-82	-	-82	**-1.216**
Transfers between categories	-	-	-	-	-	-	-	-	-	-
Transfers to investment property	-	-	-	-	-	-	-	-	-	-
As at 31 December 2018	**296**	**1.156**	**24.105**	**3.775**	-	**29.332**	**28.798**	-	**28.798**	**58.130**
Carrying value as at 31 December 2018	**5.355**	**164**	**4.313**	**596**	**47**	**10.475**	**5.126**	**870**	**5.996**	**16.471**
Carrying value as at 1 January 2018	**5.497**	**200**	**5.658**	**1.026**	**215**	**12.596**	**2.657**	**2.548**	**5.205**	**17.801**

*) The last valuation of buildings was performed in 2016 by expert valuators, ANEVAR members (The National Association of Romanian Appraisors). The estimation of market values was determined following the principles and evaluation techniques presented in International Valuation Standards

As at 31 December 2019 Group **Cost**	Land and buildings	Improvements rented locations	Computer, equipment, furniture	Vehicles	Tangibles, in progress	Operating lease – right-of-use	**Total Tangibles**	Intangibles	Intangibles, in progress	**Total Intangibles**	**Total**
As at 1 January 2019	**5.651**	**1.320**	**30.746**	**4.844**	**47**	**29.942**	**72.550**	**38.106**	**870**	**38.976**	**111.526**
Of which impact of IFRS16, as at 1 January 2019	-	-	-	-	-	29.942	**29.942**	-	-	-	**29.942**
Additions	-	126	2.936	85	-	15.000	**18.147**	2.226	8	2.234	**20.381**
Revaluation*	209	-	-	-	-	-	**209**	-	-	-	**209**
Disposals	-	-	-2.138	-972	-	-307	**-3.417**	-165	-	**-165**	**-3.582**
Transfers between categories	27	4	2	-	-33	-	-	184	-184	-	-
Transfers to investment property	-	-	-	-	-	-	-	-	-	-	-
As at 31 December 2019	**5.887**	**1.450**	**31.546**	**3.957**	**14**	**44.635**	**87.489**	**40.351**	**694**	**41.045**	**128.534**
Accumulated depreciation											
As at 1 January 2019	**296**	**1.156**	**25.986**	**4.248**	-	-	**31.686**	**32.707**	-	**32.707**	**64.393**
Amortization for the year	144	72	2.112	305	-	7.936	**10.569**	2.694	-	2.694	**13.263**
Revaluation	-428	-	-	-	-	-	**-428**	-	-	-	**-428**
Disposals	-	-	-2.096	-972	-	-17	**-3.805**	-164	-	**-164**	**-3.249**
Transfers between categories	-	-	-	-	-	-	-	-	-	-	-
Transfers to investment property	-	-	-	-	-	-	-	-	-	-	-
As at 31 December 2019	**12**	**1.228**	**26.002**	**3.581**	-	**7.919**	**38.742**	**35.237**	-	**35.237**	**73.979**
Carrying value as at 31 December 2019	**5.875**	**222**	**5.544**	**376**	**14**	**36.716**	**48.747**	**5.114**	**694**	**5.808**	**54.555**
Carrying value as at 1 January 2019	**5.355**	**164**	**4.760**	**596**	**47**	**29.942**	**40.864**	**5.399**	**870**	**6.269**	**47.133**

*) The last revaluation of the buildings was carried out in 2019 by expert evaluators, members of ANEVAR (The National Association of Romanian Authorized Valuers). The estimation of the market value was made in compliance with the valuation principles and techniques included in the International Valuation Standards.

As at 31 December 2018 Group **Cost**	Land and buildings	Improvements rented locations	Computer, equipment, furniture	Vehicles	Tangibles, in progress	**Total Tangibles**	Intangibles	Intangibles, in progress	**Total Intangibles**	**Total**
As at 1 January 2018	**5.651**	**1.193**	**29.707**	**4.700**	**215**	**41.466**	**33.142**	**2.548**	**35.690**	**77.156**
Additions	-	127	2.172	142	28	2.469	2.314	1.047	3.361	5.830
Revaluation*	-	-	-	-	-	-	-	-	-	-
Disposals	-	-	-1.210	-117	-	-1.327	-82	-	-82	-1.409
Transfers between categories	-	-	77	119	-196	-	2.725	-2.725	-	-
Transfers to investment property	-	-	-	-	-	-	-	-	-	-
As at 31 December 2018	**5.651**	**1.320**	**30.746**	**4.844**	**47**	**42.608**	**38.099**	**870**	**38.969**	**81.577**
Accumulated depreciation										
As at 1 January 2018	**154**	**993**	**23.893**	**3.674**	**-**	**28.714**	**30.460**	**-**	**30.460**	**59.174**
Amortization for the year	142	163	3.264	685	-	4.254	2.322	-	2.322	6.576
Revaluation	-	-	-	-	-	-	-	-	-	-
Disposals	-	-	-1.171	-111	-	-1.282	-82	-	-82	**-1.364**
Transfers between categories	-	-	-	-	-	-	-	-	-	-
Transfers to investment property	-	-	-	-	-	-	-	-	-	-
As at 31 December 2018	**296**	**1.156**	**25.986**	**4.248**	**-**	**31.686**	**32.700**	**-**	**32.700**	**64.386**
Carrying value as at 31 December 2018	**5.355**	**164**	**4.760**	**596**	**47**	**10.922**	**5.399**	**870**	**6.269**	**17.191**
Carrying value as at 1 January 2018	**5.497**	**200**	**5.814**	**1.026**	**215**	**12.752**	**2.682**	**2.548**	**5.230**	**17.982**

*) The last valuation of the buildings was performed as of 31 December 2016 by expert valuators, ANEVAR members (The National Association of Romanian Appraisors). The estimation of market values was determined following the principles and evaluation techniques presented in International Valuation Standards.

20. INVESTMENT PROPERTY

The Bank/Group investment property is measured at fair value using the income approach. The Bank/Group revalued the investment property in 2019 in order to determine their market value based on a valuation report issued by an independent appraiser, member of ANEVAR, using the income approach.

Revenues from renting investment property in 2019 was in the amount of RON 3,909 thousand (2018: RON 4,382 thousand) (note 10).

	Balance as at 1 January 2019	Additions	Disposals	Revaluation Gains	Revaluation (Losses)	Balance as at 31 December 2019
Land	9.640	-	-	1.057	-	10.697
Buildings	30.947	-	-	784	-252	31.479
Total	40.587	-	-	1.841	-252	42.176

	Balance as at 1 January 2018	Additions	Disposals	Revaluation Gains	Revaluation (Losses)	Balance as at 31 December 2018
Land	9.249	-	-	391	-	9.640
Buildings	30.475	-	-	472	-	30.947
Total	39.724	-	-	863	-	40.587

21. OTHER ASSETS

	31 Dec 19		31 Dec 18	
	Group	Bank	Group	Bank
Sundry debtors	50.621	28.739	36.869	13.550
Current income tax *)	18.221	18.221	-	-
Prepayments	9.210	8.793	8.518	8.114
Premium reserve - ceded to reinsurance	30.377	-	41.163	-
Deferred acquisition costs related to non-life insurance	3.345	-	1.224	-
Receivables from insurance	2.272	-	2.365	-
Commissions receivable from mandate operations	1.454	1.454	969	969
Others	552	61	688	29
Other assets, gross value	**116.052**	**57.268**	**91.796**	**22.662**
Adjustments for expected losses	-14.717	-7.057	-13.301	-6.966
Adjustments for expected losses	-966	-	-966	-
Adjustments for expected losses	**-15.683**	**-7.057**	**-14.267**	**-6.966**
Other assets, net value	**100.369**	**50.211**	**77.529**	**15.696**

*) As at 31 December 2019, the Bank had a receivable to be recovered from the state budget in amount of RON 18,221 thousand, representing mainly advance payments made during 2019 based on the income tax for 2018 discounted with the inflation index. The amount is recovered from the state budget during 2020.

22. DUE TO BANKS

	31 Dec 19		31 Dec 18	
	Group	Bank	Group	Bank
Current accounts and sight deposits from banks	-	-	61.004	61.004
Term deposits	313.467	313.467	374.794	374.794
Total due to banks	**313.467**	**313.467**	**435.798**	**435.798**

23. DEPOSITS DUE TO MINISTRY OF PUBLIC FINANCE (MPF)

In order to achieve its strategic objective of supporting the Romanian economy, the Bank/Group acts as an agent of the State, on behalf of and to the benefit of the State, offerring to corporate clients guarantees, financing and insurance products.

In accordance with Law 96/2000, with all subsequent amendments, the Bank/Group benefits from following funds at its disposal, in the form of deposits:

a) The Guarantee Fund - Law 96/2000 - art. 10 a,
b) The Fund for insurance and reinsurance operations - Law 96/2000 - art. 10 b,
c) The Fund for financing operations - Law 96/2000 - art. 10 c,
d) The fund destined to participate in the Three Seas Investment Fund - Law 96/2000 - art. 10f

which will be used to pay the commitments made by EximBank on behalf of and to the benefit of the State (Law 96/2000 - art. 12, paragraph 1).

The amounts which are temporarily available from the above mentioned funds are made available to EximBank as deposits, to support the banking business on its own behalf and to its own benefit, to enable the Bank to fulfill the objectives of stimulating foreign trade and the development and promotion of Romanian business environment (Law 96/2000, Chapter 4, "EximBank SA - Activity on its own behalf and to its own benefit"). The above-mentioned funds remain available indefinitely for the Bank, except for those amounts which according to the Convention are maintained for a period of at least 5 years.

State funds available to the Bank/Group are presented in the consolidated and separate statement of financial position as financial liabilities in the "Deposits from MPF" caption, the detailed statement for 31 December 2019 and 31 December 2018 being as follows:

	31 Dec 19	31 Dec 18
Funds for guarantee operations	1.248.158	1.527.407
Fund for insurance and reinsurance activities	380.128	122.826
Funds for stimulating exports	53.433	73.560
Total deposits due to MPF (principal)	**1.681.719**	**1.723.793**
Accrued interest	4.846	3.228
Total deposits due to MPF	**1.686.565**	**1.727.021**

Assets and commitments funded or covered by State funds made available for the Bank/Group are not controlled by the Bank/Group and do not meet the conditions for recognition criteria as defined by the International Financial Reporting Standards as adopted by the Europea Union, and consequently they were not included in the statement of the financial position of the Bank/Group.

Operations carried out by the Bank/Group on behalf of and to the benefits of State must be approved by the Interministerial Committee for Foreign Trade Loans and Guarantees, in accordance with Law 96/2000. The table below presents the exposures in the name and account of the State managed by the Bank at 31 December 2019 and 31 December 2018.

Exposures in the name and account of the state	2019	2018
Loans	208.571	70.333
Guarantee	2.325.546	1.808.640
Insurance	508.394	394.085
Participation to FI3M*	368	-
Total exposures	**3.042.879**	**2.273.058**

*FII3M - Three Seas Investment Fund

The maximum limit of the exposures managed by the Bank is determined by multiplying the coeficients (periodically approved by the Interministerial Committee of Guarantees and Loans to the External Trade) with the level of the available amount of each fund given to the Bank/Group in accordance with the provisions of Law 96/2000.

SOURCES AND USE OF FUNDS

In accordance with Law 96/2000, the financial sources of the funds are the following:

a) the funds annualy approved and presented into State budget with this destination;
b) 25% of external receivables recovered by the State from debtor countries;
c) net amounts from insurance premiums;
d) recoveries from credit insurance;
e) recoveries from the owners of guarantees issued;
f) interest received from available amounts of the funds;
g) interest related to subsidized interest and priority projects financing;
h) other sources, according to law.

Sources of state funds in 2018-2019 referred solely to commissions, interest and insurance premiums, reimbursements or recoveries, paid to the State by the intermediaries and beneficiaries of the products granted by EximBank in the name and account of the Romanian state. Since 2009 no budgetary allocations were recorded and neither amounts drawn from foreign claims, actually recovered from debtor countries. The Funds were used for financing agreements granted on behalf of and to the benefit of the State, interest compensations, executions, claims and commissions paid to related operations developed.

INTEREST ON DEPOSITS FROM THE MINISTRY OF PUBLIC FINANCE

In accordance with Law 96/2000 with subsequent amendments, the interest due by the Bank/Group for placement with EximBank of funds provided by art. 10 is determined as the average of BID and ASK reference rates (fixing) of government securities for 1 year, published by the National Bank of Romania on the last working day of the year before the application. Interest is paid monthly on the first business day of the current month for the previous month, in the account of each fund used. The cost of funding for 2019 was 3.39% (2018: 2.21%). The interest expense related to State funds used is included in the individual and consolidated statement of profit and loss in the "Interest Expense" caption, presented in note 4 of these financial statements. The accrued interest on State funds is included in the amortised cost of these sources.

Deposits from MPF/Destination		Guarantees	Insurance and reinsurance	Financing	Fund for participation to FI3M	Total funds
Opening balance as at 1 January 2019		**1.527.407**	**122,826**	**73.560**		**1.723.793**
Budgetary allocations		-	-	-	368	368
Reallocations between funds		-345.000	250.000	95.000	-	-
Use (decrease in funds)	Funding	-	-	-163.948	-	-163.948
	Interest compensation	-	-	-	-368	-368
	Enforcements/Claims	-17.929	-3.414	-	-	-21.343
	Commissions – other payments	-13.430	-3.797	-623	-	-17.850
Sources (increase in funds)	Financing reimbursements	-	-	40.012	-	40.012
	Recoveries from enforcement	10.756	1.796	2.834	-	15.386
	Commissions/interest/premiums	86.354	12.717	6.598	-	105.669
Closing balance as at 31 December 2019		**1.248.158**	**380.128**	**53.433**	-	**1.681.719**

Deposits from MPF/Destination		Guarantees	Insurance and reinsurance	Financing	Total funds
Opening balance as at 1 January 2018		**1.471.722**	**40.370**	**134.534**	**1.646.626**
Budgetary allocations		-	-	-	-
Use (decrease in funds)	Funding	-	-	-	-
	Interest compensation	-	-	-	-
	Enforcements/Claims	-20.055	-	-	-20.055
	Commissions – other payments	-9.616	-6.318	-66.686	-82.620
Sources (increase in funds)	Financing reimbursements	-	-	386	386
	Recoveries from enforcement	21.929	491	952	23.372
	Commissions/interest/premiums	63.427	88.283	4.374	156.084
Closing balance as at 31 December 2018		**1.527.407**	**122.826**	**73.560**	**1.723.793**

24. REMUNERATION OF MANDATE OPERATIONS

In order to carry out the mandate operations, the Bank/Group receives commission from the Romanian state or from the intermediaries and beneficiaries of the products granted by EximBank in the name and the account of the state.

Commissions owed to the Bank/Group by the State for the performance of its mandate operations are determined in accordance with the convention concluded by the Bank with the Ministry of Public Finance as the percentage (allocation coefficient) of the interest paid to the State for the funds placed in deposits at EximBank. The allocation coefficient is calculated according to the degree of use of each fund, as a ratio between the commitments in force and the funds available at the end of the reporting month, with its maximum value being limited as of 1 July 2010 to 30%.

The coefficient is calculated on the last day of each month and applied the next month on the interest payable on State funds. During 2019, the average coefficient was 30% (2018: 30%).

The Bank/Group reveivables from Romanian state representing commisions calculated and not redeemded are disclosed in the separate and consolidate financial position as "Other Assets".

Accrued commissions are presented in the consolidated and separate statement of financial position as "Income from commissions"; commissions related to services provided in the current year are included in the consolidated and separate statement of profit or loss as "Commission income", presented in note 8 "Net commission income".

25. DUE TO CUSTOMERS

	31 Dec 19		31 Dec 18	
	Group	Bank	Group	Bank
Current accounts	366.919	366.936	401.046	401.140
Sight deposits	120.213	120.980	92.096	92.096
Term deposits	3.805.525	3.805.525	3.155.865	3.155.865
Collateral deposits	188.716	188.716	158.355	158.355
Other payables	6.387	6.387	7.898	7.898
	4.487.760	**4.488.544**	**3.815.260**	**3.815.354**

Term deposits can be withdrawn before their maturity, in which case the interest income is computed based on current account interest rate prevailing at the date of withdrawal. Due to customers values eliminated on consolidation are RON 784 thousand as at 31 December 2019 and RON 94 thousand as at 31 December 2018, respectively.

Collateral deposits are mainly represented by:

- Cash collateral received for securing the loans granted by the Bank/Group;
- Cash collateral received for letters of guarantee issued by the Bank/Group;
- Deposits for devices to access internet banking application.

The Bank/Group does not attract deposits from individuals, excepting cash collateral deposited by the employees acting as cashiers.

26. PROVISIONS

The Bank/Group has calculated provisions for financial guarantees, for employees liabilities, respectively: untaken holidays, employee's performance bonus, pensions and similar obligations, litigations with employees and other compensatory payments, other litigations.

Provisions recognized as expenses in the year were reviewed and adjusted at each balance sheet date to reflect the best estimate of the expected obligations of the Bank/Group. The foreseeable period in which the employee obligations are recognized as liabilities and paid is less than one year, except for provisions for other salary expenses and retirement benefit provisions.

