

BRD – Groupe Société Générale S.A.

CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

Prepared in Accordance with

International Financial Reporting Standards as adopted by the European Union

DECEMBER 31, 2022

BRD – Groupe Société Générale S.A.
CONSOLIDATED AND SEPARATE STATEMENT OF FINANCIAL POSITION
for the period ended December 31, 2022
(Amounts in thousands RON)

	Note	Group		Bank	
		December 31, 2022	December 31, 2021	December 31, 2022	December 31, 2021
ASSETS					
Cash and due from Central Bank	5, 36	7,625,002	6,206,356	7,624,933	6,206,323
Due from banks	6	7,220,963	4,537,941	7,204,987	4,521,357
Derivatives and other financial instruments held for trading	7	2,343,377	2,274,924	2,337,311	2,274,924
Financial assets at fair value through profit and loss	8	14,262	6,947	8,132	6,947
Financial assets at fair value through other comprehensive income	9	13,439,596	19,863,825	13,439,596	19,863,825
Financial assets at amortised cost	10	39,019,048	32,913,875	38,272,985	32,183,856
Loans and advances to customers	10.1	36,288,342	32,913,875	35,542,279	32,183,856
Treasury bills at amortised cost	10.2	2,730,706	-	2,730,706	-
Finance lease receivables	11	1,407,394	1,222,595	-	-
Investments in subsidiaries, associates and joint ventures	12	113,670	107,205	129,964	158,916
Property, plant and equipment	13	1,063,863	1,072,099	1,046,443	1,051,254
Investment property	13	15,503	16,312	15,503	16,312
Goodwill	14	50,130	50,130	50,130	50,130
Intangible assets	15	407,487	321,063	405,667	319,656
Current tax asset	24	23,563	7,484	23,563	7,484
Deferred tax asset	24	496,034	180,089	478,893	166,173
Other assets	16	590,963	271,256	473,958	176,910
Non-current assets held for sale		10,912	11,196	10,912	11,196
Total assets		73,841,767	69,063,297	71,522,977	67,015,263
LIABILITIES AND SHAREHOLDERS' EQUITY					
Due to banks	17	636,888	156,810	636,888	156,810
Derivatives and other financial instruments held for trading	7	1,443,546	498,651	1,443,546	498,651
Due to customers	18	56,660,841	52,683,581	56,915,740	52,917,886
Borrowed funds	19	5,625,488	4,056,470	3,567,262	2,230,572
Subordinated debts	20	1,238,651	495,022	1,238,651	495,022
Current tax liability	24	5,595	83,963	-	79,979
Provisions	21	393,452	383,185	380,172	374,745
Other liabilities	22	877,540	826,710	763,682	722,260
Total liabilities		66,882,001	59,184,392	64,945,941	57,475,925
Share capital	23	2,515,622	2,515,622	2,515,622	2,515,622
Other reserves		(2,054,109)	(385,380)	(2,054,109)	(385,380)
Retained earnings and capital reserves		6,439,441	7,690,955	6,115,523	7,409,096
Non-controlling interest		58,812	57,708	-	-
Total equity		6,959,766	9,878,905	6,577,036	9,539,338
Total liabilities and equity		73,841,767	69,063,297	71,522,977	67,015,263

The financial statements have been authorized by the Group's management on March 15, 2023 and are signed on the Group's behalf by:

Giovanni Luca Soma
Chairman of the Board of
Directors

François Bloch
Chief Executive Officer

Etienne Loulergue
Deputy Chief Executive Officer

The accompanying notes are an integral part of this financial statements

BRD – Groupe Société Générale S.A.
CONSOLIDATED AND SEPARATE PROFIT OR LOSS
for the period ended December 31, 2022
(Amounts in thousands RON)

	Note	Group		Bank	
		2022	2021	2022	2021
Interest and similar income	25	2,941,286	2,234,229	2,790,043	2,085,527
Interest and similar expense	26	(570,852)	(150,042)	(550,845)	(132,419)
Net interest income		2,370,434	2,084,187	2,239,198	1,953,108
Fees and commission income	27	1,123,056	1,064,987	1,079,100	1,018,273
Fees and commission expense	27	(368,727)	(320,760)	(359,906)	(312,230)
Fees and commissions, net		754,329	744,227	719,194	706,043
Gain on derivative, other financial instruments held for trading and foreign exchange	28	316,229	245,298	313,165	244,316
Gain from financial instruments at fair value through other comprehensive income		2,415	11,960	2,415	11,960
Gain from financial instruments at fair value through profit and loss		2,541	7,747	2,554	7,411
Net (loss)/Income from associates and joint ventures		5,344	11,441	(30,075)	3,349
Other income/(expense) from banking activities	29	7,931	(7,723)	42,412	3,700
Net banking income		3,459,223	3,097,137	3,288,863	2,929,887
Personnel expenses	31	(898,901)	(828,692)	(839,169)	(765,270)
Depreciation, amortisation and impairment on tangible and intangible assets	32	(228,889)	(238,946)	(223,599)	(230,458)
Contribution to Guarantee Scheme and Resolution Fund	30	(69,171)	(49,384)	(69,171)	(49,384)
Other operating expenses	33	(547,641)	(480,008)	(508,946)	(448,944)
Total operating expenses		(1,744,602)	(1,597,030)	(1,640,885)	(1,494,056)
Gross operating profit		1,714,621	1,500,107	1,647,978	1,435,831
Cost of risk	34	(95,106)	145,656	(92,699)	159,233
Operating profit		1,619,515	1,645,763	1,555,279	1,595,064
Profit before income tax		1,619,515	1,645,763	1,555,279	1,595,064
Current tax expense	24	(280,610)	(313,574)	(264,300)	(298,892)
Deferred tax income/(expense)		(1,817)	(13,286)	(5,041)	(16,916)
Total income tax		(282,427)	(326,860)	(269,341)	(315,808)
Profit for the period		1,337,088	1,318,903	1,285,938	1,279,256
Profit attributable to equity holders of the parent		1,328,008	1,309,686	-	-
Profit attributable to non-controlling interests		9,080	9,217	-	-
Basic earnings per share (in RON)	35	1.9056	1.8793	1.8452	1.8356

The accompanying notes are an integral part of this financial statements

BRD – Groupe Société Générale S.A.
CONSOLIDATED AND SEPARATE STATEMENT OF COMPREHENSIVE INCOME
for the period ended December 31, 2022
(Amounts in thousands RON)

	Note	Group		Bank	
		December 31, 2022	December 31, 2021	December 31, 2022	December 31, 2021
Profit for the period		1,337,088	1,318,903	1,285,938	1,279,256
Other comprehensive income					
Net comprehensive income that may be reclassified to profit and loss in subsequent periods		(1,682,642)	(1,190,632)	(1,682,643)	(1,190,632)
<u>Net gain/(loss) on financial assets at fair value through other comprehensive income</u>		<u>(1,682,642)</u>	<u>(1,190,632)</u>	<u>(1,682,643)</u>	<u>(1,190,632)</u>
Reclassifications to profit and loss during the period		2,884	11,596	2,884	11,596
Revaluation differences		(2,005,937)	(1,429,085)	(2,005,937)	(1,429,085)
Income tax		320,411	226,856	320,411	226,856
Net comprehensive income not to be reclassified to profit and loss in subsequent periods		13,913	810	13,913	810
Gain / (Loss) on defined pension plan	22	16,563	965	16,563	965
Income tax relating to defined pension plan	18	(2,650)	(154)	(2,650)	(154)
Other comprehensive income for the period, net of tax		(1,668,729)	(1,189,822)	(1,668,729)	(1,189,822)
Total comprehensive income for the period, net of tax		(331,641)	129,081	(382,791)	89,434
Attributable to:					
Equity holders of the parent		(340,721)	119,864		-
Non-controlling interest		9,080	9,217		-

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BRD – Groupe Société Générale S.A.
CONSOLIDATED AND SEPARATE STATEMENT OF CHANGES IN EQUITY
for the period ended December 31, 2022
(Amounts in thousands RON)

Group

	Attributable to equity holders of the parent				Non-controlling interest	Total equity
	Other reserves					
	Issued capital	Reserves from financial assets at fair value through other comprehensive income	Reserves from defined pension plan	Retained earnings and capital reserves		
December 31, 2020	2,515,622	789,030	15,412	6,403,510	48,491	9,772,065
Total comprehensive income	-	(1,190,632)	810	1,309,686	9,217	129,081
Net Profit for the period	-	-	-	1,309,686	9,217	1,318,903
Other comprehensive income	-	(1,190,632)	810	-	-	(1,189,822)
Adjustment	-	-	-	29,959	-	29,959
Equity dividends	-	-	-	(52,198)	-	(52,198)
December 31, 2021	2,515,622	(401,602)	16,222	7,690,955	57,708	9,878,905

	Attributable to equity holders of the parent				Non-controlling interest	Total equity
	Other reserves					
	Issued capital	Reserves from financial assets at fair value through other comprehensive income	Reserves from defined pension plan	Retained earnings and capital reserves		
December 31, 2021	2,515,622	(401,602)	16,222	7,690,955	57,708	9,878,905
Total comprehensive income	-	(1,682,642)	13,913	1,328,008	9,080	(331,641)
Net Profit for the period	-	-	-	1,328,008	9,080	1,337,088
Other comprehensive income	-	(1,682,642)	13,913	-	-	(1,668,729)
Equity dividends	-	-	-	(2,579,510)	(7,977)	(2,587,487)
December 31, 2022	2,515,622	(2,084,244)	30,135	6,439,441	58,812	6,959,766

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BRD – Groupe Société Générale S.A.
CONSOLIDATED AND SEPARATE STATEMENT OF CHANGES IN EQUITY
for the period ended December 31, 2022
(Amounts in thousands RON)

Bank

	<u>Other reserves</u>			Retained earnings and capital reserves	Total equity
	Issued capital	Reserves from financial assets at fair value through other comprehensive income	Reserves from defined pension plan		
December 31, 2020	2,515,622	789,030	15,412	6,152,079	9,472,142
Total comprehensive income	-	(1,190,632)	810	1,279,256	89,434
Net Profit for the period	-	-	-	1,279,256	1,279,256
Other comprehensive income	-	(1,190,632)	810	-	(1,189,822)
Adjustment	-	-	-	29,959	29,959
Equity dividends	-	-	-	(52,198)	(52,198)
December 31, 2021	2,515,622	(401,602)	16,222	7,409,096	9,539,338

	<u>Other reserves</u>			Retained earnings and capital reserves	Total equity
	Issued capital	Reserves from financial assets at fair value through other comprehensive income	Reserves from defined pension plan		
December 31, 2021	2,515,622	(401,602)	16,222	7,409,095	9,539,338
Total comprehensive income	-	(1,682,642)	13,913	1,285,938	(382,791)
Net Profit for the period	-	-	-	1,285,938	1,285,938
Other comprehensive income	-	(1,682,642)	13,913	-	(1,668,729)
Equity dividends	-	-	-	(2,579,510)	(2,579,510)
December 31, 2022	2,515,622	(2,084,244)	30,135	6,115,523	6,577,036

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BRD – Groupe Société Générale S.A.
CONSOLIDATED AND SEPARATE STATEMENT OF CASH FLOWS
for the year ended December 31, 2022
(Amounts in thousands RON)

	Note	Group		Bank	
		2022	2021	2022	2021
Cash flows from operating activities					
Profit before tax		1,619,509	1,645,763	1,555,278	1,595,064
<i>Adjustments for:</i>					
Depreciation and amortization expense	32	228,889	238,946	223,599	230,458
Loss from investment in associates and joint ventures		3,335	(8,092)	38,752	-
Loss/ (Gain) from revaluation of assets at fair value through profit and loss	8	(1,172)	(7,255)	(1,184)	(6,919)
Impairment adjustments and provisions	36	301,912	106,330	277,466	78,404
Adjusted profit		2,152,473	1,975,692	2,093,911	1,897,007
Changes in operating assets and liabilities					
Due from Central Bank		(781,782)	911,925	(781,746)	911,925
Deposits with banks		(147,971)	16,220	(148,610)	15,609
Treasury bills at amortised cost		(2,730,706)	-	(2,730,706)	-
Sales of financial assets at fair value through profit and loss	8	(6,143)	85,548	(1)	58,356
Financial assets at fair value through other comprehensive income		4,741,587	(5,110,987)	4,741,587	(5,110,987)
Loans and advances to customers		(3,640,922)	(3,291,196)	(3,615,134)	(3,319,394)
Lease receivables		(195,110)	(171,721)	-	-
Other assets including trading		(709,142)	(224,854)	(676,642)	(191,953)
Due to banks		480,078	(42,201)	480,078	(42,201)
Due to customers		3,977,260	2,725,827	3,997,854	2,765,760
Other liabilities		1,045,221	(96,340)	1,029,379	(134,361)
Total changes in operating assets and liabilities		2,032,370	(5,197,779)	2,296,059	(5,047,246)
Income tax paid		(375,059)	(191,151)	(360,360)	(178,384)
Cash flow from operating activities		3,809,784	(3,413,238)	4,029,610	(3,328,623)
Investing activities					
Acquisition of investments in associates and joint ventures		(9,798)	-	(9,800)	-
Acquisition of tangible and intangible assets	13, 15	(269,491)	(211,730)	(268,348)	(211,275)
Proceeds from sale of tangible and intangible assets		932	850	932	850
Cash flow from investing activities		(278,357)	(210,880)	(277,216)	(210,425)
Financing activities					
Proceeds from borrowings		192,089,610	25,000,329	190,895,147	23,724,457
Repayment of borrowings		(189,776,959)	(22,191,189)	(188,814,828)	(21,005,628)
Repayment of principal lease liabilities	11	(84,665)	(90,612)	(81,319)	(85,398)
Dividends paid		(2,587,492)	(52,198)	(2,579,510)	(52,198)
Net cash from financing activities		(359,506)	2,666,330	(580,510)	2,581,233
Net movements in cash and cash equivalents		3,171,921	(957,788)	3,171,884	(957,815)
Cash and cash equivalents at beginning of the period	36	6,301,478	7,259,266	6,301,445	7,259,261
Cash and cash equivalents at the end of the period	36	9,473,399	6,301,478	9,473,329	6,301,445

Additional information on operational cash flows from interest and dividends:

	Group		Bank	
	2022	2021	2022	2021
Interest paid	567,770	153,570	457,273	136,880
Interest received	2,939,945	2,242,909	2,881,812	2,107,487
Dividends received	8,677	3,349	45,894	19,315

The accompanying notes are an integral part of this financial statements

BRD – Groupe Société Générale S.A.
NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS
as of and for the period ended December 31, 2022
(Amounts in thousands RON)

1. Corporate information

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

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

The ultimate parent is Société Générale S.A. as at December 31, 2022 (the “Parent” or “SG”).

The Bank has as at December 31, 2022 460 units throughout the country (December 31, 2021: 499).

The average number of active employees of the Group during 2022 was 6,158 (2021: 6,620), and the number of active employees of the Group as of the period-end was 6,126 (December 31, 2021: 6,408).

The average number of active employees of the Bank during 2022 was 5,846 (2021: 6,156), and the number of active employees of the Bank as of the period-end was 5,833 (December 31, 2021: 5,974).

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

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

The shareholding structure of the Bank is as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Societe Generale	60.17%	60.17%
Fondul De Pensii Administrat Privat NN/NN Pensii S.A.F.P.A.P. S.A.	5.56%	5.31%
Fondul De Pensii Administrat Privat AZT Viitorul Tau	3.98%	3.91%
S.I.F. Oltenia	3.95%	3.97%
Fondul De Pensii Administrat Privat Metropolitan Life	3.23%	3.17%
TRANSILVANIA INVESTMENTS ALLIANCE S.A.	2.19%	2.52%
Legal entities	15.43%	16.58%
Individuals	5.49%	4.38%
Total	<u>100.00%</u>	<u>100.00%</u>

BRD – Groupe Société Générale S.A.
NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS
as of and for the period ended December 31, 2022
(Amounts in thousands RON)

2. Basis of preparation

a) Basis of preparation

In accordance with European Regulation 1606/2002 of July 19, 2002 on the application of International Accounting Standards, and Order of the National Bank of Romania no. 27/2010 with subsequent amendments, BRD prepared the consolidated and separate financial statements of the Bank and its subsidiaries for the year ended December 31, 2022 in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union (“EU”).

The consolidated financial statements include the consolidated statement of financial position, the consolidated profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in shareholders’ equity, the consolidated cash flow statement, and consolidated notes.

The separate financial statements include the separate statement of financial position, the separate profit or loss, the separate statement of comprehensive income, the separate statement of changes in shareholders’ equity, the separate cash flow statement, and separate notes.

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

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

b) Basis for consolidation

The consolidated financial statements comprise the financial statements of the credit institution and its subsidiaries as at December 31, 2022. The financial statements of the subsidiaries are prepared for the same reporting period, using consistent accounting policies.

A subsidiary is an entity over which the Bank exercises control. An investor controls an investee when it is exposed, or has rights to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The consolidated financial statements include the financial statements of BRD – Groupe Société Générale S.A. and the following subsidiaries: BRD Sogelease IFN S.A. (99.98% ownership, 2021: 99.98%), BRD Finance IFN S.A (49% ownership, 2021: 49%) and BRD Asset Management SAI SA (99.98% ownership, 2021: 99.98%).

According to IFRS 12 9(b), the Group controls BRD Finance IFN S.A even though it holds less than half of the voting rights, through the power to govern the financial and operating policies of the entity under various agreements. All intercompany transactions, balances and unrealized gains and losses on transactions between consolidated entities are eliminated on consolidation.

BRD – Groupe Société Générale S.A.
NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS
as of and for the period ended December 31, 2022
(Amounts in thousands RON)

2. Basis of preparation

b) Basis for consolidation (continued)

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

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

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

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

BRD – Groupe Société Générale S.A.
NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS
as of and for the period ended December 31, 2022
(Amounts in thousands RON)

2. Basis of preparation (continued)

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

The accounting policies adopted are consistent with those of the previous financial year except for the following amended IFRSs which have been adopted by the Group/Bank as of 1 January 2022.

The impact of the application of these new and revised IFRSs has been reflected in the interim financial statements and was estimated as not being material, except disclosures already presented in the Notes.

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

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

- **IFRS 3 Business Combinations (Amendments)** update a reference in IFRS 3 to the previous version of the IASB's Conceptual Framework for Financial Reporting to the current version issued in 2018 without significantly changing the accounting requirements for business combinations.
- **IAS 16 Property, Plant and Equipment (Amendments)** prohibit a company from deducting from the cost of property, plant and equipment any proceeds from the sale of items produced while bringing the asset to the location and condition necessary for it be capable of operating in the manner intended by management. Instead, a company recognizes such sales proceeds and related cost in profit or loss.
- **IAS 37 Provisions, Contingent Liabilities and Contingent Assets (Amendments)** specify which costs a company includes in determining the cost of fulfilling a contract for the purpose of assessing whether a contract is onerous. The amendments clarify, the costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to the contract activities.
- **Annual Improvements 2018-2020** make minor amendments to **IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 9 Financial Instruments, IAS 41 Agriculture** and the Illustrative Examples accompanying **IFRS 16 Leases**.
- **IFRS 16 Leases - Covid 19 Related Rent Concessions beyond 30 June 2021 (Amendment)**

The Amendment applies to annual reporting periods beginning on or after 1 April 2021, with earlier application permitted, including in financial statements not yet authorized for issue at the date the amendment is issued. In March 2021, the Board amended the conditions of the practical expedient in IFRS 16 that provides relief to lessees from applying the IFRS 16 guidance on lease modifications to rent concessions arising as a direct consequence of the covid-19 pandemic. Following the amendment, the practical expedient now applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022, provided the other conditions for applying the practical expedient are met.

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2. Basis of preparation (continued)

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

- **Amendment in IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture**

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

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

The amendments are effective for annual reporting periods beginning on or after January 1, 2024, with earlier application permitted, and will need to be applied retrospectively in accordance with IAS 8. The objective of the amendments is to clarify the principles in IAS 1 for the classification of liabilities as either current or non-current. The amendments clarify the meaning of a right to defer settlement, the requirement for this right to exist at the end of the reporting period, that management intent does not affect current or non-current classification, that options by the counterparty that could result in settlement by the transfer of the entity's own equity instruments do not affect current or non-current classification. Also, the amendments specify that only covenants with which an entity must comply on or before the reporting date will affect a liability's classification. Additional disclosures are also required for non-current liabilities arising from loan arrangements that are subject to covenants to be complied with within twelve months after the reporting period. The amendments have not yet been endorsed by the EU.

- **IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting policies (Amendments)**

The Amendments are effective for annual periods beginning on or after January 1, 2023 with earlier application permitted. The amendments provide guidance on the application of materiality judgements to accounting policy disclosures. In particular, the amendments to IAS 1 replace the requirement to disclose 'significant' accounting policies with a requirement to disclose 'material' accounting policies. Also, guidance and illustrative examples are added in the Practice Statement to assist in the application of the materiality concept when making judgements about accounting policy disclosures.

- **IAS 8 Accounting policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates (Amendments)**

The amendments become effective for annual reporting periods beginning on or after January 1, 2023 with earlier application permitted and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. The amendments introduce a new definition of accounting estimates, defined as monetary amounts in financial statements that are subject to measurement uncertainty, if they do not result from a correction of prior period error. Also, the amendments clarify what changes in accounting estimates are and how these differ from changes in accounting policies and corrections of errors.

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2. Basis of preparation (continued)

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

• **IAS 12 Income taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments)**

The amendments are effective for annual periods beginning on or after January 1, 2023 with earlier application permitted. The amendments narrow the scope of and provide further clarity on the initial recognition exception under IAS 12 and specify how companies should account for deferred tax related to assets and liabilities arising from a single transaction, such as leases and decommissioning obligations. The amendments clarify that where payments that settle a liability are deductible for tax purposes, it is a matter of judgement, having considered the applicable tax law, whether such deductions are attributable for tax purposes to the liability or to the related asset component. Under the amendments, the initial recognition exception does not apply to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences. It only applies if the recognition of a lease asset and lease liability (or decommissioning liability and decommissioning asset component) give rise to taxable and deductible temporary differences that are not equal.

• **IFRS 16 Leases: Lease Liability in a Sale and Leaseback (amendments)**

The amendments are effective for annual reporting periods beginning on or after January 1, 2024, with earlier application permitted. The amendments are intended to improve the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction in IFRS 16, while it does not change the accounting for leases unrelated to sale and leaseback transactions. In particular, the seller-lessee determines ‘lease payments’ or ‘revised lease payments’ in such a way that the seller-lessee would not recognize any amount of the gain or loss that relates to the right of use it retains. Applying these requirements does not prevent the seller-lessee from recognizing, in profit or loss, any gain or loss relating to the partial or full termination of a lease. A seller-lessee applies the amendment retrospectively in accordance with IAS 8 to sale and leaseback transactions entered into after the date of initial application, being the beginning of the annual reporting period in which an entity first applied IFRS 16.

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2. Basis of preparation (continued)

e) Significant accounting judgments and estimates

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

Fair value of financial instruments

Where the fair values of financial assets and financial liabilities recorded on the statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The inputs to these models are derived from observable market data where possible, but where observable market data are not available, judgment is required to establish fair values. The judgments include considerations of liquidity and model inputs such as volatility for longer dated derivatives and discount rates, prepayment rates and default rate assumptions for asset backed securities. The valuation of financial instruments is described in more detail in Note 41.

Expected credit losses on financial assets at amortised cost and FVOCI

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

- The internal credit grading model, which assigns probabilities of default (PDs) to the individual grades
- The criteria defined (both in relative and absolute terms) for the assessment of significant increase in credit risk since initial recognition and consequently the computation of allowances based on life time expected credit loss (LTECL)
- The grouping of financial assets when their ECL is measured on a collective basis
- The development of ECL model, including the various formulas and the choice of inputs
- The macroeconomic scenarios and their probability weightings based on which ECL is derived
- The inputs and models used for calculating ECL may not always capture all characteristics of the market at the date of the financial statements. To reflect this, the Bank assesses the need/opportunity for additional amounts of provisions in the form of overlays, in order to address:
 - Sector of activity specific risks (adjustment of ECL on sectors that have a different default behavior from the whole calibration segment)
 - Visible macroeconomic threat impossible to be captured by the models (typically, when the predicted stress did not occur in the observed past serving as a base for models)
- For individually significant loans and advances, the Group and Bank identify and quantify the expected future cash flows to be used for a total or partial reimbursement of the obligations, based on the capacity of the client/business to generate revenues, proceeds resulting from sale of collaterals and other clearly identified sources of repayment. The individual assessment threshold is defined in between 500 - 1,500 thousands EUR, depending on the client type and customers' management departments.

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2. Basis of preparation (continued)

e) Significant accounting judgments and estimates (continued)

Provisions for other risks and charges

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

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

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

In case of litigations:

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

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

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

Please refer to note 22 and note 40 for more details.

f) Segment information

A segment is a component of the Group and Bank:

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

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

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3. Summary of significant accounting policies

a) Recognition of income and expenses

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the benefits can be reliably measured. The following specific recognition criteria must also be met before revenue is recognized:

i) *Interest and similar income*

For all financial instruments measured at amortized cost and interest-bearing financial instruments classified as FVOCI, interest income or expense is recorded at the effective interest rate, which is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument. The effective interest is applied to the gross carrying amount for assets classified in Stage 1 or 2 and to all financial liabilities. For financial assets classified as Stage 3 or POCI the effective interest rate is applied to the net carrying amount.

The calculation takes into account all contractual terms of the financial instrument and includes any origination fees and incremental costs that are directly attributable to the instrument and are an integral part of the effective interest rate. The net carrying amount is calculated based on the original effective interest rate and the change in carrying amount is recorded as interest income or expense.

ii) *Fee and commission income*

The Group and Bank earns fee and commission income from a diverse range of services it provides to its customers. Fee income can be divided into the following two categories:

(i) Fee income earned from services that are provided over a certain period of time are accrued over that period. These fees include asset management, custody and other management and advisory fees.

(ii) Fee income from providing transaction services: Fees arising from negotiating or participating in the negotiation of a transaction for a third party – such as the arrangement of the acquisition of shares or other securities or the purchase or sale of businesses. These fees are recognized on completion of the underlying transaction. Fees or components of fees that are linked to a certain performance are recognized after fulfilling the corresponding criteria.

iii) *Dividend income*

Revenue is recognized when the Group and Bank's right to receive the payment is established, generally when the shareholders approve the dividend.

iv) *Net trading income*

Net trading income comprises gains less losses related to assets and liabilities held for trading and derivatives and includes all realised and unrealised fair value changes, interest, dividends and foreign exchange differences. Interest income from all interest bearing trading financial assets required to be measured at FVPL is recognised part of the net trading income.

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3. Summary of significant accounting policies (continued)

a) Recognition of income and expenses (continued)

v) Levies

IFRIC 21 “Levies” clarifies the accounting for a liability to pay a levy. For an entity, the obligating event that gives rise to a liability to pay a levy is the activity that triggers the payment of the levy, as identified by the legislation. The liability to pay a levy is recognised progressively if the obligating event occurs over a period of time. Furthermore, if an obligation to pay a levy is triggered when a minimum activity threshold is reached, the corresponding liability is recognised when that minimum activity threshold is reached.

The main related taxes which fall under the provisions of IFRIC 21 are as follows:

- The Bank annual contribution to Deposit Guarantee Scheme is fully recognised in the income statement at 1st January of the year in which the payment is made.
- The Bank annual contribution to the Single Resolution Fund, is fully recognised in the income statement at 1st January of the year in which the payment is made.

b) Financial instruments - recognition

i) Initial recognition and date of recognition

The Group applies settlement date accounting policy for all financial assets and financial liabilities (the financial assets / liabilities are initially recognized on the date of the transfer of funds). Between trade date and settlement date The Group recognizes off balance sheet commitments.

ii) Measurement categories of financial assets and liabilities

Financial instruments are initially recognised at their fair value including arrangements costs. Trade receivables are measured at the transaction price.

In accordance with IFRS 9 classification, the Group classifies financial assets in the following measurement categories:

- Fair value through profit and loss (FVPL);
- Fair value through other comprehensive income (FVOCI); or
- Amortised cost.

Classification and subsequent measurement of financial assets is generally based on the Group business model to manage the assets and the cash flow characteristics of the assets.

The Group and the Bank classify and measure the financial liabilities at amortised cost.

The Bank classifies and measures its derivative and trading portfolio as FVPL.

The Group measures the equity instruments at fair value through profit and loss. Gains and losses on equity investments measured at fair value through profit and loss are included in the line “Net gains on financial assets measured at fair value through profit and loss” in the statement of profit and loss.

In the Bank’s Separate Financial Statement, the equity instruments representing investment in associates and subsidiaries continue to be measured at cost in accordance to IAS 27 “Separate financial statements”.