	31 Dec 19		31 Dec 18	
	Group	Bank	Group	Bank
Provisions for letters of guarantees	15.898	15.898	18.453	18.453
Provisions for other liabilities related to salaries, out of which:	6.167	6.167	13.388	13.388
-with deferred payment for less than 1 year;	462	462	404	404
- with deferred payment from 1 to 3 years;	659	659	321	321
Provisions for untaken holiday	2.711	2.711	3.030	3.030
Provisions for retirement benefits, out of which:	1.537	1.537	1.235	1.235
-with deferred payment for less than 1 year;	177	177	104	104
- with deferred payment from 1 to 3 years;	109	109	116	116
- with deferred payment from 3 to 5 years;	122	122	119	119
- with deferred payment exceeding 5 years;	1.129	1.129	896	896
Provisions for insurance claims	4.641	-	4.452	-
	30.954	**26.313**	**40.558**	**36.106**

Likely cash outflows in the following financial years provisions charge, as well as the use or reversal of provisions charged in previous financial periods or the cancel of provisions due to the fact that the cash outflow is no longer probable, is presented below:

Financial year 2019 Group	**Balance 01.01.2019**	**Provision use**	**Provision cancellation**	**Provision Constitution**	**Balance 31.12.2019**
Provisions for guarantee letters and commitments - IFRS 9 *)	**18.453**	-	-37.907	35.352	**15.898**
Provisions for other obligations related to salaries :	**13.388**	-12.127	-142	5.049	**6.168**
Provisions for salaries	**12.317**	-11.185	-13	7.549	**6.168**
Provisions for litigation	**1.071**	-942	-129	-	-
Provisions for holidays not taken	**3.030**	-892	-2	574	**2.710**
Other provisions- EximAsig	**4.452**	-	-	189	**4.641**

*) The difference of RON 403 thousand compared to the amount of RON 2,814 thousand from note 5 represents exchange rate differences related to the provisions established for the guarantees issued in foreign currency.

Financial year 2018 Group	**Balance 01.01.2018**	**Provision use**	**Provision cancellation**	**Provision Constitution**	**Balance 31.12.2018**
Provisions for guarantee letters and commitments IAS39 – IFRS 9 *)	12.050	0	-52.774	59.177	18.453
Provisions for other obligations related to salaries :	4.492	-2.531	-190	11.617	13.388
Provisions for salaries	3.421	-2.531	-190	11.617	12.317
Provisions for litigation	1.071	-	-	-	1.071
Provisions for holidays not taken	2.392	-6	0	644	3.030
Other provisions- EximAsig	4.448	0	0	4	4.452

Provision movement for retirement benefits:

	31 Dec 19	**31 Dec 18**
Initial balance	**1.235**	**1.152**
Interest cost	29	-76
Cost of service	74	62
Paid benefits	-48	-110
(Gain)/actuarial loss of the period	247	207
Final balance	**1.537**	**1.235**

The main hypothesis used to determine retirement benefits after employment were:

	31 Dec 19	**31 Dec 18**
Discount rate	4,8%	5,0%
Future raises of salaries	1,5%	1,5%

According to IAS 19 "Employee benefits", the Bank/Group recognized in the current statement of financial position the debt with long-term benefits of employees. In the evaluation of the net debt according to the benefits plan the Bank/Group followed the following actuarial principles in the evaluation of the obligations:

- the method of actuarial evaluation must be the method of projected credit units;
- the benefits must be attributed to the period in which the employees earns these benefits;
- the actuarial presumptions must be unbiased and reciprocally compatible.

27. OTHER LIABILITIES

	31 Dec 19		31 Dec 18	
	Group	Bank	Group	Bank
Contributions to social security funds	1.287	1.193	2.219	2.076
Current profit tax	-	-	18.939	18.939
Other liabilities to employees	258	-	216	-
Other sundry liabilities (note 28)	121.824	40.674	107.275	20.090
Other liabilities to the public budget	3.482	3.495	666	614
	126.851	**45.362**	**129.315**	**41.719**

28. OTHER SUNDRY LIABILITIES

	31 Dec 19		31 Dec 18	
	Group	Bank	Group	Bank
Technical reserves – total, out of which:	**53.830**	**-**	**64.715**	**-**
Premium reserve	16.333	-	13.322	-
Reserve for claims on non-life insurance	37.484	-	50.849	-
Other technical reserves relating to non-life insurance business	13	-	544	-
Settlements on reinsurance operations - total, out of which:	**25.105**	**-**	**20.317**	**-**
Ceded in reinsurance operations - loans	23.657	-	19.291	-
Reinsurance operations - insurance for guarantees	1.388	-	984	-
Ceded in reinsurance operations - other	60	-	42	-
Other sundry liabilities total, out of which:	**42.889**	**40.674**	**22.243**	**20.090**
Sundry creditors	2.746	1107	5.726	3.622
Currency adjusted accounts	-	-	5	5
Interbank settlements	7.736	7.736	14.884	14.884
Suppliers	1.517	1.470	1.628	1.579
Operating lease liabilities	30.890	30.361	-	-
	121.824	**40.674**	**107.275**	**20.090**

Technical reserves ceded in reinsurance are presented in other assets (note 21). The gross and net changes in reserves during 2019 and 2018 respectively are as follows:

	31 Dec 19	31 Dec 18	Net variation
Premium reserve	16.333	13.322	3,011
Claim reserve	37.484	50.849	-13.365
Other technical reserves related to non-life insurance business	13	544	-531
Technical reserves – gross value	**53.830**	**64.715**	**-10.885**
Premium reserve - the part ceded in reinsurance	6.797	6.269	528
Reserves for claims relating non-life insurance - the part ceded in reinsurance	23.580	34.894	-11.314
Total technical reserves ceded in reinsurance	**30.377**	**41.163**	**-10.786**
Technical reserves – Net value	**23.453**	**23.552**	**-99**

29. DEFFERED INCOME AND ACCRUED EXPENSES

	31 Dec 19		31 Dec 18	
	Group	Bank	Group	Bank
Deferred income – for acting as agent of the State	10.254	10.254	8.888	8.888
Deferred income - risk margin and letter of credit commission	12.762	12.762	11.585	11.585
Deferred income on insurance guarantees	64	-	8	-
Outstanding expenses	674	674	1.736	1.725
	23.754	**23.690**	**22.217**	**22.198**

Deferred income represents upfront income related to future financial years for mandate operations and bank operations. Accrued expenses represent liabilities for services rendered by third parties referring to the current period.

30. SHARE CAPITAL

	31 Dec 19	31 Dec 18
Nominal share capital registered at Trade Registry	800.760	800.760
Restatement of share capital for hyperinflation (IAS 29)	900.714	900.714
Total share capital	**1.701.474**	**1.701.474**

During 2019 and 2018 respectively, there was no modification of the share capital of the Bank. There were no changes in the shareholders' structure.

Shareholder's name	Number of shares as at 31 December 2019	Value	Number of shares as at 31 December 2018	Value
Ministry of Public Finance	127.286.457	763.720	127.286.457	763.720
SIF Banat Crisana	414.740	2.488	414.740	2.488
SIF Moldova	414.740	2.488	414.740	2.488
SIF Transilvania	414.740	2.488	414.740	2.488
SIF Muntenia	564.870	3.389	564.870	3.389
SIF Oltenia	4.364.430	26.187	4.364.430	26.187
Total	**133.459.977**	**800.760**	**133.459.977**	**800.760**

The authorized, subscribed and fully paid in share capital of the Bank at 31 December 2019 is 133,459,977 shares with a nominal value of RON 6 (31 December 2018: 133,459,977 shares with a nominal value of RON 6). All issued shares are fully paid in and carry one vote right each.

The share capital structure as at 31 December 2019 and 31 December 2018 is as follows:

	31 Dec 19	31 Dec 18
Ministry of Public Finance	95.374%	95.374%
SIF Oltenia	3.270%	3.270%
SIF Muntenia	0.423%	0.423%
SIF Moldova	0.311%	0.311%
SIF Transilvania	0.311%	0.311%
SIF Banat Crisana	0.311%	0.311%
	100%	**100%**

31. DIVIDENDE

During 2019 the Bank paid no dividends. During 2018, the Bank paid dividends amounting to RON 12,409 thousand from the profit of the year 2017.

32. RETAINED EARNINGS

	31 Dec 19		31 Dec 18	
	Group	Bank	Group	Bank
Retained earnings, undistributed	27.434	26.867	75.399	75.553
Retained earnings, adjustment for inflation under IAS 29	-900.714	-900.714	-900.714	-900.714
Reserves (note 33)	311.595	311.429	234.573	234.418
	-561.685	**-562.418**	**-590.742**	**-590.743**

Undistributed retained earnings include both the current period result and retained earnings remained undistributed from previous periods. Retained earnings representing the adjustment for inflation required by IAS 29 refer to the share capital restatement according to the inflation index. Reserves include the capital reserve fund and other reserves set up in previous years, in accordance with legal regulations or resolutions of General Meetings of Shareholders.

33. RESERVES

	31 Dec 19		31 Dec 18	
	Group	Bank	Group	Bank
Legal reserves	65.046	64.880	63.216	63.216
Reserves for banking risks	22.896	22.896	22.896	22.896
Reserves representing bank's own sources of financing	223.653	223.653	148.306	148.306
	311.595	**311.429**	**234.573**	**234.418**

Legal reserves are established in the limit 5% of profit before income tax deduction.

General reserves for banking risks include reserves established until the end of 2006, in quotas and limits provided by law.

Reserves representing bank's sources of financing are constituted from the bank's net profit according to the decision of General Meeting of Shareholders.

The current financial statements include the accounting profit distribution for 2019 to the legal reserve in amount of RON 1,664 thousand (Group/Bank), set up within the limit of 5% of gross profit (2018: Bank RON 6,757 thousand, Group RON 6,770 thousand).

REVALUATION RESERVES

Revaluation reserves represent the realised surplus arising on revaluation of assets. The structure of revaluation reserves is as follows:

	31 Dec 19		31 Dec 18	
	Group	Bank	Group	Bank
At 1 January	**25.661**	**25.661**	**25.661**	**25.661**
Revaluation surplus	636	636	-	-
Deferred tax	-102	-102	-	-
At 31 December	**26.195**	**26.195**	**25.661**	**25.661**

34. INVESTMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

The fair value of the financial instruments designated at fair value through other comprehensive income has increased during 2019 by RON 12,409 thousand (2018: RON 3,905 thousand), the impact being booked in equity.

	31 Dec 19		31 Dec 18	
	Group	Bank	Group	Bank
As at 1 January	**-14.432**	**-14.432**	**-17.709**	**-17.709**
Gain/(loss) net from the changes in fair value	12.409	12.409	3.905	3.905
Deferred tax	-1.994	-1.994	-628	-628
As at 31 December	**-4.017**	**-4.017**	**-14.432**	**-14.432**

35. CONTINGENT LIABILITIES, COMMITMENTS AND LEASING ARRANGEMENTS

GUARANTEES AND LETTERS OF CREDIT

The Bank/Group issues letters of guarantee and letters of credit to its clients. The primary purpose of letters of credit is to ensure that funds are available at customer demand. Standing warrants and letters of credit represent irrevocable commitments that the Bank/Group will make payments in the event that the customer can not fulfill his contractual obligations to a third party.

The market and credit risk on these financial instruments, as well as the operating risk is similar to that arising from granting of loans, the exposure value being determined by the equivalent credit conversion factors. In the event of a complaint against the Bank/Group as a result of a customer's default of guarantee, these instruments also present a liquidity risk for the Bank/Group.

CREDIT RELATED COMMITMENTS

Loans commitments granted represent unused portions of authorized credit lines. With respect to the risk of commitments, the Bank/Group is potentially exposed to a loss equal to the amount of total unused commitments. However, the likely amount of loss, although difficult to quantify, is considerably lower than the total unused value of commitments since most of commitments to credit lines are contingent upon customers complying with specific credit standards. There is some credit risk associated with remaining commitments, the risk is viewed as modest.

The Bank/Group monitors the unused part of credit lines in terms of liquidity and credit risk, by determining on a regular basis the conversion factor into credit equivalent in order to provide the necessary financing sources.

In order to mitigate the credit risk associated with the commitments and contingencies, the Bank/Group obtains collaterals in the term of cash, from State and banks, as well as mortgages.

The aggregate amount of outstanding commitments and contingencies, booked in off balance sheet, is as follows:

	31 Dec 19		31 Dec 18	
	Group	Bank	Group	Bank
Letters of guarantee issued to customers	927.629	927.629	684.662	684.662
Undrawn guarantee commitments	582.457	582.457	396.762	396.762
Letters of credit	8.543	8.543	20.005	20.005
Undrawn loans commitments	1.742.941	1.742.941	1.201.519	1.201.519
	3.261.570	**3.261.570**	**2.302.948**	**2.302.948**

COMMITMENTS RELATED TO OPERATIONAL LEASING - THE BANK AS LESSEE

The Bank/Group has signed rental contracts for commercial spaces including its headquarter. The Bank/Group reviews the contractual clauses at the maturity of each lease.

Starting from 1 January 2019, following the implementation of IFRS 16, the Bank recognizes lease liabilities in the balance sheet.

	31 Dec 19		1 Ian 19		31 Dec 18	
	Group	Bank	Group	Bank	Group	Bank
	IFRS 16	IFRS 16	IFRS 16	IFRS 16	IAS 37	IAS 37
Less than 1 year	10.506	10.028	10.097	9.180	944	485
From 1 to 5 years	20.384	20.334	18.500	18.328	28.348	28.348
	30.890	**30.362**	**28.597**	**27.508**	**29.292**	**28.833**

36. RISK MANAGEMENT

This note provides details of the Group/Bank's exposure to risk and describes the methods used by management to mitigate and control risks. The most important risks faced by the Group/Bank are:

- Credit risk;
- Liquidity risk;
- Market risk (interest rate risk, currency risk);
- Operational risk;
- Tax risk;
- Insurance risk.

Risk is inherent for the operations of the Group/Bank but is managed through a continuous process of identification, evaluation and monitoring, which is subject to risk limits and other controls. In decision-making process, risk management assures that the risks are properly considered, but responsible for decision-making remain the operational units, support functions and, ultimately, the Bank governing body.

The general risk management principles adopted by the Group/Bank are:

1. Definition and classification of the risk profile, risk tolerance and risk appetite, established for significant risks categories assumed by the Group/Bank as well as identification, assessment, monitoring and controlling risks in accordance with specific rules and policies.

2. Maintain an appropriate reporting system for risk exposures, respectively for corresponding risk exposure limits, in accordance with the size and complexity of the Group/Bank.

3. Adequate seggregation of duties within the significant risk management process, to avoid potential conflicts of interest. Thus, the risk management function should be independent of operational functions, with enough authority, importance, resources and access to governing body.

4. Ensuring a consistent and effective framework for identifying, assessing, monitoring and controlling risk, which forms the basis for consistent definition of strategies, policies and procedures within all units of the Group/Bank which are exposed to risk.

5. Monitoring compliance with internal regulations established for the significant risks and proposing solutions for deficiencies.

6. Risk management function is involved in the approval of new products or significant modification of existing products.

7. Reviewing the strategy and significant risk management policies on a regular basis (at least yearly), in accordance with the regulatory framework of the National Bank of Romania or Financial Supervisory Authority (FSA).

8. The development and maintaining of the Bank/Group flow and processes for measuring expected losses which includes:
   - The validation and testing of the models used to determine expected losses;
   - The evaluation and monitoring of the significant increase of the credit risk;
   - The incorporation of predictive information (forward looking).

The Board of Directors, in order to reflect changes in internal and external factors, has the responsibility to approve and periodically review both the profile, risk tolerance and the risk appetite of the Group/Bank, to a level which ensures the sound functioning and strategic objectives achievement, as well as the risk strategy as a whole and significant risk management policies, pursuing their implementation.

The Executive Committee has the responsibility to ensure implementation of the strategy and significant risk management policies approved by the Board of Directors and to develop methodologies and procedures for identifying, measuring, monitoring and controlling all types of risk, according to the nature and complexity of the relevant activities.

The Group/Bank's risk management activities are conducted primarily on the following pillars:

• Strategic - includes risk management responsabilities achieved by the Board of Directors and the Risk Management Committee.

• Tactical - includes risk management responsabilities achieved by the senior management;

• Operational – implies risk management the level at which it is created, risk management model at operational level within the bank including three lines of defense consisting of:

a) At the first level, business lines responsible for assessing and mitigating risk for a given level of profit;

b) At the second level, the risk management function of the Group /Bank monitors, controls, quantifies risk; reports to appropriate levels and proposes mitigation measures. Compliance Division manages risk compliance at the bank level;

c) Internal Audit Department, at the third level, performs the independent review function.

In accordance with the Functionning and Organising Regulation, at Group/Bank level operates a number of committees with an active role in risk management in order to minimize risks to which the Bank is exposed: Audit Committee, Risk Management Committee, Credit Committee, Assets and Liabilities Management Committee, Nomination and Remuneration Committee, IT Committee.

a) Credit risk

Credit risk derives from the exposures assumed by the Group/Bank, due to the possibility of a negative impact on profits and equity due to the failure of debtors to fulfill contractual obligations. The policy of the Bank/Group on credit risk is concentrated on maintaining a good asset quality, by appropriate selection of the counterparties and proper structuring of transactions. To effectively manage credit risk, the Group/Bank has established criteria for granting loans, exposure limits and levels of competence for transactions approval. Credit risk includes residual risk - the risk that credit risk mitigation techniques will prove less effective than forecasts, respectively the country risk and transfer risk, the concentration risk, the country/transfer risk and the settlement risk.

In granting facilities and loans, the Bank/Group faces a credit risk, that is the risk of non-payment of receivables. It affects both balance sheet and off-balance sheet positions. Risk concentration in lending activity could result in a significant loss for the Bank/Group if a change in economic conditions would affect the entire industry or the whole country. A relevant analysis is included in note 37. The Bank/Group minimizes risk related to lending activity by evaluation and close monitoring of credit exposures, establishing exposure limits and applying a prudent provisioning policy when the probable risk of loss occurs to the Bank/Group. Loans are secured by collateral and other guarantees. The exposure to credit risk of the Group/Bank by industry is presented in Note 17.