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3. Summary of significant accounting policies (continued)

c) Financial instruments – classification and measurement

According to IFRS 9, the Group classifies its financial assets that are debt instruments into one of the following categories based on the assessment of business model and SPPI characteristics, as follows:

- Financial assets that are held for collection of contractual cash flows and cash flows represent solely payments of capital and interest (SPPI) are classified and measured at amortised cost. In this category the Group includes the loans granted to customers, deposits placed with banks, corporate bonds and repurchase transactions part of banking book portfolio. Treasury bonds in banking book portfolio purchased starting July 1, 2022 are classified in this category.
- Financial assets that are held for collection of contractual cash flows and for selling the assets and the contractual cash flows represent solely payments of capital and interest are measured at fair value through other comprehensive income. Treasury bonds in banking book portfolio purchased before June 30, 2022 are classified and measured at fair value through other comprehensive income.
- Financial assets that are held for trading, regardless of the cash flow characteristics are measured at fair value through profit and loss. In this category the Group includes the sub-portfolio of treasury bonds, placements made to banks and repurchase transaction held for trading.

1) Business model assessment

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

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

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

The business model assessment is performed on the basis of scenarios that the Group reasonably expects to occur, without taking 'worst case' or 'stress case' scenarios. The Group assesses the business model for newly originated financial assets, considering information about how cash flows were realized in the past (namely before the date of the origination of new assets) for that specific portfolio of assets, along with all other relevant information. This means that there is no 'tainting' concept, but if there is a change in the way that cash flows are realized then this will affect the classification of assets originated after the date of that change.

In some circumstances, the Bank separates a portfolio of financial assets into sub-portfolios to reflect how an entity manages them. Those portfolios are split and treated as separate portfolios, provided the assets belonging to each sub-portfolio are separately defined.

2) SPPI test

As a second step of its classification process the Group performs the assessment of the characteristics of the contractual cash flows aiming to identify whether the contractual cash flows are "solely payments of principal and interest on the principal amount outstanding" – SPPI test. The SPPI assessment is performed at the initial recognition of the financial asset as well as subsequently when significant modifications occur.

The principal for the purpose of applying SPPI test is "the fair value of the asset at initial recognition" and it may change over the life of the financial asset (e.g. if there are repayments of principal).

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3. Summary of significant accounting policies (continued)

c) Financial instruments – classification and measurement (continued)

2) SPPI test (continued)

The most significant elements of interest are typically the consideration for the time value of money and credit risk. Interest can also include consideration for other basic lending risks (for example, liquidity risk) and costs (for example, administrative costs) associated with holding the financial asset for a particular period of time. In addition, interest can include a profit margin that is consistent with a basic lending arrangement.

To make the SPPI assessment, the Group applies judgements and considers relevant factors such as the currency in which the financial asset is denominated and the period for which the interest rate is set.

3) Debt instruments at FVOCI

These instruments largely comprise of treasury bonds.

After initial recognition FVOCI financial assets are measured at fair value with gains or losses being recognized as OCI until the investment is derecognized. The fair value of investments that are actively traded in organized financial markets is determined by reference to quoted market bid prices at the close of business on the statement of financial position date. Interest income and foreign exchange gains and losses are recognised in profit and loss.

The ECLs for debt instruments measured at FVOCI do not reduce the carrying amount of these financial assets in the statement of financial position, which remains at fair value. Instead, an amount equal to the allowance that would arise if the assets were measured at amortised cost is recognised in OCI as an accumulated impairment amount, with a corresponding charge to profit or loss. The accumulated loss recognised in OCI is recycled to the profit and loss upon derecognition of the assets.

4) Derivatives that are not designated accounting hedging instruments

The Group uses derivative financial instruments such as forward currency contracts, currency swaps, currency options, swaps and cross currency swaps on interest rate, as products offered to its clients but also to hedge its risks associated with interest rate, liquidity and exchange rate. Such derivative financial instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at fair value.

Derivatives are carried as assets when their fair value is positive and as liabilities when fair value is negative. Any gains or losses arising from changes in fair value of derivatives that are not designated as hedge accounting instruments are taken directly to profit or loss for the year.

The fair value of forward currency contracts is calculated by reference to current forward exchange rates for contracts with similar maturity profiles. The fair value of interest swap contracts is determined by reference to market values of similar instruments.

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3. Summary of significant accounting policies (continued)

c) Financial instruments – classification and measurement (continued)

5) *Derivatives that are designated accounting hedging instruments*

As a policy choice, the Group has also elected to continue to apply the hedge accounting requirements in accordance with IAS 39. The Group and Bank designates certain derivatives held for risk management as hedging instruments in qualifying accounting hedging relationships. The Group and Bank formally documents the relationship between the hedging instruments and hedged item, including the risk management objective and strategy in undertaking the hedge, together with the method that will be used to assess the effectiveness of the hedging relationship.

The Group and Bank makes an assessment, both at the inception of the hedge relationship as well as on an ongoing basis, as to whether the hedging instruments are expected to be highly effective in offsetting the changes in the fair value during the period for which the hedge is designated. The actual results of the hedge as recommended by IAS 39 should be in the range of 80-125 percent, but the Group and Bank uses a more prudent approach and the range considered is 88-114 percent.

The Group and Bank use fair value hedges. When a derivative is designated as the hedging instrument in a hedge of the change in fair value of a recognized asset or liability or a firm commitment that could affect profit or loss, changes in the fair value of the derivative are recognized immediately in profit and loss together with changes in the fair value of the hedged item that are attributable to the hedged risk.

If the hedging derivative expires or is sold, terminated or exercised, or the hedge no longer meets criteria for fair value hedge accounting, or the hedge designation is revoked, then hedge accounting is discontinued prospectively. Any adjustment up to that point to a hedged item for which the effective interest method is used, is amortised to profit or loss as part of the recalculated effective interest rate of the item over its remaining life.

6) *Financial assets and financial liabilities held for trading*

The Bank classifies financial assets or financial liabilities as held for trading when they have been purchased or issued primarily for short-term profit making through trading activities or form part of a portfolio of financial instruments that are managed together, for which there is evidence of a recent pattern of short-term profit taking. Held-for-trading assets and liabilities are recorded and measured in the statement of financial position at fair value.

Changes in fair value are recognised in net trading income. Interest income or expense is recorded in net trading income according to the terms of the contract, or when the right to payment has been established. Included in this classification are debt securities, repurchase transactions and short positions acquired principally for the purpose of selling or repurchasing in the near term.

7) *Repurchase agreements*

Securities sold with a simultaneous commitment to repurchase at a specified future date (repos) continue to be recognized in the statement of financial position as securities and are measured in accordance with the applicable accounting policies. The liability for amounts received under these agreements from banking book portfolio is included in customers' or interbank deposits. The difference between sale and repurchase price is treated as interest expense using the effective yield method. Assets acquired with a corresponding commitment to resell at a specified future date (reverse repos) from the banking book portfolio are recorded as loans and advances.

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3. Summary of significant accounting policies (continued)

c) Financial instruments – classification and measurement (continued)

8) Borrowings

Borrowings are initially recognized at the fair value of the consideration received less directly attributable transaction costs. Subsequently borrowings are stated at amortized cost using the effective interest rate method. Any discount or premium is integral part of the effective interest rate.

9) Financial guarantees, letter of credits and loan commitments

In the ordinary course of business, the Group and Bank gives financial guarantees, consisting of letters of credit, guarantees and acceptances and performance guarantees.

Financial guarantees are presented in ‘Other liabilities’ line with the amount of the premium received being the instruments’ fair value. The financial guarantee are subsequently measured at the higher of the amount initially recognised less the cumulative amortisation recognised in the income statement and an ECL.

Any increase in the liability relating to financial guarantees is taken to the income statement in ‘Credit loss expense’. The premium received is recognized in the income statement in ‘Net fees and commission income’ on a straight line basis over the life of the guarantee.

Undrawn loan commitments and letters of credits are commitments under which, over the duration of the commitment, the Bank is required to provide a loan with pre-specified terms to the customer. Similar to financial guarantee contracts, these contracts are in the scope of the ECL requirements.

The nominal contractual value of financial guarantees, letters of credit and undrawn loan commitments, where the loan agreed to be provided is on market terms, are not recorded on in the statement of financial position. The nominal values of these instruments together with the corresponding ECLs are disclosed in Note 22 and in Note 41.

d) Financial assets - derecognition

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

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

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3. Summary of significant accounting policies (continued)

d) Financial assets – derecognition (continued)

Derecognition due to substantial modification of terms and conditions

In certain circumstances, the Group renegotiates or otherwise modifies the contractual cash flows of loans to customers. When this happens, the Group assesses whether or not the new terms are substantially different to the original terms. The Group does this by considering both quantitative and qualitative factors that are substantially changing the size or the nature of lender's risks associated with the pre-existing loan contract.

If the new terms are substantially different, the Group derecognises the original financial assets and recognises a "new" financial asset. The new financial asset is initially recognized at fair value and the classification and subsequent measurement is reassessed considering the new business model and the contractual cash flows characteristics. The date of renegotiation is consequently considered to be the date of initial recognition for impairment calculation purposes. All financial assets that are impaired at the date of initial recognition (first origination or re-origination due to significant changes) are classified as purchased or originated credit impaired (POCI).

On initial recognition the difference between transaction price and fair value of new financial asset is recognised in P&L for loans where the fair value is calculated based on observable inputs (loans not impaired at the date of modification).

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

The following modifications are considered significant contractual changes:

Quantitative criteria:

- interest rate margin modification for floating interest rate and interest rate modification for fixed interest rate higher than 3% over a 12 month period; the threshold is subject to review depending on the market conditions;
- tenor prolongation or reduction for non-revolving financial assets for more than 24 months or over 50% from initial (prior to modification) remaining tenor.

Qualitative criteria refer to contractual modifications that are substantially changing the size or the nature of lender's risks associated with the pre-existing loan contract and are applicable to all financial assets:

- change of the denomination currency;
- change of the type of interest (variable or fixed) for performing loans (commercial renegotiation);
- contract changed obligor / counterparty;
- consolidation of two or more loans to one loan (many to 1);
- split of one loan to two or more loans (1 to many);
- modification of an SPPI compliant contract by introducing a features that is non-SPPI or modification of a non-SPPI contract by removing the features that are non-SPPI through commercial renegotiation;
- change of a commercial product or use of the same product but from updated bank commercial offer available at the change date for performing loans (commercial renegotiation);
- renewal of a performing revolving loan (regardless of new tenor) if a substantive risk analysis is performed.

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3. Summary of significant accounting policies (continued)

d) Financial assets - derecognition (continued)

Derecognition other than for substantial modification

A financial asset is derecognized where either:

- The rights to receive cash flows from the assets have expired;
- The Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a “pass-through” arrangement; or
- The Group has transferred its rights to receive cash flows from the asset and either a) has transferred substantially all the risks and rewards of the asset, or b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

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

Write-offs

A write-off is performed when the entire loan is deemed uncollectible (very high uncertainty regarding recoverable amount and timeframe). Write-off is not conditioned by the closure of the legal procedures, nor does it imply the forfeit of the bank’s claims to the receivables / financial asset. A write-off is performed only where the chances of recoveries are remote.

The Bank performs permanent write-offs under certain situations, such as:

- the financial assets are considered immaterial, thus do not justify the initiation of the recovery process;
- the collaterals which cover the receivables have a recovery value deemed immaterial and no other recovery sources could be identified;
- exhaustion of all legal means;
- end of the statute of limitation period for enforcement rights, etc.

Any recoveries of previously written-off loans and receivables are recognized as income.

e) Financial assets reclassification

The Group does not reclassify its financial assets subsequent to their initial recognition, apart from the exceptional circumstances in which the Bank acquires, disposes of, or terminates a business line. Financial liabilities are never reclassified.

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3. Summary of significant accounting policies (continued)

f) Impairment model of financial assets

The Group assesses on a forward-looking basis the expected credit losses (“ECL”) for the following categories of financial assets: loans and placed deposits measured at amortised cost, debt instruments measured at fair value to other comprehensive income, loan commitments and financial guarantee contracts, contract assets and trade receivables.

The group recognises a loss allowance for such losses at each reporting date. The measurement of ECL reflects:

- An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- The time value of money;
- Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions

The ECL calculation considers both the number of days past due recorded by the receivables and the credit risk analysis performed for clients with granted loans.

For contract assets and trade receivables the Group applies the simplified approach for measuring the expected credit losses and recognizes lifetime expected credit losses in accordance to the provisions of IFRS 9 “Financial Instruments”. Based on an assessment of historical information the Bank recognizes expected credit loss for contract assets and the trade receivables with more than 90 days past due for the entire exposure amount.

Overview of the ECL principles

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

Consequently, financial assets subject to loss allowances can be classified in Stage 1, Stage 2, Stage 3 or POCI, as described below:

- **Stage 1** when there is insignificant or no impairment of credit quality since initial recognition; Loss allowance shall be equal to 12mECL.
- **Stage 2** when a financial asset shown significant increase in credit risk since initial recognition, though not impaired; Loss allowance shall be equal to LTECL.
- **Stage 3** financial assets classified as impaired; Loss allowance is represented by LTECL.
- **POCI** financial assets that are credit impaired on initial recognition. Loss allowance shall be equal to LTECL. ECLs are only recognized or released to the extent that there is a subsequent change in the expected credit losses.

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

- Individual or collective assessment for clients in Stage 3;
- Collective assessment for clients in Stage 2 or Stage 1.

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3. Summary of significant accounting policies (continued)

f) Impairment model of financial assets (continued)

Staging criteria

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

- For Non Retail portfolio (Corporate and Public Authorities), the staging criteria are:
Stage 3: criteria as provided by EBA default definition as presented below.
Stage 2: assessment of
Relative threshold: Doubling of the lifetime Probability of default (“PD”) since origination and the absolute increase exceeds a pre-defined quantitative threshold
Absolute thresholds: Clients rated with the last three risk classes in term of risk (“sub-standard grade”, as detailed in note 43.1), Clients with expired ratings for more than three months, Clients not rated as of reporting date, Healthy clients with restructured facilities in probation and DPD < 30, Clients with DPD > 30
Stage 1: include all clients not classified in Stage 2 or Stage 3 based on the above conditions

- For Small Business, the staging criteria are:

Stage 3: criteria as provided by EBA default definition as presented below
Stage 2: assessment of
Relative threshold: Doubling of the lifetime PD since origination and the absolute increase exceeds a pre-defined quantitative threshold
Absolute thresholds: Clients rated with the last three risk classes in term of risk (“sub-standard grade”, as detailed in note 43.1), Healthy clients with restructured facilities in probation and DPD < 30, Clients with DPD > 30
Stage 1: include all clients not classified in Stage 2 or Stage 3 based on the above conditions

- For Individuals and Professionals , the staging criteria are:

Stage 3: criteria as provided by EBA default definition as presented below
Stage 2: assessment of
Relative threshold: Doubling of the lifetime PD since origination and the absolute increase exceeds a pre-defined quantitative threshold
Absolute thresholds: Clients rated with the last two risk classes in term of risk (“sub-standard grade”, as detailed in note 43.1), Healthy clients with restructured facilities in probation and DPD < 30, Clients with DPD > 30
Stage 1: include all clients not classified in Stage 2 or Stage 3 based on the above conditions

In accordance with EBA default definition, the main considerations for the loan impairment assessment include whether any payments of principal or interest are overdue by more than 90 days, whether a severe alteration in the counterparty’s financial standing is observed, entailing a high probability that the debtor will not be able to fully meet its credit obligations, whether concessions in the form of restructuring were consented under the circumstances of financial hardship experienced by the debtor, whether legal procedures were initiated or the debtor was transferred to specialized recovery structures (regardless of the number of days past due).

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3. Summary of significant accounting policies (continued)

f) Impairment model of financial assets (continued)

ECL calculation techniques:

The key elements of ECL calculation are outlined below:

- **PD** *Probability of Default* models are based on a two-step approach: building of the through-the-cycle (TTC) marginal PD curve and Adjustment of the TTC curve to incorporate point in time and forward looking information;
- **LGD** *Loss Given Default* model takes into account cashbacks, portfolio sales and collateral recoveries;
- **EAD** Exposure at default estimation at each time step is based on internally modelled Credit Conversion Factor (“CCF”).
- Point in time and forward looking transformation for ECL parameters.

Forward-looking information

Expected losses are computed based on three macroeconomic scenarios: optimistic, base and stress scenario. Consequently, expected credit losses are influenced both by changes in portfolio quality as well as changes in macroeconomic projections. Macroeconomic models are sensitive to GDP, RON/EUR exchange rate and unemployment rate. Final ECL is derived using the weighted average of the three scenarios (based on their probabilities of occurrence).

The inputs and models used for calculating ECL may not always capture all characteristics of the market at the date of the financial statements. To reflect this, the Bank assesses the need/opportunity for additional amounts of provisions in the form of overlays, in order to address:

- Sector of activity specific risks (adjustment of ECL on sectors that have a different default behaviour from the whole calibration segment)
- Visible macroeconomic threat impossible to be captured by the models (typically, when the predicted stress did not occur in the observed past serving as a base for models).

Impairment/default principles

Impairment and recoverability are assessed, measured and recognized individually for loans and receivables that are individually significant, and on a portfolio basis for impaired loans and receivables that are not individually significant. Loans and receivables for which an objective evidence of impairment was not identified, regardless the loans are individually significant or not, are included in a portfolio for collective impairment assessment. The carrying amount of the asset is reduced to its estimated recoverable amount through the use of an allowance account. The loss amount is recognised into profit and loss. If the amount of the impairment subsequently decreases due to an event occurring after the impairment, the release of the allowance is credited to the income statement.

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

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3. Summary of significant accounting policies (continued)

f) Impairment model of financial assets (continued)

Collateral valuation

To mitigate its credit risks on financial assets, the Bank seeks to use collateral, where possible. The collateral comes in various forms, such as cash, letters of guarantees, real estate, etc.

Real estate collaterals are regularly valued. Their market value is estimated by certified evaluators that can be either external or internal valuers. Depending on the collateral type, revaluation is performed:

- Yearly, for commercial / industrial / agricultural real-estate, plots of land
- At least once every 3 years, for residential real estate or with higher frequency if the real estate market displays a significant negative evolution.

The value of collateral affects the calculation of ECLs through LGD parameter, which is an estimate of the loss arising in the case where a default occurs at a given time, taking into account all the cash flows collected from the client, as well as the recovery value of collaterals (net of any cost and additional losses), by incorporating the effect of time value of money. The recovery value of a collateral is determined by applying discount coefficients to its market value when computing the provisions on individual assessment basis.

g) Foreign currency translation

Transactions in foreign currencies are initially recorded using the functional currency rate ruling on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the statement of financial position date. All differences are taken to the profit and loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as of the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. The exchange rates of the currencies with the most significant impact on the Group and Bank's consolidated and separate financial statements as of December 31, 2022 and 2021 were as follows:

	<u>31-Dec-22</u>	<u>31-Dec-21</u>
RON/ EUR	4.9474	4.9481
RON/ USD	4.6346	4.3707

h) Cash and cash equivalents

For the purpose of the cash flow statements, cash and cash equivalents comprise cash in hand, current accounts and short-term placements at other banks, excluding amounts in transit and loans to banks with more than 90 days maturity from the date of acquisition. The Group and Bank did not include in cash and cash equivalents the amounts representing minimum compulsory reserve held at National Bank of Romania.

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3. Summary of significant accounting policies (continued)

i) Leases

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

A contract is or contains a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessor

Finance leases are those which transfer to the lessee substantially all the risks and benefits incidental to ownership of the leased item and are recognized as assets at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are allocated both to the principal and the interest income on a pattern reflecting a constant periodic rate of return on the lessor's net investment outstanding in respect of the finance lease.

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognizes lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets. For short-term leases or leases for which the underlying asset is of low value, the related lease payments are recognized as an expense on a straight-line basis over the lease term (please see Note 33).

Right-of-use assets

The Group recognizes right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any re-measurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date. Right-of-use assets are depreciated on a straight-line basis over the lease term. The right-of-use assets are presented within Note 13.

Lease liabilities

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

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3. Summary of significant accounting policies (continued)

j) Investment in associates and joint ventures

An associate is an enterprise in which the Group and Bank exercises significant influence and is neither a subsidiary nor a joint venture.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. The Group and Bank recognizes its interest in a joint venture as an investment and shall account for that investment using the equity method in accordance with IAS 28 Investments in Associates.

Associates and joint venture are accounted using the equity method for consolidation purposes and cost method for separate financial statements.

Under the equity method, an investment in an associate and joint venture is carried in the statement of financial position at cost plus post-acquisition changes in the Group and Bank's share of net assets of the associate or joint venture. Goodwill relating to an associate or joint venture is included in the carrying amount of the investment and is not amortized. The Group and Bank does an assessment of any additional impairment loss with respect to the net investment in associate or joint venture.

The income statement reflects the share of the results of operations of associates and joint ventures. Where there has been a change recognized directly in the equity of the associate or joint venture, the Group recognizes its share of any changes and discloses this, when applicable, in the statement of changes in equity.

The reporting dates of associates and joint venture and the Group are identical and the associates' or joint ventures' major accounting policies conform to those used by the Group for like transactions and similar events in similar circumstances.

k) Tangible assets

The cost of tangible asset is recognized as an asset if, and only if: (a) it is probable that future economic benefits associated with the item will flow to the Group; and (b) the cost of the item can be measured reliably.

Buildings and other tangible assets are stated at cost less accumulated depreciation and any impairment loss.

In accordance with IAS 29 "Reporting in Hyperinflationary Economies", tangible assets have been restated, as appropriate, by applying the change in the consumer price index from the date of acquisition through December 31, 2003.

Depreciation is computed on a straight-line basis over the estimated useful life of the asset, as stated below:

<u><i>Asset type</i></u>	<u><i>Years</i></u>
Buildings and special constructions	10-40
Computers and equipment	3-5
Furniture and other equipment	15
Vehicles	5

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3. Summary of significant accounting policies (continued)

k) Tangible assets (continued)

Land is not depreciated. Construction-in-progress is not depreciated until used. Expenses for repairs and maintenance are charged to operating expenses as incurred. Subsequent expenditure on property and equipment is recognized as an asset under the same general recognition principle used at initial recognition.

The carrying amount of tangible assets is reviewed for impairment at each statement of financial position date or whenever events or changes in circumstances indicate the carrying amount may not be recoverable. An asset's recoverable amount is the higher of an asset's or CGU (Cost Generation Unit)'s fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

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

l) Investment properties

Assets are classified as investment property if the property (land or a building - or part of a building - or both) is held (by the Bank or Group as owner) to earn rentals or for capital appreciation or both, rather than for: use in the production or for administrative purposes; or sale in the ordinary course of business.

Investment properties are measured initially at cost including transaction costs. Subsequent to initial recognition, investment properties are carried at cost less any accumulated depreciation and any accumulated impairment losses.

Investment properties are derecognized when either they have been disposed-off or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal.

Any gains or losses on the retirement or disposal of an investment property are recognized in the income statement in the year of retirement or disposal.

Transfers are made to investment property when and only when, there is a change in use, evidenced by ending of owner-occupation, commencement of an operating lease to another party, or ending of construction or development. Transfers are made from investment property when and only when, there is a change in use evidenced by commencement of owner-occupation or commencement of development with a view to sale. The depreciation of buildings included in investment properties is computed using the linear method over the useful lives as presented in note 3.k).

m) Non-current assets held for sale

Non-current assets for which the carrying amount is estimated to be recovered principally through a sale transaction rather than continuing use are classified as held for sale.

Assets held for sale are initially and subsequently measured at the lower of the carrying amount and the fair value at the date of the measurement. For any decrease of the fair value below the carrying amount, impairment is recognised into profit and loss accounts. The increase of the fair value of a held for sale asset is accounted for as an impairment release. Fair value increase is recognised up to the level of the initial carrying amount of the asset.

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3. Summary of significant accounting policies (continued)

m) Non-current assets held for sale (continued)

On the period an asset is classified as held for sale no depreciation charged is recognised. An asset that ceases to be classified as held for sale is measured at the lower of the carrying amount before the asset was classified as held for sale adjusted by the depreciation that would have been recognised had the asset was not classified as held for sale and its recoverable amount.

n) Goodwill

Goodwill acquired in a business combination is initially measured at cost being the excess of the cost of the business combination over the Group and Bank's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is reviewed for impairment at each reporting date or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. Impairment is determined by assessing the recoverable amount of the cash-generating unit, to which the goodwill relates. Where the recoverable amount of cash-generating unit is less than the carrying amount, an impairment loss is recognized.

o) Intangible assets

Intangible assets are measured initially at cost. Following initial recognition intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses. All intangible assets of the Group and Bank carried as of December 31, 2022 and 2021 have finite useful lives and are amortized on a straight-line basis over the estimated useful life of up to 5 years. The amortization period and the amortization method are reviewed at least at each financial year end. At each statement of financial position date or whenever events or changes in circumstances indicate the carrying value may not be recoverable, intangibles are reviewed for impairment. Where the carrying amount of an asset is greater than the estimated recoverable amount, it is written down to its recoverable amount by recognising impairment. An intangible asset is derecognized upon disposal (i.e., at the date the recipient obtains control) or when no future economic benefits are expected from its use or disposal. Any gain or loss arising upon derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit or loss.

p) Employee benefits

Short-term employee benefits:

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

Social Security Contributions:

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

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3. Summary of significant accounting policies (continued)

p) Employee benefits (continued)

Post-employment benefits:

The Group and Bank has a contractual obligation to pay to retiring employees a benefit calculated taking into account the salary at the date of retirement and the number of years served by the individual. The cost of providing benefits under defined benefit plans is estimated annually using the projected unit credit actuarial valuation method and is recognized to the income statement on an accruals basis. Differences arising from changes in calculation assumptions (early retirements, discount rates, etc.) or differences between actuarial assumptions and real performance are recognized as actuarial gains and losses. Actuarial gains and losses, excluding amounts expensed as net interest on the net defined benefit liability are components used to re-measure the net defined benefit liability. These components are immediately and fully recognised as unrealised gains and losses and presented under Reserves from defined pension plan.

These items are subsequently never reclassified in income statement but transferred to retain earnings. Where a new or amended plan comes into force, the past service cost is immediately recognized in profit or loss.

An annual charge is recorded under Personnel expenses for defined benefit plans, consisting of:

- the additional entitlements vested by each employee (current service cost);
- past service cost resulting from a plan amendment or a curtailment;
- the financial expense resulting from the discount rate (net interest on the net defined benefit liability);
- the settlement of plans.

Share-based payment transactions:

Employees (including senior executives) of the Group and Bank receive remuneration in the form of SG share-based payment transactions, whereby employees render services as consideration for equity instruments ('equity-settled transactions') and Group Société Générale attains certain ratios. The cost of equity-settled transactions is recognized, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ('the vesting date').

Other benefits

The Bank also grants to all employees having a seniority in the Bank higher than 3 years an annual contribution to a private pension fund (Pillar 3) in total amount of EUR 200 /year/employee.

q) Taxation

The current tax is the amount of income taxes payable in respect of the taxable profit, computed in accordance with Romanian tax rules and accrued for in the period to which it relates.

Deferred income tax liabilities are recognized for all taxable temporary differences between the tax bases of assets and liabilities and their carrying amounts at the statement of financial position date for financial reporting purposes, which will result in taxable amounts in future periods.

Deferred income tax assets are recognized for all deductible temporary differences and carry-forward of unutilized tax losses to the extent that it is probable that taxable profit will be available, against which the deductible temporary differences and carry forward of unused tax losses can be utilized.

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3. Summary of significant accounting policies (continued)

q) Taxation (continued)

Deferred income tax assets and liabilities are measured at the amount that is expected to be paid to or recovered from the tax authorities after taking into account the tax rates and legislation that have been enacted or substantially enacted until the statement of financial position date. 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. Income tax relating to items recognized directly in equity is recognized in equity and not in the income statement.

r) Provisions

Provisions are recognized when the Group and Bank has a present obligation (legal or constructive), as a result of a past event, it is probable that an outflow of embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as borrowing cost.

s) Contingencies

Contingent liabilities are not recognized in the financial statements, but they are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is not recognized in the financial statements but disclosed when an inflow of economic benefits is probable.

t) Earnings per share

Basic earnings per share are calculated by dividing net profit/ (loss) for the reporting period attributable to ordinary equity holders of the parent by the weighted average number of shares outstanding during the year. As of December 31, 2022 and 2021 there were no dilutive equity instruments issued by the Group and Bank.

u) Dividends on ordinary shares

Dividends on ordinary shares are recognized as a liability and deducted from equity when they are approved by the Group and Bank's shareholders.

v) Related parties

Parties are considered related with the Group and Bank when one party, either through ownership, contractual rights, family relationship or otherwise, has the ability to directly or indirectly control or significantly influence the other party in making financial and operating decisions. Related party transaction represents a transfer of resources or obligations between related parties, regardless of whether a price is charged.

w) Subsequent events

Post - balance sheet events that provide additional information about the Group and Bank's position at the statement of financial position (adjusting events), or those that indicate that the going concern assumption is not appropriate are reflected in the financial statements. Post-balance sheet events that are not adjusting events are disclosed in the notes when significant.