Exposure replacement operations may, by mutual agreement between the bank and the client, change the characteristics of credits related to: value, maturity, credit rates, duration, grace period, period of use, etc.

Depending on the economic nature of the exposure replacement operations, they are divided into two categories:

a) Renegotiation - Exposure replacement operations generated for reasons other than the financial difficulties faced by the client or with which he or she is confronted.

b) Restructuring - Exposure replacement operations arising from financial difficulties faced by the client or with which he is confronted, thereby granting concessions to borrowers.

From the point of view of implementation, exposures are grouped into rescheduling or refinancing operations.

Rescheduling is the process of changing contractual conditions of an exposure which may change due date and/or the payment amount of one or more outstanding loan installments, exceeding or not the initial duration of the loan, but without increasing the principal amount oustanding at time of rescheduling. Restructuring is also the operation which amends the terms of a loan, with change of repayment schedule.

Refinancing is the process of replacing an exposure through which it may be granted a new loan or a loan amount may be increased for repayment of outstanding loan/loans due, current or outstanding amounts (excluding interest and penalties).

b) Liquidity risk

The liquidity risk is associated either with difficulties faced by the Group/Bank to raise the necessary funds in order to meet commitments or to its inability to sell a financial asset in due time, at a rate as close to its fair value as possible.

The Bank/Group's policy on liquidity is to maintain sufficient liquid reserves to meet its obligations as they fall due. The amount of total assets and liabilities as at 31 December 2019 and 31 December 2018, analyzed over the remaining period to maturity is included in Note 38.

c) Market risk

Market risk is the risk that the fair value or the future cash flows of financial instruments will fluctuate because of changes in market variables such as interest rates and foreign exchange rates.

To manage market risk, the Bank/Group has established trading limits per counterparty eligibility, and per types of instruments that can be traded.

The debt instruments that the Bank/Group aquires into its portfolios mainly consists in government (Ministry of Public Finance) bonds denominated in RON or EUR. As types of instruments Bank/Group holds bonds with discount certificates, treasury bills and bonds with coupon and as an exception a few bonds issued by other credit institutions, these being acquired in previous years.

INTEREST RATE RISK

The Group/Bank is exposed to various risks, due to fluctuations of main interest rates levels in the market that influence its financial position and cash flows.

Interest margins may fluctuate and generate volatility in equity of the Group/Bank. The management of the Group/Bank sets limits in respect of interest rate changes, which are daily monitored. The amount of total assets and liabilities as at 31 December 2019 and 31 December 2018 analyzed by interest rate buckets is included in Note 39b.

CURRENCY RISK

The Bank/Group operates in a emerging economy. Although in the past Romania experienced high rates of inflation and significant currency devaluation, currently its economic environment is considered stable.

The Bank/Group manages its exposure to exchange rates variations by modifying its assets and liabilities structure. An analysis of assets and liabilities denominated in RON and other currencies is included in Note 39a.

In order to continue improving the process of evaluation and monitoring of currency risk, the Bank has implemented the VaR model (Value-at-Risk). The 1day-99%-RON V@R indicator is defined as an estimate with a probability of 99% of the maximum potential loss (in RON) that could be recorded by the Bank by maintaining the current foreign exchange positions, on a time horizon of one day, in normal market conditions, resulting from daily changes in exchange rates historically recorded for a period of 1 year.

d) Operational risk

Operational risk is the risk of loss arising from system failure, human error, fraud or external events. When controls fail to operate effectively, operational risks can cause damage to reputation, have legal or regulatory implications or lead to financial loss. The Bank/Group cannot expect to eliminate all operational risks, but it endeavors to manage these risks through a control framework and by monitoring and responding to potential risks. Controls include effective segregation of duties, access, authorization and reconciliation procedures, staff education and assessment processes, including the use of internal audit. In operational risk management process tools are used which involve a periodic/annual self-assessment of risks and related controls, key indicators of operational risk, operational risk events base, remedial action plans and prevention.

e) Taxation risk

The taxation system in Romania provides detailed and complex rules and it has suffered various modifications in recent years. Interpretation of procedures and implementation of tax laws may vary, and there is a risk that certain transaction may be interpreted differently by the tax authorities, as compared to treatment applied by the Bank/Group.

Moreover, the recent transition to IFRS 9 of Romanian banks generates additional tax implications which are not fully clarified in the law and which might result in potential financial risks, for example regarding expected losses allowances deductibility and the tax impact of the effect of transition recognised in retained earnings.

The Romanian Government has a number of agencies authorized to conduct audit of companies operating in Romania. These audits are similar in nature to tax audits performed by tax authorities in many countries, but may extend not only to tax matters but to other legal and regulatory issues in which the agencies could be interested. In certain circumstances, due to inconsistencies of legal framework, tax authorities can act arbitrarily in setting tax penalties and interest. Although the tax due for a transaction may be minor, penalties may be more important because they can be calculated taking as a basis the transaction amount plus: interest 0.02%, and penalties of 0.01% for each day of delay. The Romanian authorities have completed reviews for fiscal years up to 31 December 2007.

f) Risk related to insurance business

ExintBank Group has established strategic guidelines in respect to risk management, based on the following elements:

- Allignment of insurance risk management principles with the principles applied by EximBank;
- Implementation of Solvency II requirements starting from 1 January 2016;
- Reducing the underwriting risk costs by maintaining a high quality and continuous improvement of the portfolio;
- An acceptable ratio between the assumed risk and forecasted profit (on total portfolio, structured by insurance forms and customers);
- Identifying and managing the impact of risks on solvency ratios, profitability, liquidity, quality of the insurance products portfolio;
- Distributing available resources towards activities which provide a risk adjusted return (underwriting risk, market risk, operational risk), superior to the benchmark set by the group.

The group conducts the non-life insurance activity on the following types of insurance:

1 – Accidents insurance;
5 – Aircraft insurance;
7 – Goods in transit insurance;
8 – Insurance against fire and other calamities;
9 – Other insurance of goods;
11 – Aircraft liability insurance;
13 – General liability insurance;
14 – Loan insurance;
15 – Guarantee insurance;
16 – Financial loss insurance.

EximAsig has adopted an analytical approach towards the underwriting activity and set prices by taking into account a broader range of information. Thus, there is a greater probability to maintain the profitability for each type of insurance practice.

Improving the quality of the underwriting process is achieved through continuous quantitative and qualitative development of own sales force, by strengthening and developing partnership relations with insurance brokers and not least, through the optimization of the reinsurance programs. The management of EximAsig analyzes constantly the loss ratio per insurance class, so as to determine the factors which caused undesirable developments and also incorporates the results of this analysis in the calculation of technical reserves and in the underwriting process.

CLASS/Claim rate net of reinsurance	**31-Dec-2019**	**31-Dec-2018**
Accident insurance	0.00%	0.00%
Insurance of goods in transit	0.00%	0.00%
Insurance against fire and other natural calamities	10.10%	0.00%
General liability insurance	0.00%	0.00%
Loan insurance	214.90%	411.99%
Guarantee insurance	0.00%	0.00%
Financial loss insurance	0.00%	0.00%

Claim rate net of reinsurance was calculated for the financial year 2019. The increased rate for claim for loan insurance was generated by a risk subscribed in the year 2016 in which the company registered a significant exposure.

A breakdown of the insured amounts on classes of insurance products is presented in the table below:

CLASS	**31-Dec-2019 Insured amounts**	**31-Dec-2018 Insured amounts**
Accident insurance	3.094	4.568
Insurance against fire and other natural calamities	4.744.837	2.892.572
General liability insurance	379.564	178.310
Loan insurance	23.100	166.198
Guarantee insurance	1.001.502	764.549
Financial loss insurance	287	4.917
Total	**6.152.383**	**4.011.114**

Breakdown analysis structured on main types of insured risks is presented in tables below:

Premiums reserve, insurance of:	31 Dec 19			31 Dec 18		
	Gross	Ceded in Reinsurance	Net	Gross	Ceded in Reinsurance	Net
Accidents	4	-	4	6	-	6
Fire and natural calamities	2.836	-	2.836	1.902	-	1.902
General liability	610	152	458	329	217	1.102
Loans	47	29	18	253	146	107
Guarantees	12.838	6.617	6.221	10.828	5.906	4.922
Financial losses	-	-	-	4	-	4
Total	**16.335**	**6.798**	**9.537**	**13.322**	**6.269**	**7.053**

Reported but not settled reserve (RBNS) for:	31 Dec 19			31 Dec 18		
	Gross	Ceded in Reinsurance	Net	Gross	Ceded in Reinsurance	Net
Accidents	99	99	-	158	158	-
Fire and natural calamities	118	-	118	20	-	20
General liability	9.508	6.829	2.679	11.524	8.477	3.047
Loans	13.566	11.564	2.002	10.067	8.340	1.727
Guarantees	11.043	3.410	7.633	28.482	17.671	10.811
Total	**34.334**	**21.902**	**12.432**	**50.251**	**34.646**	**15.605**

Reserve for IBNR claims	Gross	Ceded in Reinsurance	Net	Gross	Ceded in Reinsurance	Net
General liability	460	243	217	220	152	69
Loans insurance	-	-	-	-	-	-
Guarantees	149	-	149	378	96	282
Total	**609**	**243**	**366**	**598**	**248**	**350**

Other technical reserves for non-life insurance:	Gross	Ceded in Reinsurance	Net	Gross	Ceded in Reinsurance	Net
Loan insurance	13	-	13	544	-	544
Total	**13**	**-**	**13**	**544**	**-**	**544**

SUBSCRIPTION RISK

In the subscription business the insurance company takes the risk to bear claims related to the insurance premium, risk given by the inadequate premium charges for the claims taken and the inadequate technical reserves opposed to the undertaken obligations. Concentration of technical risk could result in significant loss for the Company if an event or a series of events would affect a whole range of policies. The company reduces technical risk by carefully assessing customers, well-established exposure limits, reinsurance programs, and applying a prudent policy to set up technical and non-approved technical reserves.

The risks of natural disaster results from the degree of vulnerability calculated at the level of all objects insured within the Company's portfolio that can be damaged and/or destroyed in the event of an earthquake, flood and landslide event, including but not limited to buildings and within possesions belonging to individuals and legal entities, loss resulted from interruption of economic agents' activity, electronic goods, buildings in construction, machinery and construction equipment, etc.

Within the Company, procedures were developed to collect the information needed to model the risk of natural disasters: the address of the risk, the year of the construction, the structural elements. On a monthly basis the data verification and control (individuals, corporate and industrial risks) is performed by the functions responsible for portfolio management with exposure to natural disaster risk.

The Company quarterly calculates the gross and net exposure of the Company to natural disaster risks. The elements used are: policies covering natural disaster risks, insured amount and maximum possible damage. The result obtained is checked against the current reinsurance protection capacity.

CLAIM EVOLUTION

Below is the evolution of the claim according to the year of accident and the year of claim development, for each category of products. Triangles are built on gross of reinsurance claims occured (thousands of lei); on vertical there are the periods of accident and horizontally the periods of claim development. The historical data are also used in the calculation of the incurred but not reported reserve (IBNR).

The policy categories for which the evolution of claim is presented are: Loans and Guarantees, Buildings and Goods, Civil Liability. The values presented are cumulative.

The triangles of claim as at 31 December 2019 (Year 8), and 31 December 2018 (Year 7) respectively

Guarantees and Loans - Events of cumulative claim

	Development year								
Accident year	**0**	**1**	**2**	**3**	**4**	**5**	**6**	**7**	**8**
2011	38	43	43	43	43	43	43	43	43
2012	197	7.064	4.822	4.822	1.817	153	153	153	-
2013	6.198	4.320	4.320	4.320	4.721	6.079	6.097	-	-
2014	19.684	16.785	16.785	18.278	18.581	3.224	-	-	-
2015	12	1.731	1.731	12	12	-	-	-	-
2016	27.108	28.548	29.732	37.496	-	-	-	-	-
2017	6.578	11.839	12.599	-	-	-	-	-	-
2018	2.282	2.282	-	-	-	-	-	-	-
2019	261	-	-	-	-	-	-	-	-

Property and Buildings - Events of cumulative claim

Accident year	Development year 0	1	2	3	4	5	6	7	8
2011	-	-	-	-	-	-	-	-	-
2012	17	18	18	18	18	18	18	18	-
2013	11	5	5	5	5	5	5	-	-
2014	274	251	87	87	87	87	-	-	-
2015	150	100	54	54	54	-	-	-	-
2016	703	66	46	46	-	-	-	-	-
2017	213	44	44	-	-	-	-	-	-
2018	20	39	-	-	-	-	-	-	-
2019	301	-	-	-	-	-	-	-	-

Public liability – Events of cumulative claim

Accident year	Development year 0	1	2	3	4	5	6	7	8
2011	-	-	-	-	-	-	-	-	-
2012	49	49	-	-	-	-	-	-	-
2013	7	4.480	5.390	4.941	6.654	5.564	4.145	-	-
2014	1.618	4.688	4.543	7.306	7.072	7.409	-	-	-
2015	98	342	1.694	1.735	1.548	-	-	-	-
2016	-	-	-	-	-	-	-	-	-
2017	4	4	4	-	-	-	-	-	-
2018	13	20	-	-	-	-	-	-	-
2019	-	-	-	-	-	-	-	-	-

LIABILITY ADEQUACY TEST ("LAT")

The liability adequacy test is performed to assess whether the debts from the insurance contracts are appropriate, using current estimates of future cash flows for the insurance contracts. If this assessment shows that the book value of insurance debts less the deferred acquisition costs is inappropriate in the light of future cash flow estimates, the entire difference should be recognized in profit or loss. The technical reserve adequacy test is carried out annually at the balance sheet date. The technical reserves adequacy test for unexpired risks involves the following steps:

- The historical final claim rate is estimated for each insurance class, adjusted with the final recovery rate; since unexpired risks come from different years of underwriting for the business line of loans and guarantees, the expected historical claim rate is a good indicator of future cash flows from claims and expense related to instrumentation and liquidation on the files for unexpired risks;
- A charge rate that includes commissions and administrative expenses is added; the acquisition costs already incurred are excluded because they will not generate future cash flows.

In the event that a deficit is obtained, the balance of reported acquisition costs carried forward will be diminished with the deficiency observed; if the balance of the carried out acquisition costs is not sufficient, an additional reserve will be created.

The liabilities adequacy test as at 31 December 2019 revealed a total deficiency in the amount of RON 294 thousand (31 December 2018: RON 610 thousand).

The liability adequacy test at 31 December 2019, respectively 31 December 2018, presented into the table below, has taken into consideration the rate of forecasted recoveries:

31 December 2019 Insurance Class	Premium Reserve a	Deferred Acquisition Costs b	Claim Rate c	Estimated Claims d=a*c	Recovery Rate e	Estimated Recoveries f=d*e	Administrative expense rate g	Estimate expenses h=a*g	Adequate/ (Deficiency) as at 31/12/2019 i=a-b-(d-f+h)
Accidents	4	1	0.0%	-	0.0%	-	55%	2	1
Buildings and goods	2.835	585	2.5%	70	2.2%	2	55%	1.560	621
Civil liability	609	176	15.9%	97	2.9%	3	55%	335	4
Loans	47	11	50.0%	24	0.0%	-	55%	26	-13
Guarantees	12.838	2.854	40.8%	5.240	27.0%	1.415	55%	7.066	-907
Financial losses	-	-	0.0%	-	0.0%	-	55%	-	-
Total	**16.333**	**3.627**	**33.2%**	**5.431**	**26.1%**	**1.420**	**55.0%**	**8.990**	**-294**

Administrative expenses decreased from 61% in 2018 to 55% in 2019 following the increase in the volume of gross written premiums.

31 decembrie 2018 Insurance Class	Premium Reserve a	Deferred Acquisition Costs b	Claim Rate c	Estimated Claims d=a*c	Recovery Rate e	Estimated Recoveries f=d*e	Administrative expense rate g	Estimate expenses h=a*g	Adequate/ (Deficiency) as at 31/12/2018 i=a-b-(d-f+h)
Accidents	6	1	0%	-	0%	-	61%	4	1
Buildings and goods	1.902	295	1%	27	0%	-	61%	1.159	421
Civil liability	329	71	17%	55	0%	-	61%	201	2
Loans	253	-	36%	92	0%	-	61%	154	7
Guarantees	10.827	1.916	55%	5.969	27.0%	1.612	61%	6.596	-2.043
Financial losses	4	-	0%	-	0%	-	61%	2	2
Total	**13.322**	**2.284**		**6.144**		**1.612**		**8.116**	**-1.610**

37. CREDIT RISK

The credit risk management principles include:

- Ensuring the independence of the lending process, without being influenced by pressures or conflicts of interest;
- A sustainable growth of the loan portfolio as well as maintaining high quality assets so as to mitigate a potential sudden deterioration of the portfolio which may occur as a consequence of disruptive factors in the economy;
- The development of a prudential, adequate credit limit system, consistent with the risk appetite, risk tolerance, risk profile, complying with the capital adequacy of the Group/Bank, in accordance with the requirements of relevant regulations. These limits are communicated on a regular basis to, understood and complied with by relevant employees;
- Lending criteria are well defined, included in internal methodologies which appraise the credit risk deriving from exposures of individual debtors. The purpose, terms of the loan and reimbursement sources are also clearly defined.
- Credit limits present on an aggregate basis and in a comparable, relevant manner different types of exposures, on different levels: by customers or groups of customers, industries/ economic sectors, products, countries, the quality of assets, currencies and guarantee funds.
- Existing of an adequate continuous monitoring system of loans;
- Monitoring processes of both loan portfolios/subportfolios and individual loans;
- Determination of appropriate impairment adjustments in line with current accounting policies (from 1 January 2018, the Bank adopted IFRS 9 to determine the expected losses adjustments).
- Non performin loans management and periodic remedial/recovery actions of non-performing loans;
- The bank employs procedures for the valuation of collaterals, verifying their enforceability and their recoverability.