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4. Segment information

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

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

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

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

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

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

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

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

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

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4. Segment information (continued)

	Group							
	December 31, 2022				December 31, 2021			
	Total	Retail	Non retail	Corporate Center	Total	Retail	Non retail	Corporate Center
Total assets	73,841,767	23,896,003	13,799,733	36,146,031	69,063,297	23,148,761	10,987,709	34,926,827
Loans and advances to customers, net & Finance lease receivables	37,695,736	23,896,003	13,799,733	-	34,136,470	23,148,761	10,987,709	-
Other assets	36,146,031	-	-	36,146,031	34,926,827	-	-	34,926,827
Total liabilities	73,841,767	37,096,720	19,564,121	17,180,926	69,063,297	35,988,622	16,694,959	16,379,716
Due to customers	56,660,841	37,096,720	19,564,121	-	52,683,581	35,988,622	16,694,959	-
Other liabilities	17,180,926	-	-	17,180,926	16,379,716	-	-	16,379,716

	Bank							
	December 31, 2022				December 31, 2021			
	Total	Retail	Non retail	Corporate Center	Total	Retail	Non retail	Corporate Center
Total assets	71,522,977	22,780,047	12,762,232	35,980,698	67,015,263	22,070,310	10,113,546	34,831,407
Loans and advances to customers, net	35,542,279	22,780,047	12,762,232	-	32,183,856	22,070,310	10,113,546	-
Other assets	35,980,698	-	-	35,980,698	34,831,407	-	-	34,831,407
Total liabilities	71,522,977	35,533,284	21,382,456	14,607,237	67,015,263	35,988,622	16,929,264	14,097,377
Due to customers	56,915,740	35,533,284	21,382,456	-	52,917,886	35,988,622	16,929,264	-
Other liabilities	14,607,237	-	-	14,607,237	14,097,377	-	-	14,097,377

The accompanying notes are an integral part of this financial statements

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4. Segment information (continued)

	Group							
	2022				2021			
	Total	Retail	Non retail	Corporate Center	Total	Retail	Non retail	Corporate Center
Net interest income	2,370,434	1,578,147	653,935	138,352	2,084,187	1,405,150	458,121	220,916
Fees and commissions, net	754,329	517,720	243,820	(7,211)	744,227	528,901	223,706	(8,380)
Total non-interest income	334,460	122,488	98,202	113,769	268,723	101,661	85,745	81,317
Operating income	3,459,223	2,218,355	995,957	244,910	3,097,137	2,035,712	767,571	293,854
Total operating expenses	(1,744,602)	(1,301,754)	(443,157)	309	(1,597,030)	(1,187,264)	(409,575)	(191)
Cost of risk	(95,106)	(87,662)	41,633	(49,077)	145,656	20,142	141,853	(16,340)
Profit before income tax	1,619,515	828,939	594,434	196,142	1,645,763	868,590	499,850	277,323
Total income tax	(282,427)	(144,558)	(103,663)	(34,207)	(326,860)	(172,482)	(99,259)	(55,120)
Profit for the period	1,337,088	684,381	490,771	161,935	1,318,903	696,109	400,591	222,203
Cost Income Ratio	50.4%	58.7%	44.5%	0.0%	51.6%	58.3%	53.4%	0.0%

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4. Segment information (continued)

	Bank							
	2022				2021			
	Total	Retail	Non retail	Corporate Center	Total	Retail	Non retail	Corporate Center
Net interest income	2,239,198	1,504,913	588,438	145,848	1,953,108	1,324,327	401,548	227,233
Fees and commissions, net	719,194	492,782	239,202	(12,789)	706,043	499,154	218,285	(11,396)
Total non-interest income	330,471	122,163	92,835	115,473	270,736	101,477	80,355	88,904
Operating income	3,288,862	2,119,856	920,474	248,531	2,929,887	1,924,960	700,187	304,740
Total operating expenses	(1,640,885)	(1,229,137)	(411,991)	243	(1,494,056)	(1,111,003)	(383,022)	(31)
Cost of risk	(92,699)	(95,202)	51,565	(49,062)	159,233	18,960	156,609	(16,337)
Profit before income tax	1,555,279	795,518	560,048	199,713	1,595,064	832,918	473,774	288,372
Total income tax	(269,341)	(137,767)	(96,988)	(34,586)	(315,808)	(164,910)	(93,803)	(57,095)
Profit for the period	1,285,938	657,751	463,059	165,127	1,279,256	668,006	379,972	231,278
Cost Income Ratio	49.9%	58.0%	44.8%	0.0%	51.0%	57.7%	54.7%	0.0%

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5. Cash and due from Central Bank

	Group		Bank	
	December 31, 2022	December 31, 2021	December 31, 2022	December 31, 2021
Cash in vaults	1,898,120	1,323,877	1,898,051	1,323,844
Cash in ATM	633,229	570,571	633,229	570,571
Current accounts with Central Bank	5,093,654	4,311,908	5,093,654	4,311,908
Total	7,625,002	6,206,356	7,624,933	6,206,323

6. Due from banks

	Group		Bank	
	December 31, 2022	December 31, 2021	December 31, 2022	December 31, 2021
Deposits at Romanian banks	22,001	124,453	22,001	124,453
Deposits at foreign banks	622,972	3,755,293	606,997	3,738,708
Current accounts at Romanian banks	3	(0)	3	-
Current accounts at foreign banks	652,035	507,149	652,035	507,149
Reverse repo	5,450,233	-	5,450,233	-
Bonds	473,718	151,047	473,718	151,047
Total	7,220,963	4,537,941	7,204,987	4,521,357

The Due from banks portfolio is classified as Stage 1. The Group and Bank registered an impairment allowance for Due from banks of 7 as at December 31, 2022 (December 31, 2021: 146).

7. Derivatives and other financial instruments held for trading

Group	December 31, 2022		
	Assets	Liabilities	Notional (total)
Interest rate swaps	33,419	341,983	2,320,369
Currency swaps	47,067	32,726	2,079,583
Forward foreign exchange contracts	34,004	62,621	4,237,999
Options	65,609	65,645	3,053,774
Total derivative financial instruments	180,099	502,975	11,691,725

	December 31, 2022	
	Assets	Liabilities
Treasury notes	426,524	294,199
Trading loans/deposits	984,869	616,757
Reverse repo/Repo	751,885	29,615
Total financial assets and liabilities held for trading	2,163,278	940,571

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

Group	December 31, 2021		
	Assets	Liabilities	Notional (total)
Interest rate swaps	33,962	48,399	5,101,371
Currency swaps	8,386	4,593	3,012,164
Forward foreign exchange contracts	7,126	6,056	1,110,385
Options	35,214	35,258	3,775,969
Total derivative financial instruments	84,688	94,306	12,999,889

	December 31, 2021	
	Assets	Liabilities
Treasury notes	768,334	207,534
Trading deposits	-	76,830
Repo/Reverse repo	1,421,902	119,981
Total financial assets and liabilities held for trading	2,190,236	404,345

Bank	December 31, 2022		
	Assets	Liabilities	Notional (total)
Interest rate swaps	33,419	341,983	2,320,369
Currency swaps	47,067	32,726	2,079,583
Forward foreign exchange contracts	34,004	62,621	4,237,999
Options	65,609	65,645	3,053,774
Total derivative financial instruments	180,099	502,975	11,691,725

	December 31, 2022	
	Assets	Liabilities
Treasury notes	420,458	294,199
Trading loans/deposits	984,869	616,757
Reverse repo/Repo	751,885	29,615
Total financial assets and liabilities held for trading	2,157,212	940,571

Bank	December 31, 2021		
	Assets	Liabilities	Notional (total)
Interest rate swaps	33,962	48,399	5,101,371
Currency swaps	8,386	4,593	3,012,164
Forward foreign exchange contracts	7,126	6,056	1,110,385
Options	35,214	35,258	3,775,969
Total derivative financial instruments	84,688	94,306	12,999,889

	December 31, 2021	
	Assets	Liabilities
Treasury notes	768,334	207,534
Trading deposits	-	76,830
Reverse repo	1,421,902	119,981
Total financial assets and liabilities held for trading	2,190,236	404,345

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

The Group continue to apply hedge accounting (fair value hedge) as at December 31, 2022 and has 4 hedging relationships (4 hedging relationships as at December 31, 2021).

- On June 30, 2018, the Bank initiated two macro fair value hedges one in EUR and one in USD of interest rate risk associated with the current accounts, using several interest rate swaps (pay variable, receive fixed). The change in the fair value of the macro fair value hedge swaps offsets the change in the fair value of the hedged portion of the current accounts. The hedged items are represented by the portion of the current accounts portfolio equal to the swaps nominal values of:
 - 108 million EUR yearly with a fixed interest rate of 0.42%, the remaining period of 5.5 years.
 - 30 million EUR yearly with a fixed interest rate of 0.171%, the remaining period of 2.5 years.
 - 16 million EUR yearly with a fixed interest rate of -0.0125%, the remaining period of 0.5 years.
 - 14 million EUR yearly with a fixed interest rate of -0.0125%; the remaining period of 0.5 years.
 - 24 million USD yearly with a fixed interest rate of 2.813%; the remaining period of 5.5 years.
 - 6 million USD yearly with a fixed interest rate of 2.765%; the remaining period of 0.5 years.
- In October 30, 2020 the Bank initiated a macro fair value hedge of interest rate risk associated with the current accounts, using several interest rate swaps (pay variable, receive fixed). The change in the fair value of the macro fair value hedge swaps offsets the change in the fair value of the hedged portion of the current accounts. The hedged item is represented by the portion of the current accounts portfolio equal to the swaps nominal of 315 million EUR. The swap has a fixed interest rate of -0.403% and a remaining period of 7.84 years.
- On September 30, 2021 the Bank initiated a macro fair value hedge of interest rate risk associated with the current accounts, using several interest rate swaps (pay variable, receive fixed). The change in the fair value of the macro fair value hedge swaps offsets the change in the fair value of the hedged portion of the current accounts. The hedged item is represented by the portion of the current accounts portfolio equal to the swaps nominal of 120 million EUR. The swap has a fixed interest rate of -0.337% and a remaining period of 3.75 years.

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

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

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

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

As at December 31, 2022, the accumulated amount of fair value hedge adjustments on the current accounts hedged item are included in the carrying amount and presented in due to customer line in the statement of financial position and amounts to -300,004. The change in value of the hedged item during the period is explained by the cumulated effect of a gain from revaluation in amount of 280,948 and of the exchange rate evolution effect in amount of 449.

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

	December 31, 2022		
	Assets	Liabilities	Notional (total)
Interest rate swaps	-	305,027	2,949,161
	December 31, 2021		
	Assets	Liabilities	Notional (total)
Interest rate swaps	21,192	39,703	3,593,965

Forwards

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

Swaps

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

Interest rate swaps relate to contracts concluded by the Bank with other financial institutions in which the Bank either receives or pays a floating rate of interest in return for paying or receiving, respectively, a fixed rate of interest. The payment flows are usually netted against each other, with the difference being paid by one party to the other. In a currency swap, the Bank pays a specified amount in one currency and receives a specified amount in another currency. Currency swaps are mostly gross-settled.

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

Options

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

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

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

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

Trading loans/deposits (including reverse repo/repo) are financial instruments originated by clients or interbank flow and the associated risk management, those resulting from Bank obligations as primary dealer and from Bank position al liquidity provider.

8. Financial assets at fair value through profit or loss

	Group		Bank	
	December 31, 2022	December 31, 2021	December 31, 2022	December 31, 2021
Equity investments	8,133	6,947	8,132	6,947
Other securities	6,130	-	-	-
Total	14,262	6,947	8,132	6,947

Equity investments

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

Other securities

In July 2022 BRD Asset Management issued new funds. The Grup participation in this funds as at December 31, 2022 is the following:

December 31, 2022	Unit value RON	No of units	Market value
BRD Oportunitati clasa A	102	18,000	1,841
BRD Oportunitati clasa E	126	2,000	253
BRD Orizont 2035 clasa A	99	18,000	1,779
BRD Orizont 2035 clasa E	122	2,000	244
BRD Orizont 2045 clasa A	98	18,000	1,770
BRD Orizont 2045 clasa E	121	2,000	243
Total			6,130

The accompanying notes are an integral part of this financial statements

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9. Financial assets at fair value through other comprehensive income

Financial assets at fair value through other comprehensive income include treasury notes, respectively treasury discount notes and coupon bonds issued by the Ministry of Public Finance, in amount of 10,982,029 (December 31, 2021: 15,769,371) rated as very good according to internal rating, bonds issued by French State in amount of 1,939,772 (December 31, 2021: 3,389,311) and bonds issued by the Belgian State in amount of 517,795 (December 31, 2021: 705,143) rated as very good according to internal rating.

As at December 31, 2022, these financial assets at fair value through other comprehensive income are classified as Stage 1 and ECL impairment allowance amounts to 2,558 (December 31, 2021: 3,045).

10. Financial assets at amortised cost

10.1. Loans and advances to customers

	Group		Bank	
	December 31, 2022	December 31, 2021	December 31, 2022	December 31, 2021
Loans, gross	38,053,311	34,668,675	37,242,399	33,853,032
Loans impairment	(1,764,969)	(1,754,800)	(1,700,120)	(1,669,176)
Total	36,288,342	32,913,875	35,542,279	32,183,856

The structure of loans is the following:

	Group		Bank	
	December 31, 2022	December 31, 2021	December 31, 2022	December 31, 2021
Working capital loans	7,158,039	4,706,233	7,158,039	4,706,233
Loans for equipment	3,650,998	3,428,885	3,275,108	3,171,233
Trade activities financing	1,385,051	1,318,133	1,385,051	1,318,133
Acquisition of real estate, including mortgage for individuals	14,476,288	13,747,465	14,476,288	13,747,465
Consumer loans	9,014,881	9,104,171	8,579,859	8,546,180
Other	2,368,053	2,363,788	2,368,053	2,363,788
Total	38,053,311	34,668,675	37,242,399	33,853,032

During 2022 the gross loan portfolio increased by 3,389 million RON as compared with 31 December 2021.

As at 31 December 2022 the Bank's gross loan portfolio and movements were distributed as follows:

- Stage 1: 27,178 million RON, with a 2,646 million increase compared to 31 December 2021
- Stage 2: 9,002 million RON, with a 838 million RON increase compared to 31 December 2021
- Stage 3: 1,010 million RON, with a 88 million RON decrease compared to 31 December 2021
- POCI: 53 million RON, with 6 million decrease compared to 31 December 2021.

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10. Financial assets at amortised cost (continued)

10.1. Loans and advances to customers (continued)

The main movements on gross exposure value are along the following dimensions:

- Stage 1 increase driven mainly by robust performance on Non Retail segment
- The increase in Stage 2 portfolio reflects mainly the migrations from Stage 1 as a result of macroeconomic evolution, mainly on Retail portfolio
- The Stage 3 and POCI evolution is characterized by a net inflow of 276 million RON from performing portfolios, offset by good recovery performance on already defaulted portfolios of 204 million RON, and portfolio sale and write-off in amount of 167 million RON.

As of December 31, 2022 the amortized cost of loans granted to the 20 largest corporate clients (groups of connected borrowers) amounts to 4,748,797 (December 31, 2021: 3,614,157), while the value of letters of guarantee and letters of credit issued in favour of these clients amounts for the Group and Bank to 5,148,297 (December 31, 2021: 4,961,898).

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10. Financial assets at amortised cost (continued)

10.1. Loans and advances to customers (continued)

Impairment allowance movement

Group

	Retail lending				Total
	Stage 1	Stage 2	Stage 3	POCI	
Impairment allowance as at 1 st January 2022	133,801	457,954	602,990	3,875	1,198,619
New assets originated or purchased	88,882	22,940	10,229	9	122,060
Assets derecognised or repaid (excluding write offs)	(15,373)	(30,293)	(105,813)	(467)	(151,945)
Net provision movement for assets that did not change classification	(49,371)	(17,293)	(357)	1,528	(65,494)
Movements due to change in classification	(22,631)	72,287	174,935	(20)	224,571
Amounts written off	-	-	(97,064)	(1,695)	(98,759)
Other adjustments	1	(46)	(116)	(10)	(171)
Impairment allowance as at 31 December 2022	135,308	505,549	584,804	3,219	1,228,880

	Non-Retail lending				Total
	Stage 1	Stage 2	Stage 3	POCI	
Impairment allowance as at 1 st January 2022	175,458	100,573	255,406	24,742	556,180
New assets originated or purchased	151,155	46,900	22,406	-	220,461
Assets derecognised or repaid (excluding write offs)	(97,119)	(27,058)	(57,544)	(367)	(182,088)
Net provision movement for assets that did not change classification	6,025	(27,730)	(15,779)	(2,685)	(40,168)
Movements due to change in classification	(3,306)	(6,373)	11,077	-	1,398
Amounts written off	-	-	(19,601)	(0)	(19,601)
Other adjustments	(4)	14	(101)	(3)	(94)
Impairment allowance as at 31 December 2022	232,210	86,326	195,865	21,687	536,088

	Total				Total
	Stage 1	Stage 2	Stage 3	POCI	
Impairment allowance as at 1 st January 2022	309,259	558,527	858,398	28,617	1,754,801
New assets originated or purchased	240,037	69,840	32,635	9	342,521
Assets derecognised or repaid (excluding write offs)	(112,492)	(57,351)	(163,357)	(834)	(334,033)
Net provision movement for assets that did not change classification	(43,346)	(45,023)	(16,136)	(1,157)	(105,662)
Movements due to change in classification	(25,937)	65,915	186,012	(20)	225,969
Amounts written off	-	-	(116,665)	(1,695)	(118,360)
Other adjustments	(3)	(31)	(219)	(14)	(267)
Impairment allowance as at 31 December 2022	367,518	591,876	780,668	24,905	1,764,968

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10. Financial assets at amortised cost (continued)

10.1. Loans and advances to customers (continued)

Impairment allowance movement (continued)

Bank

	Retail lending				Total
	Stage 1	Stage 2	Stage 3	POCI	
Impairment allowance as at 1 st January 2022	118,917	451,772	544,071	3,875	1,118,635
New assets originated or purchased	88,678	17,592	2,359	9	108,637
Assets derecognised or repaid (excluding write offs)	(15,357)	(30,269)	(105,481)	(467)	(151,573)
Net provision movement for assets that did not change classification	(49,332)	(18,027)	(1,055)	1,528	(66,886)
Movements due to change in classification	(19,059)	74,491	176,608	(20)	232,019
Amounts written off	-	-	(69,895)	(1,695)	(71,590)
Other adjustments	(12)	(33)	(116)	(10)	(171)
Impairment allowance as at 31 December 2022	123,834	495,526	546,491	3,219	1,169,070

	Non-Retail lending				Total
	Stage 1	Stage 2	Stage 3	POCI	
Impairment allowance as at 1 st January 2022	175,057	97,758	252,985	24,742	550,542
New assets originated or purchased	150,889	44,715	22,406	-	218,011
Assets derecognised or repaid (excluding write offs)	(97,091)	(26,804)	(57,143)	(367)	(181,406)
Net provision movement for assets that did not change classification	7,184	(27,607)	(14,692)	(2,685)	(37,800)
Movements due to change in classification	(4,360)	(5,284)	11,042	-	1,398
Amounts written off	-	-	(19,601)	(0)	(19,601)
Other adjustments	(4)	14	(100)	(3)	(93)
Impairment allowance as at 31 December 2022	231,675	82,792	194,896	21,687	531,050

	Total				Total
	Stage 1	Stage 2	Stage 3	POCI	
Impairment allowance as at 1 st January 2022	293,973	549,531	797,056	28,617	1,669,176
New assets originated or purchased	239,567	62,307	24,765	9	326,648
Assets derecognised or repaid (excluding write offs)	(112,448)	(57,073)	(162,624)	(834)	(332,979)
Net provision movement for assets that did not change classification	(42,148)	(45,634)	(15,747)	(1,157)	(104,687)
Movements due to change in classification	(23,419)	69,207	187,650	(20)	233,417
Amounts written off	-	-	(89,496)	(1,695)	(91,191)
Other adjustments	(16)	(19)	(216)	(12)	(263)
Impairment allowance as at 31 December 2022	355,510	578,318	741,386	24,907	1,700,121

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10. Financial assets at amortised cost (continued)

10.1. Loans and advances to customers (continued)

Impairment allowance movement (continued)

Group

	Retail lending				Total
	Stage 1	Stage 2	Stage 3	POCI	
Impairment allowance as at 1 st January 2021	136,253	597,234	572,879	3,955	1,310,321
New assets originated or purchased	93,146	24,232	18,924	24	136,326
Assets derecognised or repaid (excluding write offs)	(13,595)	(45,764)	(105,908)	(273)	(165,540)
Net provision movement for assets that did not change classification	(67,011)	(55,945)	(14,927)	1,554	(136,328)
Movements due to change in classification	(15,903)	(64,171)	208,292	8	128,226
Amounts written off	-	-	(79,061)	(1,412)	(80,474)
Other adjustments	910	2,369	2,791	18	6,088
Impairment allowance as at 31 December 2021	133,801	457,954	602,990	3,875	1,198,619

	Non-Retail lending				Total
	Stage 1	Stage 2	Stage 3	POCI	
Impairment allowance as at 1 st January 2021	72,612	157,710	320,906	29,502	580,730
New assets originated or purchased	91,947	54,735	2,173	192	149,047
Assets derecognised or repaid (excluding write offs)	(29,847)	(19,511)	(38,276)	(465)	(88,099)
Net provision movement for assets that did not change classification	14,207	(25,946)	491	(3,736)	(14,984)
Movements due to change in classification	25,502	(67,906)	32,994	(1,171)	(10,581)
Amounts written off	-	-	(66,312)	(5)	(66,317)
Other adjustments	1,037	1,491	3,432	425	6,384
Impairment allowance as at 31 December 2021	175,458	100,573	255,406	24,742	556,180

	Total				Total
	Stage 1	Stage 2	Stage 3	POCI	
Impairment allowance as at 1 st January 2021	208,865	754,944	893,787	33,457	1,891,052
New assets originated or purchased	185,094	78,967	21,096	216	285,373
Assets derecognised or repaid (excluding write offs)	(43,442)	(65,275)	(144,184)	(738)	(253,639)
Net provision movement for assets that did not change classification	(52,804)	(81,891)	(14,436)	(2,182)	(151,312)
Movements due to change in classification	9,600	(132,077)	241,285	(1,163)	117,645
Amounts written off	-	-	(145,373)	(1,417)	(146,791)
Other adjustments	1,947	3,859	6,222	443	12,471
Impairment allowance as at 31 December 2021	309,259	558,527	858,397	28,617	1,754,800

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10. Financial assets at amortised cost (continued)

10.1 Loans and advances to customers (continued)

Impairment allowance movement (continued)

Bank

	Retail lending				Total
	Stage 1	Stage 2	Stage 3	POCI	
Impairment allowance as at 1 st January 2021	116,439	588,819	477,017	3,955	1,186,230
New assets originated or purchased	92,928	21,637	2,988	24	117,577
Assets derecognised or repaid (excluding write offs)	(13,548)	(45,750)	(105,566)	(273)	(165,137)
Net provision movement for assets that did not change classification	(66,858)	(55,706)	(15,524)	1,554	(136,534)
Movements due to change in classification	(10,951)	(59,590)	210,010	8	139,477
Amounts written off	-	-	(27,596)	(1,412)	(29,008)
Other adjustments	907	2,362	2,742	18	6,029
Impairment allowance as at 31 December 2021	118,917	451,772	544,071	3,875	1,118,635

	Non-Retail lending				Total
	Stage 1	Stage 2	Stage 3	POCI	
Impairment allowance as at 1 st January 2021	72,115	154,895	318,100	29,502	574,612
New assets originated or purchased	91,759	53,457	1,926	192	147,335
Assets derecognised or repaid (excluding write offs)	(29,816)	(19,366)	(37,785)	(465)	(87,432)
Net provision movement for assets that did not change classification	15,398	(25,770)	739	(3,736)	(13,369)
Movements due to change in classification	24,585	(66,919)	32,924	(1,171)	(10,581)
Amounts written off	-	-	(66,312)	(5)	(66,317)
Other adjustments	1,015	1,461	3,393	425	6,294
Impairment allowance as at 31 December 2021	175,057	97,758	252,985	24,742	550,542

	Total				Total
	Stage 1	Stage 2	Stage 3	POCI	
Impairment allowance as at 1 st January 2021	188,554	743,714	795,117	33,457	1,760,842
New assets originated or purchased	184,687	75,094	4,914	216	264,912
Assets derecognised or repaid (excluding write offs)	(43,365)	(65,116)	(143,350)	(738)	(252,569)
Net provision movement for assets that did not change classification	(51,460)	(81,476)	(14,785)	(2,182)	(149,902)
Movements due to change in classification	13,634	(126,509)	242,933	(1,163)	128,896
Amounts written off	-	-	(93,908)	(1,417)	(95,325)
Other adjustments	1,922	3,823	6,135	443	12,323
Impairment allowance as at 31 December 2021	293,973	549,531	797,056	28,617	1,669,176

The sensitivity assessment of ECL to key inputs shows that a +/- 1 p.p. change in LGD would result in an increase/ decrease of ECL with 35.9 million RON.

The sensitivity assessment of ECL to the macroeconomic scenarios used is described below:

- A change of +/- 1 p.p. of the optimistic scenario weight correlated with a -/+ 1 p.p. change in base scenario weight, will generate an ECL decrease/ increase of 0.4 million RON
- A change of +/- 1 p.p. of the pessimistic scenario weight correlated with a -/+ 1 p.p. change in base scenario weight, will generate an ECL increase/ decrease of 2.1 million RON.

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10. Financial assets at amortised cost (continued)

10.2. Treasury bills at amortised cost

Treasury bills at amortised cost include bonds classified as being Hold To Collect (HTC), measured at amortised cost and rated as very good according to internal rating. These bonds are issued by: French State (in amount of 1,999,312), United States Government (in amount of 431,715) and by Romanian Ministry of Public Finances (in amount of 299,679).

As at December 31, 2022, these treasury bills at amortised cost are classified as Stage 1 and the ECL impairment allowance amounts to 40.