The management of country risk is performed by identifying direct exposures, limiting the concentration per country, monitoring and managing exposures on an aggregate level - in addition to monitoring the exposure per customer and ultimate counterparty.

Also, the Bank/Group takes into account the indirect country risk exposure by considering each transaction between customers of the Bank/Group and external counterparties.

The Credit Committee assesses lending conditions and guarantees issuing conditions by correlating them to associated risks and approves/rejects financing – guaranteeing requests based on the competencies limits.

The maximum gross exposure to credit risk is presented below as the gross exposure of all financial assets, inclusive exposures from commitments and contingent liabilities.

The maximum gross exposure includes all the loans of the Bank/Group portfolio (note 17).

As at 31.12.2019, the situation is presented in the table below.

31.12.2019 – Group	Total Exposure	The maxim exposure to credit risk	Fair value of collaterals held					
			Collateral Deposits	Debt securities	State collaterals	Other financial guarantees	Mortgages	Other
Cash	**395**	-	-	-	-	-	-	-
Accounts with the National Bank of Romania	**686.127**	-	-	-	-	-	-	-
Receivables on credit institutions	**898.188**	898.188	-	-	-	-	-	-
Derivative financial instruments	**3.025**	3.025	-	-	-	-	-	-
Trading financial instruments	**110.819**	110.819	-	-	-	-	-	-
Financial assets at fair value through other comprehensive income	**1.529.215**	**1.529.215**	-	-	-	-	-	-
Financial assets at amortised cost	**552.415**	552.415	-	-	-	-	-	-
Credite, net	**3.855.497**	**4.002.440**	**32.688**	-	**921.036**	**210.047**	**1.734.640**	**4.602.365**
Loans (gross value)	**4.002.440**	4.002.440	32.688	-	921.036	210.047	1.734.640	4.602.365
Loan impairment adjustments	**-146.943**	-	-	-	-	-	-	-
Investments in subsidary	-	-	-	-	-	-	-	-
Net tangible assets	**48.747**	-	-	-	-	-	-	-
Net intangible assets	**5.808**	-	-	-	-	-	-	-
Investment property	**42.176**	-	-	-	-	-	-	-
Other assets	**100.369**	**92.255**	-	-	-	-	-	-
Deferred tax, asset	**57**	-	-	-	-	-	-	-
Total assets	**7.832.838**	**7.188.357**	**32.688**	-	**921.036**	**210.047**	**1.734.640**	**4.602.365**
Off – balance sheet exposures:	**3.261.569**	3.261.569	31.409	-	681.204	50.453	143.612	701.187
Letters of credit	**8.543**	8.543	85	-	1.218	-	4.041	10.889
Loan commitments	**1.742.941**	**1.742.941**	**216**	-	**5.685**	-	**18.769**	**128.032**
Letters of guarantee	**1.510.085**	1.510.085	31.108	-	674.301	50.453	120.802	562.266
Total	**11.094.407**	**10.449.926**	**64.097**	-	**1.602.240**	**260.500**	**1.878.252**	**5.303.552**

As at 31.12.2018, the situation is presented in the table below.

31.12.2018 – Group	Total Exposure	The maxim exposure to credit risk	Fair value of collaterals held					
			Collateral Deposits	Debt securities	State collaterals	Other financial guarantees	Mortgages	Other
Cash	373	-	-	-	-	-	-	-
Accounts with the National Bank of Romania	742.684	-	-	-	-	-	-	-
Receivables on credit institutions	792.185	792.185	-	-	-	-	-	-
Derivative financial instruments	4.495	4.495	-	-	-	-	-	-
Trading financial instruments	68.620	68.620	-	-	-	-	-	-
Financial assets at fair value through other comprehensive income	1.667.255	1.667.255	-	-	-	-	-	-
Financial assets at amortised cost	556.959	556.959	-	-	-	-	-	-
Credite, net	3.321.486	3.421.066	27.306	-	652.440	213.279	1.115.383	3.329.821
Loans (gross value)	3.421.066	3.421.066	27.306	-	652.440	213.279	1.115.383	3.329.821
Loan impairment adjustments	-99.580	-	-	-	-	-	-	-
Investments in subsidary	-	-	-	-	-	-	-	-
Net tangible assets	10.922	-	-	-	-	-	-	-
Net intangible assets	6.269	-	-	-	-	-	-	-
Investment property	40.587	-	-	-	-	-	-	-
Other assets	77.529	69.415	-	-	-	-	-	-
Deferred tax, asset	4.014	-	-	-	-	-	-	-
Total assets	7.293.378	6.579.995	27.306	-	652.440	213.279	1.115.383	3.329.821
Off – balance sheet exposures:	2.302.947	2.302.947	28.666	-	638.497	64.898	310.464	1.472.287
Letters of credit	20.004	20.004	2.299	-	4.456	-	227	25.505
Loan commitments	1.201.519	1.201.519	2.390	-	200.408	18.299	199.671	709.278
Letters of guarantee	1.081.424	1.081.424	23.977	-	433.633	46.599	110.566	737.504
Total	9.596.325	8.882.942	55.972	-	1.290.937	278.177	1.425.847	4.802.108

As at 31.12.2019, the situation is presented in the table below:

31.12.2019 – Bank	Total Exposure	The maxim exposure to credit risk	Fair value of collaterals held					
			Collateral Deposits	Debt securities	State collaterals	Other financial guarantees	Mortgages	Other
Cash	**394**	-	-	-	-	-	-	-
Accounts with the National Bank of Romania	**686.127**	-	-	-	-	-	-	-
Receivables on credit institutions	**869.172**	869.172	-	-	-	-	-	-
Derivative financial instruments	**3.025**	3.025	-	-	-	-	-	-
Trading financial instruments	**110.819**	110.819	-	-	-	-	-	-
Financial assets at fair value through other comprehensive income	**1.529.215**	1.529.215	-	-	-	-	-	-
Financial assets at amortised cost	**512.116**	512.116	-	-	-	-	-	-
Credite, net	**3.855.497**	4.002.440	32.688	-	921.036	210.047	1.734.640	4.602.365
Loans (gross value)	**4.002.440**	4.002.440	32.688	-	921.036	210.047	1.734.640	4.602.365
Loan impairment adjustments	**-146.943**	-	-	-	-	-	-	-
Investments in subsidary	**34.046**	-	-	-	-	-	-	-
Net tangible assets	**47.839**	-	-	-	-	-	-	-
Net intangible assets	**5.497**	-	-	-	-	-	-	-
Investment property	**42.176**	-	-	-	-	-	-	-
Other assets	**50.211**	42.097	-	-	-	-	-	-
Deferred tax, asset	**57**	-	-	-	-	-	-	-
Total assets	**7.746.191**	**7.068.884**	**32.688**	-	**921.036**	**210.047**	**1.734.640**	**4.602.365**
Off – balance sheet exposures:	**3.261.569**	3.261.569	31.409	-	681.204	50.453	143.612	701.187
Letters of credit	**8.543**	8.543	85	-	1.218	-	4.041	10.889
Loan commitments	**1.742.941**	1.742.941	216	-	5.685	-	18.769	128.032
Letters of guarantee	**1.510.085**	1.510.085	31.108	-	674.301	50.453	120.802	562.266
Total	**11.007.760**	**10.330.453**	**64.097**	-	**1.602.240**	**260.500**	**1.878.252**	**5.303.552**

As at 31.12.2018, the situation is presented in the table below :

31.12.2018 – Bank	Total Exposure	The maxim exposure to credit risk	Fair value of collaterals held					
			Collateral Deposits	Debt securities	State collaterals	Other financial guarantees	Mortgages	Other
Cash	**370**	-	-	-	-	-	-	-
Accounts with the National Bank of Romania	**742.684**	-	-	-	-	-	-	-
Receivables on credit institutions	**767.927**	767.927	-	-	-	-	-	-
Derivative financial instruments	**4.495**	4.495	-	-	-	-	-	-
Trading financial instruments	**68.620**	68.620	-	-	-	-	-	-
Financial assets at fair value through other comprehensive income	**1.667.255**	1.667.255	-	-	-	-	-	-
Financial assets at amortised cost	**517.260**	517.260	-	-	-	-	-	-
Credite, net	**3.321.486**	3.421.066	27.306	-	652.440	213.279	1.115.383	3.329.821
Loans (gross value)	**3.421.066**	3.421.066	27.306	-	652.440	213.279	1.115.383	3.329.821
Loan impairment adjustments	**-99.580**	-	-	-	-	-	-	-
Investments in subsidary:	**34.047**	591	-	-	-	-	-	-
Loan convertible into shares	**591**	591	-	-	-	-	-	-
Net tangible assets	**10.475**	-	-	-	-	-	-	-
Net intangible assets	**5.996**	-	-	-	-	-	-	-
Investment property	**40.587**	-	-	-	-	-	-	-
Other assets	**15.696**	7.582	-	-	-	-	-	-
Deferred tax, asset	**4.014**	-	-	-	-	-	-	-
Total assets	**7.200.912**	**6.454.796**	**27.306**	**-**	**652.440**	**213.279**	**1.115.383**	**3.329.821**
Off – balance sheet exposures:	**2.302.947**	2.302.947	28.666	-	638.497	64.898	310.464	1.472.287
Letters of credit	**20.004**	20.004	2.299	-	4.456	-	227	25.505
Loan commitments	**1.201.519**	1.201.519	2.390	-	200.408	18.299	199.671	709.278
Letters of guarantee	**1.081.424**	1.081.424	23.977	-	433.633	46.599	110.566	737.504
Total	**9.503.859**	**8.757.743**	**55.972**	**-**	**1.290.937**	**278.177**	**1.425.847**	**4.802.108**

Collateral value and type depends upon the appraisal of the counterparty risk. Guidelines are implemented regarding the maximum degree of acceptability of collateral types and valuation parameters. The valuation of assets brought as collaterals is performed by authorized ANEVAR valuators, approved by the Group/Bank and notified to the National Bank of Romania. Valuation reports provided by external valuators are approved by internal valuators of the Group/Bank.

The Bank/Group monitors the market value of collaterals and valuation parameters and requests additional collaterals in accordance with the contractual agreement to ensure that collaterals cover the entire exposure of the Group/Bank.

The capacity of reimbursement of a client represents the most relevant sign of the credit risk associated with the loans. All the collaterals ensure a suplimentary protection for the Bank/Group as several guarantees are required, tangible, intangible, financial guarantees.

As at 31 December 2019, the value of impaired loans in stage 3 is RON 228,901 thousand covered by collaterals in total amount of RON 126,394 thousand (as at 31 December 2018 the value of impaired loans was RON 284,387 covered by collaterals in the amount of RON 224,245). The value of collaterals is limited to the amortised cost of the loan.

The balance sheet exposure at credit risk for both the Group and the Bank, representing loans and advances for the clients (Note 17), is classified into the following risk categories:

	Gross maximum exposure of loans and advances to customers	
Risk category	**31.12.2019**	**31.12.2018**
A	1.406.187	1.242.194
B	1.410.354	954.143
C	703.041	678.837
D	336.714	376.520
E	62.709	66.533
Import factors *)	**83.435**	**102.839**
Total	**4.002.440**	**3.421.066**

*) Mostly non-recourse external factoring operations (external counterparties, low risk)

Loans and advances to customers are aggregated based on the following risk categories:

A – minimum risk;

B – low risk, no losses are expected;

C – medium risk, acceptable and mitigated by strict monitoring of commitments – losses are unlikely to be incurred;

D – high risk, exposures related to these customers are carefully monitored and limited starting from the moment the lending decision is made, throughout the tenor of the loan – losses are likely to be incurred;

E – maximum risk – with imminent losses in most cases.

The risk categories above presented are based on the financial performance of debtors, determined in accordance with the Bank's internal regulations.

The table below shows the adjustments for expected losses (collective and individual) as estimated by the Group/Bank as at 31 December 2019 and 31 December 2018.

	2019	**2018**
Adjustments for expected losses for loans in stage 3 evaluated at individual level	100.355	55.272
Collective adjustments for expected losses (stage 1 and 2)	46.588	44.308
Total adjustments for impairment	**146.943**	**99.580**

DATA, ASSUMPTIONS AND TECHNIQUES USED TO ESTIMATE IMPAIRMENT

For the calculation of expected credit losses, the Bank's/Group's financial assets are classified into one of the following categories:

- **Stage 1**: Financial assets whose credit risk has not significantly increased by comparing to the initial recognition date (origination moment), for which credit risk adjustments are determined over a time horizon equal to the minimum of the residual maturity of the exposure expressed in months and one year. For credit lines, ceilings and factoring agreements adjustments will be calculated over a one-year horizon, irrespective of contractual maturity;
- **Stage 2**: Unimpaired financial assets whose credit risk has increased significantly by comparing to the time of initial recognition and for which credit risk adjustments are determined over the residual life of those assets. For credit lines, ceilings and factoring agreements adjustments are calculated over a time horizon representing the average lending duration irrespective of the contractual maturity of the exposures;

Exposures for which a significant deterioration of credit risk has been noted are allocated to Stage 2, if at least one of the following conditions is met:

- the number of days past due at client level is higher than 30 days.
- insolvency proceedings are opened against the client;
- the client's financial performance has deteriorated in D or E from the date of granting the exposure;
- client's financial performance has deteriorated at least one class at the reporting date versus the granting date and at least one of the following conditions is met: decrease in the annual turnover by more than 50% or equity is negative or net loss is higher than 10% of turnover;
- client's financial performance has deteriorated two classes at the reporting date versus the granting date, and following an evaluation of the case (reasons that led to the rating downgrade/other aspects) it is found that this change reflects the significant deterioration of credit risk;
- the customer has at least one restructured exposure during the probation period;
- the customer records delays of more than 60 days to other creditors at the Central Credit Register;
- the client has left Stage 3 in the previous 3 months.
- **Stage 3**: Impaired financial assets, including exposures impaired at initial recognition, for which credit risk adjustments are determined over the residual life of those financial assets.

For credit risk management purposes as well as for financial-prudential reporting purposes, the Bank applies the same criteria for the classification of exposures in non-performing exposures, default exposures and impaired exposures.

Therefore, financial assets are allocated, under IFRS 9, to stages of impairment, as follows:

- **Stage 3** –all exposures classified as non-performing according to the definition of the European Banking Authority;
- **Stage 2** –exposures with significant credit risk deterioration, namely all exposures which are not allocated to Stage 3 that meet at least one of the rating conditions, financial condition/ratios, debt service, client's payment behavior towards the Bank/Group or other financial creditors etc.
- **Stage 1** – all exposures that are not allocated to stages 2 or 3.

NON-PERFORMING LOANS (IMPAIRED)

The Bank has implemented the definition of default, also used to account for impaired exposures as set out in Regulation 575/2013, namely for exposures from credit/guarantee operations other than non-recourse factoring exposures, exposures are not performing if at least one of the following conditions is met:

- The number of days past due at client level is higher than 90 days (the days past due higher than 90 days are considered for all of the client's obligations to the bank without application of a materiality threshold) or legal proceedings against the client have been initiated by the bank;
- The client is unlikely to pay, at least one of the following conditions being met:
  - the insolvency proceeding was opened, inclusind in the situations when:
    - the bank has requested the opening of bankruptcy proceedings against the debtor or a similar measure for the debtor's credit obligations in respect of EximBank;
    - the debtor has requested bankruptcy proceedings or similar protection if this would have the effect of avoiding or postponing the payment of a credit obligation to EximBank;
  - the recognition of interest on the loan obligation ceases;
  - the Bank recognizes a specific charge for adjusting credit risk resulting from a significant deterioration of the credit quality, after origination date;
  - loans are impaired at origination/initial recognition;
  - restructured loans that meet the non-performing conditions.

Purchased or originated credit impaired loans (POCI), a sub-category of non-performing exposures, results from restructuring operations applied to performing or non-performing exposures where net present value of estimated future cash flows (NPV = Net Present Value) based on the new agreement decreases by more than 10% compared to the net present value of cash flows under contractual obligations before changes to the contractual terms and conditions.

For all exposures in Stage 3 (non-performing exposures), the Bank/Group determines expected credit losses based on individual exposure analysis and assessment and for Stages 1 and 2, the Bank/Group determines expected credit losses based on collective analysis/assessment (by grouping financial instruments with similar credit risk characteristics).

The Bank/Group applies the same criteria for the classification of exposures in non-performing exposures, default exposures and impaired exposures (Stage 3).

Impaired exposures at initial recognition (impaired exposures at origination) are classified to stage 3, during exposure lifetime. Lifetime expected credit losses adjustments are estimated based on an individual assessment, at values equal to the expected losses over the lifetime of these exposures. For these assets, at each reporting date, the amount of change in lifetime expected credit losses is recognized in profit or loss as an impairment gain or loss.

The PD model used takes into account the structure and specificity of the Bank/Group portfolio (historical horizon and number of clients with relatively limited exposure, low default). The model involves splitting the exposure portfolios into homogeneous segments, so as to ensure enough cases of exposure and default events for a realistic PD estimation.

EximBank has segmented the client portfolio in order to determine the expected credit losses as follows:

- non-financial corporations;
- non-bank financial institutions ("IFN");
- local public authorities and regional administrations ("APL");
- factoring irrespective of the type of debtor ceded/import factor, taking into account the specificity of the product.