11. Finance lease receivables

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

	Group	
	December 31, 2022	December 31, 2021
Gross investment in finance lease:		
Under 1 year	651,209	561,433
Between 1 and 5 years	963,284	824,401
Higher than 5 years	8,046	8,625
	1,622,539	1,394,459
Unearned finance income	(121,160)	(82,656)
Net investment in finance lease	1,501,379	1,311,803
Net investment in finance lease:		
Under 1 year	593,826	528,107
Between 1 and 5 years	899,704	775,580
Higher than 5 years	7,849	8,115
	1,501,379	1,311,802
	December 31, 2022	December 31, 2021
Net investment in the lease	1,501,379	1,311,802
Accumulated allowance for uncollectible minimum lease payments receivable	(93,985)	(89,207)
Total	1,407,394	1,222,595

As at December 31, 2022 and December 31, 2021, the future minimum lease receipts regarding operating leases (rents) concluded by the Group and Bank as a lessor are:

	Group		Bank	
	December 31, 2022	December 31, 2021	December 31, 2022	December 31, 2021
Less than one year	499	393	499	393
Between one and five years	559	373	559	373
More than five years	113	184	113	184
Total	1,171	950	1,171	950

The accompanying notes are an integral part of this financial statements

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11. Finance lease receivables (continued)

Impairment allowance movement

	Retail			Total
	Stage 1	Stage 2	Stage 3	
Impairment allowance as at 1 st January 2022	1,450	3,544	19,701	24,695
New assets originated or purchased	937	3,541	3,261	7,739
Assets derecognised or fully repaid (excluding write offs)	(142)	(375)	(1,549)	(2,066)
Movements due to change in classification	354	1,020	(1,374)	-
Net movement for assets that did not change classification	(725)	(680)	2,895	1,489
Amounts written off	(1)	(40)	(204)	(245)
Other adjustments	(0)	(1)	(2)	(3)
Impairment allowance as at 31 December 2022	1,873	7,010	22,726	31,609

	Non-retail			Total
	Stage 1	Stage 2	Stage 3	
Impairment allowance as at 1 st January 2022	1,866	16,210	46,436	64,512
New assets originated or purchased	1,479	4,948	1,027	7,453
Assets derecognised or fully repaid (excluding write offs)	(117)	(2,508)	(1,975)	(4,601)
Movements due to change in classification	4,804	(5,002)	198	0
Net movement for assets that did not change classification	(5,414)	(1,364)	3,927	(2,850)
Amounts written off	-	-	(770)	(770)
Other adjustments	(1)	(15)	(1,351)	(1,367)
Impairment allowance as at 31 December 2022	2,616	12,269	47,491	62,377

	Total			Total
	Stage 1	Stage 2	Stage 3	
Impairment allowance as at 1 st January 2022	3,316	19,754	66,137	89,207
New assets originated or purchased	2,415	8,489	4,287	15,192
Assets derecognised or fully repaid (excluding write offs)	(259)	(2,883)	(3,524)	(6,666)
Movements due to change in classification	5,158	(3,982)	(1,176)	-
Net movement for assets that did not change classification	(6,139)	(2,044)	6,822	(1,361)
Amounts written off	(1)	(40)	(975)	(1,015)
Other adjustments	(1)	(16)	(1,354)	(1,370)
Impairment allowance as at 31 December 2022	4,489	19,279	70,218	93,986

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11. Finance lease receivables (continued)

Impairment allowance movement (continued)

	Retail			Total
	Stage 1	Stage 2	Stage 3	
Impairment allowance as at 1 st January 2021	1,291	1,927	16,476	19,694
New assets originated or purchased	877	2,034	1,797	4,708
Assets derecognised or fully repaid (excluding write offs)	(158)	(285)	(921)	(1,365)
Movements due to change in classification	113	(860)	747	-
Net movement for assets that did not change classification	(691)	718	4,181	4,209
Amounts written off	(0)	(2)	(2,780)	(2,783)
Other adjustments	19	12	201	232
Impairment allowance as at 31 December 2021	1,450	3,544	19,701	24,695

	Non-retail			Total
	Stage 1	Stage 2	Stage 3	
Impairment allowance as at 1 st January 2021	2,710	16,351	41,566	60,626
New assets originated or purchased	851	6,700	4,324	11,875
Assets derecognised or fully repaid (excluding write offs)	(319)	(1,345)	(1,858)	(3,523)
Movements due to change in classification	2,667	(3,819)	1,153	-
Net movement for assets that did not change classification	(4,113)	(1,749)	4,320	(1,542)
Amounts written off	(6)	-	(2,107)	(2,113)
Other adjustments	76	74	(962)	(812)
Impairment allowance as at 31 December 2021	1,866	16,211	46,435	64,512

	Total			Total
	Stage 1	Stage 2	Stage 3	
Impairment allowance as at 1 st January 2021	4,000	18,279	58,042	80,321
New assets originated or purchased	1,728	8,735	6,121	16,583
Assets derecognised or fully repaid (excluding write offs)	(478)	(1,630)	(2,779)	(4,887)
Movements due to change in classification	2,780	(4,679)	1,899	-
Net movement for assets that did not change classification	(4,803)	(1,031)	8,501	2,667
Amounts written off	(7)	(2)	(4,887)	(4,896)
Other adjustments	95	85	(761)	(581)
Impairment allowance as at 31 December 2021	3,316	19,755	66,136	89,207

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12. Investments in subsidiaries associates and joint ventures

Group					
Associates and joint ventures					
	%	December 31, 2021	Additions/ Reclassifications	Increase / (decrease) in net assets	December 31, 2022
BRD Asigurari de Viata SA	49.00%	29,144	-	4,822	33,966
BRD Fond de Pensii S.A.	49.00%	10,646	9,800	(13,857)	6,589
Fondul de Garantare a Creditului Rural	33.33%	19,130	-	352	19,482
ALD Automotive	20.00%	30,336	-	3,992	34,328
BRD Sogelease Asset Rental SRL	20.00%	1,087	-	892	1,979
Biroul de Credit S.A.	16.38%	3,291	-	382	3,673
CIT One SA	33.33%	13,571	-	82	13,653
		107,205	9,800	(3,335)	113,670

Group				
Associates and joint ventures				
	%	December 31, 2020	Increase / (decrease) in net assets	December 31, 2021
BRD Asigurari de Viata SA	49.00%	27,714	1,430	29,144
BRD Fond de Pensii S.A.	49.00%	11,153	(507)	10,646
Fondul de Garantare a Creditului Rural	33.33%	18,774	356	19,130
ALD Automotive	20.00%	25,597	4,739	30,336
BRD Sogelease Asset Rental SRL	20.00%	1,256	(169)	1,087
Biroul de Credit S.A.	16.38%	3,054	237	3,291
CIT One SA	33.33%	11,566	2,005	13,571
		99,114	8,091	107,205

Bank					
Associates and joint ventures					
	%	December 31, 2021	Additions/ Reclassifications	Disposals/ Provisions	December 31, 2022
BRD Asigurari de Viata SA	49.00%	17,697	-	-	17,697
BRD Fond de Pensii S.A.	49.00%	33,599	9,800	(38,752)	4,647
Fondul de Garantare a Creditului Rural	33.33%	14,220	-	-	14,220
ALD Automotive	20.00%	11,873	-	-	11,873
Biroul de Credit S.A.	16.38%	729	-	-	729
CIT One SA	33.33%	11,900	-	-	11,900
Total associates and joint ventures		90,018	9,800	(38,752)	61,066
BRD Sogelease IFN SA	99.98%	11,558	-	-	11,558
BRD Asset Management SAI SA	99.98%	4,321	-	-	4,321
BRD Finance IFN SA	49.00%	53,019	-	-	53,019
Subsidiaries		68,898	-	-	68,898
Total associates and subsidiaries		158,916	9,800	(38,752)	129,964

The accompanying notes are an integral part of this financial statements

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12. Investments in subsidiaries associates and joint ventures (continued)

<u>Bank</u>					
<u>Associates and joint ventures</u>	<u>%</u>	<u>December 31,</u> <u>2020</u>	<u>Additions/</u> <u>Reclassifications</u>	<u>Disposals/</u> <u>Provisions</u>	<u>December 31,</u> <u>2021</u>
BRD Asigurari de Viata SA	49.00%	17,697	-	-	17,697
BRD Fond de Pensii S.A.	49.00%	33,599	-	-	33,599
Fondul de Garantare a Creditului Rural	33.33%	14,220	-	-	14,220
ALD Automotive	20.00%	11,873	-	-	11,873
Biroul de Credit S.A.	16.38%	729	-	-	729
CIT One SA	33.33%	11,900	-	-	11,900
Total associates and joint ventures		90,018	-	-	90,018
BRD Soglease IFN SA	99.98%	11,558	-	-	11,558
BRD Asset Management SAI SA	99.98%	4,321	-	-	4,321
BRD Finance IFN SA	49.00%	53,019	-	-	53,019
Subsidiaries		68,898	-	-	68,898
Total associates and subsidiaries		158,916	-	-	158,916

In May 2022, BRD participation in the share capital of BRD Fond de Pensii SA was increased by an amount of 9,800. During 2022 the Bank also booked an impairment for this participation of 38,752 as of December 31, 2022.

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12. Investments in subsidiaries associates and joint ventures (continued)

The subsidiaries, associates and joint venture summary of financial position and income statement as at December 31, 2022 are as follows:

December 31, 2022	<u>%</u>	<u>Current assets</u>	<u>Non-current assets</u>	<u>Net assets</u>	<u>% of net assets</u>	<u>Total assets</u>	<u>Current liabilities</u>	<u>Non-current liabilities</u>	<u>Total liabilities</u>	<u>Revenue</u>	<u>Net profit/(loss)</u>
<u>Subsidiaries</u>											
BRD Sogelease IFN SA	99.98%	1,028,812	1,075,966	257,648	n/a	2,104,778	676,720	1,170,410	1,847,131	91,494	32,626
BRD Finance IFN SA	49.00%	160,063	353,361	116,506	n/a	513,424	238,748	158,171	396,919	100,843	17,804
BRD Asset Management SAI SA	99.98%	13,633	17,794	26,831	n/a	31,427	919	3,676	4,595	33,477	3,415
<u>Associate and joint ventures</u>											
ALD Automotive	20.00%	77,530	727,693	171,643	34,329	805,223	70,617	562,963	633,580	234,834	40,691
BRD Asigurari de Viata SA	49.00%	618,168	140,032	69,327	33,970	758,200	139,915	548,958	688,873	302,173	23,298
Fondul de Garantare a Creditului Rural	33.33%	1,003,886	4,930	58,438	19,478	1,008,816	64,584	885,794	950,378	17,499	3,106
Biroul de Credit S.A.	16.38%	22,030	914	22,448	3,676	22,944	496	-	496	15,676	7,791
BRD Fond de Pensii S.A.	49.00%	76,884	427	13,442	6,586	77,310	942	62,927	63,869	21,839	(6,543)
BRD Sogelease Asset Rental SRL	20.00%	11,611	7,376	9,894	1,979	18,987	405	8,688	9,093	10,489	(2,996)
CIT One S.A.	33.33%	38,624	88,518	40,962	13,652	127,142	37,066	49,114	86,180	227,257	(351)
<u>Total</u>					<u>113,670</u>						

The accompanying notes are an integral part of this financial statements

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12. Investments in subsidiaries associates and joint ventures (continued)

The subsidiaries, associates and joint venture summary of financial position and income statement as at December 31, 2021 are as follows:

December 31, 2021	%	<u>Current assets</u>	<u>Non-current assets</u>	<u>Net assets</u>	<u>% of net assets</u>	<u>Total assets</u>	<u>Current liabilities</u>	<u>Non-current liabilities</u>	<u>Total liabilities</u>	<u>Revenue</u>	<u>Net profit/(loss)</u>
<u>Subsidiaries</u>											
BRD Sogelease IFN SA	99.98%	778,924	950,705	248,834	n/a	1,729,628	597,132	883,662	1,480,794	73,236	23,778
BRD Finance IFN SA	49.00%	178,424	452,703	114,342	n/a	631,128	287,373	229,412	516,785	112,328	18,073
BRD Asset Management SAI SA	99.98%	32,957	1,937	29,169	n/a	34,894	5,725	-	5,725	37,186	5,504
<u>Associate</u>											
ALD Automotive	20.00%	54,760	644,348	151,683	30,337	699,108	55,301	492,124	547,425	203,354	23,532
BRD Asigurari de Viata SA	49.00%	685,889	96,156	59,485	29,148	782,045	131,555	591,005	722,560	424,696	13,970
Fondul de Garantare a Creditului Rural	33.33%	780,817	4,787	57,383	19,126	785,604	50,147	678,074	728,221	15,050	3,342
Biroul de Credit S.A.	16.38%	20,036	526	20,112	3,293	20,562	450	-	450	12,699	5,456
BRD Fond de Pensii S.A.	49.00%	74,648	767	21,722	10,644	75,415	811	52,882	53,693	23,063	2,651
BRD Sogelease Asset Rental SRL	20.00%	13,410	13,986	5,435	1,087	27,396	339	21,622	21,961	10,471	(1,645)
CIT One S.A.	33.33%	37,887	66,226	40,715	13,570	104,113	27,494	35,904	63,398	176,270	8,148
<u>Total</u>						<u>107,205</u>					

The accompanying notes are an integral part of this financial statements

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13. Property, plant and equipment

	Group						Total
	Land & Buildings	Investment properties	Office equipments	Materials and other assets	Construction in progress	Right of use	
Cost:							
as of December 31, 2020	1,297,082	40,437	262,158	518,662	53,957	453,816	2,626,112
Additions	-	-	918	10	85,220	112,934	199,082
Transfers	23,931	(1,219)	27,248	26,877	(76,837)	-	-
Transfers into/from inventory	(16,800)	(331)	-	-	-	-	(17,131)
Disposals	(39,770)	(644)	(10,688)	(60,002)	(7,169)	(45,354)	(163,627)
as of December 31, 2021	1,264,443	38,243	279,636	485,547	55,171	521,396	2,644,436
Additions	-	-	66	7	128,781	42,012	170,866
Transfers	36,282	(293)	26,567	27,440	(89,995)	-	1
Disposals	(21,293)	(937)	(16,832)	(53,334)	5,530	(77,390)	(164,256)
as of December 31, 2022	1,279,432	37,013	289,437	459,660	99,487	486,018	2,651,047
Depreciation and impairment:							
as of December 31, 2020	(785,792)	(22,639)	(195,804)	(416,769)	(1,954)	(119,500)	(1,542,458)
Depreciation	(36,145)	(625)	(29,525)	(32,538)	-	(90,425)	(189,258)
Impairment	1,009	-	-	351	-	-	1,360
Disposals	32,442	610	10,612	56,587	-	69,249	169,500
Transfers	(723)	723	-	-	-	-	-
Transfers into/from inventory	4,831	-	-	-	-	-	4,831
as of December 31, 2021	(784,378)	(21,931)	(214,717)	(392,369)	(1,954)	(140,676)	(1,556,025)
Depreciation	(33,958)	(481)	(29,780)	(26,668)	-	(86,283)	(177,170)
Impairment	1,617	-	-	(56)	-	-	1,561
Disposals	14,903	697	16,824	50,608	-	76,921	159,953
Transfers	127	207	-	(334)	-	-	-
as of December 31, 2022	(801,689)	(21,508)	(227,673)	(368,819)	(1,954)	(150,038)	(1,571,681)
Net book value:							
as of December 31, 2020	511,290	17,798	66,354	101,893	52,003	334,316	1,083,654
as of December 31, 2021	480,065	16,312	64,919	93,178	53,217	380,720	1,088,411
as of December 31, 2022	477,743	15,505	61,764	90,841	97,533	335,980	1,079,366

The accompanying notes are an integral part of this financial statements

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13. Property, plant and equipment (continued)

	Bank					Right of use	Total
	Land & Buildings	Investment properties	Office equipments	Materials and other assets	Construction in progress		
Cost:							
as of December 31, 2020	1,286,971	40,437	253,160	518,092	53,955	436,399	2,589,013
Additions	-	-	-	6	85,220	103,796	189,022
Transfers	23,931	(1,219)	27,248	26,877	(76,837)	-	-
Transfers into/from inventory	(16,800)	(331)	-	-	-	-	(17,131)
Disposals	(39,770)	(644)	(9,914)	(59,717)	(7,169)	(44,945)	(162,159)
as of December 31, 2021	1,254,332	38,243	270,494	485,258	55,169	495,250	2,598,745
Additions	-	-	-	7	128,781	41,563	170,351
Transfers	36,282	(293)	26,566	27,440	(89,995)	-	-
Disposals	(21,181)	(937)	(16,520)	(53,311)	5,530	(68,595)	(155,014)
as of December 31, 2022	1,269,433	37,013	280,540	459,394	99,485	468,218	2,614,082
Depreciation and impairment:							
as of December 31, 2020	(780,567)	(22,638)	(188,990)	(416,462)	(1,954)	(108,019)	(1,518,630)
Depreciation	(35,894)	(625)	(28,387)	(32,375)	-	(84,695)	(181,976)
Impairment	1,009	-	-	351	-	-	1,360
Disposals	32,441	610	9,913	56,304	-	63,970	163,238
Transfers	(723)	723	-	-	-	-	-
Transfers into/from inventory	4,829	-	-	-	-	-	4,829
as of December 31, 2021	(778,905)	(21,930)	(207,464)	(392,182)	(1,954)	(128,744)	(1,531,179)
Depreciation	(33,706)	(481)	(28,937)	(26,640)	-	(82,779)	(172,543)
Impairment	1,617	-	-	(56)	-	-	1,561
Disposals	14,789	697	16,518	50,587	-	67,434	150,025
Transfers	127	207	-	(334)	-	-	-
as of December 31, 2022	(796,078)	(21,507)	(219,883)	(368,625)	(1,954)	(144,089)	(1,552,136)
Net book value:							
as of December 31, 2020	506,404	17,799	64,170	101,630	52,001	328,380	1,070,383
as of December 31, 2021	475,427	16,313	63,030	93,076	53,215	366,506	1,067,566
as of December 31, 2022	473,355	15,506	60,657	90,769	97,531	324,129	1,061,946

The accompanying notes are an integral part of this financial statements

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13. Property, plant and equipment (continued)

Group	Right-of-use assets			
	Land & Buildings	IT Office equipments	Cars and other assets	Total
as of January 1, 2022	366,047	4,220	10,453	380,720
Additions	26,415	11,904	3,409	41,728
Depreciation expense	(77,269)	(3,531)	(5,483)	(86,283)
Disposals and other decreases	(18,761)	(1,815)	(19)	(20,595)
Contractual changes	20,128	253	29	20,410
as of December 31, 2022	316,560	11,031	8,389	335,980
	Lease liabilities			
as of January 1, 2022	392,275			
Additions	41,725			
Disposals and other decreases	(32,025)			
Other movements (FX, other contractual changes)	22,435			
Interest expense	5,042			
Payments	(89,706)			
as of December 31, 2022	339,746			
	Right-of-use assets			
	Land & Buildings	IT Office equipments	Cars and other assets	Total
as of January 1, 2022	353,107	3,187	10,212	366,506
Additions	26,418	11,904	3,241	41,563
Depreciation expense	(74,661)	(3,531)	(4,587)	(82,779)
Disposals and other decreases	(18,761)	(1,815)	-	(20,576)
Contractual changes	19,678	(247)	(16)	19,415
as of December 31, 2022	305,781	9,498	8,850	324,129
	Lease liabilities			
as of January 1, 2022	377,699			
Additions	41,563			
Disposals and other decreases	(29,506)			
Other movements (FX, other contractual changes)	19,084			
Interest expense	4,920			
Payments	(86,238)			
as of December 31, 2022	327,522			

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13. Property, plant and equipment (continued)

Group	Right-of-use assets			
	Land & Buildings	IT Office equipments	Cars and other assets	Total
as of January 1, 2021	323,403	5,510	5,403	334,316
Additions	91,995	1,470	10,837	104,302
Depreciation expense	(81,861)	(2,862)	(5,702)	(90,425)
Disposals and other decreases	(15,785)	-	-	(15,785)
Contractual changes	48,295	102	(85)	48,312
as of December 31, 2021	366,047	4,220	10,453	380,720
	Lease liabilities			
as of January 1, 2021	342,813			
Additions	104,302			
Disposals and other decreases	(21,100)			
Other movements (FX, other contractual changes)	56,872			
Interest expense	4,618			
Payments	(95,230)			
as of December 31, 2021	392,275			
	Bank			
	Right-of-use assets			
	Land & Buildings	IT Office equipments	Cars and other assets	Total
as of January 1, 2021	319,395	4,514	4,471	328,380
Additions	91,683	1,470	10,643	103,796
Depreciation expense	(76,931)	(2,862)	(4,902)	(84,695)
Disposals and other decreases	(15,784)	-	-	(15,784)
Contractual changes	34,744	65	-	34,809
as of December 31, 2021	353,107	3,187	10,212	366,506
	Lease liabilities			
as of January 1, 2021	336,838			
Additions	103,796			
Disposals and other decreases	(20,416)			
Other movements (FX, other contractual changes)	42,879			
Interest expense	4,450			
Payments	(89,848)			
as of December 31, 2021	377,699			

The Group and Bank holds investment property as a consequence of the ongoing rationalization of its retail branch network. Investment properties comprise a number of commercial properties that are leased to third parties. The investment properties have a fair value of 12,529 as at December 31, 2022 (December 31, 2021: 12,705). The fair value has been determined based on a valuation by an independent valuer in 2022. Rental income from investment property of 2,427 (December 31, 2021: 1,708) has been recognized in other income.

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14. Goodwill

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

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

As at December 31, 2022, the branch had a number of 3,737 active customers (2021: 3,507), with loans representing approximately 17% from total loans managed by the network (2021: 14%) and with deposits representing about 15% of networks’ deposits (2021: 11%). Most of the SMCC non-retail clients are large multinational and national customers.

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

15. Intangible assets

The balance of the intangible assets as of December 31, 2022 and December 31, 2021 represents mainly software.

	Group	Bank
Cost:		
as of December 31, 2020	728,832	696,109
Additions	126,837	126,025
Disposals	(7,212)	(201)
as of December 31, 2021	848,457	821,933
Additions	140,411	139,072
Disposals	(529)	45
as of December 31, 2022	988,339	961,050
Amortization:		
as of December 31, 2020	(481,453)	(451,810)
Amortization expense	(51,673)	(50,468)
Disposals	5,732	-
as of December 31, 2021	(527,394)	(502,278)
Amortization expense	(53,852)	(53,105)
Disposals	395	-
as of December 31, 2022	(580,851)	(555,383)
Net book value:		
as of December 31, 2020	247,379	244,299
as of December 31, 2021	321,063	319,655
as of December 31, 2022	407,488	405,667

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16. Other assets

	Group		Bank	
	December 31, 2022	December 31, 2021	December 31, 2022	December 31, 2021
Advances to suppliers	77,413	66,480	-	-
Sundry receivable	422,867	143,706	414,235	133,450
Prepaid expenses	73,545	52,377	56,755	39,780
Repossessed assets	4,536	3,242	924	924
Other assets	12,602	5,451	2,044	2,756
Total	590,963	271,256	473,958	176,910

The sundry receivables balances includes various commissions, sundry debtors and are net of impairment allowance, which at Group level is 200,209 (December 31, 2021: 165,640) and at Bank level is 190,512 (December 31, 2021: 156,860).

As of December 31, 2022 the carrying value of repossessed assets for Group is 4,536 (December 31, 2021: 3,242). As of December 31, 2022 the carrying value of repossessed assets for Bank is 924 (December 31, 2021: 924), representing 3 residential buildings (December 31, 2021: 4 residential buildings).

Group

	Total (Stage3)
Sundry receivables	
Impairment allowance as at January 1, 2022	165,641
Additional expenses	67,810
Reversals of provisions	(23,868)
Receivables written off	(9,469)
Foreign exchange adjustments	95
Impairment allowance as at December 31, 2022	200,209

	Total (Stage3)
Impairment allowance as at 1 st January 2021	117,001
Additional expenses	83,383
Reversals of provisions	(14,068)
Receivables written off	(21,106)
Foreign exchange adjustments	430
Impairment allowance as at December 31, 2021	165,641

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16. Other assets (continued)

Bank

	Total (Stage3)
Sundry receivables	
Impairment allowance as at January 1, 2022	156,860
Additional expenses	66,146
Reversals of provisions	(23,262)
Receivables written off	(9,328)
Foreign exchange adjustments	95
Impairment allowance as at December 31, 2022	190,512

	Total (Stage3)
Impairment allowance as at 1 st January 2021	107,223
Additional expenses	82,126
Reversals of provisions	(12,872)
Receivables written off	(20,047)
Foreign exchange adjustments	429
Impairment allowance as at December 31, 2021	156,860

17. Due to banks

	Group		Bank	
	December 31, 2022	December 31, 2021	December 31, 2022	December 31, 2021
Demand deposits	591,058	156,810	591,058	156,810
Term deposits	45,830	-	45,830	-
Due to banks	636,888	156,810	636,888	156,810

18. Due to customers

	Group		Bank	
	December 31, 2022	December 31, 2021	December 31, 2022	December 31, 2021
Demand deposits	40,921,389	43,299,719	41,037,420	43,417,784
Term deposits	15,739,452	9,383,862	15,878,320	9,500,102
Due to customers	56,660,841	52,683,581	56,915,740	52,917,886

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19. Borrowed funds

	Group		Bank	
	December 31, 2022	December 31, 2021	December 31, 2022	December 31, 2021
Borrowings from related parties	5,295,703	3,737,904	3,565,843	2,227,448
Borrowings from international financial institutions	329,785	318,566	1,419	3,124
Total	5,625,488	4,056,470	3,567,262	2,230,572

Borrowings from related parties includes three senior non-preferred loans from Société Générale in amount of:

- 450 million EUR, with an interest rate of EURIBOR 3M+0.86% and an initial term of three years (received in December 2021)
- 150 million EUR, with an interest rate of EURIBOR 3M+1.98% and an initial term of three years (received in June 2022)
- 120 million EUR, with a fixed interest rate of 4.77% and an initial term of three years (received in December 2022).

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

20. Subordinated debts

Two subordinated debts were received from Société Générale in amount of:

- 100 million EUR with an interest rate of EURIBOR 3M+1.98% and an initial term of ten years (in December 2021)
- 150 million EUR with an interest rate of EURIBOR 3M+4.31% and an initial term of ten years (in June 2022).

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21. Provisions

The line Provisions includes provisions for financial guarantee and loan commitments and other provisions.

Financial guarantees and loan commitments provisions movement

Group	Retail lending			Total
	Stage 1	Stage 2	Stage 3	
Provision as at 1 st January 2022	3,374	3,132	3,371	9,877
New commitments originated or purchased	10,460	1,929	902	13,291
Commitments derecognised or transferred into assets	(1,241)	(659)	(706)	(2,606)
Net provision movement not resulting from changes in classification	(7,307)	(672)	(1,613)	(9,592)
Movements due to change in classification	(692)	329	1,327	964
Provision as at December 31, 2022	4,594	4,059	3,281	11,934

Group	Non-Retail			Total
	Stage 1	Stage 2	Stage 3	
Provision as at 1 st January 2022	72,616	25,268	200,787	298,671
New commitments originated or purchased	99,008	35,196	1,386	135,590
Commitments derecognised or transferred into assets	(47,357)	(5,188)	(69,194)	(121,739)
Net provision movement not resulting from changes in classification	14,131	(10,007)	3,755	7,879
Movements due to change in classification	(10,064)	4,931	8,602	3,469
Other adjustments	(95)	(12)	2,135	2,028
Provision as at December 31, 2022	128,239	50,188	147,471	325,898

Group	Total			Total
	Stage 1	Stage 2	Stage 3	
Provision as at 1 st January 2022	75,990	28,400	204,159	308,549
New commitments originated or purchased	109,468	37,125	2,288	148,881
Commitments derecognised or transferred into assets	(48,598)	(5,847)	(69,900)	(124,345)
Net provision movement not resulting from changes in classification	6,824	(10,679)	2,142	(1,713)
Movements due to change in classification	(10,756)	5,260	9,929	4,433
Other adjustments	(95)	(12)	2,135	2,028
Provision as at December 31, 2022	132,833	54,247	150,753	337,833

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21. Provisions (continued)

Financial guarantees and loan commitments provisions movement (continued)

Bank	Retail lending			Total
	Stage 1	Stage 2	Stage 3	
Provision as at 1 st January 2022	3,365	3,125	3,371	9,861
New commitments originated or purchased	10,430	1,793	902	13,125
Commitments derecognised or transferred into assets	(1,234)	(650)	(706)	(2,590)
Net provision movement not resulting from changes in classification	(7,306)	(672)	(1,613)	(9,591)
Movements due to change in classification	(692)	329	1,328	965
Other adjustments	(1)	-	-	(1)
Provision as at December 31, 2022	4,562	3,925	3,282	11,769

	Non-Retail			Total
	Stage 1	Stage 2	Stage 3	
Provision as at 1 st January 2022	72,589	24,749	212,015	309,353
New commitments originated or purchased	98,864	34,849	1,386	135,099
Commitments derecognised or transferred into assets	(47,333)	(4,689)	(69,194)	(121,216)
Net provision movement not resulting from changes in classification	14,131	(10,006)	3,755	7,880
Movements due to change in classification	(10,064)	4,934	8,602	3,472
Other adjustments	(95)	(26)	787	666
Provision as at December 31, 2022	128,092	49,811	157,351	335,254

	Total			Total
	Stage 1	Stage 2	Stage 3	
Provision as at 1 st January 2022	75,954	27,874	215,386	319,214
New commitments originated or purchased	109,294	36,642	2,288	148,224
Commitments derecognised or transferred into assets	(48,567)	(5,339)	(69,900)	(123,806)
Net provision movement not resulting from changes in classification	6,825	(10,678)	2,142	(1,711)
Movements due to change in classification	(10,756)	5,263	9,930	4,437
Other adjustments	(96)	(26)	787	665
Provision as at December 31, 2022	132,654	53,736	160,633	347,023

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21. Provisions (continued)

Financial guarantees and loan commitments provisions movement (continued)

Group	Retail lending			Total
	Stage 1	Stage 2	Stage 3	
Provision as at 1 st January 2021	3,924	3,080	3,255	10,259
New commitments originated or purchased	8,116	1,226	335	9,677
Commitments derecognised or transferred into assets	(909)	(514)	(171)	(1,594)
Net provision movement not resulting from changes in classification	(6,969)	120	(4)	(6,853)
Movements due to change in classification	(793)	(781)	(45)	(1,619)
Other adjustments	5	1	1	7
Provision as at December 31, 2021	3,374	3,132	3,371	9,877
	Non-Retail			Total
	Stage 1	Stage 2	Stage 3	
Provision as at 1 st January 2021	32,754	52,854	272,841	358,449
New commitments originated or purchased	63,972	21,279	562	85,813
Commitments derecognised or transferred into assets	(18,583)	(9,421)	(13,271)	(41,275)
Net provision movement not resulting from changes in classification	(14,258)	(15,298)	(64,048)	(93,604)
Movements due to change in classification	8,447	(24,658)	941	(15,270)
Other adjustments	284	512	3,762	4,558
Provision as at December 31, 2021	72,616	25,268	200,787	298,671
	Total			Total
	Stage 1	Stage 2	Stage 3	
Provision as at 1 st January 2021	36,678	55,934	276,097	368,709
New commitments originated or purchased	72,088	22,505	897	95,490
Commitments derecognised or transferred into assets	(19,492)	(9,935)	(13,442)	(42,869)
Net provision movement not resulting from changes in classification	(21,227)	(15,178)	(64,052)	(100,457)
Movements due to change in classification	7,654	(25,439)	896	(16,889)
Other adjustments	289	513	3,763	4,565
Provision as at December 31, 2021	75,990	28,400	204,159	308,549

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21. Provisions (continued)

Financial guarantees and loan commitments provisions movement (continued)

Bank	Retail lending			Total
	Stage 1	Stage 2	Stage 3	
Provision as at 1 st January 2021	3,913	3,080	3,255	10,248
New commitments originated or purchased	8,109	1,217	335	9,661
Commitments derecognised or transferred into assets	(897)	(514)	(171)	(1,582)
Net provision movement not resulting from changes in classification	(6,968)	121	(4)	(6,851)
Movements due to change in classification	(793)	(781)	(45)	(1,619)
Other adjustments	1	2	1	4
Provision as at December 31, 2021	3,365	3,125	3,371	9,861
	Non-Retail			
	Stage 1	Stage 2	Stage 3	Total
Provision as at 1 st January 2021	32,727	52,784	285,417	370,928
New commitments originated or purchased	63,947	20,749	562	85,258
Commitments derecognised or transferred into assets	(18,556)	(9,285)	(13,271)	(41,112)
Net provision movement not resulting from changes in classification	(14,258)	(15,297)	(64,048)	(93,603)
Movements due to change in classification	8,447	(24,655)	941	(15,267)
Other adjustments	282	453	2,414	3,149
Provision as at December 31, 2021	72,589	24,749	212,015	309,353
	Total			
	Stage 1	Stage 2	Stage 3	Total
Provision as at 1 st January 2021	36,640	55,864	288,672	381,176
New commitments originated or purchased	72,056	21,966	897	94,919
Commitments derecognised or transferred into assets	(19,453)	(9,799)	(13,442)	(42,694)
Net provision movement not resulting from changes in classification	(21,226)	(15,176)	(64,052)	(100,454)
Movements due to change in classification	7,654	(25,436)	896	(16,886)
Other adjustments	283	455	2,415	3,153
Provision as at December 31, 2021	75,954	27,874	215,386	319,214

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21. Provisions (continued)

The line Provisions includes also Other provisions representing provisions for litigation in amount of 19,837 as of December 31, 2022 (20,030 as of December 31, 2021), other provisions for risks and charges in amount of 10,826 as of December 31, 2022 (22,873 as of December 31, 2022) and provisions for risks related to banking activity in amount of 2,486 as of December 31, 2022 (12,594 as of December 31, 2021).