DETERMINING THE RISK PARAMETERS

Determining the probability of default (PD) for loans in case of non-financial corporations segment consists of calculating cumulative conditional default rates, using the Weibull function to predict cumulative default curves and using the Vasicek calibration function so that the above-mentioned PDs are adjusted with forward-looking information.

For EximBank exposures with no default (IFN, APL), the probability of default (PD) is determined based on cumulative PD curves starting from the observed annual default rate for the financial sector/insurance companies/ minimum threshold level according to EU Regulation 575/2013, including "forward looking" adjustments in the model; for internal recourse factoring exposures, PDs determined according to the segment of non-financial corporations are considered.

Determining the loss given default parameter (LGD) for loans with respect to the non-financial corporations segment involves the following:

- grouping data inputs for the model, depending on the historical evolution of recoveries (i.e. recoveries recorded since entering the category of non-performing exposures);
- calculation of conditional cumulative recovery rates;
- starting from historical recovery rates, the logistics function is used for the projection of the cumulative recovery curve and the LGD TTC estimate (loss in case of default over the economic cycle horizon);
- forward-looking adjustments for LGD PIT transformation (loss in case of default at reporting date) by linking to the PDs determined.

The forward looking element of the model is represented by the GDP forecast for the next 3 years. The values of the parameters used in calculating the expected credit losses take into account the values estimated by the European Commission (2020: 3.6%, 2021: 3.3%, 2022: 3.3%), IMF (2020: 3.5%, 2021: 3.0%, 2022: 3.0%) and World Bank (2020: 3.3%, 2021: 3.1%, 2022: 3.1%). The forecasted values mentioned above are considered as the baseline scenario with a 45% weighting in the final values. The bank also considers a pessimistic scenario with a 40% share (negative deviation by 50% from the above average) and an optimistic scenario with a 15% share (positive deviation by 10% from the above average).

As regards exposures with no history of default with EximBank (non-bank financial institutions, local public authorities and non-recourse factoring), the calculation starts from a minimum LGD TTC according to EU Regulation 575/2013, namely 45%, incorporating forward looking adjustments for LGD PIT conversion. For exposures from internal recourse factoring, the LGD shall be determined according to the segment of non-financial corporations.

In the case of credit lines (revolving facilities), for the determination of the conversion factor in the balance sheet (CCF):

- Based on historical data, the probability of using credit commitments at the date of default for the non-financial corporations portfolio is calculated and this probability is compared to the average utilization rate of the credit lines in the portfolio;
- The CCF represents the positive difference between the average utilization rate resulting from the model based on historical data and the average utilization rate at the update date.

In the case of guarantee letters, letters of credit and guarantee ceilings, CCF represents the execution rate at the portfolio level. For mixed (cash and non-cash) ceilings, CCF is considered as the average between the CCF calculated for guarantee exposures and the CCF for term loans. For undrawn non-revolving loans and cash limits, the CCF is considered 100%.

Gross loans 2019	Stage 1, 2 (current)	Stage 1, 2 (overdue < 30 days)	Stage 1, 2 (overdue > 30 days)	Stage 3	Originated impaired	Total
Corporate	**3.004.248**	**151.213**	**4.436**	**218.841**	**10.060**	**3.388.798**
Public authorities	**605.947**	7.695	0		0	**613.642**
Total loans	**3.610.195**	**158.908**	**4.436**	**218.841**	**10.060**	**4.002.440**

Gross loans 2018	Stage 1, 2 (current)	Stage 1, 2 (overdue < 30 days)	Stage 1, 2 (overdue > 30 days)	Stage 3	Originated impaired	Total
Corporate	2.648.840	16.043	854	284.387	13.708	**2.963.832**
Public authorities	448.749	7.481	-	-	1.004	**457.234**
Total loans	**3.097.589**	**23.524**	**854**	**284.387**	**14.712**	**3.421.066**

RESTRUCTURED LOANS

At the end of 2019, the Bank/Group had gross restructured loans in the amount of RON 162,427 thousand (31 December 2018: RON 233,820 thousand) recorded, the criteria for classification and maintenance in the category of restructured loans being in line with the definitions of the European Banking Authority, namely NBR Order 9/2017.

Restructured loans	Gross amount	Adjustments	Net amount
2019	162.427	-63.932	98.495
2018	233.820	-35.039	198.781

In 2019 and 2018, the Bank did not write-off any loans.

Off balance sheet exposures, still monitored	31-Dec-19	31-Dec-18
Total off balance sheet monitored exposures	140.071	140.640

38. LIQUIDITY RISK

The Bank/Group recognizes the liquidity risk as representing the current or future risk which negatively affects the profits and equity, due to the Group/Bank inability to fulfil its obligations as they fall due.

For an adequate management of this risk and an effective management of liquidity, the Group performs daily monitoring of all inflows and outflows of cash or cash equivalents related to interbank maturities, of events on the securities portfolio or resulting from loan repayments, by monitoring the liquidity position on the relevant maturity buckets and actively managing liquidity reserves needed to fulfill its obligations with minimal costs.

The Group/Bank maintains the minimum mandatory reserves as imposed by Regulation No. 6/2002 of NBR, regarding the minimum reserve requirements, the level in effect at the end of 2019 being 8% for resources drawn in RON and for the resources drawn in foreign currency, in force at the end of 2019 (2018: 8% for RON and foreign currency).

Furthermore, the Bank/Group ensures the maintenance of a certain level of liquid assets, unencumbered by obligations, eligible for guaranteed financing operations, comprising government securities, to ensure the necessary liquidities in the event of exceptional market circumstances. Liquid assets are mainly composed of government securities, to ensure the necessary liquidity in case of exceptional market situations. The Bank has an early warning system in case of a liquidity crisis event in the banking system.

The Group/Bank projects cash flows on predictable periods of time, using alternative scenarios. These projections are used to perform analysis of cash flow mismatches (liquidity gap), based on assumptions about future behavior of assets, liabilities and off-balance sheet items and calculates the cumulative net liquidity deficit for a time horizon.

The Bank takes into account three types of crisis scenarios: scenarios considering internal characteristics of the Bank, another scenario considering broad changes in the market, and a scenario combining the first two.

In the process of mitigating liquidity risk, the Bank daily determines the immediate liquidity indicator, representing the share of liquid assets, collateral free, in the total attracted and borrowed sources, and ensures its maintenance within the limits established through internal risk strategies.

Following transposition into national law of the EU Regulation no. 575/2013, starting from March 2014, the Bank uses the net stable funding indicator (NSFR) to monitor liquidity risk liquidity coverage indicator (LCR). LCR indicator was maintained above the regulatory limit.

The table below analyzes assets and liabilities of the Group/Bank by relevant maturity buckets based on residual maturity of the contract at the balance sheet date 31 December 2019:

31.12.2019 - Group	**TOTAL**	**Of which: liquidity risk**	**< 1**	**1 - 3**	**3 - 12**	**1 - 5**	**Over 5**
ASSETS			months	months	months	years	years
Cash	395	395	395	-	-	-	-
Accounts with the NBR	686.127	686.127	686.127	-	-	-	-
Due from banks	898.188	898.188	880.696	6.387	-	10.978	127
Derivative assets	3.025	3.025	3.025	-	-	-	-
Trading financial instruments	110.819	110.819	-	35.610	19.889	55.320	-
Financial assets at fair value through other comprehensive income	1.529.215	1.529.215	25.762	112.354	231.124	958.764	201.211
Financial assets at amortised cost	552.415	552.415	42.832	2.991	12.143	87.159	407.290
Net loans	3.855.497	3.855.497	241.369	340.666	1.359.167	1.366.573	547.722
Investments in subsidary	-	-	-	-	-	-	-
Net tangible assets	48.747	-	-	-	-	-	-
Net intangible assets	5.808	-	-	-	-	-	-
Net investment property	42.176	-	-	-	-	-	-
Other assets	100.369	100.369	100.369	-	-	-	-
Deferred tax asset	57	-	-	-	-	-	-
	7.832.838	**7.736.050**	**1.980.575**	**498.008**	**1.622.323**	**2.478.794**	**1.156.350**
LIABILITIES							
Derivatives	1.016	1.016	58	-	-	958	-
Due to banks	313.467	313.467	47.623	250.330	15.514	-	-
MPF Funds	1.686.565	1.686.565	282.534	-	-	1.404.031	-
Due to customers	4.487.760	4.487.760	2.064.932	860.927	1.480.697	70.294	10.910
Deferred income and accrued expenses	23.754	-	-	-	-	-	-
Provisions	30.954	-	-	-	-	-	-
Other liabilities	126.851	126.851	126.851	-	-	-	-
Deffered tax liability	-	-	-	-	-	-	-
	6.670.367	**6.615.659**	**2.521.998**	**1.111.257**	**1.496.211**	**1.475.283**	**10.910**
NET ASSETS	**1.162.471**	**1.120.391**	**-541.423**	**-613.249**	**126.112**	**1.003.511**	**1.145.440**

31.12.2019 - Group OFF-BALANCE SHEET	TOTAL	Of which: liquidity risk	< 1 months	1 - 3 months	3 - 12 months	1 - 5 years	Over 5 years
Loan commitments	1.751.483	1.751.483	2.202	40.612	396.226	692.865	619.578
Guarantee commitments	1.510.085	1.510.085	59.663	76.642	438.967	802.435	132.378
Cash in from derivatives	755.768	755.768	277.086	282.693	195.989	-	-
Cash out from derivatives	-750.832	-750.832	-276.445	-280.991	-193.396	-	-
	3.266.504	**3.266.504**	**62.506**	**118.956**	**837.786**	**1.495.300**	**751.956**

The Bank holds in its portfolio highly liquid assets (securities issued by MPF), which provides a high capacity for absorption of potential short-term liquidity shocks. In general, the deposits with less than one month are stable because they are prolongued at maturity, being a characteristic of Romanian banking market.

31.12.2019 - Bank ASSETS	TOTAL	Of which: liquidity risk	< 1 months	1 - 3 months	3 - 12 months	1 - 5 years	Over 5 years
Cash and cash equivalents	394	394	394	-	-	-	-
Accounts with the NBR	686.127	686.127	686.127	-	-	-	-
Due from banks	869.172	869.172	867.834	-	-	1.338	-
Derivative assets	3.025	3.025	3.025	-	-	-	-
Trading financial instruments	110.819	110.819	-	35.610	19.889	55.320	-
Financial assets at fair through other comprehensive income	1.529.215	1.529.215	25.762	112.354	231.124	958.764	201.211
Financial assets at amortised cost	512.116	512.116	42.832	2.833	9.161	50.000	407.290
Net loans	3.855.497	3.855.497	241.369	340.666	1.359.167	1.366.573	547.722
Investments in subsidary:	34.046	34.046	34.046	-	-	-	-
Net tangible assets	47.839	-	-	-	-	-	-
Net intangible assets	5.497	-	-	-	-	-	-
Net investment property	42.176	-	-	-	-	-	-
Other assets	50.211	50.211	50.211	-	-	-	-
Deferred tax asset	480	-	-	-	-	-	-
	7.746.191	**7.650.622**	**1.951.600**	**491.463**	**1.619.341**	**2.431.995**	**1.156.223**

31.12.2019 - Bank LIABILITIES	TOTAL	Of which: liquidity risk	< 1 months	1 - 3 months	3 - 12 months	1 - 5 years	Over 5 years
Derivatives	1.016	1.016	58	-	-	958	-
Due to banks	313.467	313.467	47.623	250.330	15.514	-	-
MPF Funds	1.686.565	1.686.565	282.534	-	-	1.404.031	-
Due to customers	4.488.544	4.488.544	2.065.716	860.927	1.480.697	70.294	10.910
Deferred income and accrued expenses	23.690	-	-	-	-	-	-
Provisions	26.313	-	-	-	-	-	-
Other liabilities	45.362	45.362	45.362	-	-	-	-
Deffered tax liability	-	-	-	-	-	-	-
NET ASSETS	**1.161.234**	**1.115.668**	**-489.693**	**-619.794**	**123.130**	**956.712**	**1.145.313**

OFF-BALANCE SHEET							
Loan commitments	1.751.483	1.751.483	2.202	40.612	396.226	692.865	619.578
Guarantee commitments	1.510.085	1.510.085	59.663	76.642	438.967	802.435	132.378
Cash in from derivatives	755.768	755.768	277.086	282.693	195.989	-	-
Cash out from derivatives	-750.832	-750.832	-276.445	-280.991	-193.396	-	-
	3.266.504	**3.266.504**	**62.506**	**118.956**	**837.786**	**1.495.300**	**751.956**

The table below analyzes the assets and liabilities of the Group/Bank by relevant maturity buckets, based on residual maturity of the contract, at the balance sheet date as at 31 December 2018:

31.12.2018 - Group ASSETS	TOTAL	Of which: liquidity risk	< 1 months	1 - 3 months	3 - 12 months	1 - 5 years	Over 5 years
Cash and cash equivalents	373	373	373	-	-	-	-
Accounts with the NBR	742.684	742.684	742.684	-	-	-	-
Due from banks	792.185	792.185	752.147	36.070	3.968	-	-
Derivative assets	4.495	4.495	2.744	-	-	1.751	-
Trading financial instruments	68.620	68.620	68.620	-	-	-	-
Available for sale investments	-	-	-	-	-	-	-
Financial assets at fair value through other comprehensive income	1.667.255	1.667.255	35.179	190.979	516.659	808.171	116.267
Investments held to maturity	-	-	-	-	-	-	-
Financial assets at amortised cost	556.959	556.959	47.976	2.896	14.729	34.068	457.290
Net loans	3.321.486	3.321.486	69.821	394.983	1.324.549	1.105.304	426.829
Investments in subsidary	-	-	-	-	-	-	-
Net tangible assets	10.922	-	-	-	-	-	-
Net intangible assets	6.269	-	-	-	-	-	-
Net investment property	40.587	-	-	-	-	-	-
Other assets	77.529	77.529	76.741	788	-	-	-
Deferred tax, asset	4.014	-	-	-	-	-	-
	7.293.378	**7.231.586**	**1.796.285**	**625.716**	**1.859.905**	**1.949.294**	**1.000.386**
LIABILITIES							
Derivatives	756	756	756	-	-	-	-
Due to banks	435.798	435.798	435.798	-	-	-	-
MPF Funds	1.727.021	1.727.021	327.021	-	-	1.400.000	-
Due to customers	3.815.260	3.815.260	1.943.182	892.418	865.676	110.964	3.020
Deferred income and accrued expenses	22.217	-	-	-	-	-	-
Provisions	40.558	-	-	-	-	-	-
Other liabilities	129.315	129.315	110.376	18.939	-	-	-
Deffered tax, liability	-	-	-	-	-	-	-
	6.170.925	**6.108.150**	**2.817.133**	**911.357**	**865.676**	**1.510.964**	**3.020**

31.12.2018 - Group NET ASSETS	TOTAL	Of which: liquidity risk	< 1 months	1 - 3 months	3 - 12 months	1 - 5 years	Peste 5 years
	1.122.453	**1.123.436**	**-1.020.848**	**-285.641**	**994.229**	**438.330**	**997.366**
OFF-BALANCE SHEET							
Loan commitments	1.132.050	1.132.050	42.525	157.427	212.385	176.105	543.608
Guarantee commitments	1.145.267	1.145.267	54.350	61.443	220.258	691.339	117.877
Cash in from derivatives	624.775	624.775	119.365	215.723	196.988	92.699	-
Cash out from derivatives	-619.945	-619.945	-118.502	-214.118	-195.469	-91.856	-
	2.282.147	**2.282.147**	**97.738**	**220.475**	**434.162**	**868.287**	**661.485**

31.12.2018 - Bank ASSETS	TOTAL	Of which: liquidity risk	< 1 months	1 - 3 months	3 - 12 months	1 - 5 years	Over 5 years
Cash and cash equivalents	370	370	370	-	-	-	-
Accounts with the NBR	742.684	742.684	742.684	-	-	-	-
Due from banks	767.927	767.927	744.607	23.320	-	-	-
Derivative assets	4.495	4.495	2.744	-	-	1.751	-
Trading financial instruments	68.620	68.620	68.620	-	-	-	-
Available for sale investments	-	-	-	-	-	-	-
Financial assets at fair through other comprehensive income	1.667.255	1.667.255	35.179	190.979	516.659	808.171	116.267
Investments held to maturity	-	-	-	-	-	-	-
Financial assets at amortised cost	517.260	517.260	47.976	2.833	9.161	-	457.290
Net loans	3.321.486	3.321.486	69.821	394.983	1.324.549	1.105.304	426.829
Investments in subsidary:	34.047	34.047	34.047	-	-	-	-
Loan convertible into shares	591	-	-	-	-	-	-
Net tangible assets	10.475	-	-	-	-	-	-
Net intangible assets	5.996	-	-	-	-	-	-
Net investment property	40.587	-	-	-	-	-	-
Other assets	15.696	15.696	14.908	788	-	-	-
Deferred tax, asset	4.014	-	-	-	-	-	-
	7.200.912	**7.105.793**	**1.726.909**	**612.903**	**1.850.369**	**1.915.226**	**1.000.386**