The movement in other provisions is as follows:

Group	TOTAL
Carrying value as of December 31, 2020	73,393
Additional expenses	14,164
Reversals of provisions	(8,877)
Usage	(4,043)
Carrying value as of December 31, 2021	74,637
Additional expenses	19,000
Reversals of provisions	(30,466)
Usage	(7,553)
Carrying value as of December 31, 2022	55,618
Bank	
Carrying value as of December 31, 2020	54,416
Additional expenses	13,562
Reversals of provisions	(8,410)
Usage	(4,037)
Carrying value as of December 31, 2021	55,531
Additional expenses	15,354
Reversals of provisions	(30,184)
Usage	(7,552)
Carrying value as of December 31, 2022	33,149

22. Other liabilities

	Group		Bank	
	December 31, 2022	December 31, 2021	December 31, 2022	December 31, 2021
Sundry creditors	272,164	205,589	201,271	136,574
Other payables to State budget	59,038	52,261	56,716	50,733
Deferred income	40,772	32,809	40,772	32,809
Payables to employees	165,820	143,776	137,401	124,445
Creditors - Lease liabilities	339,746	392,275	327,522	377,699
Total	877,540	826,710	763,682	722,260

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

Payables to employees include, among other, gross bonuses, amounting 93,153 as of December 31, 2022 (December 31, 2021: 71,305) and post-employment benefits amounting 19,576 as of December 31, 2022 (December 31, 2021: 31,678).

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22. Other liabilities (continued)

Post-employment benefit plan

This is a defined benefit plan under which the amount of benefit that an employee is entitled to receive on retirement depends on years of service and salary. The plan covers substantially all the employees and the benefits are unfunded. A full actuarial valuation by a qualified independent actuary is carried out annually. During 2022, the movements in defined benefit obligation is generated by the service cost and benefits paid, resulting in a change of obligation carrying value 19,576 as of December 31, 2022, from 31,678 as of December 31, 2021.

Movement in defined benefits obligations

	December 31, 2022	December 31, 2021
Opening defined benefit obligation	31,678	65,651
Total service cost	4,887	4,342
Benefits paid	(633)	(1,159)
Interest cost on benefit obligation	207	106
Past service cost	-	(632)
Actuarial (gains) / losses arising from changes in demographic assumptions	-	30
Actuarial (gains) / losses arising from changes in financial assumptions	(16,563)	(995)
Other increases or (decreases)	-	(35,665)
Closing defined benefit obligation	19,576	31,678

Main actuarial assumptions

	December 31, 2022	December 31, 2021
Discount rate	9.20%	0.66%
Long term inflation rate	3.00%	2.02%
Average remaining working period (years)	12	12

Sensitivities on the defined benefit obligation

The results of any valuation depend upon the assumptions employed. Significant actuarial assumptions for the determination of the defined obligation are discount rate and expected salary increase.

The sensitivity analyses below have been determined based on reasonably possible changes of the respective assumptions occurring at the end of the reporting period, while holding all other assumptions constant.

- If the discount rate used were 0.5% higher, then the defined benefit obligation would be lower by about 4.73% meaning 18,650.
- If the discount rate used were 0.5% lower, then the defined benefit obligation would be higher by about 5.04% meaning 20,562.
- If the salary increase rate used were 0.5% higher, then the defined benefit obligation would be higher by about 4.94% meaning 20,543.

The sensitivity analysis presented above may not be representative of the actual change in the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated. Furthermore, in presenting the above sensitivity analysis, the present value of the defined benefit obligation has been calculated using the projected unit credit method at the end of the reporting period, which is the same as that applied in calculating the defined benefit obligation liability recognized in the statement of financial position. The eventual cost of providing the benefits depends on the current future experience. Other factors such as the number of new employees could also change the cost.

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23. Share capital

The nominal share capital, as registered with the Registry of Commerce is 696,901 (2021: 696,901). Included in the share capital there is an amount of 1,818,721 (2021: 1,818,721) representing hyperinflation restatement surplus.

Share capital as of December 31, 2022 represents 696,901,518 (2021: 696,901,518) authorized common shares, issued and fully paid. The nominal value of each share is RON 1 (2021: RON 1). During 2022 and 2021, the Bank did not buy back any of its own shares.

24. Taxation

Current income tax is calculated based on the taxable income as per the tax statement derived from the stand alone accounts of each consolidated entity. As of December 31, 2022 the Group has a current tax liability in total amount of 5,595 (December 31, 2021: 83,963) and 23,563 current tax asset (December 31, 2021: 7,484) and at Bank level a current tax liability in total amount of 0 (December 31, 2021: 79,979) and 23,563 current tax asset (December 31, 2021: 7,484).

The deferred tax liability/asset is reconciled as follows:

	Group December 31, 2022			
	Consolidated	Consolidated	Consolidated	Consolidated
	Temporary differences Asset / (Liability)	Statement of Financial Position Asset / (Liability)	Income Statement (Expense) / Income	OCI (Expense) / Income
<i>Elements generating deferred tax</i>				
Defined benefit obligation	71,315	(11,410)	-	(2,650)
Financial assets at fair value through other comprehensive income	(2,484,289)	397,486	-	320,411
Tangible and intangible assets	(9,772)	1,564	(11,617)	-
Provisions and other liabilities	(677,465)	108,394	9,800	-
Taxable items	(3,100,211)			
Deferred tax		496,034	(1,817)	317,761
	Bank December 31, 2022			
Temporary differences Asset / (Liability)	Individual Statement of Financial Position Asset / (Liability)	Individual Income Statement (Expense) / Income	Consolidated OCI (Expense) / Income	
<i>Elements generating deferred tax</i>				
Defined benefit obligation	71,315	(11,410)	-	(2,650)
Financial assets at fair value through other comprehensive income	(2,484,289)	397,486	-	320,411
Tangible and intangible assets	(9,772)	1,563	(11,648)	-
Provisions and other liabilities	(570,335)	91,255	6,607	-
Taxable items	(2,993,081)			
Deferred tax		478,893	(5,041)	317,761

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25. Interest and similar income

	Group		Bank	
	2022	2021	2022	2021
Interest on loans	2,289,039	1,617,870	2,201,210	1,521,489
Interest on finance lease	62,781	51,675	-	-
Interest on deposit with banks	60,254	19,645	59,622	18,998
Interest on financial assets	520,035	526,898	520,034	526,898
Interest income from hedging instruments	9,177	18,141	9,177	18,142
Total	2,941,286	2,234,229	2,790,043	2,085,527

The interest income on loans includes the accrued interest on net (after impairment allowance) impaired loans in amount of 51,540 for Group (2021: 58,337) and 47,953 for Bank (2021: 52,690).

26. Interest and similar expense

	Group		Bank	
	2022	2021	2022	2021
Interest on term deposits	323,977	68,583	324,590	69,220
Interest on demand deposits	110,324	57,246	114,448	58,339
Interest on borrowings	119,242	19,595	94,620	410
Interest expense on lease liabilities	5,042	4,618	4,920	4,450
Interest expense from hedging instruments	12,267	-	12,267	-
Total	570,852	150,042	550,845	132,419

27. Fees and commissions, net

	Group		Bank	
	2022	2021	2022	2021
Services	608,341	601,912	605,206	594,002
Management fees	110,532	107,879	110,532	107,879
Packages	70,122	57,174	70,122	57,174
Transfers	70,472	73,166	70,472	73,166
OTC withdrawal	68,293	72,081	68,293	72,081
Cards	206,032	197,345	206,032	197,345
Brokerage and custody	48,254	52,513	48,254	52,513
Other	34,636	41,754	31,502	33,845
Loan activity	100,766	105,933	68,765	75,658
Off balance sheet	45,222	36,382	45,222	36,382
Total	754,329	744,227	719,194	706,043

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

	Group		Bank	
	2022	2021	2022	2021
FX position revaluation	(12,498)	(7,682)	(12,498)	(7,682)
FX Spot	233,802	190,027	230,738	189,045
Gain on instruments held for trading	56,251	28,100	56,251	28,100
Derivative financial instruments	38,674	34,853	38,674	34,853
Gain/ (loss) on interest rate derivatives	(7,948)	(2,775)	(7,948)	(2,775)
Gain/ (loss) on currency and interest swap	998	5,520	998	5,520
Gain on forward foreign exchange contracts	39,420	22,619	39,420	22,619
Gain on currency options	6,879	3,444	6,879	3,444
Gain/ (loss) on hedging	-	4,075	-	4,075
Other	(675)	1,970	(675)	1,970
Gain on derivative, other financial instruments held for trading and foreign exchange	316,229	245,298	313,165	244,316

The accompanying notes are an integral part of this financial statements

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29. Other income/expense from banking activities

	Group		Bank	
	2022	2021	2022	2021
Dividend income from subsidiaries	-	-	37,217	15,966
Provision for litigations	(3,385)	(4,548)	(3,385)	(4,539)
Held for sale fixed assets expenses	(3,836)	(1,582)	-	-
Other income/(expenses)	15,152	(1,593)	8,580	(7,727)
Total income / (expense) from banking activity	7,931	(7,723)	42,412	3,700

For the Bank, other income includes dividends from subsidiaries in amount of 37,217 as of December 31 2022 (15,966 as of December 31, 2021), income from banking activities offered to the clients and income from non-banking activities, such as income from rentals. The income from rental of investment properties, for the Bank, is 2,427 (2021: 1,708).

30. Contribution to Guarantee Scheme and Resolution Fund

According to the Romanian legislation (Law no. 311/2015 on Deposit Guarantee Schemes and the Bank Deposit Guarantee Fund), the deposits of individuals and certain entities, including small and medium enterprises and large companies are covered up to EUR 100,000 by the Bank Deposit Guarantee Fund (“Fund”). Each credit institution participating to deposit guarantee scheme shall pay the annual contribution as determined and notified by the Fund. The amount of the contribution refers to the total covered deposits at the end of the previous year and reflects also the degree of risk associated to each credit institution in the scheme.

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

For the year 2022 the expense related to the Deposit Guarantee Fund amounts to 33,575 (2021: 11,547). According to Law no. 312/2015 on recovery and resolution of credit institution and investment firms, each credit institution shall pay an annual contribution to Bank Resolution Fund as determined and notified by the National Bank of Romania.

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

For the year 2022 the expense related to the Bank Resolution Fund was 35,690 (2021: 37,949).

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

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31. Personnel expenses

	Group		Bank	
	2022	2021	2022	2021
Salaries	775,468	738,028	742,372	690,825
Social security	19,065	17,920	17,594	16,422
Bonuses	96,614	66,963	72,976	55,471
Post-employment benefits	5,094	3,816	5,094	3,816
Capitalisation of internal projects	(31,130)	(31,131)	(31,130)	(31,131)
Other	33,790	33,095	32,263	29,867
Total	898,901	828,692	839,169	765,270

In 2022, the expense related to the Bank defined benefit contribution plan was 4,286 (2021: 4,583).

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

	Group		Bank	
	2022	2021	2022	2021
Depreciation and impairment	175,115	187,273	170,494	179,990
Amortisation	53,775	51,673	53,105	50,468
Total	228,889	238,946	223,599	230,458

The difference as at December 31, 2022 between the amount presented in note 13 and the amount presented in note 32 represents depreciation of investment property in total amount of 481 (December 31, 2021: 625).

33. Other operating expenses

	Group		Bank	
	2022	2021	2022	2021
Administrative expenses	437,767	384,846	409,840	364,306
Publicity and sponsorships	36,627	29,742	36,349	29,667
Other expenses	73,247	65,420	62,757	54,971
Total	547,641	480,008	508,946	448,944

Administrative expenses include for the Bank maintenance expenses, various utilities such as energy and telecommunication, expenses related to short-term leases of 5,824 (December 31, 2021: 5,913) and to leases of low-value assets of 3,934 (December 31, 2021: 3,866). This line also includes audit fees amounting 3,246 for Group (out of which statutory audit in amount of 2,229, other audit fees in amount of 982 and other non-audit services in amount of 35) and 2,574 for Bank (out of which statutory audit in amount of 1,693, other audit fees in amount of 846 and other non-audit services in amount of 35).

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34. Cost of risk

	Group		Bank	
	2022	2021	2022	2021
Net impairment allowance for loans	186,295	70,015	179,897	63,548
Net impairment allowance for sundry debtors	44,165	68,742	43,137	68,730
Net impairment allowance for finance lease	10,311	16,025	-	-
Income from recoveries of derecognized receivables & sales of bad debts	(225,825)	(250,742)	(207,149)	(236,522)
Write-offs	11,897	14,662	8,669	9,764
Financial guarantee and loan contracts provisions	68,709	(64,722)	68,591	(65,117)
Net impairment allowance for debt securities	(446)	364	(446)	364
Total	95,106	(145,656)	92,699	(159,233)

35. Earnings per share

Basic earnings per share are calculated by dividing net profit/loss for the reporting period attributable to ordinary equity holders of the parent by the weighted average number of shares outstanding during the year. As of December 31, 2022 and December 31, 2021 there were no dilutive equity instruments issued by the Group and Bank.

	Group		Bank	
	2022	2021	2022	2021
Ordinary shares on market	696,901,518	696,901,518	696,901,518	696,901,518
Profit attributable to shareholders	1,328,008	1,309,686	1,285,938	1,279,256
Earnings per share (in RON)	1.9056	1.8793	1.8452	1.8356

36. Cash and cash equivalents details

Cash and cash equivalents:

For the purpose of the cash flow statements, cash and cash equivalents comprise cash in hand, current accounts and short term placements at other banks. The amounts in transit in amount of 262,937 (December 31, 2021: 114,327) and loans to banks, with more than 90 days maturity from the date of acquisition in amount of 15,975 (December 31, 2021: 16,585), for the Group, are excluded. The Group and Bank did not include in cash and cash equivalents the amounts representing minimum compulsory reserve held at National Bank of Romania.

	Group		Bank	
	December 31, 2022	December 31, 2021	December 31, 2022	December 31, 2021
Cash in hand	2,531,348	1,894,448	2,531,279	1,894,415
Current accounts and deposits with banks	6,942,051	4,407,030	6,942,050	4,407,030
Total	9,473,399	6,301,478	9,473,329	6,301,445

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36. Cash and cash equivalents details (continued)

Impairment and provisions adjustment for non-cash items:

	Group		Bank	
	2022	2021	2022	2021
Net impairment allowance for loans	186,295	70,015	179,897	63,548
Net impairment allowance for sundry debtors	44,165	68,742	43,137	68,730
Net impairment allowance for financial leases	10,311	16,025	-	-
Write-offs	11,897	14,662	8,669	9,764
Financial guarantee and loan contracts	68,709	(64,722)	68,591	(65,117)
Net movement in other provisions	(19,019)	1,244	(22,383)	1,115
Net impairment allowance for debt securities	(446)	364	(446)	364
Total	301,912	106,330	277,465	78,404

37. Other commitments

	Group		Bank	
	December 31, 2022	December 31, 2021	December 31, 2022	December 31, 2021
Tangible non-current assets	13,470	7,159	13,470	7,159
Intangible non-current assets	81,086	19,553	81,086	19,553
Commitments relating to short-term and low value leases	24,547	17,297	24,547	17,297
Total	119,103	44,009	119,103	44,009

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

As at December 31, 2022 and December 31, 2021 the future minimum lease payments regarding rents concluded by the Group and Bank as a lessee are:

	Group		Bank	
	December 31, 2022	December 31, 2021	December 31, 2022	December 31, 2021
Less than one year	11,654	9,033	11,654	9,033
Between one and five years	9,855	5,910	9,855	5,910
More than five years	104	55	104	55
Total	21,613	14,999	21,613	14,999

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38. Related parties

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

	Group							
	2022		2021		2022		2021	
	Parent	Other related parties	Associates & Joint ventures	Key management of the institution	Parent	Other related parties	Associates & Joint ventures	Key management of the institution
Assets	353,013	133,944	28,438	9,506	87,078	36,250	9,671	8,920
Nostro accounts	29,287	115,287	-	-	14,158	23,812	-	-
Deposits	220,963	-	-	-	16,585	-	-	-
Loans	-	18,462	25,866	9,505	-	12,362	7,119	8,915
Derivative financial instruments	100,173	-	-	-	54,762	2	-	4
Other assets	2,590	195	2,572	0	1,573	73	2,551	1
Liabilities	8,656,069	172,742	89,915	13,226	4,328,132	93,454	92,845	15,505
Loro accounts	-	1,031	-	-	44	8,938	-	-
Deposits	217,000	171,056	71,348	13,226	-	83,792	78,609	15,505
Borrowings	5,295,707	-	-	-	3,737,904	-	-	-
Subordinated borrowings	1,238,651	-	-	-	495,022	-	-	-
Derivative financial instruments	313,410	-	-	-	62,415	2	-	-
Other liabilities	1,591,301	655	18,567	-	32,747	721	14,236	-
Commitments	5,800,063	255,718	51,381	758	7,896,555	181,197	79,232	971
Total commitments granted	249,274	85,330	1,364	561	120,406	71,018	18,138	537
Total commitments received	129,358	163,376	28,137	197	165,066	103,322	31,789	210
Uncommitted facilities granted	12,968	7,012	21,879	-	12,969	5,868	29,305	-
Notional amount of foreign exchange	2,095,028	-	-	-	3,585,978	990	-	224
Notional amount of interest rate derivatives	3,313,435	-	-	-	4,012,136	-	-	-
Income statement	(297,798)	(3,860)	2,643	263	(73,666)	(6,196)	2,850	170
Interest and commission revenues	13,440	10,713	56,869	373	21,500	7,131	23,350	237
Interest and commission expense	(90,705)	(5,264)	(17,497)	(46)	(25,300)	(3,374)	(6,765)	(38)
Net (loss) on interest rate derivatives	(223,663)	-	-	(5)	(51,304)	-	-	(4)
Net gain on foreign exchange derivatives	39,601	-	-	-	15,731	-	-	-
Dividend income	-	-	8,677	-	-	-	3,349	-
Other income	733	2	76	-	389	(308)	1,429	-
Other expenses	(37,203)	(9,311)	(45,483)	(58)	(34,683)	(9,644)	(18,513)	(26)

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38. Related parties (continued)

	2022					Bank					2021				
	Parent	Other related parties	Subsidiaries	Associates & Joint ventures	Key management of the institution	Parent	Other related parties	Subsidiaries	Associates & Joint ventures	Key management of the institution	Parent	Other related parties	Subsidiaries	Associates & Joint ventures	Key management of the institution
Assets	336,818	133,944	46,553	26,165	9,506	70,493	36,250	48,378	7,673	8,920					
Nostro accounts	29,287	115,287	-	-	-	14,158	23,812	-	-	-					
Deposits	204,988	-	-	-	-	-	-	-	-	-					
Loans	-	18,462	44,934	25,866	9,505	-	12,362	45,078	7,119	8,915					
Derivative financial instruments	100,173	-	-	-	-	54,762	2	-	-	4					
Other assets	2,370	195	1,619	300	0	1,573	73	3,300	553	1					
Liabilities	6,920,955	172,716	256,653	89,333	13,226	2,813,630	93,425	235,571	92,012	15,505					
Loro accounts	-	1,031	-	-	-	44	8,938	-	-	-					
Deposits	217,000	171,056	255,776	71,348	13,226	-	83,792	234,828	78,609	15,505					
Borrowings	3,564,997	-	-	-	-	2,226,835	-	-	-	-					
Subordinated borrowings	1,238,651	-	-	-	-	495,022	-	-	-	-					
Lease payable	-	-	847	-	-	-	-	613	-	-					
Derivative financial instruments	313,410	-	-	-	-	62,415	2	-	-	-					
Other liabilities	1,586,897	629	29	17,985	-	29,315	692	130	13,403	-					
Commitments	5,800,063	255,718	76,081	51,381	758	7,896,555	181,197	91,131	79,232	971					
Total commitments granted	249,274	85,330	21,580	1,364	561	120,406	71,018	25,691	18,138	537					
Total commitments received	129,358	163,376	-	28,137	197	165,066	103,322	-	31,789	210					
Uncommitted facilities granted	12,968	7,012	54,501	21,879	-	12,969	5,868	65,441	29,305	-					
Notional amount of foreign exchange	2,095,028	-	-	-	-	3,585,978	990	-	-	224					
Notional amount of interest rate derivatives	3,313,435	-	-	-	-	4,012,136	-	-	-	-					
Income statement	(272,495)	(3,762)	56,996	(5,744)	263	(53,239)	(6,295)	38,423	(6,829)	170					
Interest and commission revenues	12,808	9,961	19,251	47,331	373	20,853	6,344	19,980	12,285	237					
Interest and commission expense	(65,901)	(5,264)	(4,743)	(17,494)	(46)	(5,461)	(3,374)	(1,736)	(6,762)	(38)					
Net (loss) on interest rate derivatives	(223,663)	-	-	-	(5)	(51,304)	-	-	-	(4)					
Net gain on foreign exchange derivatives	39,601	-	(621)	-	-	15,731	-	61	-	-					
Dividend income	-	-	37,217	8,677	-	-	-	15,966	3,349	-					
Other income	733	2	266	-	-	389	(308)	(276)	1,353	-					
Other expenses	(36,073)	(8,461)	5,626	(44,257)	(58)	(33,447)	(8,956)	4,429	(17,053)	(26)					

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38. Related parties (continued)

Other liabilities and other expenses include mainly corporate and technical assistance with Société Générale Paris.

The Bank has collateral received from SG Paris regarding derivative instruments in total amount of 23,868 at December 31, 2022 (December 31, 2021: 1,826).

As of December 31, 2022 the Board of Directors and Managing Committee members own 48,858 shares (2021: 21,730).

Key management personnel benefits for 2022 and 2021 are:

	Group		Bank	
	2022	2021	2022	2021
Short-term benefits	17,992	17,790	13,954	13,821
Long-term benefits	5,129	5,460	4,442	5,022

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39. Interest in unconsolidated structured entities

According to IFRS 12 applied starting with January 1, 2014 the Group and Bank has to present the interests it has in entities that have been designated so that voting or similar rights are not the dominant factor in deciding who controls the entity, such as when any voting rights relate to administrative tasks only and the relevant activities are directed by means of contractual arrangements.

The Group and Bank has identified the investment funds in which it invested during the years and which manages, through the Bank's subsidiary, BRD Asset Management, as being unconsolidated structured entities. The structured entities are financed through the resources (unit funds) received from individuals and corporates that are afterwards placed on monetary and capital markets.

Interests in unconsolidated structured entities and size of structured entities in 2022:

Name of structured entity	Carrying amount of financial assets recognised in the reporting institution's balance sheet	Of which: liquidity support drawn	Fair value of liquidity support drawn	Carrying amount of financial liabilities recognised in the reporting institution's sheet	Nominal amount of off-balance sheet items given by the reporting institution	Of which: Nominal amount of loan commitments given	Losses incurred by the reporting institution in the current period	Maximum exposure to loss	Total balance sheet of the structured entity (size)
BRD Oportunitati	2,751	657	646	1,213	-	-	-	2,751	9,254
BRD Orizont 2035	2,023	-	-	367	-	-	-	2,023	2,780
BRD Orizont 2045	2,013	-	-	100	-	-	-	2,013	2,380

Breakdown of interests in unconsolidated structured entities in 2022:

Name of structured entity	Selected financial assets recognised in the reporting institution's balance sheet						Selected equity and financial liabilities recognised in the reporting institution's balance sheet					Off-balance sheet items given by the reporting institution	
	of which: defaulted	Derivatives	Equity instruments	Debt securities	Loans and advances	Total	Equity instruments issued	Derivatives	Deposits	Debt securities issued	Total	of which: defaulted	Total
BRD Oportunitati	-	0	2,094	-	657	2,751	-	-	1,213	-	1,213	-	-
BRD Orizont 2035	-	0	2,023	-	-	2,023	-	-	367	-	367	-	-
BRD Orizont 2045	-	0	2,013	-	-	2,013	-	-	100	-	100	-	-

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40. Contingencies

As of December 31, 2022 the Bank is the defendant in a number of lawsuits arising in the course of business, amounting to approximately 670,213 (December 31, 2021: 689,921). The amounts disclosed represent the additional potential loss in the event of a negative court decision, the amounts not being provisioned. The management believes that the ultimate resolution of these matters will not have a material adverse effect on the Group's overall financial position and performance. The Bank already booked a provision of 20,853 (December 31, 2021: 21,202) and the Group 43,324 (December 31, 2021: 40,308) in relation with the litigations.

41. Fair value

Determination of fair value and fair value hierarchy

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

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

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

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

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

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

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

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

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41. Fair value (continued)

	Group				Bank			
	December 31, 2022				December 31, 2022			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Assets measured at fair value								
Financial assets								
Derivative financial instruments								
Interest rate swaps	-	33,419	-	33,419	-	33,419	-	33,419
Currency swaps	-	47,067	-	47,067	-	47,067	-	47,067
Forward foreign exchange contracts	-	34,004	-	34,004	-	34,004	-	34,004
Options	-	-	65,609	65,609	-	-	65,609	65,609
	-	114,490	65,609	180,099	-	114,490	65,609	180,099
Financial assets at fair value through other comprehensive income	13,439,596	-	-	13,439,596	13,439,596	-	-	13,439,596
Equity investments (listed)	4,012	-	-	4,012	4,012	-	-	4,012
Equity investments (not listed)	-	-	4,120	4,120	-	-	4,120	4,120
Other securities quoted	-	6,130	-	6,130	-	-	-	-
Total	13,443,608	6,130	4,120	13,453,857	13,443,608	-	4,120	13,447,728
Other financial instruments held for trading	426,524	1,736,754	-	2,163,278	420,458	1,736,754	-	2,157,212
Total	13,870,132	1,857,374	69,729	15,797,234	13,864,066	1,851,244	69,729	15,785,039
Assets for which fair value is disclosed								
Cash and due from Central Bank	7,625,002	-	-	7,625,002	7,624,933	-	-	7,624,933
Due from banks	-	7,220,963	-	7,220,963	-	7,204,987	-	7,204,987
Loans and advances to customers	-	-	36,259,563	36,259,563	-	-	35,554,410	35,554,410
Treasury bills at amortised cost	2,675,354	-	-	2,675,354	2,675,354	-	-	2,675,354
Financial lease receivables	-	-	1,390,610	1,390,610	-	-	-	-
Total	10,300,356	7,220,963	37,650,172	55,171,491	10,300,287	7,204,987	35,554,410	53,059,684

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41. Fair value (continued)

	Group				Bank			
	December 31, 2022				December 31, 2022			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
<u>Liabilities measured at fair value</u>								
Financial liabilities								
Derivative financial instruments								
Interest rate swaps	-	341,983	-	341,983	-	341,983	-	341,983
Currency swaps	-	32,726	-	32,726	-	32,726	-	32,726
Forward foreign exchange contracts	-	62,621	-	62,621	-	62,621	-	62,621
Options	-	-	65,645	65,645	-	-	65,645	65,645
Total	-	437,330	65,645	502,975	-	437,330	65,645	502,975
Other financial instruments held for trading	294,199	646,372	-	940,571	294,199	646,372	-	940,571
Total	294,199	1,083,702	65,645	1,443,546	294,199	1,083,702	65,645	1,443,546
<u>Liabilities for which fair value is disclosed</u>								
Due to banks	-	636,888	-	636,888	-	636,888	-	636,888
Due to customers	-	56,645,790	-	56,645,790	-	56,900,621	-	56,900,621
Borrowed funds	-	5,625,488	-	5,625,488	-	3,567,262	-	3,567,262
Subordinated debts	-	1,238,651	-	1,238,651	-	1,238,651	-	1,238,651
Total	-	64,146,817	-	64,146,817	-	62,343,422	-	62,343,422

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41. Fair value (continued)

	Group				Bank			
	December 31, 2021				December 31, 2021			
<u>Assets measured at fair value</u>	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Financial assets								
Derivative financial instruments								
Interest rate swaps	-	33,962	-	33,962	-	33,962	-	33,962
Currency swaps	-	8,386	-	8,386	-	8,386	-	8,386
Forward foreign exchange contracts	-	7,126	-	7,126	-	7,126	-	7,126
Options	-	-	35,214	35,214	-	-	35,214	35,214
	-	49,474	35,214	84,688	-	49,474	35,214	84,688
Financial assets at fair value through other comprehensive income	19,863,825	-	-	19,863,825	19,863,825	-	-	19,863,825
Equity investments (listed)	2,898	-	-	2,898	2,898	-	-	2,898
Equity investments (not listed)	-	-	4,049	4,049	-	-	4,049	4,049
Total	19,866,723	-	4,049	19,870,772	19,866,723	-	4,049	19,870,772
Other financial instruments held for trading	768,334	1,421,902	-	2,190,236	768,334	1,421,902	-	2,190,236
Total	20,635,057	1,471,376	39,263	22,145,696	20,635,057	1,471,376	39,263	22,145,696
<u>Assets for which fair value is disclosed</u>								
Cash and due from Central Bank	6,206,356	-	-	6,206,356	6,206,323	-	-	6,206,323
Due from banks	-	4,537,941	-	4,537,941	-	4,521,357	-	4,521,357
Loans and advances to customers	-	-	33,164,250	33,164,250	-	-	32,465,118	32,465,118
Financial lease receivables	-	-	1,218,394	1,218,394	-	-	-	-
Total	6,206,356	4,537,941	34,382,643	45,126,940	6,206,323	4,521,357	32,465,118	43,192,798

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41. Fair value (continued)

	Group				Bank			
	December 31, 2021				December 31, 2021			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
<u>Liabilities measured at fair value</u>								
Financial liabilities								
Derivative financial instruments								
Interest rate swaps	-	48,399	-	48,399	-	48,399	-	48,399
Currency swaps	-	4,593	-	4,593	-	4,593	-	4,593
Forward foreign exchange contracts	-	6,056	-	6,056	-	6,056	-	6,056
Options	-	-	35,258	35,258	-	-	35,258	35,258
Total	-	59,048	35,258	94,306	-	59,048	35,258	94,306
Other financial instruments held for trading	207,534	196,811	-	404,345	207,534	196,811	-	404,345
Total	207,534	255,859	35,258	498,651	207,534	255,859	35,258	498,651
<u>Liabilities for which fair value is disclosed</u>								
Due to banks	-	156,810	-	156,810	-	156,810	-	156,810
Due to customers	-	52,685,690	-	52,685,690	-	52,920,005	-	52,920,005
Borrowed funds	-	4,056,470	-	4,056,470	-	2,230,572	-	2,230,572
Subordinated debts	-	495,022	-	495,022	-	495,022	-	495,022
Total	-	57,393,992	-	57,393,992	-	55,802,409	-	55,802,409

The bank reviewed the classification of financial instruments in fair value categories (deposits taking, deposits placed, repos and reverse repos) to reflect the methodology for determining the fair value. Consequently, the bank also changed the comparative period for these instruments.

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41. Fair value (continued)

Financial instruments measured at fair value

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

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

Derivatives

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

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

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

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

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

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41. Fair value (continued)

Equities

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

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

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

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

Financial assets

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

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

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

Financial liabilities

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

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

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41. Fair value (continued)

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

	Group				Bank			
	December 31, 2022		December 31, 2021		December 31, 2022		December 31, 2021	
	Carrying value	Fair value						
Financial assets								
Cash and due from Central Bank	7,625,002	7,625,002	6,206,356	6,206,356	7,624,933	7,624,933	6,206,323	6,206,323
Due from banks	7,220,963	7,220,963	4,537,941	4,537,941	7,204,987	7,204,987	4,521,357	4,521,357
Loans and advances to customers	36,288,342	36,259,563	32,913,875	33,164,250	35,542,279	35,554,410	32,183,856	32,465,118
Treasury bills at amortised cost	2,730,706	2,675,354	-	-	2,730,706	2,675,354	-	-
Financial lease receivables	1,407,394	1,390,610	1,222,595	1,218,394	-	-	-	-
	55,272,407	55,171,491	44,880,767	45,126,940	53,102,905	53,059,684	42,911,536	43,192,798
Financial liabilities								
Due to banks	636,888	636,888	156,810	156,810	636,888	636,888	156,810	156,810
Due to customers	56,660,841	56,645,790	52,683,581	52,685,690	56,915,740	56,900,621	52,917,886	52,920,005
Borrowed funds	5,625,488	5,625,488	4,056,470	4,056,470	3,567,262	3,567,262	2,230,572	2,230,572
Subordinated debts	1,238,651	1,238,651	495,022	495,022	1,238,651	1,238,651	495,022	495,022
	64,161,868	64,146,817	57,391,883	57,393,992	62,358,541	62,343,422	55,800,290	55,802,409

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41. Fair value (continued)

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

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

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

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

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

Movement in level 3:

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

	Equity investments (not listed)	Options (A)	Options (L)
Closing balance as at December 31, 2020	37,121	13,273	13,357
Acquisitions	-	12,227	12,227
Sales	(35,434)	(34)	(34)
Reimbursements	-	(5,020)	(5,020)
Gain losses from change in fair value	1,373	14,768	14,728
Translation differences	989	-	-
Closing balance as at December 31, 2021	4,049	35,214	35,258
Acquisitions	-	7,777	7,777
Sales	-	(1,579)	(1,579)
Reimbursements	-	(23,968)	(23,968)
Gain losses from change in fair value	71	48,165	48,157
Closing balance as at December 31, 2022	4,120	65,609	65,645

42. Subsequent events

The Extraordinary General Shareholders' Meeting approved on its meeting from 16th of February 2023 an envelope of 300 MEUR for one/several loans that can be eligible as Additional Tier 1 instruments, in accordance with EU Regulation no 575/2013 on prudential requirements for credit institutions and investment firms. The Loans shall be perpetual (including call options for the issuer), denominated in EUR or RON, having a fixed or variable interest rate, an annually or semi-annually frequency, through one or several drawings, until the maximum ceiling is reached. The envelope has a preventive purpose, answering regulatory ratios in case of need.

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43. Risk management

Risk management within the Group and Bank is based on an integrated concept that takes into account the statutory and regulatory norms as defined and required by the National Bank of Romania, Société Générale risk management standards as well as best practices accepted by the banking industry. The level of risk appetite fully reflects the Group's and Bank's risk management strategy, aiming to support a sustainable growth of its lending activity while reinforcing the Bank's and Group's market position.

Risk governance relies on the three lines of defense model, which reinforces segregation of duties between various control functions.

The *first line* of defense is represented by the business units, which are primarily responsible for the ongoing management of the risks arisen in conducting their daily activities, taking into account the Bank's risk appetite and its existing policies, procedures and controls.

The *second line* of defense is represented by the independent functions overseeing risks, which are responsible for further identifying, measuring, monitoring and reporting risks, while ensuring the compliance with internal and external requirements and providing support to the business/operational functions in executing their duties.

The *third line* of defense is represented by the internal audit function which provides independent review and objective assurance on the quality and effectiveness of the Bank's internal control system, the first and second lines of defense and the risk governance framework.

The Group and Bank's risk management governance is centered along the following axes:

- continuous process of identification, assessment, monitoring, reporting and control, considering risk limits, approval competences, segregation of duties and other mitigation techniques;
- risks are taken within the defined risk appetite approved by the Board of Directors;
- strong involvement of the Bank's management body in the risk management system and promotion of risk culture, throughout the entire organizational structure, from the Board of Directors down to operational teams;
- clearly defined internal rules and procedures;
- communication of information regarding risk management across the organization in a timely, accurate, comprehensible and meaningful manner;
- continuous supervision by an independent risk function to monitor risks and to enforce rules and procedures.

The Group and Bank's risk management is organized around two key principles:

- risk assessment departments must be independent from the business divisions;
- the risk management approach and risk monitoring must be consistent throughout the Group and Bank.

The Group and the Bank is exposed to the risks inherent to its core businesses. The main financial assets and liabilities are the loans and advances, lease receivables, amounts placed with NBR, demand and term deposits and borrowings. These instruments are exposed to a series of risks such as credit risk, foreign exchange risk, interest rate risk, liquidity risk and market risk which are discussed below.

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43. Risk management (continued)

43.1 Credit risk

Credit risk represents current or future risk of negative impact on profits and capital arising from a debtor's failure to fulfil the contractual obligations or failure to perform as agreed. The credit risk is inherent to traditional banking products - loans, commitments to lend and other contingent liabilities such as letters of credit - and to fair value derivative contracts (refer to the Notes 7, 9, 10, 11, and 40).

The Group and Bank's credit policy is based on the principle that approval of any credit risk undertaking must rely on a sound knowledge of a given client and its business, an understanding of the purpose and structure of the transaction and the sources of debt repayment. As part of Group Société Générale, the Bank has a cash flow based lending approach, meaning the bank expects debt to be serviced primarily through the future cash flow (legal entities)/income (individuals) generated by the client.

The Group and Bank assesses the quality of its Non Retail portfolio by use of Société Générale's rating system, with a scale from 1 to 10 (1 to 7- in bonis exposures, 8 to 10 – defaulted exposures). Within the in bonis portfolio, the most vulnerable counterparties are grouped into a distinct category (referred to as sensitive, rating class 7) which is subject to increased monitoring requirements, in order to improve reactivity through timely implementation of corrective measures.

The internal rating system is based on models that include both quantitative and qualitative assessment criteria, differentiated by counterparty type and size, in which the expert judgment is a key element. Internal models are developed based on the Group and Bank's available data history and the use of rating model is regulated by internal norms and procedures. Rating review is performed at least once per year, or as soon as new and significant aspects impacting the credit quality of the counterparty occur. This process results in the classification of exposures between sound, sensitive and non performing client status.

Throughout the post approval period, the monitoring of counterparties is conducted on a continuous basis, so that potential vulnerabilities can be identified early and reacted upon. The outcome of monitoring activity is analysed as an inherent responsibility of commercial and risk structures. Risky counterparties defined according to internally prescribed criteria are closely monitored through dedicated committees, with the aim of defining a strategy towards them and ensuring consistent rating and loss recognition.

Retail counterparties are assessed at origination, based on application scorecards and/or behavioral rating models, and monitored throughout the lifespan of the loans using behavioral rating models.

Security, in the form of collateral (funded protection) or guarantee (unfunded protection), is accepted by the Bank in order to mitigate credit risk and do not serve as a substitute for the borrower's ability to meet obligations. The securities accepted by the Bank in support of granted commitments primarily include real estate, both residential and commercial, guarantees issued by other banks and guarantee funds, equipment and inventories.

Concentration risk related to credit risk is managed primarily through a set of limits established based on the Bank's risk appetite and the expectations on the evolution of the economic environment. The limits are monitored periodically and revised whenever necessary, but at least annually. The set of limits is related to the following dimensions: individual concentration (single name or group of connected clients), economic sector concentration, geographical concentration, concentration by product type/transaction type and credit risk mitigations techniques types.

The Bank has in place a process of continuous monitoring of exposure by concentration dimensions, set out in the local normative guidelines, meant to prevent any excessive concentration.

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43. Risk management (continued)

43.1 Credit risk (continued)

Maximum exposure to credit risk before considering any collaterals or guarantees

	Group	
	December 31, 2022	December 31, 2021
ASSETS		
Due from Central Bank	5,093,654	4,311,908
Due from banks	7,220,963	4,537,941
Derivatives and other financial instruments held for trading	2,343,377	2,274,924
Financial assets at fair value through profit and loss	14,262	6,947
Financial assets at fair value through other comprehensive income	13,439,596	19,863,825
Financial assets at amortised cost	39,019,048	32,913,875
<i>Loans, gross</i>	<i>38,053,311</i>	<i>34,668,675</i>
<i>Impairment allowance for loans</i>	<i>(1,764,969)</i>	<i>(1,754,800)</i>
Loans and advances to customers	36,288,342	32,913,875
Treasury bills at amortised cost	2,730,706	-
Finance lease receivables	1,407,394	1,222,595
Other assets	392,517	115,317
Total assets	68,930,811	65,247,332
Letters of guarantee granted	6,449,588	5,427,857
Financing commitments granted	6,183,371	5,834,265
Total commitments granted	12,632,959	11,262,122
Total credit risk exposure	81,563,770	76,509,454
	Bank	
	December 31, 2022	December 31, 2021
ASSETS		
Due from Central Bank	5,093,654	4,311,908
Due from banks	7,204,987	4,521,357
Derivatives and other financial instruments held for trading	2,337,311	2,274,924
Financial assets at fair value through profit and loss	8,132	6,947
Financial assets at fair value through other comprehensive income	13,439,596	19,863,825
Financial assets at amortised cost	38,272,985	32,183,856
<i>Loans, gross</i>	<i>37,242,399</i>	<i>33,853,032</i>
<i>Impairment allowance for loans</i>	<i>(1,700,120)</i>	<i>(1,669,176)</i>
Loans and advances to customers	35,542,279	32,183,856
Treasury bills at amortised cost	2,730,706	-
Other assets	383,885	105,060
Total assets	66,740,550	63,267,877
Letters of guarantee granted	6,451,531	5,441,448
Financing commitments granted	5,740,595	5,344,315
Total commitments granted	12,192,126	10,785,763
Total credit risk exposure	78,932,676	74,053,640

The accompanying notes are an integral part of this financial statements

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43. Risk management (continued)

43.1 Credit risk (continued)

Analyses of the inputs to the ECL model is made under multiple economic scenarios.

An overview of the approach to estimate ECLs is set out in Note 2 e) Significant accounting judgments and estimates and Note 3 Summary of significant accounting policies. Economic input data is obtained from a team of economists in the Bank and Group Société Générale. To ensure accuracy and completeness, inputs are corroborated with third party sources – economic forecasts issued by specialized institutions.

Expected losses are computed based on three macroeconomic scenarios, each with a corresponding weight: optimistic (10%), baseline (60%) and stress scenario (30%). The table below shows the values of the key forward looking economic variables/ assumptions used in the base, optimistic and stress economic scenario for the ECL calculation.

The Bank presents the estimation of key drivers for 2022 because these scenarios have produced effects during the year and have been used in the computation of ECL as at December 31, 2022.

December, 31 2022

Key drivers	ECL Scenario	2023	2024	2025
GDP growth [%]	Baseline/ Central	1.9	2.5	2.8
	Stress	-3.1	-0.5	1.3
	Optimistic	2.9	4.5	3.8
Unemployment rate [%]	Baseline/ Central	5.8	5.6	5.4
	Stress	6.8	7.1	7.6
	Optimistic	5.2	4.7	4.4
Exchange rate RON/EUR [RON]	Baseline/ Central	5	5	5
	Stress	6.2	6.5	6.2
	Optimistic	5	5	5

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43. Risk management (continued)

43.1 Credit risk (continued)

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

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

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

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

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

Analysis of due from banks by credit rating

	Group		Bank	
	2022	2021	2022	2021
<i>Internal rating grade</i>				
Very good grade	6,926,230	4,240,203	6,910,254	4,223,619
Good grade	246,081	273,361	246,081	273,361
Standard grade	22,007	14,798	22,007	14,798
Not rated internally	26,652	9,725	26,652	9,725
Total	7,220,970	4,538,087	7,204,994	4,521,503
<i>Provision allowance</i>				
Very good grade	(7)	(146)	(7)	(146)
Net Carrying amount	7,220,963	4,537,941	7,204,987	4,521,357

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43. Risk management (continued)

432.1 Credit risk (continued)

Sector analysis of loans granted and impairment allowance

Group	December 31, 2022									
	Stage 1		Stage 2		Stage 3		POCI		Total	
	Gross carrying amount	Impairment allowance								
Individuals	54.7%	35.1%	82.3%	83.1%	70.7%	72.3%	52.8%	12.9%	61.8%	67.3%
Agriculture, forestry and fishing	3.8%	6.3%	2.8%	3.6%	4.2%	4.6%	0.0%	0.0%	3.5%	4.6%
Mining and quarrying	0.1%	0.1%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.1%	0.0%
Manufacturing	7.5%	11.1%	2.7%	2.5%	3.0%	3.2%	1.6%	0.7%	6.2%	4.6%
Electricity, gas, steam and air conditioning supply	5.3%	5.2%	1.8%	0.3%	2.6%	0.9%	0.0%	0.0%	4.3%	1.6%
Water supply	0.3%	0.5%	0.2%	0.1%	0.0%	0.0%	0.0%	0.0%	0.3%	0.1%
Construction	2.3%	4.4%	0.3%	0.3%	7.0%	7.5%	0.0%	0.0%	1.9%	4.3%
Wholesale and retail trade	11.8%	18.2%	1.9%	1.6%	1.9%	1.3%	2.6%	2.3%	9.1%	4.9%
Transport and storage	2.1%	3.8%	0.9%	2.0%	0.5%	0.5%	0.0%	0.0%	1.8%	1.7%
Accommodation and food service activities	0.9%	1.6%	0.1%	0.2%	3.9%	3.6%	0.0%	0.0%	0.8%	2.0%
Information and communication	1.7%	1.7%	0.0%	0.1%	0.0%	0.0%	0.0%	0.0%	1.2%	0.4%
Financial institutions	2.3%	3.2%	2.9%	2.1%	0.0%	0.0%	0.0%	0.0%	2.4%	1.4%
Real estate activities	1.2%	2.4%	2.7%	2.0%	1.1%	1.5%	42.4%	82.9%	1.6%	3.0%
Professional, scientific and technical activities	0.4%	0.3%	0.1%	0.2%	2.8%	3.5%	0.0%	0.0%	0.4%	1.7%
Administrative and support service activities	0.4%	0.7%	0.1%	0.2%	0.1%	0.1%	0.6%	1.3%	0.3%	0.3%
Public administration and defence, compulsory social	3.7%	2.7%	0.3%	0.3%	2.0%	0.9%	0.0%	0.0%	2.9%	1.0%
Education	0.0%	0.1%	0.3%	0.5%	0.0%	0.0%	0.0%	0.0%	0.1%	0.2%
Human health services and social work activities	1.2%	2.0%	0.5%	0.8%	0.2%	0.2%	0.0%	0.0%	1.0%	0.8%
Arts, entertainment and recreation	0.2%	0.4%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.2%	0.1%
Other services	0.1%	0.1%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.1%	0.0%
Total	100.0%	100.0%								

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

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43. Risk management (continued)

43.1 Credit risk (continued)

Sector analysis of loans granted and impairment allowance (continued)

Bank

%	December 31, 2022									
	Stage 1		Stage 2		Stage 3		POCI		Total	
	Gross carrying amount	Impairment allowance								
Individuals	54.3%	33.2%	83.8%	84.3%	70.2%	71.5%	52.8%	12.9%	61.8%	67.0%
Agriculture, forestry and fishing	3.6%	6.5%	1.4%	2.5%	3.8%	4.5%	0.0%	0.0%	3.1%	4.1%
Mining and quarrying	0.1%	0.1%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.1%	0.0%
Manufacturing	7.6%	11.5%	2.8%	2.6%	3.2%	3.3%	1.6%	0.7%	6.3%	4.7%
Electricity, gas, steam and air conditioning supply	5.4%	5.3%	1.8%	0.3%	2.7%	0.9%	0.0%	0.0%	4.4%	1.6%
Water supply	0.3%	0.5%	0.2%	0.1%	0.0%	0.0%	0.0%	0.0%	0.3%	0.2%
Construction	2.3%	4.5%	0.3%	0.3%	7.3%	7.9%	0.0%	0.0%	2.0%	4.5%
Wholesale and retail trade	12.0%	18.8%	1.7%	1.5%	1.9%	1.3%	2.6%	2.3%	9.2%	5.0%
Transport and storage	1.8%	3.8%	0.6%	1.8%	0.2%	0.3%	0.0%	0.0%	1.4%	1.5%
Accommodation and food service activities	0.9%	1.7%	0.1%	0.1%	4.1%	3.8%	0.0%	0.0%	0.8%	2.0%
Information and communication	1.7%	1.8%	0.0%	0.1%	0.0%	0.0%	0.0%	0.0%	1.3%	0.4%
Financial institutions	2.5%	3.3%	3.0%	2.1%	0.0%	0.0%	0.0%	0.0%	2.6%	1.4%
Real estate activities	1.3%	2.5%	2.8%	2.1%	1.1%	1.5%	42.4%	82.9%	1.7%	3.1%
Professional, scientific and technical activities	0.4%	0.3%	0.1%	0.2%	3.0%	3.7%	0.0%	0.0%	0.4%	1.8%
Administrative and support service activities	0.4%	0.7%	0.2%	0.2%	0.1%	0.1%	0.6%	1.3%	0.3%	0.3%
Public administration and defence, compulsory social	3.8%	2.8%	0.3%	0.3%	2.1%	0.9%	0.0%	0.0%	2.9%	1.1%
Education	0.0%	0.1%	0.3%	0.5%	0.0%	0.0%	0.0%	0.0%	0.1%	0.2%
Human health services and social work activities	1.2%	2.0%	0.5%	0.8%	0.2%	0.3%	0.0%	0.0%	1.0%	0.8%
Arts, entertainment and recreation	0.2%	0.5%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.2%	0.1%
Other services	0.1%	0.1%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.1%	0.1%
Total	100.0%	100.0%								

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

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43. Risk management (continued)

43.1 Credit risk (continued)

Sector analysis of loans granted and impairment allowance (continued)

Group %	December 31, 2021									
	Stage 1		Stage 2		Stage 3		POCI		Total	
	Gross carrying amount	Impairment allowance								
Individuals	61.4%	41.9%	81.8%	81.2%	68.2%	67.9%	50.5%	13.4%	66.5%	66.6%
Agriculture, forestry and fishing	2.8%	5.8%	1.9%	3.7%	5.3%	5.2%	0.0%	0.0%	2.7%	4.7%
Mining and quarrying	0.2%	0.1%	0.0%	0.0%	0.1%	0.1%	0.0%	0.0%	0.1%	0.1%
Manufacturing	6.1%	8.5%	5.2%	3.6%	3.1%	3.2%	2.0%	0.1%	5.8%	4.2%
Electricity, gas, steam and air conditioning supply	4.7%	3.9%	0.0%	0.0%	5.5%	2.1%	0.0%	0.0%	3.6%	1.7%
Water supply	0.6%	1.1%	0.1%	0.2%	0.1%	0.2%	0.0%	0.0%	0.4%	0.3%
Construction	1.6%	2.6%	0.2%	0.2%	6.7%	8.1%	0.0%	0.0%	1.4%	4.5%
Wholesale and retail trade	8.2%	15.4%	1.9%	2.3%	2.0%	1.7%	4.2%	2.9%	6.5%	4.3%
Transport and storage	2.3%	4.2%	1.5%	1.8%	0.5%	0.5%	0.2%	0.0%	2.1%	1.6%
Accommodation and food service activities	0.8%	1.4%	0.1%	0.2%	3.9%	5.1%	0.0%	0.0%	0.8%	2.8%
Information and communication	2.3%	2.6%	0.1%	0.1%	0.0%	0.0%	0.0%	0.0%	1.7%	0.5%
Financial institutions	2.0%	2.1%	3.5%	1.7%	0.0%	0.0%	0.0%	0.0%	2.3%	0.9%
Real estate activities	1.3%	3.5%	1.9%	2.0%	1.1%	1.4%	41.9%	81.5%	1.5%	3.3%
Professional, scientific and technical activities	0.4%	0.3%	0.2%	0.1%	3.1%	4.0%	0.0%	0.0%	0.4%	2.1%
Administrative and support service activities	0.2%	0.3%	0.1%	0.1%	0.2%	0.2%	1.1%	2.0%	0.2%	0.2%
Public administration and defence, compulsory social	3.6%	3.1%	0.9%	1.4%	0.0%	0.0%	0.0%	0.0%	2.8%	1.0%
Education	0.0%	0.3%	0.3%	0.7%	0.0%	0.0%	0.0%	0.0%	0.1%	0.3%
Human health services and social work activities	1.1%	2.4%	0.1%	0.2%	0.2%	0.3%	0.0%	0.0%	0.8%	0.6%
Arts, entertainment and recreation	0.1%	0.1%	0.2%	0.6%	0.0%	0.0%	0.0%	0.0%	0.1%	0.2%
Other services	0.2%	0.3%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.2%	0.1%
Total	100.0%	100.0%								

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

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43. Risk management (continued)

43.1 Credit risk (continued)

Sector analysis of loans granted and impairment allowance (continued)

Bank %	December 31, 2021									
	Stage 1		Stage 2		Stage 3		POCI		Total	
	Gross carrying amount	Impairment allowance								
Individuals	60.9%	39.2%	82.4%	81.4%	67.0%	66.2%	50.5%	13.4%	66.3%	65.5%
Agriculture, forestry and fishing	2.5%	6.0%	1.6%	3.5%	5.1%	5.2%	0.0%	0.0%	2.3%	4.7%
Mining and quarrying	0.2%	0.1%	0.0%	0.0%	0.1%	0.1%	0.0%	0.0%	0.1%	0.1%
Manufacturing	6.2%	8.9%	5.2%	3.6%	3.3%	3.5%	2.0%	0.1%	5.9%	4.4%
Electricity, gas, steam and air conditioning supply	4.8%	4.1%	0.0%	0.0%	5.9%	2.2%	0.0%	0.0%	3.7%	1.8%
Water supply	0.6%	1.2%	0.1%	0.2%	0.1%	0.2%	0.0%	0.0%	0.4%	0.3%
Construction	1.7%	2.7%	0.2%	0.2%	7.2%	8.7%	0.0%	0.0%	1.5%	4.7%
Wholesale and retail trade	8.4%	16.2%	1.9%	2.3%	2.0%	1.7%	4.2%	2.9%	6.6%	4.5%
Transport and storage	2.1%	4.3%	1.2%	1.5%	0.2%	0.3%	0.2%	0.0%	1.8%	1.4%
Accommodation and food service activities	0.9%	1.4%	0.1%	0.2%	4.1%	5.5%	0.0%	0.0%	0.8%	2.9%
Information and communication	2.4%	2.8%	0.1%	0.1%	0.0%	0.0%	0.0%	0.0%	1.7%	0.5%
Financial institutions	2.3%	2.2%	3.5%	1.7%	0.0%	0.0%	0.0%	0.0%	2.5%	1.0%
Real estate activities	1.4%	3.7%	1.9%	2.1%	1.2%	1.6%	41.9%	81.5%	1.6%	3.5%
Professional, scientific and technical activities	0.4%	0.3%	0.2%	0.1%	3.3%	4.3%	0.0%	0.0%	0.4%	2.2%
Administrative and support service activities	0.2%	0.4%	0.1%	0.1%	0.2%	0.3%	1.1%	2.0%	0.2%	0.3%
Public administration and defence, compulsory social	3.7%	3.2%	0.9%	1.4%	0.0%	0.0%	0.0%	0.0%	2.9%	1.0%
Education	0.0%	0.3%	0.3%	0.7%	0.0%	0.0%	0.0%	0.0%	0.1%	0.3%
Human health services and social work activities	1.1%	2.5%	0.1%	0.2%	0.3%	0.3%	0.0%	0.0%	0.8%	0.6%
Arts, entertainment and recreation	0.1%	0.1%	0.2%	0.6%	0.0%	0.0%	0.0%	0.0%	0.1%	0.2%
Other services	0.2%	0.3%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.2%	0.1%
Total	100.0%	100.0%								

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

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43. Risk management (continued)

43.1 Credit risk (continued)

Analysis of collateral coverage – Loans and advances

Group

December 31, 2022

	Over - collateralized exposure	Collaterals & Guarantees	Under- collateralized exposure	Collaterals & Guarantees
Non-retail lending	2,189,968	4,961,785	11,261,966	1,679,572
Retail lending	15,185,445	26,902,441	9,415,931	574,100
Small business lending	376,637	830,323	710,299	314,552
Consumer lending	11,631	34,776	8,390,992	1,231
Residential mortgages	14,797,177	26,037,342	314,640	258,317
Total	17,375,413	31,864,226	20,677,898	2,253,672
<i>out of which non-performing</i>				
Non-retail lending	131,395	272,730	174,531	90,108
Retail lending	272,185	638,242	466,304	29,239
Small business lending	5,703	27,797	15,425	4,784
Consumer lending	627	371	415,970	43
Residential mortgages	265,856	610,074	34,909	24,411
Total	403,580	910,973	640,835	119,347