31.12.2018 - Bank LIABILITIES	TOTAL	Of which: liquidity risk	< 1 months	1 - 3 months	3 - 12 months	1 - 5 years	Over 5 years
Derivatives	756	756	756	-	-	-	-
Due to banks	435.798	435.798	435.798	-	-	-	-
MPF Funds	1.727.021	1.727.021	327.021	-	-	-	-
Due to customers	3.815.354	3.815.354	1.943.276	892.418	865.676	110.964	3.020
Deferred income and accrued expenses	22.198	-	-	-	-	-	-
Provisions	36.106	-	-	-	-	-	-
Other liabilities	41.719	41.719	22.780	18.939	-	-	-
Deffered tax, liability	-	-	-	-	-	-	-
	6.078.952	**6.020.648**	**2.729.631**	**911.357**	**865.676**	**1.510.964**	**3.020**
NET ASSETS	**1.121.960**	**1.085.145**	**-1.002.722**	**-298.454**	**984.693**	**404.262**	**997.366**
OFF-BALANCE SHEET							
Loan commitments	1.132.050	1.132.050	42.525	157.427	212.385	176.105	543.608
Guarantee commitments	1.145.267	1.145.267	54.350	61.443	220.258	691.339	117.877
Cash in from derivatives	624.775	624.775	119.365	215.723	196.988	92.699	-
Cash out from derivatives	-619.945	-619.945	-118.502	-214.118	-195.469	-91.856	-
	2.282.147	**2.282.147**	**97.738**	**220.475**	**434.162**	**868.287**	**661.485**

The financial liabilities of the Group/Bank at the end of 2019, including future cash flows represented by interest not recognized in the income statement and in the amortised cost of liabilities, are presented into the tables below:

31.12.2019 – GROUP FINANCIAL LIABILITIES, including future interest	TOTAL	< 1 month	1 - 3 months	3 - 12 months	1 - 5 years	Over 5 years
Derivatives	1.016	58	-	-	958	-
Due to banks	315.317	47.628	251.939	15.750	-	-
Deposits from MPF	1.843.744	286.573	8.077	36.348	1.512.745	-
Due to customers	4.500.194	2.065.509	862.323	1.489.044	71.764	11.554
Other liabilities	126.851	126.851	-	-	-	-
	6.787.122	**2.526.619**	**1.122.339**	**1.541.142**	**1.585.467**	**11.554**

31.12.2019- BANK **FINANCIAL LIABILITIES, including future interest**	**TOTAL**	**< 1** month	**1 - 3** months	**3 - 12** months	**1 - 5** years	**Over5** years
Derivatives	1.016	58	-	-	958	-
Due to banks	315.317	47.628	251.939	15.750	-	-
Deposits from MPF	1.843.744	286.573	8.077	36.348	1.512.745	-
Due to customers	4.500.978	2.066.293	862.323	1.489.044	71.764	11.554
Other liabilities	45.362	45.362	-	-	-	-
	6.706.417	**2.445.914**	**1.122.339**	**1.541.142**	**1.585.467**	**11.554**

The financial liabilities of the Group/Bank at the end of 2018, including future cash flows represented by interest not recognized in the income statement and in the amortised cost of liabilities, are presented into the tables below:

31.12.2018 – GROUP **FINANCIAL LIABILITIES, including future interest**	**TOTAL**	**< 1** month	**1 - 3** months	**3 - 12** months	**1 - 5** years	**Over5** years
Derivatives	756	756	-	-	-	-
Due to banks	435.918	435.918	-	-	-	-
Deposits from MPF	1.828.950	329.635	5.228	23.527	1.470.560	-
Due to customers	3.824.966	1.943.649	894.141	870.482	113.492	3.202
Other liabilities	129.315	110.376	18.939	-	-	-
	6.219.906	**2.820.334**	**918.308**	**894.009**	**1.584.052**	**3.202**

31.12.2018 – BANK **FINANCIAL LIABILITIES, including future interest**	**TOTAL**	**< 1** month	**1 - 3** months	**3 - 12** months	**1 - 5** years	**Over5** years
Derivatives	756	756	-	-	-	-
Due to banks	435.918	435.918	-	-	-	-
Deposits from MPF	1.828.950	329.635	5.228	23.527	1.470.560	-
Due to customers	3.825.060	1.943.743	894.141	870.482	113.492	3.202
Other liabilities	41.719	22.780	18.939	-	-	-
	6.132.404	**2.732.832**	**918.308**	**894.009**	**1.584.052**	**3.202**

39. MARKET RISK

a. Foreign exchange risk

The currency structure of financial assets and liabilities of the Group/Bank as at 31 December 2019 is as follows:

31.12.2019 – Group	TOTAL	RON	EUR	USD	OTHERS
ASSETS					
Cash and cash equivalents	395	128	179	86	2
Accounts with the National Bank of Romania	686.127	326.514	359.613	-	-
Due from banks	898.188	454.182	408.705	24.339	10.962
Derivative assets	3.025	3.025	-	-	-
Trading financial instruments	110.819	110.819	-	-	-
Financial assets at fair through other comprehensive income	1.529.215	1.430.702	-	98.513	-
Financial assets at amortised cost	552.415	537.102	15.313	-	-
Net loans	3.855.497	2.611.060	978.179	266.258	-
Investments in subsidary	-	-	-	-	-
Net tangible assets	48.747	48.747	-	-	-
Net intangible assets	5.808	5.808	-	-	-
Net investment property	42.176	42.176			
Other assets	100.369	96.677	1.604	1.968	120
Deferred tax, asset	57	57	-	-	-
TOTAL ASSETS	**7.832.838**	**5.666.997**	**1.763.593**	**391.164**	**11.084**
LIABILITIES					
Derivatives	1.016	58	-	958	-
Due to banks	313.467	265.843	-	42.618	5.006
Deposits from MPF	1.686.565	1.686.565	-	-	-
Due to customers	4.487.760	3.027.458	1.321.809	136.689	1.804
Deferred income and accrued expenses	23.754	12.709	6.347	4.698	-
Provisions	30.954	22.703	6.045	2.206	-
Other liabilities	126.851	91.656	34.784	271	140
Deferred tax liability	-	-	-	-	-
TOTAL LIABILITIES	**6.670.367**	**5.106.992**	**1.368.985**	**187.440**	**6.950**

31.12.2019 – Group	TOTAL	RON	EUR	USD	OTHERS
EQUITY	**1,162.471**	**1,162.471**			
Balance sheet position		-602.466	394.608	203.724	4.134
SPOT Off-balance sheet position (not settled)		-7.166	-4.301	2.865	-
SPOT		**-609.632**	**398.909**	**206.589**	**4.134**
FORWARD		**542.135**	**-333.356**	**-208.779**	-
TOTAL		**-67.497**	**65.553**	**-2.191**	**4.134**

31.12.2019 – BANK	TOTAL	RON	EUR	USD	OTHERS
ASEETS					
Cash and cash equivalents	394	127	179	86	2
Accounts with the National Bank of Romania	686.127	326.514	359.613	-	-
Due from banks	869.172	431.534	404.764	21.912	10.962
Derivative assets	3.025	3.025	-	-	-
Trading financial instruments	110.819	110.819	-	-	-
Financial assets at fair through other comprehensive income	1.529.215	1.430.702	-	98.513	-
Financial assets at amortised cost	512.116	512.116	-	-	-
Net loans	3.855.497	2.611.060	978.179	266.258	-
Investments in subsidary	34.046	34.046	-	-	-
Net tangible assets	47.839	47.839	-	-	-
Net intangible assets	5.497	5.497	-	-	-
Net investment property	42.176	42.176	-	-	-
Other assets	50.211	46.525	1.598	1.968	120
Deferred tax asset	57	57	-	-	-
TOTAL ASSETS	**7.746.191**	**5.602.037**	**1.744.333**	**388.737**	**11.084**

31.12.2019- BANK	TOTAL	RON	EUR	USD	OTHERS
LIABILITIES					
Derivatives	1.016	58	-	958	-
Due to banks	313.467	265.843	-	42.618	5006
Deposits from MPF	1.686.565	1.686.565	-	-	-
Due to customers	4.488.544	3.028.225	1.321.826	136.689	1804
Deferred income and accrued expenses	23.690	12.645	6.347	4.698	-
Provisions	26.313	18.062	6.045	2.206	-
Other liabilities	45.362	10.436	34.515	271	140
Deferred tax liability	-	-	-	-	-
TOTAL LIABILITIES	**6.584.957**	**5.021.834**	**1.368.733**	**187.440**	**6.950**
EQUITY	**1.161.234**	**1.161.234**			
Balance sheet position		-581.031	375.600	201.297	4.134
SPOT Off-balance sheet position (not settled)		-7.166	4.301	2.865	-
SPOT		**-588.197**	**379.901**	**204.162**	**4.134**
FORWARD		**542.135**	**-333.356**	**-208.779**	**-**
TOTAL		**-46.062**	**46.545**	**-4.618**	**4.134**

The currency structure of financial assets and liabilities of the Group/Bank as at 31 December 2018 is as follows:

31.12.2018 – Group	TOTAL	RON	EUR	USD	OTHERS
ASSETS					
Cash and cash equivalents	373	140	168	63	2
Accounts with the National Bank of Romania	742.684	231.298	511.386	-	-
Due from banks	792.185	45.755	88.987	637.364	20.079
Derivative assets	4.495	2.744	-	1.751	-
Trading financial instruments	68.620	68.620	-	0	-
Financial assets at fair through other comprehensive income	1.667.255	1.529.715	-	137.540	-
Financial assets at amortised cost	556.959	541.892	15.067	-	-
Net loans	3.321.486	2.524.326	691.194	105.966	-
Investments in subsidary	-	-	-	-	-
Net tangible assets	10.922	10.922	-	-	-
Net intangible assets	6.269	6.269	-	-	-
Net investment property	40.587	40.587	-	-	-
Other assets	77.529	73.558	904	3.026	41
Deferred tax, asset	4.014	4.014	-	-	-
TOTAL ASSETS	**7.293.378**	**5.079.840**	**1.307.706**	**885.710**	**20.122**
LIABILITIES					
Derivatives	756	756	-	-	-
Due to banks	435.798	334.164	39.633	54.218	7.783
Deposits from MPF	1.727.021	1.727.021	-	-	-
Due to customers	3.815.260	2.284.874	778.492	743.994	7.900
Deferred income and accrued expenses	22.217	11.773	3.682	6.757	5
Provisions	40.558	30.902	4.092	5.564	-
Other liabilities	129.315	121.728	6.682	839	66
Deferred tax, liability	-	-	-	-	-
TOTAL LIABILITIES	**6.170.925**	**4.511.218**	**832.581**	**811.372**	**15.754**

31.12.2018 – Group	TOTAL	RON	EUR	USD	OTHERS
EQUITY	**1.122.453**	**1.122.453**			
Balance sheet position		-553.831	475.125	74.338	4.368
SPOT Off-balance sheet position (not settled)		17.256	-17.256	-	-
SPOT		**-536.574**	**457.869**	**74.338**	**4.368**
FORWARD		**463.654**	**-395.079**	**-68.575**	**-**
TOTAL		**-72.920**	**62.790**	**5.763**	**4.368**

31.12.2018– BANK	TOTAL	RON	EUR	USD	OTHERS
ASEETS					
Cash and cash equivalents	370	138	167	63	2
Accounts with the National Bank of Romania	742.684	231.298	511.386	-	-
Due from banks	767.927	25.542	87.110	635.196	20.079
Derivative assets	4.495	2.744	-	1.751	-
Trading financial instruments	68.620	68.620	-	-	-
Financial assets at fair through other comprehensive income	1.667.255	1.529.715	-	137.540	-
Financial assets at amortised cost	517.260	517.260	-	-	-
Net loans	3.321.486	2.524.326	691.194	105.966	-
Investments in subsidary	34.047	34.047	-	-	-
Loan convertible into shares	591	591	-	-	-
Net tangible assets	10.475	10.475	-	-	-
Net intangible assets	5.996	5.996	-	-	-
Net investment property	40.587	40.587	-	-	-
Other assets	15.696	11.731	898	3.026	41
Deferred tax, asset	4.014	4.014	-	-	-
TOTAL ASSETS	**7.200.912**	**5.006.493**	**1.290.755**	**883.542**	**20.122**

31.12.2018– BANK	**TOTAL**	**RON**	**EUR**	**USD**	**OTHERS**
LIABILITIES					
Derivatives	756	756	-	-	-
Due to banks	435.798	334.164	39.633	54.218	7.783
Deposits from MPF	1.727.021	1.727.021	-	-	-
Due to customers	3.815.354	2.284.945	778.515	743.994	7.900
Deferred income and accrued expenses	22.198	11.754	3.682	6.757	5
Provisions	36.106	26.450	4.092	5.564	-
Other liabilities	41.719	34.181	6.633	839	66
Deferred tax, liability	-	-	-	-	-
TOTAL LIABILITIES	**6.078.952**	**4.419.271**	**832.555**	**811.372**	**15.754**
EQUITY	**1.121.960**	**1.121.960**			
Balance sheet position		-534.738	458.200	72.170	4.368
SPOT Off-balance sheet position (not settled)		17.256	-17.256	-	-
SPOT		**-517.482**	**440.944**	**72.170**	**4.368**
FORWARD		**466.452**	**-395.079**	**-68.575**	**-2.797**
TOTAL		**-51.030**	**45.865**	**3.595**	**1.571**

In order to ensure the framework for measuring, monitoring and controlling the risks triggered by the fluctuations of the currencies traded, the Bank/Group daily performs the monitoring of foreign exchange position.

The net foreign exchange position as at 31 December 2019, in thousand RON, is presented below, for each significant currency. The open foreign exchange position of EximAsig is not significant, the company hedging the foreign exchange risk:

	SPOT *		**FORWARD ****		**Net open position**	
Currency	**Original amount ('000)**	**RON equivalent ('000)**	**Original amount ('000)**	**RON equivalent ('000)**	**Original amount ('000)**	**RON equivalent ('000)**
EUR	79.489	379.902	-69.750	-333.356	9.739	46.546
USD	**47.914**	204.164	-49.000	-208.779	-1.086	-4.615
GBP	219	1.227	-	-	219	1.227
CHF	131	577	-	-	131	577
Others	-	2.327	-	-	-	2.327
Net position (+)=long (-)=short		**588.197**		**-542.135**		**46.062**

* Spot position includes balance sheet open position and spot transactions to be settled within the next 2 working days.
** Forward position includes transactions with the settlement date of more than 2 working days.

Comparatively, the position as at 31 December 2018 is presented in the table below:

	SPOT *		FORWARD **		Net open position	
Currency	Original amount ('000)	RON equivalent ('000)	Original amount ('000)	RON equivalent ('000)	Original amount ('000)	RON equivalent ('000)
EUR	94.548	440.962	-84.710	-395.079	9.838	45.883
USD	17.711	72.149	-16.834	-68.575	877	3.574
GBP	104	543	-	-	104	543
CHF	11	46	-	-	11	46
Others		3.782	-	2.797		984
Net position (+)=long (-)=short		**517.482**		**-466.452**		**51.030**

*Spot position includes balance sheet open position and spot transactions to be settled within the next 2 working days.
** Forward position includes transactions with the settlement date of more than 2 working days.

The table below presents the sensitivity analysis of the Bank's profit or loss account at fluctuations of +/- 10% or +/- 20% of the exchange rates against RON. The impact is determined according to the relevant shock on exchange rate, hypothetically chosen. For EximAsig the impact from exchange rate fluctuation is not significant as the company hedges its open foreign exchange position.

	Net open position			Profit impact		Equity impact	
Currency	Original amount ('000)	RON Equivalent ('000)	Exchange rate 31.12.2019	+/- 10%	+/- 20%	+/- 10%	+/- 20%
EUR	9739	46.546	4,7793	4.655	9.309	4.655	9.309
USD	-1.086	-4.615	4,2608	-462	-923	-462	-923
GBP	219	1.227	5,6088	123	245	123	245
CHF	131	577	4,4033	58	115	58	115
Others	-	2.327	-	233	465	233	465
Net position		**46.062**		**+/- 4.606**	**+/- 9.212**	**+/- 4.606**	**+/- 9.212**

Comparatively, the position of the Bank as at 31 December 2018 is presented below:

Currency	Net open position		Exchange rate 31.12.2018	Profit impact		Equity impact	
	Original amount ('000)	RON Equivalent ('000)		+/- 10%	+/- 20%	+/- 10%	+/- 20%
EUR	9.838	45.883	4.6639	4.588	9.177	4.588	9.177
USD	877	3.574	4.0736	357	715	357	715
GBP	104	543	5.1931	54	109	54	109
CHF	11	46	4.1404	5	9	5	9
Others		984	-	98	197	98	197
Net position		**51.030**		**+/-5.103**	**+/-10.206**	**+/-5.103**	**+/-10.206**

b) Interest rate risk

The Bank/Group addresses interest rate risk for banking portfolio, by determining the impact of the variations of interest rates in future profits and its economic potential value.

In this respect, the Bank/Group uses a GAP analysis, to reflect the sensitivity of annual financial results to variations of interest rates, as well as the standard methodology for computing economic value as a result of interest rate change, according to NBR Regulations.

The GAP report as at 31.12.2019 and as at 31.12.2018 analyses the Bank's/Group's balances of assets and liabilities, sensitive to interest rate risk, by interest rate repricing date or their maturity date, to compute the gap between the assets and liabilities in a specific bucket. The potential impact on profit, estimated on a yearly basis, was determined using two different linear growth scenarios with asymmetric variation of interest rates on assets and liabilities, respectively: increase by + 100bp/ + 50bp and +50bp/ + 100bp, respectively:

	2019	2018
Scenario 1: +100bp (assets) /+50pb (liabilities)	26.553	26.842
Scenario 2: +50bp (assets) /+100pb (liabilities)	-34.731	-30.501

The Group's/Bank's average interest rates in 2019 and in 2018 respectively, for the main items of assets and liabilities denominated in RON, EUR and USD are presented in the table below:

	2019			2018		
	RON	EUR	USD	RON	EUR	USD
FINANCIAL ASSETS						
Accounts with the National Bank of Romania*	0.16%	-0.50%	-	0.15%	-0.46%	-
Placements with banks	2.43%	-0.47%	2.00%	2.15%	-0.43%	1.40%
Loans	5.34%	2.41%	5.86%	4.92%	2.40%	5.41%
Fixed income	3.20%	-	3.29%	2.84%	-	3.15%
Total assets	**4.45%**	**1.03%**	**3.42%**	**3.68%**	**1.81%**	**2.85%**

	2019			2018		
	RON	EUR	USD	RON	EUR	USD
FINANCIAL LIABILITIES						
Due to banks	2.79%	-0.30%	2.12%	2.50%	-0.39%	1.66%
State Funds	3.39%	-	-	2.21%	-	-
Due to customers	2.56%	0.30%	0.88%	2.05%	0.35%	0.93%
Total liabilities	**2.85%**	**0.28%**	**1.2%**	**1.71%**	**0.08%**	**1.25%**

*) Accounts with the National Bank of Romania include Target2 accounts which are negative remunerated.

The table below presents interest bearing assets and liabilities of the Group/Bank into relevant re-pricing buckets as at 31 December 2019.

31.12.2019 – Group	TOTAL	Of which:	≤1	1--3	3--12	1--5	Over 5
ASSETS		Interest rate risk	month	months	months	years	months
Cash and cash equivalents	**395**	-	-	-	-	-	-
Accounts with the National Bank of Romania	**686.127**	686.127	686.127	-	-	-	-
Due from banks	**898.188**	898.188	882.034	6.387	9.640	127	-
Derivative assets	**3.025**	-	-	-	-	-	-
Trading financial instruments	**110.819**	-	-	-	-	-	-
Financial assets at fair value through other comprehensive income	**1.529.215**	1.527.867	-	208.335	230.255	883.904	205.373
Financial assets at amortised cost	**552.415**	552.415	-	2.991	12.143	86.970	450.311
Net loans	**3.855.497**	3.855.497	1.833.991	1.462.342	548.773	4.809	5.582
Net tangible assets	**48.747**	-	-	-	-	-	-
Net intangible assets	**5.808**	-	-	-	-	-	-
Net investment property	**42.176**	-	-	-	-	-	-
Other assets	**100.369**	-	-	-	-	-	-
Deferred tax, asset	**57**	-	-	-	-	-	-
TOTAL ASSETS	**7.832.838**	**7.520.094**	**3.402.152**	**1.680.055**	**800.811**	**975.810**	**661.266**

31.12.2019 – Group	TOTAL	Of which:	≤1	1--3	3--12	1--5	Over 5
LIABILITIES		Interest rate risk	month	months	months	years	years
Derivatives	**1.016**	-	-	-	-	-	-
Due to banks	**313.467**	313.467	47.623	250.330	15.514	-	-
Deposits from MPF	**1.686.565**	1.686.565	1.686.565	-	-	-	-
Due to customers	**4.487.760**	4.481.373	2.058.603	860.929	1.480.697	70.294	10.850
Deferred income and accrued expenses	**23.754**	-	-	-	-	-	-
Provisions	**30.954**	-	-	-	-	-	-
Other liabilities	**126.851**	-	-	-	-	-	-
Total liability	**6.670.367**	**6.481.405**	**3.792.791**	**1.111.259**	**1.496.211**	**70.294**	**10.850**
Net assets	**1.162.471**	**1.038.689**	**-390.639**	**568.796**	**-695.400**	**905.516**	**650.416**

31.12.2019 – Bank ASSETS	TOTAL	Of which: Interest rate risk	≤1	1--3	3--12	1--5	Peste 5
Cash and cash equivalents	**394**	-	-	-	-	-	-
Accounts with the National Bank of Romania	**686.127**	686.127	686.127	-	-	-	-
Due from banks	**869.172**	869.172	869.172	-	-	-	-
Derivative assets	**3.025**	-	-	-	-	-	-
Trading financial instruments	**110.819**	-	-	-	-	-	-
Financial assets at fair value through other comprehensive income	**1.529.215**	1.527.867	-	208.335	230.255	883.904	205.373
Financial assets at amortised cost	**512.116**	512.116	-	2.833	9.161	49.811	450.311
Net loans	**3.855.497**	3.855.497	1.833.991	1.462.342	548.773	4.809	5.582
Investments in subsidary	**34.046**	-	-	-	-	-	-
Net tangible assets	**47.839**	-	-	-	-	-	-
Net intangible assets	**5.497**	-	-	-	-	-	-
Net investment property	**42.176**	-	-	-	-	-	-
Other assets	**50.211**	-	-	-	-	-	-
Deferred tax, asset	**57**	-	-	-	-	-	-
TOTAL ASSETS	**7.746.191**	7.450.779	3.389.290	1.673.510	788.189	938.524	661.266
LIABILITIES							
Derivatives	**1.016**	-	-	-	-	-	-
Due to banks	**313.467**	313.467	47.623	250.330	15.514	-	-
Deposits from MPF	**1.686.565**	1.686.565	1.686.565	-	-	-	-
Due to customers	**4.488.544**	4.482.157	2.059.387	860.929	1.480.697	70.294	10.850
Deferred income and accrued expenses	**23.690**	-	-	-	-	-	-
Provisions	**26.313**	-	-	-	-	-	-
Other liabilities	**45.362**	-	-	-	-	-	-
Total liability	**6.584.957**	**6.482.189**	**3.793.575**	**1.111.259**	**1.496.211**	**70.294**	**10.850**
Net assets	**1.161.234**	**968.590**	**-404.285**	**562.251**	**-708.022**	**868.230**	**650.416**

The items are distributed on time buckets, based on the residual maturity for those with fixed interest rate, or to the nearest interest rate re-pricing date, for those items with a floating interest rate.

31.12.2018 – Group	TOTAL	Of which:	≤1	1--3	3--12	1--5	Over 5
ASSETS		Interest rate risk	month	months	months	years	years
Cash and cash equivalents	**373**	-	-	-	-	-	-
Accounts with the National Bank of Romania	**742.684**	742.684	742.684	-	-	-	-
Due from banks	**792.185**	792.185	752.169	36.048	3.968	-	-
Derivative assets	**4.495**	-	-	-	-	-	-
Trading financial instruments	**68.620**	-	-	-	-	-	-
Financial assets at fair value through other comprehensive income	**1.667.255**	1.665.804	-	281.037	516.551	751.060	117.156
Financial assets at amortised cost	**556.959**	556.959	-	2.896	14.729	34.068	505.266
Net loans	**3.321.486**	3.321.486	1.478.513	1.496.360	336.289	-	10.324
Net tangible assets	**10.922**	-	-	-	-	-	-
Net intangible assets	**6.269**	-	-	-	-	-	-
Net investment property	**40.587**	-	-	-	-	-	-
Other assets	**77.529**	-	-	-	-	-	-
Deferred tax, asset	**4.014**	-	-	-	-	-	-
TOTAL ASSETS	**7.293.378**	**7.079.118**	**2.973.366**	**1.816.341**	**871.537**	**785.128**	**632.746**

31.12.2018 – Group	TOTAL	Of which:	≤1	1--3	3--12	1--5	Over 5
LIABILITIES		Interest rate risk	month	months	months	years	years
Derivatives	**756**	-	-	-	-	-	-
Due to banks	**435.798**	435.798	435.798	-	-	-	-
Deposits from MPF	**1.727.021**	1.727.021	1.727.021	-	-	-	-
Due to customers	**3.815.260**	3.807.362	1.935.262	892.426	865.690	110.964	3.020
Deferred income and accrued expenses	**22.217**	-	-	-	-	-	-
Provisions	**40.558**	-	-	-	-	-	-
Other liabilities	**129.315**	-	-	-	-	-	-
Total liability	**6.170.925**	**5.970.181**	**4.098.081**	**892.426**	**865.690**	**110.964**	**3.020**
Net assets	**1.122.453**	**1.108.937**	**-1.124.715**	**923.915**	**5.847**	**674.164**	**629.726**

The table below presents interest bearing assets and liabilities of the Group/Bank into relevant re-pricing buckets as at 31 December 2018.

31.12.2018 – Bank	TOTAL	Of which:	≤1	1--3	3--12	1--5	Over 5
ASSETS		Interest rate risk	month	months	months	years	years
Cash and cash equivalents	**370**	-	-	-	-	-	-
Accounts with the National Bank of Romania	**742.684**	742.684	742.684	-	-	-	-
Due from banks	**767.927**	767.927	744.629	23.298	-	-	-
Derivative assets	**4.495**	-	-	-	-	-	-
Trading financial instruments	**68.620**	-	-	-	-	-	-
Financial assets at fair value through other comprehensive income	**1.667.255**	1.665.804	-	281.037	516.551	751.060	117.156
Financial assets at amortised cost	**517.260**	517.260	-	2.833	9.161	-	505.266
Net loans	**3.321.486**	3.321.486	1.478.513	1.496.360	336.289	-	10.324
Investments in subsidary	**33.047**	591	591	-	-	-	-
Loan convertible into shares	**591**	591	591	-	-	-	-
Net tangible assets	**10.475**	-	-	-	-	-	-
Net intangible assets	**5.996**	-	-	-	-	-	-
Net investment property	**40.587**	-	-	-	-	-	-
Other assets	**15.696**	-	-	-	-	-	-
Deferred tax, asset	**4.014**	-	-	-	-	-	-
TOTAL ASSETS	**7.200.912**	**7.015.751**	**2.966.416**	**1.803.528**	**862.001**	**751.060**	**632.746**

31.12.2018 – Bank	TOTAL	Of which:	≤1	1--3	3--12	1--5	Over 5
LIABILITIES		Interest rate risk	month	months	months	years	years
Derivatives	**756**	-	-	-	-	-	-
Due to banks	**435.798**	435.798	435.798	-	-	-	-
Deposits from MPF	**1.727.021**	1.727.021	1.727.021	-	-	-	-
Due to customers	**3.815.354**	3.807.456	1.935.356	892.426	865.690	110.964	3.020
Deferred income and accrued expenses	**22.198**	-	-	-	-	-	-
Provisions	**36.106**	-	-	-	-	-	-
Other liabilities	**41.719**	-	-	-	-	-	-
Total liability	**6.078.952**	**5.970.275**	**4.098.175**	**892.426**	**865.690**	**110.964**	**3.020**
Net assets	**1.121.960**	**1.045.476**	**-1.131.759**	**911.102**	**-3.689**	**640.096**	**629.726**

The items are distributed on time buckets, based on the residual maturity for those with fixed interest rate, or to the nearest interest rate re-pricing date, for those items with a floating interest rate.

40. CAPITAL REQUIREMENTS

The Bank's own funds and capital ratio are determined in accordance with National Bank of Romania regulations and in accordance with the provisions of Regulation (EU) No 575/2013. The Bank complies with, both in 2019 and 2018, the regulated capital adequacy ratios, respectively a total own funds rate of at least 8%, a level of own funds of level I of at least 6% and a rate of own funds of level I minimum of 4.5%.

In addition, the bank maintains a capital conservation buffer consisting of basic Tier 1 capital of 2.5% of the total amount of risk exposures, as well as a capital buffer for systemic risk consisting of basic tier 1 capital items of 2% of the total value of the risk exposure.

The Bank has an adequately managed capital position to cover the inherent risks of its activity. The adequacy of the Bank's capital is monitored according to the EU Regulation 575/2013, with direct application for credit institutions in Romania (some national provisions stipulated by National Bank of Romania are included in the Regulation no. 5/2013) and according to the European Directive no.2013/36 / EU which is transposed into national legislation by changes to EGO 99/2006 and NBR Regulation No.5 /2013.

The Bank capital adequacy supposes maintaining a proper capital base coresponding to the nature and risk profile of the Bank. To determine the adequacy of the capital it is envisaged the effect of the credit risk, the market and operational risk on the financial position of the Bank. Types and levels of risks in the Bank's activities determine to what extent capital should be kept above the minimum level required by regulations to manage any unforeseen events.

The capital requirements of the subsidiary EximAsig were calculated based on standards set by the Financial Supervisory Authority as at 31 December 2019. According to the unadjusted calculation and estimates of the subsidiary's management, as at 31 December 2019, EximAsig has a minimum capital requirement required by regulatory requirements, of at least 100%.

41. FAIR VALUE OF FINANCIAL INSTRUMENTS

The Bank uses the following hierarchy for determining and disclosing the fair value of financial instruments through valuation technique:

Level 1: Quoted prices in active markets for identical assets or liabilities

Level 2: Valuation techniques based on observable market data. This category includes instruments valued using: quotes on active markets for similar instruments; quotes for similar instruments on markets considered less active; or valuation techniques where significant data can be directly or indirectly observed in market data.

Level 3: Valuation techniques based on data which is not observed in the market. This category includes all instruments whose valuation method does not include observable data, and whose unobservable data has a significant influence over the valuation of the instrument. This category includes instruments which are valuated based on market quotes for similar instruments, where unobservable adjustments or presumptions are necessary to reflect the difference between those instruments.

The following table presents the Group's financial assets and liabilities according to the fair value hierarchy:

31 December 2019 - Group **Financial assets**	**Level 1**	**Level 2**	**Level 3**	**Fair value**	**Book value**
Accounts with the NBR	-	-	686.127	686.127	686.127
Due from banks	-	-	898.188	898.188	898.188
Net loans	-	-	3.796.953	3.796.953	3.855.497
Trading financial instruments	110.819	-	-	110.819	110.819
Financial assets at fair value through other comprehensive income	1.517.982	9.886	1.347	1.529.215	1.529.215
Financial assets at amortised cost	527.523	-	-	527.523	552.415
Derivatives	-	3.025	-	3.025	3.025
Total financial assets	**2.156.324**	**12.911**	**5.382.615**	**7.551.850**	**7.635.286**

31 december 2019 - Group Financial liabilities	Level 1	Level 2	Level 3	Fair value	Book value
Due to banks	-	-	313.467	313.467	313.467
Deposits from MPF	-	-	1.686.565	1.686.565	1.686.565
Derivatives	-	-	1.016	1.016	1.016
Due to customers	-	-	4.487.760	4.487.760	4.487.760
Total financial liabilities	**-**	**-**	**6.488.808**	**6.488.808**	**6.488.808**

31 December 2018 - Group Active financiare	Level 1	Level 2	Level 3	Fair value	Book value
Accounts with the NBR	-	-	742.684	742.684	742.684
Due from banks	-	-	792.185	792.185	792.185
Net loans	-	-	3.269.080	3.269.080	3.321.486
Trading financial instruments	68.620	-	-	68.620	68.620
Financial assets at fair value through other comprehensive income	1.656.119	9.686	1.451	1.667.255	1.667.255
Financial assets at amortised cost	527.523	-	-	527.523	556.959
Derivatives	-	4.495	-	4.495	4.495
Total financial assets	**2.252.262**	**14.181**	**4.805.400**	**7.071.842**	**7.153.684**

31 December 2018 - Group Financial liabilities	Level 1	Level 2	Level 3	Fair value	Book value
Due to banks	-	-	435.798	435.798	435.798
Deposits from MPF	-	-	1.727.021	1.727.021	1.727.021
Derivatives	-	-	756	756	756
Due to customers	-	-	3.815.260	3.815.260	3.815.260
Total financial liabilities	**-**	**-**	**5.978.835**	**5.978.835**	**5.978.835**

At the Bank level, the fair value of financial assets and liabilities is presented below:

31 December 2019 - Bank Financial assets	Level 1	Level 2	Level 3	Fair value	Book value
Accounts with the NBR	-	-	686.127	686.127	686.127
Due from banks	-	-	869.172	869.172	869.172
Net loans	-	-	3.796.953	3.796.953	3.855.497
Trading financial instruments	110.819	-	-	110.819	110.819
Financial assets at fair value through other comprehensive income	1.517.982	9.886	1.347	1.529.215	1.529.215
Financial assets at amortised cost	488.036	-	-	488.036	512.116
Derivatives	-	3.025	-	3.025	3.025
Total financial assets	**2.116.837**	**12.911**	**5.353.599**	**7.483.347**	**7.565.971**

Financial liabilities					
Due to banks	-	-	313.467	313.467	313.467
Deposits from MPF	-	-	1.686.565	1.686.565	1.686.565
Derivatives	-	-	1.016	1.016	1.016
Due to customers	-	-	4.488.544	4.488.544	4.488.544
Total financial liabilities	-	-	**6.489.592**	**6.489.592**	**6.489.592**

31 December 2018 - Bank Financial assets	Level 1	Level 2	Level 3	Fair value	Book value
Accounts with the NBR	-	-	742.684	742.684	742.684
Due from banks	-	-	767.927	767.927	767.927
Net loans	-	-	3.269.080	3.269.080	3.321.486
Trading financial instruments	68.620	-	-	68.620	68.620
Financial assets at fair value through other comprehensive income	1.656.119	9.686	1.451	1.667.255	1.667.255
Financial assets at amortised cost	488.036	-	-	488.036	517.260
Derivatives	0	4.495	-	4.495	4.495
Total financial assets	**2.212.775**	**14.181**	**4.781.142**	**7.008.097**	**7.089.727**

31 December 2018 - Bank Financial liabilities	Level 1	Level 2	Level 3	Fair value	Book value
Due to banks	-	-	435.798	435.798	435.798
Deposits from MPF	-	-	1.727.021	1.727.021	1.727.021
Derivatives	-	-	756	756	756
Due to customers	-	-	3.815.354	3.815.354	3.815.354
Total financial liabilities	**-**	**-**	**5.978.929**	**5.978.929**	**5.978.929**

No transfers between levels took place within the analyzed period.