December 31, 2021

	Over - collateralized exposure	Collaterals & Guarantees	Under- collateralized exposure	Collaterals & Guarantees
Non-retail lending	1,801,528	3,894,168	8,973,434	1,321,398
Retail lending	14,591,880	24,057,314	9,301,832	602,913
Small business lending	332,167	798,084	521,361	222,088
Consumer lending	13,672	34,213	8,327,828	4,050
Residential mortgages	14,246,041	23,225,017	452,642	376,774
Total	16,393,408	27,951,482	18,275,266	1,924,310
<i>out of which non-performing</i>				
Non-retail lending	182,848	351,344	190,640	113,074
Retail lending	269,074	611,550	501,145	46,869
Small business lending	8,932	42,602	12,064	1,955
Consumer lending	598	445	427,141	15
Residential mortgages	259,545	568,503	61,940	44,899
Total	451,922	962,894	691,785	159,943

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43. Risk management (continued)

43.1 Credit risk (continued)

Analysis of collateral coverage – Loans and advances (continued)

Bank

December 31, 2022

	Over - collateralized exposure	Collaterals & Guarantees	Under- collateralized exposure	Collaterals & Guarantees
Non-retail lending	2,014,971	4,704,502	11,278,311	1,657,127
Retail lending	15,035,398	26,677,474	8,913,718	553,755
Small business lending	226,591	605,356	688,396	294,206
Consumer lending	11,631	34,776	7,910,682	1,231
Residential mortgages	14,797,177	26,037,342	314,640	258,317
Total	17,050,369	31,381,976	20,192,029	2,210,882
<i>out of which non-performing</i>				
Non-retail lending	129,759	268,796	174,296	90,108
Retail lending	272,185	638,242	466,304	29,239
Small business lending	5,703	27,797	15,425	4,784
Consumer lending	627	371	415,970	43
Residential mortgages	265,856	610,074	34,909	24,411
Total	401,944	907,038	640,600	119,347

December 31, 2021

	Over - collateralized exposure	Collaterals & Guarantees	Under- collateralized exposure	Collaterals & Guarantees
Non-retail lending	1,653,844	3,669,874	9,010,244	1,314,183
Retail lending	14,494,541	23,899,237	8,694,403	600,607
Small business lending	234,828	640,008	517,160	219,783
Consumer lending	13,672	34,213	7,724,601	4,050
Residential mortgages	14,246,041	23,225,017	452,642	376,774
Total	16,148,385	27,569,111	17,704,647	1,914,790
<i>out of which non-performing</i>				
Non-retail lending	179,564	344,429	189,993	113,074
Retail lending	269,074	611,550	501,145	46,869
Small business lending	8,932	42,602	12,064	1,955
Consumer lending	598	445	427,141	15
Residential mortgages	259,545	568,503	61,940	44,899
Total	448,638	955,979	691,138	159,943

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43. Risk management (continued)

43.1 Credit risk (continued)

Analysis of collateral coverage for finance lease receivables

December 31, 2022

	Over - collateralized exposure	Collaterals & Guarantees	Under- collateralized exposure	Collaterals & Guarantees
Non-retail lending	877,900	1,333,317	68,262	43,749
Retail lending	533,868	856,018	21,349	7,083
Small business lending (retail) & residential	533,815	855,958	21,277	7,083
Consumer lending	53	59	73	-
Total	1,411,768	2,189,335	89,611	50,832

December 31, 2021

	Over - collateralized exposure	Collaterals & Guarantees	Under- collateralized exposure	Collaterals & Guarantees
Non-retail lending	751,095	1,144,990	82,343	57,215
Retail lending	450,140	710,350	28,224	10,705
Small business lending (retail) & residential	450,063	710,223	28,096	10,661
Consumer lending	77	128	128	44
Total	1,201,235	1,855,340	110,567	67,920

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43. Risk management (continued)

43.1 Credit risk (continued)

Rating analysis of loans

Group	Retail lending				
	December 31, 2022				
	Stage 1	Stage 2	Stage 3	POCI	Total
Gross carrying amount					
Internal rating grade					
Very good grade	8,682,463	6,044	-	-	8,688,507
Good grade	5,771,318	5,205,882	-	-	10,977,199
Standard grade	1,086,252	1,647,851	-	-	2,734,102
Sub-standard grade	-	791,378	-	18,885	810,262
Past due but not impaired	-	-	-	-	-
Non- performing	-	-	729,609	8,880	738,489
(out of which) Individual assessment	-	-	19,698	113	19,811
Not rated internally	496,465	107,354	48,997	-	652,817
Total	16,036,497	7,758,509	778,606	27,765	24,601,377
Provision allowance					
Internal rating grade					
Very good grade	(46,987)	(90)	-	-	(47,077)
Good grade	(47,240)	(117,360)	-	-	(164,600)
Standard grade	(29,607)	(174,635)	-	-	(204,243)
Sub-standard grade	-	(203,440)	-	(92)	(203,533)
Non- performing	-	-	(546,491)	(3,127)	(549,617)
(out of which) Individual assessment	-	-	(18,993)	(87)	(19,080)
Not rated internally	(11,475)	(10,023)	(38,313)	-	(59,811)
Total	(135,309)	(505,549)	(584,804)	(3,219)	(1,228,881)
Net Carrying amount	15,901,189	7,252,959	193,802	24,546	23,372,496

Group	Non-Retail lending				
	December 31, 2022				
	Stage 1	Stage 2	Stage 3	POCI	Total
Gross carrying amount					
Internal rating grade					
Very good grade	-	-	-	-	-
Good grade	8,095,047	865,172	-	-	8,960,218
Standard grade	3,628,529	231,841	-	-	3,860,370
Sub-standard grade	-	324,606	-	814	325,420
Non- performing	-	-	281,901	24,025	305,926
(out of which) Individual assessment	-	-	254,369	24,025	278,394
Total	11,723,576	1,421,619	281,901	24,838	13,451,935
Provision allowance					
Internal rating grade					
Very good grade	-	-	-	-	-
Good grade	(136,420)	(34,204)	-	-	(170,624)
Standard grade	(95,791)	(15,845)	-	-	(111,636)
Sub-standard grade	-	(36,277)	-	(64)	(36,341)
Non- performing	-	-	(195,865)	(21,623)	(217,488)
(out of which) Individual assessment	-	-	(178,010)	(21,625)	(199,634)
Not rated internally	-	-	-	-	-
Total	(232,210)	(86,326)	(195,865)	(21,687)	(536,088)
Net Carrying amount	11,491,365	1,335,293	86,037	3,151	12,915,846

Group	Total				
	December 31, 2022				
	Stage 1	Stage 2	Stage 3	POCI	Total
Gross carrying amount					
Internal rating grade					
Very good grade	8,682,463	6,044	-	-	8,688,507
Good grade	13,866,364	6,071,054	-	-	19,937,418
Standard grade	4,714,780	1,879,692	-	-	6,594,472
Sub-standard grade	-	1,115,984	-	19,698	1,135,683
Non- performing	-	-	1,011,510	32,905	1,044,415
(out of which) Individual assessment	-	-	274,067	24,137	298,205
Not rated internally	496,465	107,354	48,997	-	652,817
Total	27,760,073	9,180,128	1,060,507	52,603	38,053,312
Provision allowance					
Internal rating grade					
Very good grade	(46,987)	(90)	-	-	(47,077)
Good grade	(183,659)	(151,564)	-	-	(335,224)
Standard grade	(125,398)	(190,481)	-	-	(315,879)
Sub-standard grade	-	(239,717)	-	(156)	(239,873)
Non- performing	-	-	(742,355)	(24,750)	(767,105)
(out of which) Individual assessment	-	-	(197,003)	(21,711)	(218,714)
Not rated internally	(11,475)	(10,023)	(38,313)	-	(59,811)
Total	(367,519)	(591,876)	(780,668)	(24,906)	(1,764,969)
Net Carrying amount	27,392,554	8,588,252	279,839	27,697	36,288,342

The accompanying notes are an integral part of this financial statements

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43. Risk management (continued)

43.1 Credit risk (continued)

Rating analysis of loans (continued)

Bank	Retail lending				
	December 31, 2022				
	Stage 1	Stage 2	Stage 3	POCI	Total
Gross carrying amount					
Internal rating grade					
Very good grade	8,682,463	6,044	-	-	8,688,507
Good grade	5,771,318	5,205,882	-	-	10,977,199
Standard grade	1,086,252	1,647,851	-	-	2,734,102
Sub-standard grade	-	791,378	-	18,885	810,262
Non- performing	-	-	729,609	8,880	738,489
(out of which) Individual assessment	-	-	19,698	113	19,811
Not rated internally	556	-	-	-	556
Total	15,540,588	7,651,154	729,609	27,765	23,949,116
Provision allowance					
Internal rating grade					
Very good grade	(46,987)	(90)	-	-	(47,077)
Good grade	(47,240)	(117,360)	-	-	(164,600)
Standard grade	(29,607)	(174,635)	-	-	(204,243)
Sub-standard grade	-	(203,440)	-	(92)	(203,533)
Non- performing	-	-	(546,491)	(3,127)	(549,617)
(out of which) Individual assessment	-	-	(18,993)	(87)	(19,080)
Total	(123,834)	(495,526)	(546,491)	(3,219)	(1,169,070)
Net Carrying amount	15,416,754	7,155,628	183,118	24,546	22,780,047
	Non-Retail lending				
	December 31, 2022				
	Stage 1	Stage 2	Stage 3	POCI	Total
Gross carrying amount					
Internal rating grade					
Good grade	8,095,605	864,840	-	-	8,960,445
Standard grade	3,541,813	202,648	-	-	3,744,461
Sub-standard grade	-	283,507	-	814	284,320
Non- performing	-	-	280,031	24,025	304,056
(out of which) Individual assessment	-	-	254,369	24,025	278,394
Total	11,637,418	1,350,995	280,031	24,838	13,293,282
Provision allowance					
Internal rating grade					
Good grade	(136,238)	(34,187)	-	-	(170,425)
Standard grade	(95,438)	(14,384)	-	-	(109,822)
Sub-standard grade	-	(34,220)	-	(64)	(34,284)
Non- performing	-	-	(194,896)	(21,623)	(216,519)
(out of which) Individual assessment	-	-	(178,010)	(21,625)	(199,634)
Total	(231,676)	(82,792)	(194,896)	(21,687)	(531,051)
Net Carrying amount	11,405,742	1,268,203	85,135	3,151	12,762,232
	Total				
	December 31, 2022				
	Stage 1	Stage 2	Stage 3	POCI	Total
Gross carrying amount					
Internal rating grade					
Very good grade	8,682,463	6,044	-	-	8,688,507
Good grade	13,866,922	6,070,722	-	-	19,937,644
Standard grade	4,628,065	1,850,499	-	-	6,478,563
Sub-standard grade	-	1,074,884	-	19,698	1,094,583
Non- performing	-	-	1,009,640	32,905	1,042,545
(out of which) Individual assessment	-	-	274,067	24,137	298,205
Not rated internally	556	-	-	-	556
Total	27,178,006	9,002,150	1,009,640	52,603	37,242,399
Provision allowance					
Internal rating grade					
Very good grade	(46,987)	(90)	-	-	(47,077)
Good grade	(183,477)	(151,548)	-	-	(335,025)
Standard grade	(125,045)	(189,020)	-	-	(314,065)
Sub-standard grade	-	(237,660)	-	(156)	(237,817)
Non- performing	-	-	(741,386)	(24,750)	(766,136)
(out of which) Individual assessment	-	-	(197,003)	(21,711)	(218,714)
Total	(355,510)	(578,318)	(741,386)	(24,906)	(1,700,120)
Net Carrying amount	26,822,496	8,423,832	268,253	27,697	35,542,278

The accompanying notes are an integral part of this financial statements

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43. Risk management (continued)

43.1 Credit risk (continued)

Rating analysis of Finance Lease receivables

	Retail			Total
	December 31, 2022			
	Stage 1	Stage 2	Stage 3	
Gross carrying amount				
Not rated internally	383,487	120,540	51,190	555,217
Total	383,487	120,540	51,190	555,217
Provision allowance	(1,867)	(7,119)	(22,724)	(31,710)
Net Carrying amount	381,620	113,421	28,466	523,507

	Non-Retail			Total
	December 31, 2022			
	Stage 1	Stage 2	Stage 3	
Gross carrying amount				
Internal rating grade				
Good grade	191,115	38,103	-	229,218
Standard grade	446,936	149,435	-	596,370
Sub-standard grade	-	48,243	-	48,243
Non- performing	-	-	68,782	68,782
Not rated internally	(663)	4,094	118	3,549
Total	637,387	239,875	68,901	946,162
Provision allowance	(2,623)	(12,158)	(47,495)	(62,275)
Net Carrying amount	634,764	227,716	21,406	883,887

	Total			Total
	December 31, 2022			
	Stage 1	Stage 2	Stage 3	
Gross carrying amount				
Internal rating grade				
Good grade	191,115	38,103	-	229,218
Standard grade	446,936	149,435	-	596,370
Sub-standard grade	-	48,243	-	48,243
Non- performing	-	-	68,782	68,782
Not rated internally	382,824	124,634	51,308	558,766
Total	1,020,874	360,415	120,091	1,501,380
Provision allowance	(4,490)	(19,277)	(70,219)	(93,986)
Net Carrying amount	1,016,384	341,137	49,872	1,407,394

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43. Risk management (continued)

43.1 Credit risk (continued)

Rating analysis of Finance Lease receivables:

	Retail			Total
	December 31, 2021			
	Stage 1	Stage 2	Stage 3	
Gross carrying amount				
Not rated internally	365,749	67,385	45,230	478,364
Total	365,749	67,385	45,230	478,364
Provision allowance	(1,450)	(3,544)	(19,701)	(24,695)
Net Carrying amount	364,299	63,841	25,530	453,669

	Non-Retail			Total
	December 31, 2021			
	Stage 1	Stage 2	Stage 3	
Gross carrying amount				
Internal rating grade				
Good grade	68,746	27,838	-	96,584
Standard grade	379,133	114,379	-	493,513
Sub-standard grade	-	157,599	-	157,599
Non- performing	-	-	74,382	74,382
Not rated internally	(10)	11,134	237	11,361
Total	447,869	310,950	74,619	833,438
Provision allowance	(1,865)	(16,211)	(46,436)	(64,512)
Net Carrying amount	446,004	294,739	28,183	768,926

	Total			Total
	December 31, 2021			
	Stage 1	Stage 2	Stage 3	
Gross carrying amount				
Internal rating grade				
Good grade	68,746	27,838	-	96,584
Standard grade	379,133	114,379	-	493,513
Sub-standard grade	-	157,599	-	157,599
Non- performing	-	-	74,382	74,382
Not rated internally	365,739	78,518	45,468	489,724
Total	813,618	378,335	119,850	1,311,802
Provision allowance	(3,315)	(19,755)	(66,137)	(89,207)
Net Carrying amount	810,302	358,580	53,713	1,222,595

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43. Risk management (continued)

43.1 Credit risk (continued)

Guarantees and other credit commitments

Guarantees and letters of credit

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

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

Credit related commitments

Financing commitments represent unused amounts of approved credit facilities.

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

	Group		Bank	
	December 31, 2022	December 31, 2021	December 31, 2022	December 31, 2021
Letters of guarantee granted	6,449,588	5,427,857	6,451,531	5,441,448
Financing commitments granted	6,183,371	5,834,265	5,740,595	5,344,315
Total commitments granted	12,632,959	11,262,122	12,192,126	10,785,763
Uncommitted facilities granted	9,454,516	9,317,203	9,509,016	9,382,644
Letters of guarantee received	23,730,601	20,033,701	23,730,601	20,033,701
Total commitments received	23,730,601	20,033,701	23,730,601	20,033,701

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43.2 Market risk

Market risk is defined as the risk of registering losses related to the on and off-balance sheet positions, arising from unfavorable movements of market parameters (FX rates, interest rates, share prices, etc.) and that might be incurred both by the trading book portfolio and by certain banking book positions (structural portfolio).

The management of market risks is a continuous process, whose primary aim is to identify and measure the market risks induced by the business activities undergone by the entity.

Trading Book related market risks

The trading activity's business model is mainly driven by the clients' requests, the trading portfolio comprising mostly foreign exchange spot transactions, transactions with bonds issued by the Romanian Government (outright or reversible transactions), forward and swap deals on foreign exchange or interest rate, as well as options on different underlying (foreign exchange, interest rates and equities).

Although the trading book portfolio generates a small portion of the Bank's entire exposure to market risks (mainly interest rate risk and foreign exchange risk), it is monitored separately from the banking book portfolio. The identified risks are further reported to the bank's management and to the Group, ensuring timely distribution of accurate information for the decision-making processes.

The risk awareness related to the trading book activity is embraced by all actors pertaining to the Financial Markets perimeter, several sets of controls, some of them with daily frequency, being undertaken within each involved department. The functional independence conferred to the risk line from the business line, translated in an independent follow-up of risks conducted at the Market Risk Department level, guarantees a fair, unbiased picture of BRD's exposure to assumed market risks.

The foundation of an efficient management framework addressing market risks relies on the main principles listed below:

- frequent update of the risk management policy and framework, to comply with regulatory requisites, permanently adapted to market evolutions and internal changes;
- ongoing improvement of the market risk practice, aligned with the best market practices;
- validation of valuation techniques used to calculate risks metrics and results;
- defining risk measurement models and provisions for the market risks assumed (reserves);
- authorization of various market risk limits, consistent with the stated market risk appetite;
- approval of the instruments allowed for trading (new products or significant changes of existing products);
- involvement in designing the functionalities of the IT systems, data flows and operational procedures;
- monitoring and analyzing exposures and compliance with the limits, periodical dissemination of essential data mirroring the bank's exposure to market risks to the management bodies.

On an annual basis, the market risk appetite is approved by the Board of Directors, being aligned with the Bank's business strategy. The top-down approach transposes this high level indicator into limits, notified to middle management and executive functions, calibrated on different measurement types (nominal, sensitivity, stress test results, VaR and SVaR levels).

To properly support the trading activities, a daily report, presenting all the market risk indicators, is delivered to the personnel acting within the Financial Markets perimeter, to the management of Risk Department and to the Group.

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43. Risk management (continued)

43.2 Market risk (continued)

The process of monitoring the compliance with the limits includes the daily metrics report, the monthly analysis of the trading book activity, and the quarterly summaries submitted to the General Management.

The assessment process of trading book related market risks is designed according with the Group's methodology, combining three main risk approaches:

- Trading VaR, accompanied by SVaR;
- Stress test scenarios, based on shocks derived from historical and hypothetical scenarios;
- Complementary indicators (sensitivities, nominal, etc.) which decompose the global indicators into specific ones, enabling the identification of risk areas, concentration on products and/or maturities that might generate important risks unrevealed by the global risk metrics.

Value at Risk (VaR)

The purpose of VaR is to determine a maximum potential loss the bank might incur from the trading activity, over a given period of time, with a certain level of confidence. BRD computes daily the VaR level for 1-day holding period, based on historical approach, with a confidence level of 99%.

The relevance of the VaR model is assessed through back testing, by comparing the daily trading result with the loss estimated by the model, and is performed with daily frequency, in order to forewarn of the need to recalibrate the computational model or to reconsider the observation period of the market parameters. The model's accuracy is tested by comparing the number of days with negative P&L exceeding the VaR figure with the number of expected overshoots (induced by the model's assumptions).

Should a breach occur, an investigation is conducted to identify its root cause and the event is escalated to the management of the Financial Markets' perimeter.

The VaR model developed in BRD is used for trading position management purposes only and it is not transposed into capital requirements.

99% VAR (1 DAY) - KEY FIGURES (IN MEUR)

	Begin of year	End of year	Minimum	Average	Maximum
2020	0.21	0.60	0.13	0.43	0.71
2021	0.59	0.18	0.18	0.47	0.71
2022	0.18	0.42	0.12	0.35	0.97

Stressed VAR (SVaR)

SVaR estimates a maximum potential loss from trading activity, for 1-day horizon and with 99% confidence level, as a consequence of adverse market movements associated with a financial crisis. SVaR is computed using the same approach as VaR, the only difference being that, in the case of SVaR, the observation period for the risk factors is fixed to a window of 12 consecutive months marked by extreme market events.

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43. Risk management (continued)

43.2 Market risk (continued)

The appropriateness of the one-year chosen window is assessed by comparing the SVaR level with the VaR level. If the VaR/SVaR ratio exceeds the 90% threshold at least three times during a quarter, the suitability of the window must be reassessed. The range of daily VaR/SVaR values is analyzed periodically for signals on the need to review the SVaR period.

99% SVAR (1 DAY) - KEY FIGURES (IN MEUR)

	Begin of year	End of year	Minimum	Average	Maximum
2020	1.43	1.80	0.70	1.75	3.37
2021	1.77	0.97	0.92	2.25	3.82
2022	0.98	0.73	0.26	0.86	2.30

Stress test assessment

Methodology

The stress test assessment is one of the main pillars of the market risk management framework, being complementary to VaR and compensating the limitation of the historical VaR methodology. While the VaR model considers historical movements of the risk factors occurred in the past, the stress testing environment embeds theoretical hypothesis or market event-specific scenarios describing large, abrupt changes of the underlying risk factors. On a daily basis, a range of hypothetical models picturing extreme shocks are mixed with various historical scenarios and are applied for the entire trading book portfolio of the bank.

A global stress test metric is computed and compared against the approved limit, derived from the market risk appetite stated in Bank's strategy.

The various stress test scenarios are subject to review and improvement, the accuracy of the assumptions used under the active patterns being regularly monitored. The hypothesis validation aims to certify that the shocks applied are still severe enough and that they model an unlikely event, otherwise timely detecting the necessity to recalibrate them.

The table below presents the result of applying the stress test methodology on the trading book portfolio.

STRESS TEST ASSESSMENT - KEY NEGATIVE FIGURES (IN MEUR)

	Begin of year	End of year	Minimum	Average	Maximum
2020	5.70	11.01	2.25	9.53	14.49
2021	10.85	2.43	0.01	8.68	14.32
2022	2.91	2.78	0.00	2.36	5.70

Foreign exchange risk

The foreign exchange risk is the risk of loss resulting from changes in exchange rates, monitored for all books. The Group and Bank manages the foreign currency risk by using limits for the open foreign currency positions both by currency and at the level of global foreign currency position.

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43. Risk management (continued)

43.2 Market risk (continued)

The table below indicates the currencies to which the Group and Bank had an exposure as at December 31st on its assets and liabilities. The analysis calculates the effect of a reasonably possible movement of the currency rate against RON, with all other variables held constant, on the income statement and equity. A negative amount in the table reflects a potential net reduction in income statement or equity, while a positive amount reflects a net potential increase. An equivalent decrease in each of the below currencies against RON would have resulted in an equivalent but opposite impact.

The estimated impact below does not include the impact recorded in income statement of the period:

2022						
Group				Bank		
Currency	Change in currency rate %	Effect on profit before tax	Effect on equity	Change in currency rate %	Effect on profit before tax	Effect on equity
EUR	+5	(225,724)	(41,868)	+5	(225,580)	(41,868)
Other	+5	(9,021)	(1,705)	+5	(9,018)	(1,705)

2021						
Group				Bank		
Currency	Change in currency rate %	Effect on profit before tax	Effect on equity	Change in currency rate %	Effect on profit before tax	Effect on equity
EUR	+5	1,337	1,040	+5	1,799	1,040
Other	+5	(57)	404	+5	(36)	404

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43. Risk management (continued)

43.2 Market risk (continued)

The Group and the Bank statement of financial position structure by currency is presented below:

	Group				Bank			
	December 31, 2022				December 31, 2022			
ASSETS	Total	RON	EUR	Other	Total	RON	EUR	Other
Cash and due from Central Bank	7,625,002	5,941,426	1,579,300	104,276	7,624,933	5,941,359	1,579,300	104,275
Due from banks	7,220,963	893,305	5,527,611	800,047	7,204,987	877,328	5,527,611	800,047
Derivatives and other financial instruments held for trading	2,343,377	1,968,547	325,071	49,759	2,337,311	1,962,481	325,071	49,759
Financial assets at fair value through profit and loss	14,262	13,434	829	-	8,132	7,304	828	-
Financial assets at fair value through other comprehensive income	13,439,596	8,739,723	4,517,714	182,159	13,439,596	8,739,723	4,517,714	182,159
Financial assets at amortised cost	39,019,048	26,649,538	11,793,899	575,612	38,272,985	26,260,352	11,437,021	575,612
Loans and advances to customers	36,288,342	26,349,858	9,794,586	143,897	35,542,278	25,960,672	9,437,708	143,897
Treasury bills at amortised cost	2,730,706	299,679	1,999,312	431,715	2,730,706	299,679	1,999,312	431,715
Financial lease receivables	1,407,394	61,915	1,345,479	-	-	-	-	-
Investments in associates and subsidiaries	113,670	113,670	-	-	129,964	129,964	-	-
Goodwill	50,130	50,130	-	-	50,130	50,130	-	-
Current tax assets	23,563	23,563	-	-	23,563	23,563	-	-
Deferred tax asset	496,034	496,034	-	-	478,893	478,893	-	-
Non current assets and other assets	2,088,728	1,844,213	243,690	826	1,952,483	1,713,113	238,869	501
Total assets	73,841,767	46,795,497	25,333,593	1,712,679	71,522,977	46,184,210	23,626,413	1,712,354
LIABILITIES								
Due to banks	636,888	494,592	104,226	38,070	636,888	494,592	104,226	38,070
Derivatives and other financial instruments held for trading	1,443,546	1,050,292	385,831	7,423	1,443,546	1,050,292	385,831	7,423
Due to customers	56,660,841	36,523,728	16,335,841	3,801,272	56,915,740	36,719,140	16,395,326	3,801,274
Debt issued and borrowed funds	5,625,488	279,661	5,345,827	-	3,567,262	2,266	3,564,997	-
Subordinated debts	1,238,651	-	1,238,651	-	1,238,651	-	1,238,651	-
Current tax liability	5,595	5,595	-	-	-	-	-	-
Other liabilities	1,270,992	808,115	434,113	28,764	1,143,854	670,069	445,413	28,372
Shareholders' equity	6,959,766	6,959,766	-	-	6,577,036	6,577,036	-	-
Total liabilities and shareholders' equity	73,841,767	46,121,750	23,844,489	3,875,528	71,522,977	45,513,395	22,134,444	3,875,139
Position		673,748	1,489,102	(2,162,851)		670,816	1,491,969	(2,162,785)
Position off BS		(678,725)	(1,485,863)	2,164,588		(678,725)	(1,485,863)	2,164,588
Position total		(4,977)	3,239	1,737		(7,909)	6,106	1,803

The accompanying notes are an integral part of this financial statements

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43. Risk management (continued)

43.2 Market risk (continued)

	Group				Bank			
	December 31, 2021				December 31, 2021			
ASSETS	Total	RON	EUR	Other	Total	RON	EUR	Other
Cash and due from Central Bank	6,206,356	5,007,707	1,152,945	45,705	6,206,323	5,007,674	1,152,945	45,705
Due from banks	4,537,941	344,039	2,099,967	2,093,936	4,521,357	327,454	2,099,967	2,093,936
Derivatives and other financial instruments held for trading	2,274,924	1,158,528	1,026,348	90,047	2,274,924	1,158,528	1,026,348	90,047
Financial assets at fair value through profit and loss	6,947	6,258	689	-	6,947	6,258	689	-
Financial assets at fair value through other comprehensive income	19,863,825	13,125,421	6,507,270	231,134	19,863,825	13,125,421	6,507,270	231,134
Financial assets at amortised cost	32,913,875	23,835,074	8,829,246	249,555	32,183,856	23,348,736	8,585,564	249,556
Loans and advances to customers	32,913,875	23,835,074	8,829,246	249,555	32,183,856	23,348,736	8,585,564	249,556
Financial lease receivables	1,222,595	76,305	1,146,290	-	-	-	-	-
Investments in associates and subsidiaries	107,205	107,205	-	-	158,916	158,916	-	-
Goodwill	50,130	50,130	-	-	50,130	50,130	-	-
Current tax assets	7,484	7,484	-	-	7,484	-	-	-
Deferred tax asset	180,089	180,089	-	-	166,173	166,173	-	-
Non current assets and other assets	1,691,926	1,669,053	15,555	7,318	1,575,328	1,560,509	8,041	6,778
Total assets	69,063,297	45,567,293	20,778,311	2,717,695	67,015,263	44,917,282	19,380,824	2,717,156
LIABILITIES								
Due to banks	156,810	107,629	27,633	21,548	156,810	107,629	27,633	21,548
Derivatives and other financial instruments held for trading	498,651	440,295	58,356	-	498,651	440,295	58,356	-
Due to customers	52,683,581	32,876,873	16,968,766	2,837,942	52,917,887	33,087,454	16,992,489	2,837,943
Debt issued and borrowed funds	4,056,470	409,779	3,646,691	-	2,230,572	3,737	2,226,835	-
Subordinated debts	495,022	-	495,022	-	495,022	-	495,022	-
Current tax liability	83,963	83,963	-	-	79,979	79,979	-	-
Other liabilities	1,209,895	662,090	509,515	38,290	1,097,005	560,068	499,605	37,332
Shareholders' equity	9,878,905	9,878,905	-	-	9,539,338	9,539,338	-	-
Total liabilities and shareholders' equity	69,063,297	44,459,533	21,705,983	2,897,779	67,015,263	43,818,500	20,299,940	2,896,823
Position		1,107,760	(927,673)	(180,085)		1,098,783	(919,116)	(179,668)
Position off BS		(1,134,046)	955,100	178,946		(1,134,046)	955,100	178,946
Position total		(26,286)	27,428	(1,139)		(35,263)	35,985	(722)

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43. Risk management (continued)

43.2 Market risk (continued)

Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments. BRD - Groupe Société Générale manages interest rate risk mainly through the sensitivity of the net present value (NPV), measured as the sensitivity to a set of interest rate shocks of the present value of the future principal and interest cash flows of all items in the banking book, balance sheet and off-balance sheet. This measure is calculated for all currencies to which the Bank is exposed.