The following methods and assumptions were used to estimate the fair value of the Bank's financial instruments:

FINANCIAL ASSETS

For receivables from credit institutions and NBR accounts, the amortised cost is estimated as an approximation of fair value because it represents short-term deposits and current accounts with interest rates reflecting current market conditions and no transaction costs.

Financial instruments available for sale and held-to-maturity are measured at fair value, based on the market prices of the listed securities. To determine the fair value of titles for which market prices are not available the Bank uses assessment methods based on directly observed data inputs.

Available for sale investments, or held to maturity investments are measured at fair value, based on the market price of listed investments. To determine the fair value of investments where no quoted prices are available on the market, the Bank uses valuation techniques based on directly observable data.

FINANCIAL LIABILITIES

The amortised cost of deposits, loans and advancements granted to customers is considered to be close to their fair value because these elements have short terms for price changes, they have interest rates that reflect market conditions, and are settled without significant transaction costs.

Financial liabilities have a short tenor, the Bank/the Group estimating that their fair value is very close to the book value.

42. RELATED PARTY TRANSACTIONS

The EximBank Group has analyzed the following criteria regarding the identification of related parties:

(a) Directly or indirectly through one or more intermediaries, the party:

(i) controls, is controlled by or is under the joint control of the Group or Bank (including parent companies and branches);

(ii) has a common interest in the Group or Bank, which offers a significant influence over the Bank;

(iii) has a joint control over the Group or Bank;

(b) The party is a Bank/Group associate (in accordance with IAS 28 Investments in associate entities definition);

(c) The party is in a joint venture where the Bank/Group is one of the participants (please see IAS 31 Interests in joint ventures);

(d) The party is a key management member of the Bank/Group;

(e) The party is a close relative of any person from points (a) – (d);

(f) The party is a controlled entity, under the joint control, significantly under the influence or has a significant voting power, directly or indirectly, by any person mentioned at points (d) or (e); or

(g) The party is a post-employment benefits plan for the Bank's employees, or for any entity that is a related party of the Bank.

Thus, the related parties are the following:

- The Insurance - Reinsurance Company EximAsig, the subsidiary of EximBank;
- The Ministry of Finance, as the main shareholder;
- Entities controlled by the mail shareholder: Compania Nationala Imprimeria S.A, CEC BANK SA, Bucharest Treasury, National Lottery (starting from financial year 2017 until 20 November 2019), FNGCIMM and its local entities, Romanian Counter-Guarantee Fund;
- Executive and non-executive members, as well as the identified key personnel.

The key personnel consist in members whose positions grant them a significant influence in the coordination of EximBank, without however being members of the Board of Directors.

Key personnel in EximBank consist in members of the following categories/departments:

Members of the Board of Directors	Director – Credit Risk Department
Executive Director – Treasury and Financial Markets Division	Financial Director – Finance and Accounting Department
Executive Director – Corporate Division	Director – Conformity Department
Executive Director – Risk Division	Director – Legal Department
Executive Director – Financial and Operations Division	Manager – Internal Audit Department
Director – Treasury and Financial Markets Department	Regional Director
Director – Customers Department	Branch Director/Deputy Director
Director – Strategic Customers and Project Funding Department	Agency Director

All transactions with related parties were concluded on market terms, by taking into account interest rates and commissions charged for transactions with non-related parties.

The Bank entered into buy and sell transactions with fixed income securities in RON and foreign currency, issued by the Minister of Public Finance of Romania. These transactions were concluded in normal commercial terms, at market prices. The transactions with the Ministry of Finance are presented in Note 18 to these financial statements.

31.12.2019 Group	Management and Key personnel	Ministry of Public Finance	National Company Imprimeria S.A.	CEC Bank S.A.	Bucharest Treasury	National Company Romanian Lottery S.A.	National Credit Guarantee Fund for SMEs	Local Guarantee Fund Craiova, subsidiary of FNGC IMM IFN S.A.	Romanian Counter - Guarantee Fund	TOTAL
Loans and advances to banks	-	-	-	-	1.520	-	-	-	-	1.520
Investment in subsidiary	-	-	-	-	-	-	-	-	-	-
Other assets	-	1.789	-	19	-	-	-	-	-	1.808
TOTAL ASSETS	-	**1.789**	-	**19**	**1.520**	-	-	-	-	**3.328**
State funds	-	1.686.565	-	-	-	-	-	-	-	-1.686.565
Deposits from customers - total	-	-	109.227	20.029	-	-	95.391	1.715	-	-226.362
TOTAL LIABILITIES	-	**1.686.565**	**109.227**	**20.029**	-	-	**95.391**	-	-	**1.912.927**

31.12.2019 Group	Management and Key personnel	Ministry of Public Finance	National Company Imprimeria S.A.	CEC Bank S.A.	Bucharest Treasury	National Company Romanian Lottery S.A.	National Credit Guarantee Fund for SMEs	Local Guarantee Fund Craiova, subsidiary of FNGC IMM IFN S.A.	Romanian Counter - Guarantee Fund	TOTAL
Interest income	-	-	-	378	1	-	-	-	-	379
Interest expense	-	-57.169	-2.821	-73	-	-2.921	-5.853	-32	-610	-69.479
Commission income	-	17.654	-	-	-	9	-	-	-	17.663
Commission expense	-	-	-	-24	-2	-	-	-	-	-26
Short term benefits	-24.609	-	-	-	-	-	-	-	-	-24.609
	-24.609	**-39.515**	**-2.821**	**281**	**-1**	**-2.912**	**-5.853**	**-32**	-	**-76.072**

31.12.2018 Group	Management and Key personnel	Ministry of Public Finance	National Company Imprimeria S.A.	CEC Bank S.A.	Bucharest Treasury	National Company Romanian Lottery S.A.	National Credit Guarantee Fund for SMEs	Local Guaranntee Fund Craiova, subsidiary of FNGC IMM IFN S.A.	TOTAL
Loans and advances to banks	-	-	-	-	564	-	-	-	564
Investment in subsidiary	-	-	-	-	-	-	-	-	-
Other assets	-	1.296	-	19	-	-	-	-	1.315
TOTAL ASSETS	-	**1.296**	-	**19**	**564**	-	-	-	**1.879**
State funds	-	1.727.021	-	-	-	-	-	-	1.727.021
Deposits from customers - total	-	-	101.364	40.025	-	108.857	211.269	1.385	462.900
TOTAL LIABILITIES	-	**1.727.021**	**101.364**	**40.025**	-	**108.857**	**211.269**	-	**2.189.921**

31.12.2018 Group	Management and Key personnel	Ministry of Public Finance	National Company Imprimeria S.A.	CEC Bank S.A.	Bucharest Treasury	National Company Romanian Lottery S.A.	National Credit Guarantee Fund for SMEs	Local Guaranntee Fund Craiova, subsidiary of FNGC IMM IFN S.A.	TOTAL
Interest income	-	-	-	285	1	-	-	-	286
Interest expense	-	-37.120	-2.655	-69	-	-258	-4.889	-4	-44.995
Commission income	-	16.806	3	-	-	1	-	-	16.810
Commission expense	-	-	-	-5	-1	-	-	-	-6
Short term benefits	-18.860	-	-	-	-	-	-	-	-18.860
	-18.860	**-20.314**	**-2.652**	**211**	-	**-257**	**-4.889**	**-4**	**-46.585**

31.12.2019 Bank	Management and Key personnel	Insurance - Reinsurance EXIMASIG S.A.	Ministry of Public Finance	National Company Imprimeria S.A.	CEC Bank S.A.	Bucharest Treasury	National Company Romanian Lottery S.A.	National Credit Guarantee Fund for SMEs	Local Guarantee Fund Craiova, subsidiary of FNGC IMM IFN S.A.	Romanian Counter-Guarantee Fund	TOTAL
Loans and advances to banks	-	-	-	-	-	1.520	-	-	-	-	1.520
Investment in subsidiary	-	34.046	-	-	-	-	-	-	-	-	34.046
Other assets	-	-	1.789	-	19	-	-	-	-	-	1.808
TOTAL ASSETS	-	**34.046**	**1.789**	-	**19**	**1.520**	-	-	-	-	**37.374**
State funds	-	-	1.686.565	-	-	-	-	-	-	-	1.686.565
Deposits from customers - total	-	785	-	109.227	20.029	-	-	95.391	1.715	-	227.147
TOTAL LIABILITIES	-	**785**	**1.686.565**	**109.227**	**20.029**	-	-	**95.391**	**1.715**	-	**1.913.712**

31.12.2019 Bank	Management and Key personnel	Insurance - Reinsurance EXIMASIG S.A.	Ministry of Public Finance	National Company Imprimeria S.A.	CEC Bank S.A.	Bucharest Treasury	National Company Romanian Lottery S.A.	National Credit Guarantee Fund for SMEs	Local Guarantee Fund Craiova, subsidiary of FNGC IMM IFN S.A.	Romanian Counter-Guarantee Fund	TOTAL
Interest income	-	-	-	-	378	1	-	-	-	-	379
Interest expense	-	-28	-57.169	-2.821	-73	-	-2.921	-5.853	-32	-610	-69.507
Commission income	-	2	17.654	-	-	-	9	-	-	-	17.665
Commission expense	-	-	-	-	-24	-2	-	-	-	-	-26
Short term benefits	-21.621	-	-	-	-	-	-	-	-	-	-21.621
	-21.621	**-26**	**-39.515**	**-2.821**	**281**	**-1**	**-2.912**	**-5.853**	-	-	**-73.110**

31.12.2018 Bank	Management and Key personnel	Insurance - Reinsurance EXIMASIG S.A.	Ministry of Public Finance	National Company Imprimeria S.A.	CEC Bank S.A.	Bucharest Treasury	National Company Romanian lottery S.A.	National Credit Guarantee Fund for SMEs	Local Guarantee Fund Craiova, subsidiary of FNGCIMM IFN S.A.	TOTAL
Loans and advances to banks	-	-	-	-	-	564	-	-	-	564
Investment in subsidiary	-	34.047	-	-	-	-	-	-	-	34.047
Other assets	-	-	1.296	-	19	-	-	-	-	1.315
TOTAL ASSETS	-	**34.047**	**1.296**	-	**19**	**564**	-	-	-	**35.926**
State funds	-	-	1.727.021	-	-	-	-	-	-	1.727.021
Deposits from customers - total	-	94	-	101.364	40.025	-	108.857	211.269	1.385	462.994
TOTAL LIABILITIES	-	**94**	**1.727.021**	**101.364**	**40.025**	-	**108.857**	**211.269**	**1.385**	**2.190.015**

31.12.2018 Bank	Management and Key personnel	Insurance - Reinsurance EXIMASIG S.A.	Ministry of Public Finance	National Company Imprimeria S.A.	CEC Bank S.A.	Bucharest Treasury	National Company Romanian Lottery S.A.	National Credit Guarantee Fund for SMEs	Local Guarantee Fund Craiova, subsidiary of FNGC IMM IFN S.A.	TOTAL
Interest income	-	1.120	-	-	285	1	-	-	-	1.406
Interest expense	-	-	-37.120	-2.655	-69	-	-258	-4.889	-4	-44.995
Commission income	-	-	16.806	3	-	-	1	-	-	16.810
Commission expense	-	-	-	-	**-5**	**-1**	-	-	-	**-6**
Short term benefits	-16.833	-	-	-	-	-	-	-	-	-16.833
	-16.833	**1.120**	**-20.314**	**-2.652**	**211**	-	**-257**	**-4.889**	-	**-43.618**

43. SUBSEQUENT EVENTS

ACQUISITION OF BANCA ROMANEASCA

On 23 January 2020, EximBank completed the acquisition of a 99.28% stake in the share capital of Banca Romaneasca S.A. from the National Bank of Greece S.A. ("NBG"), the sale-purchase contract being signed on 20.06.2019. The purchase of the 99.28% stake in BROM's share capital held by NBG represents 371,624,509 shares with a nominal value of RON 2/share, less a portfolio of non-performing loans excluded in a net value of EUR 0.7 million which were divested to an entity within the NBG Group before the date of the takeover by EximBank.

The transaction was completed after obtaining the no-objection notices from the Competition Council on 29 November 2019, and respectively from the National Bank of Romania, on 13 December 2019.

The price paid for the stake of 99.28% in the share capital of Banca Romaneasca was EUR 59.4 million. As at 31 December 2019 the net assets of the Banca Romaneasca according to the International Financial Reporting Standards adopted by the European Union (unaudited) were in the amount of approximately EUR 130 million.

At the transaction date (23 January 2020) EximBank transferred an amount of EUR 65 million to NBG in the form of a collateral deposit with maturity July 2020 when the subrogation in rights by EximBank for the subordinated loan granted to Banca Romaneasca by NBG will take place. The amount of intra-bank financing attracted by Banca Romaneasca from NBG in the amount of EUR 90 million (as at 23 January 2020) was reimbursed by Banca Romaneasca directly to NBG from its own sources.

Banca Romaneasca is not consolidated in the financial statements of 2019, the takeover was made at the beginning of 2020.

On 31 January 2020, the Extraordinary Meeting of Shareholders of Banca Romaneasca approved the bank's management, the Board of Directors being composed of 5 members, as follows:

Name	Function	Management position
Traian Sorin Halalai	President	non-executive
Lidia Stan	Vice-President	non-executive
Lucian Claudiu Anghel	Member	executive
Oana Lucia Ilie	Member	executive
Doru Bebe Bulata	Member	non-executive

By completing the transaction on 23 January 2020 and appointing the new management on 31 January 2020, EximBank took control of Banca Romaneasca's operations.

Banca Romaneasca was founded in 1992 and became a member of the NBG Group in 2003, occupying the 13th position in the banking top based on the volume of assets, according to the data of the National Bank of Romania at the end of 2019.

At the end of 2019, the credit institution had a market share of 1.3% in terms of total assets. As at 31.12.2019, the main category of clients was represented by individuals, the share of gross exposures recorded in credit accounts being 88%. Moreover, on the mentioned date, the share of credit facilities granted to legal entities (which include, according to the internal segmentation of BROM - Large Corporate, SME and SBB) was 12%. Banca Romaneasca is a well-established mortgage loan provider within the "First Home" government program.

At the end of 2019, Banca Romaneasca had the following market shares: retail loans - 2.6%; corporate loans - 0.4%; total loans - 1.6%; deposits - 1.4%. In order to obtain these results, Banca Romaneasca aimed to stabilize and increase the loan portfolio, optimize the structure of interest rates and commissions, improve its risk profile and the efficiency of its operating model.

Banca Romaneasca is an universal bank that offers a wide range of products and services that address both individuals and legal entities. The acquisition of Banca Romaneasca creates new opportunities for EximBank Group, because the two banks operate in complementary sectors, Banca Romaneasca being mainly focused on retail activity, while EximBank acts only on the corporate customers segment.

The products and services offered to the retail segment (standard or Select - customized solutions for privileged retail customers) include:

- Current account products;
- Debit and credit cards;
- Financing products: loans for personal needs, housing loans, refinancing loans;
- Money transfer - via Western Union;

- Bancassurance.

The products and services offered to the corporate segment are similar to the products and services offered by EximBank and mainly include:

- Cash Management and Treasury Products;
- Credit and Guarantee Products;
- International Trade: opening of documentary letters of credit (import / export), stand-by letters of credit;
- Syndications;
- Domestic Recourse Factoring.

COVID-19 PANDEMIC

At the end of the first quarter of 2020, the COVID-19 pandemic broke out, which had a global and national impact on the economy and on the banking and financial industry, causing disruptions to business and economic activities. On 11 March 2020, the World Health Organization declared the coronavirus outbreak a pandemic and the Romanian President declared a state of emergency on 16 March 2020. The Group/Bank considers that the pandemic is a non adjustable event at the balance sheet date.

In order to respond to this situation which affects Romania as well, the Romanian authorities issued on 30 March 2020 the Emergency Ordinance no. 37/2020, by which the Government decided that until the 15th of May 2020 debtors may request a debt moratorium from banks, namely a postponement of up to nine months from the payment of credit installments if they meet the conditions included in the Emergency Ordinance. Through this emergency ordinance, the Romanian state has decided to offer benefits to both customers and banks, namely the Ministry of Finance will issue letters of guarantee that will cover the interest calculated for mortgage loans granted to individuals who have requested the postponement of due payment obligations.

In this context, based on publicly available information at the date these financial statements were authorized to be issued, management assessed a series of pessimistic but plausible scenarios regarding the potential evolution of the epidemic and its estimated impact on the Group/Bank and on the economic environment in which the Group/Bank operates, including the measures already taken by the Romanian government and by the governments of other countries, where important business partners and clients are located.

The stress scenarios in terms of credit risk, liquidity risk, going concern and capital adequacy to risks revealed that the Group/Bank has adequate resources to continue its activity for a period of at least 12 months from the date of the current financial statements.

We estimate that the effects of the COVID-19 pandemic cannot be quantified at this time, the impact on the expected credit losses being very difficult to estimate. The NBR announced the relaxation of the conditions regarding the definition of restructured loans, namely that the postponement of rates, due to the effects of the COVID-19 pandemic, will not be considered a restructuring due to financial difficulties and the loans will not be reclassified to another stage during the grace periods. Future GDP developments may have an impact on the risk parameters, however the analysis of the impact of Covid-19 on Romania's real GDP growth is not yet available.

The Bank/Group continuously monitors and evaluates the impact of Covid-19 on its operations.

Traian Sorin Halalai
Executive President

Florian Raimund Kubinschi
Vice President

EximBank

ROMANIA IS GROWING WITH US