Assets and liabilities are analyzed without a prior allocation of resources to uses. Maturities of outstanding amounts are determined by taking into account the contractual characteristics of the transactions, adjusted for the results of customer behavior modelling (in particular for demand deposits, savings and early loan repayments).

In accordance with the Group's policy, positions are monitored on a regular basis and appropriate strategies are used to ensure that they are maintained within the established limits.

The following table demonstrates the sensitivity to a reasonable possible change in interest rates, with all other variables held constant, of the Group's and Bank's banking book.

Group		Bank	
December 31, 2022		December 31, 2022	
Change in interest rate (b.p)	Sensitivity (MRON)	Change in interest rate (b.p)	Sensitivity (MRON)
10	19	10	18
(10)	(19)	(10)	(19)

December 31, 2021		December 31, 2021	
Change in interest rate (b.p)	Sensitivity (MRON)	Change in interest rate (b.p)	Sensitivity (MRON)
10	12	10	17
(10)	(18)	(10)	(17)

The tables below analyse the Group's and the Bank's banking book interest rate risk exposure. The Group's assets and liabilities are included at carrying amount and gaps between outstanding assets and liabilities are determined on the basis of the contractual terms of transactions, models based on clients' historic behaviour patterns, as well as conventional assumptions relating to certain balance sheet items.

The Bank's assets and liabilities are included at carrying amount and categorised by the earlier of contractual repricing or maturity dates.

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43. Risk management (continued)

43.2 Market risk (continued)

Interest rate risk (continued)

Group December 31, 2022	0-1 months	1-3 months	3-12 months	1-5 years	Over 5 years	Total
ASSETS						
Cash and due from Central Bank	2,241,508	1,062,798	1,255,614	2,569,376	495,706	7,625,002
Due from banks	2,166,395	4,552,744	473,718	28,106	-	7,220,963
Derivatives and other financial instruments held for trading	1,903,485	69,600	189,148	35,052	146,092	2,343,377
Financial assets at fair value through profit and loss	119	238	1,070	5,705	7,131	14,262
Financial assets at fair value through other comprehensive income	(2,516,879)	-	1,048,581	6,203,637	8,704,257	13,439,596
Financial assets at amortised cost	12,553,669	12,427,983	2,785,355	8,400,235	2,851,807	39,019,048
Loans and advances to customers	12,530,503	12,427,983	2,785,355	7,051,904	1,492,597	36,288,342
Treasury bills at amortised cost	23,166	-	-	1,348,331	1,359,210	2,730,706
Financial lease receivables	211,326	543,478	255,890	395,722	979	1,407,394
Investments in associates and subsidiaries	698	2,166	8,593	45,829	56,385	113,670
Goodwill	418	836	3,760	20,052	25,065	50,130
Current tax assets	-	23,563	-	-	-	23,563
Deferred tax asset	4,230	8,457	38,058	202,978	242,312	496,034
Non current assets and other assets	49,180	5,779	237,254	1,237,958	558,556	2,088,728
Total assets	16,614,149	18,697,640	6,297,041	19,144,648	13,088,290	73,841,767
Liabilities						
Due to banks	636,888	-	-	-	-	636,888
Derivatives and other financial instruments held for trading	1,433,546	10,000	-	-	-	1,443,546
Due to customers	11,384,251	4,003,597	9,875,954	20,200,227	11,196,812	56,660,841
Debt issued and borrowed funds	78,743	4,006,937	346,837	1,192,971	-	5,625,488
Subordinated debts	1,800	1,236,850	-	-	-	1,238,651
Current tax liability	-	5,595	-	-	-	5,595
Other liabilities	698,849	37,980	64,875	332,412	136,877	1,270,992
Total liabilities	14,234,078	9,300,959	10,287,665	21,725,609	11,333,690	66,882,001
Total shareholders' equity	(2,051,618)	-	901,138	3,604,554	4,505,692	6,959,766
Net position	2,380,071	9,396,681	(4,891,762)	(6,185,515)	(2,751,092)	

The accompanying notes are an integral part of this financial statements

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43. Risk management (continued)

43.2 Market risk (continued)

Interest rate risk (continued)

Group						
December 31, 2021	0-1 months	1-3 months	3-12 months	1-5 years	Over 5 years	Total
ASSETS						
Cash and due from Central Bank	924,903	1,442,490	1,045,325	2,208,777	584,861	6,206,356
Due from banks	2,473,482	1,897,258	151,048	12,553	3,600	4,537,941
Derivatives and other financial instruments held for trading	1,506,590	63,920	300,146	317,986	86,282	2,274,924
Financial assets at fair value through profit and loss	1	-	-	6,946	-	6,947
Financial assets at fair value through other comprehensive	(368,864)	489,747	3,761,335	6,227,630	9,753,977	19,863,825
Financial assets at amortised cost	10,616,886	12,362,673	3,247,430	5,940,665	746,221	32,913,875
Loans and advances to customers	10,616,886	12,362,673	3,247,430	5,940,665	746,221	32,913,875
Financial lease receivables	47,478	317,891	372,746	481,957	2,523	1,222,595
Investments in associates and subsidiaries	76	-	10,892	43,569	52,668	107,205
Goodwill	418	836	3,760	20,052	25,065	50,130
Current tax assets	-	-	-	7,484	-	7,484
Deferred tax asset	3,001	6,003	27,013	144,071	-	180,089
Non current assets and other assets	21,998	37,205	201,100	969,418	462,204	1,691,926
Total assets	15,225,969	16,618,022	9,120,796	16,381,109	11,717,402	69,063,297
Liabilities						
Due to banks	156,810	-	-	-	-	156,810
Derivatives and other financial instruments held for trading	498,651	-	-	-	-	498,651
Due to customers	12,140,823	3,297,766	8,163,886	18,021,889	11,059,217	52,683,581
Debt issued and borrowed funds	60,862	2,936,834	391,609	667,164	-	4,056,470
Subordinated debts	212	494,810	-	-	-	495,022
Current tax liability	-	83,963	-	-	-	83,963
Other liabilities	488,182	15,449	76,772	467,538	161,953	1,209,895
Total liabilities	13,345,539	6,828,822	8,632,268	19,156,592	11,221,170	59,184,392
Total shareholders' equity	(377,821)	-	3,253,939	3,112,351	3,890,439	9,878,905
Net position	2,258,251	9,789,200	(2,765,410)	(5,887,834)	(3,394,208)	

The accompanying notes are an integral part of this financial statements

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43. Risk management (continued)

43.2 Market risk (continued)

Interest rate risk (continued)

Bank						
December 31, 2022	0-1 months	1-3 months	3-12 months	1-5 years	Over 5 years	Total
ASSETS						
Cash and due from Central Bank	2,241,440	1,062,798	1,255,614	2,569,376	495,706	7,624,933
Due from banks	2,165,972	4,552,744	473,718	12,553	-	7,204,987
Derivatives and other financial instruments held for trading	1,903,485	69,600	189,148	28,986	146,092	2,337,311
Financial assets at fair value through profit and loss	68	136	610	3,253	4,066	8,132
Financial assets at fair value through other comprehensive	(2,516,879)	-	1,048,581	6,203,637	8,704,257	13,439,596
Financial assets at amortised cost	12,520,589	12,190,060	2,673,232	8,042,591	2,846,513	38,272,984
Loans and advances to customers	12,497,424	12,190,060	2,673,232	6,694,260	1,487,303	35,542,278
Treasury bills at amortised cost	23,165	-	-	1,348,331	1,359,210	2,730,706
Investments in associates and subsidiaries	1,083	2,166	9,747	51,986	64,982	129,964
Goodwill	418	836	3,760	20,052	25,065	50,130
Current tax assets	-	23,563	-	-	-	23,563
Deferred tax asset	4,846	9,693	43,617	232,624	188,115	478,893
Non current assets and other assets	23,937	24,780	216,727	1,128,481	558,556	1,952,483
Total assets	16,344,960	17,936,374	5,914,755	18,293,538	13,033,352	71,522,977
Liabilities						
Due to banks	636,888	-	-	-	-	636,888
Derivatives and other financial instruments held for trading	1,433,546	10,000	-	-	-	1,443,546
Due to customers	11,546,420	4,027,817	9,925,936	20,218,584	11,196,983	56,915,740
Debt issued and borrowed funds	4,337	2,968,440	-	594,485	-	3,567,262
Subordinated debts	1,801	1,236,850	-	-	-	1,238,651
Other liabilities	691,676	33,913	46,575	234,813	136,877	1,143,854
Total liabilities	14,314,668	8,277,020	9,972,511	21,047,882	11,333,860	64,945,941
Total shareholders' equity	(2,084,244)	-	1,676,269	3,104,449	3,880,562	6,577,036
Net position	4,114,536	9,659,354	(5,734,025)	(5,858,793)	(2,181,070)	

The accompanying notes are an integral part of this financial statements

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43. Risk management (continued)

43.2 Market risk (continued)

Interest rate risk (continued)

Bank						
December 31, 2021	0-1 months	1-3 months	3-12 months	1-5 years	Over 5 years	Total
ASSETS						
Cash and due from Central Bank	924,870	1,442,490	1,045,325	2,208,777	584,861	6,206,323
Due from banks	2,473,051	1,897,258	151,048	-	-	4,521,357
Derivatives and other financial instruments held for trading	1,506,590	63,920	300,146	317,986	86,282	2,274,924
Financial assets at fair value through profit and loss	0	-	-	6,947	-	6,947
Financial assets at fair value through other comprehensive	(368,864)	489,747	3,761,335	6,227,630	9,753,977	19,863,825
Financial assets at amortised cost	10,604,353	12,212,066	3,116,306	5,509,957	741,174	32,183,856
Loans and advances to customers	10,604,353	12,212,066	3,116,306	5,509,957	741,174	32,183,856
Investments in associates and subsidiaries	0	-	15,892	63,566	79,458	158,916
Goodwill	418	836	3,760	20,052	25,065	50,130
Current tax assets	-	-	-	7,484	-	7,484
Deferred tax asset	2,770	5,539	24,926	132,938	-	166,173
Non current assets and other assets	14,726	40,780	183,509	874,109	462,204	1,575,328
Total assets	15,157,914	16,152,636	8,602,246	15,369,446	11,733,022	67,015,263
Liabilities						
Due to banks	156,810	-	-	-	-	156,810
Derivatives and other financial instruments held for trading	498,651	-	-	-	-	498,651
Due to customers	12,236,715	3,364,012	8,212,721	18,040,051	11,064,388	52,917,887
Debt issued and borrowed funds	412	2,226,665	728	2,766	-	2,230,572
Subordinated debts	212	494,810	-	-	-	495,022
Current tax liability	-	79,979	-	-	-	79,979
Other liabilities	472,075	14,451	72,279	376,246	161,953	1,097,005
Total liabilities	13,364,874	6,179,917	8,285,728	18,419,064	11,226,341	57,475,925
Total shareholders' equity	(401,601)	-	3,222,360	2,986,036	3,732,545	9,539,338
Net position	2,194,641	9,972,719	(2,905,842)	(6,035,653)	(3,225,863)	

The accompanying notes are an integral part of this financial statements

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43. Risk management (continued)

43.3 Liquidity risk

The liquidity risk is associated either with the difficulty of an enterprise to raise necessary funds in order to meet commitments or with its inability to monetize a financial asset quickly and for an amount close to its fair value.

The Group manages the exposure to the liquidity risk using a specific framework designed to manage it both under normal day-to-day conditions and in the event of a potential liquidity crisis. The liquidity risk management approach starts at the intraday level managing the daily payments flows, forecasting and managing cash flows, and factoring in the access to central bank monetary policy operations and standing facilities. It then covers a longer term perspective, comprising the maturity profile of all assets and liabilities and the funding strategy.

The liquidity risk position, under normal conditions, is measured at consolidated level using the static liquidity gaps indicator and the two liquidity ratios defined by CRD IV: Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR). Static liquidity gap is defined as the difference between the expected future inflows and outflows related to the current transactions (no new business included), determined for each time bucket and currency based on the contractual maturity of the transactions, considering also embedded options (e.g. prepayment for loans, term deposits) or, for non-maturing products (the main ones being: current accounts, fixed assets, other assets, equity, other liabilities), based on a maturity modelled using historical client behaviour or a conventional maturity. For each budgeting and planning exercise, the future funding needs are assessed starting from the actual liquidity position and budgeted evolution of assets and liabilities. When a deficit is expected, funding solutions are assessed and appropriate actions are planned.

As regards LCR and NSFR, the limits imposed by the regulation in force was respected throughout the entire year.

The Group performs liquidity risk stress tests on a quarterly basis in order to identify and quantify its exposures to possible liquidity stresses, analysing potential impacts on the cash flows and liquidity position. The Group is considering 3 liquidity crisis scenarios: specific to the Group (idiosyncratic), systemic and a combination of both. The Group maintains a liquidity buffer of unencumbered, high quality liquid assets as an insurance against a range of liquidity stress scenarios. A contingency funding plan is designed to protect the stakeholders' interests and to ensure positive outcome in the event of a liquidity crisis.

The maturity structure of the Group's and the Bank's assets and liabilities as of December 31, 2022 and 2021 is as follows:

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43. Risk management (continued)

43.3 Liquidity risk (continued)

Group						
December 31, 2022	Total	0-1 months	1-3 months	3-12 months	1-5 years	Over 5 years
ASSETS						
Cash and due from Central Bank	7,625,002	1,707,235	327,939	1,604,875	3,196,633	788,320
Due from banks	7,220,963	2,166,395	4,552,744	473,718	28,106	-
Derivatives and other financial instruments held for trading	2,343,377	1,903,485	69,600	189,148	35,052	146,092
Financial assets at fair value through profit and loss	14,262	119	238	1,070	5,705	7,131
Financial assets at fair value through other comprehensive income	13,439,596	(2,516,879)	-	1,048,581	6,203,637	8,704,257
Financial assets at amortised cost	39,019,048	1,963,208	1,958,576	6,865,686	15,646,570	12,585,008
Loans and advances to customers	36,288,342	1,940,042	1,958,576	6,865,686	14,298,239	11,225,798
Treasury bills at amortised cost	2,730,706	23,166	-	-	1,348,331	1,359,209
Financial lease receivables	1,407,394	42,098	175,139	415,567	772,676	1,914
Investments in associates and subsidiaries	113,670	698	2,166	8,593	45,829	56,385
Goodwill	50,130	418	836	3,760	20,052	25,064
Current tax assets	23,563	-	23,563	-	-	-
Deferred tax asset	496,034	4,230	8,457	38,058	202,978	242,311
Non current assets and other assets	2,088,728	49,180	5,779	237,254	1,237,958	558,557
Total assets	73,841,767	5,320,187	7,125,036	10,886,310	27,395,195	23,115,039
LIABILITIES						
Due to banks	636,888	636,888	-	-	-	-
Derivatives and other financial instruments held for trading	1,443,546	1,433,546	10,000	-	-	-
Due to customers	56,660,841	11,384,251	4,003,597	9,875,954	20,200,227	11,196,812
Debt issued and borrowed funds	5,625,488	78,340	154,681	2,825,797	2,566,670	-
Subordinated debts	1,238,651	1,801	-	-	1,236,850	-
Current tax liability	5,595	-	5,595	-	-	-
Other liabilities	1,270,992	357,614	49,547	116,928	610,027	136,877
Total liabilities	66,882,001	13,892,440	4,223,420	12,818,678	24,613,773	11,333,690
Total shareholders equity	6,959,766	(2,051,618)	-	901,138	3,604,554	4,505,692
Gap		(6,520,636)	2,901,617	(2,833,507)	(823,131)	7,275,657
Cumulative gap		(6,520,636)	(3,619,020)	(6,452,526)	(7,275,658)	(0)

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43. Risk management (continued)

43.3 Liquidity risk (continued)

Group						
December 31, 2021	Total	0-1 months	1-3 months	3-12 months	1-5 years	Over 5 years
ASSETS						
Cash and due from Central Bank	6,206,356	1,285,982	262,591	1,170,956	2,649,013	837,814
Due from banks	4,537,941	2,473,482	1,897,258	151,048	12,553	3,600
Derivatives and other financial instruments held for trading	2,274,924	2,274,924	-	-	-	-
Financial assets at fair value through profit and loss	6,947	-	-	-	6,947	-
Financial assets at fair value through other comprehensive income	19,863,825	18,364,192	40,675	302,411	494,474	662,073
Financial assets at amortised cost	32,913,875	1,254,092	1,097,803	5,360,714	14,789,786	10,411,480
Loans and advances to customers	32,913,875	1,254,092	1,097,803	5,360,714	14,789,786	10,411,480
Financial lease receivables	1,222,595	38,279	85,661	372,463	722,490	3,702
Investments in associates and subsidiaries	107,205	-	-	10,155	40,619	56,431
Goodwill	50,130	418	836	3,760	20,052	25,065
Current tax assets	7,484	-	-	-	7,484	-
Deferred tax asset	180,089	3,001	6,003	27,013	144,072	-
Non current assets and other assets	1,691,926	21,998	37,205	201,100	969,418	462,204
Total assets	69,063,297	25,716,367	3,428,032	7,599,620	19,856,908	12,462,369
LIABILITIES						
Due to banks	156,810	156,810	-	-	-	-
Derivatives and other financial instruments held for trading	498,651	498,651	-	-	-	-
Due to customers	52,683,581	6,529,139	3,472,156	8,972,287	21,223,231	12,486,769
Debt issued and borrowed funds	4,056,470	59,359	158,761	582,177	3,256,174	-
Subordinated debts	495,022	212	-	-	-	494,810
Current tax liability	83,963	-	83,963	-	-	-
Other liabilities	1,209,895	165,220	35,184	124,648	722,890	161,953
Total liabilities	59,184,391	7,409,389	3,750,063	9,679,113	25,202,294	13,143,532
Total shareholders equity	9,878,905	(377,824)	-	3,253,939	3,112,351	3,890,439
Gap		18,684,800	(322,031)	(5,333,431)	(8,457,736)	(4,571,602)
Cumulative gap		18,684,800	18,362,769	13,029,338	4,571,602	0

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43. Risk management (continued)

43.3 Liquidity risk (continued)

Bank						
December 31, 2022	Total	0-1 months	1-3 months	3-12 months	1-5 years	Over 5 years
ASSETS						
Cash and due from Central Bank	7,624,933	1,707,166	327,939	1,604,875	3,196,633	788,320
Due from banks	7,204,987	2,165,972	4,552,744	473,718	12,553	-
Derivatives and other financial instruments held for trading	2,337,311	1,903,485	69,600	189,148	28,986	146,092
Financial assets at fair value through profit and loss	8,132	68	136	610	3,253	4,066
Financial assets at fair value through other comprehensive income	13,439,596	(2,516,879)	-	1,048,581	6,203,637	8,704,257
Financial assets at amortised cost	38,272,984	1,940,992	1,901,072	6,711,969	15,140,332	12,578,619
Loans and advances to customers	35,542,278	1,917,827	1,901,072	6,711,969	13,792,001	11,219,408
Treasury bills at amortised cost	2,730,706	23,165	-	-	1,348,331	1,359,210
Investments in associates and subsidiaries	129,964	1,083	2,166	9,747	51,986	64,982
Goodwill	50,130	418	836	3,760	20,052	25,065
Current tax assets	23,563	-	23,563	-	-	-
Deferred tax asset	478,893	4,846	9,693	43,617	232,624	188,114
Non current assets and other assets	1,952,483	23,937	24,780	216,727	1,128,481	558,556
Total assets	71,522,977	5,231,089	6,912,527	10,302,752	26,018,537	23,058,071
LIABILITIES						
Due to banks	636,888	636,888	-	-	-	-
Derivatives and other financial instruments held for trading	1,443,546	1,433,546	10,000	-	-	-
Due to customers	56,915,740	7,532,931	3,624,484	10,551,292	22,797,035	12,409,998
Debt issued and borrowed funds	3,567,262	4,337	-	2,226,330	1,336,595	-
Subordinated debts	1,238,651	1,801	-	-	1,236,850	-
Other liabilities	1,143,854	350,441	45,481	98,628	512,428	136,877
Total liabilities	64,945,941	9,959,943	3,679,965	12,876,250	25,882,908	12,546,875
Total shareholders equity	6,577,035	(2,084,244)	-	1,676,269	3,104,449	3,880,562
Gap		(2,644,610)	3,232,562	(4,249,767)	(2,968,821)	6,630,636
Cumulative gap		(2,644,610)	587,953	(3,661,814)	(6,630,635)	(0)

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43. Risk management (continued)

43.3 Liquidity risk (continued)

Bank						
December 31, 2021	Total	0-1 months	1-3 months	3-12 months	1-5 years	Over 5 years
ASSETS						
Cash and due from Central Bank	6,206,324	1,285,948	262,592	1,170,956	2,649,013	837,815
Due from banks	4,521,357	2,473,051	1,897,258	151,048	-	-
Derivatives and other financial instruments held for trading	2,274,924	2,274,924	-	-	-	-
Financial assets at fair value through profit and loss	6,947	-	-	-	6,947	-
Financial assets at fair value through other comprehensive income	19,863,825	18,364,192	40,675	302,411	494,474	662,073
Financial assets at amortised cost	32,183,856	1,243,477	1,066,351	5,220,479	14,248,575	10,404,974
Loans and advances to customers	32,183,856	1,243,477	1,066,351	5,220,479	14,248,575	10,404,974
Investments in associates and subsidiaries	158,916	-	-	15,892	63,566	79,458
Goodwill	50,130	418	836	3,760	20,052	25,065
Current tax assets	7,484	-	-	-	7,484	-
Deferred tax asset	166,173	2,770	5,539	24,926	132,938	-
Non current assets and other assets	1,575,328	20,390	40,780	183,509	868,445	462,204
Total assets	67,015,262	25,665,169	3,314,030	7,072,981	18,491,494	12,471,589
LIABILITIES						
Due to banks	156,810	156,810	-	-	-	-
Derivatives and other financial instruments held for trading	498,651	498,651	-	-	-	-
Due to customers	52,917,887	6,626,489	3,537,427	9,021,191	21,240,830	12,491,951
Debt issued and borrowed funds	2,230,572	412	20	728	2,229,411	-
Subordinated debts	495,022	212	-	-	-	494,810
Current tax liability	79,979	-	79,979	-	-	-
Other liabilities	1,097,005	149,113	34,186	120,155	631,598	161,953
Total liabilities	57,475,925	7,431,686	3,651,612	9,142,074	24,101,838	13,148,714
Total shareholders equity	9,539,338	(375,999)	(868)	3,218,454	2,965,206	3,732,545
Gap		18,609,483	(336,714)	(5,287,548)	(8,575,551)	(4,409,670)
Cumulative gap		18,609,483	18,272,769	12,985,221	4,409,670	0

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43. Risk management (continued)

43.3 Liquidity risk (continued)

Future undiscounted cash flows

The tables below summarize the maturity profile of the financial liabilities based on contractual undiscounted repayment obligations.

Group						
December 31, 2022	Total	0-1 months	1-3 months	3-12 months	1-5 years	Over 5 years
LIABILITIES						
Due to banks	636,525	636,525	-	-	-	-
Derivatives and other financial instruments held for trading	668,889	911,676	(15,860)	(37,841)	(158,519)	(30,567)
Due to customers	57,036,178	11,508,294	4,037,384	9,992,135	20,230,198	11,268,167
Debt issued and borrowed funds	5,862,760	84,900	165,839	2,874,005	2,687,634	50,382
Subordinated debt	1,240,452	3,602	-	-	1,236,850	-
Current tax liability	5,595	-	5,595	-	-	-
Other liabilities except for fair values of derivatives	1,209,895	165,220	35,184	124,648	722,890	161,953
Letters of guarantee granted	6,449,588	6,449,588	-	-	-	-
Financing commitments granted	6,183,371	6,183,371	-	-	-	-
Total liabilities	79,293,253	25,943,176	4,228,142	12,952,948	24,719,052	11,449,936

Group						
December 31, 2021	Total	0-1 months	1-3 months	3-12 months	1-5 years	Over 5 years
LIABILITIES						
Due to banks	156,919	156,919	-	-	-	-
Derivatives and other financial instruments held for trading	478,743	404,600	5,296	25,531	37,758	5,559
Due to customers	52,955,145	6,558,316	3,505,892	9,085,502	21,248,979	12,556,458
Debt issued and borrowed funds	4,231,071	60,822	165,087	612,418	3,343,048	49,696
Subordinated debt	495,233	423	-	-	-	494,810
Current tax liability	83,963	-	83,963	0	0	0
Other liabilities except for fair values of derivatives	1,115,560	70,885	35,184	124,648	722,890	161,953
Letters of guarantee granted	5,427,857	5,427,857	-	-	-	-
Financing commitments granted	5,834,265	5,834,265	-	-	-	-
Total liabilities	70,778,757	18,514,087	3,795,422	9,848,099	25,352,674	13,268,476

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43. Risk management (continued)

43.3 Liquidity risk (continued)

Future undiscounted cash flows (continued)

Bank						
December 31, 2022	Total	0-1 months	1-3 months	3-12 months	1-5 years	Over 5 years
LIABILITIES						
Due to banks	643,830	637,386	-	6,444	-	-
Derivatives and other financial instruments held for trading	669,702	911,676	(15,785)	(37,674)	(157,990)	(30,525)
Due to customers	58,154,885	7,695,107	3,650,485	11,029,214	23,211,063	12,569,016
Debt issued and borrowed funds	3,644,028	8,053	-	2,263,431	1,372,545	-
Subordinated debt	1,246,896	3,602	-	6,444	1,236,850	-
Other liabilities except for fair values of derivatives	1,143,854	350,441	45,481	98,628	512,428	136,877
Letters of guarantee granted	6,451,531	6,451,531	-	-	-	-
Financing commitments granted	5,740,595	5,740,595	-	-	-	-
Total liabilities	77,695,321	21,798,390	3,680,181	13,366,487	26,174,895	12,675,368

Bank						
December 31, 2021	Total	0-1 months	1-3 months	3-12 months	1-5 years	Over 5 years
LIABILITIES						
Due to banks	156,920	156,920	-	-	-	-
Derivatives and other financial instruments held for trading	447,834	404,461	5,040	8,008	16,869	13,456
Due to customers	53,195,328	6,655,856	3,571,214	9,135,817	21,269,135	12,563,304
Debt issued and borrowed funds	2,384,501	602	3,311	22,840	2,308,055	49,694
Subordinated debt	495,233	423	-	-	-	494,810
Current tax liability	79,979	-	79,979	-	-	-
Other liabilities except for fair values of derivatives	1,002,670	54,779	34,186	120,155	631,598	161,953
Letters of guarantee granted	5,441,448	5,441,448	-	-	-	-
Financing commitments granted	5,344,315	5,344,315	-	-	-	-
Total liabilities	68,548,229	18,058,804	3,693,730	9,286,821	24,225,657	13,283,217

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43. Risk management (continued)

43.4 Operational risk

Operational risk is defined as the risk of loss resulting from inadequate or failed internal processes, personnel and systems, or from external events. It includes the legal risk, the risk related to information technology and communication and security risk, conduct risk and model risk, but excludes the strategic risk.

The Group's operational risk management system was developed and strengthened over the years and allows:

- identification, analysis and evaluation of operational risks, their control and follow up
- applying measures meant to improve and strengthen the control framework, in order to prevent/reduce operational risk losses
- ensuring adequate capital requirements for covering exposure to operational risks.

The day to day management of operational risk is the responsibility of employees from each business unit. The personnel have to be always aware of their responsibilities in connection with identification and reporting of operational risks and other duties which may arise in relation with the management of operational risks.

Operational risk management tools put in place at BRD are:

- Historical operational risk losses database
- Key risk indicators (KRI)
- Risk and control self-assessment process (RCSA)
- Scenario analysis
- Managerial Supervision of processes (MS)
- Fraud prevention and detection system
- Committee for New Products, which ensures the assessment of operational risks associated with new products for Banks' clients, outsourcing of activities and significant modifications of the existing products offered to the Bank's clients
- Crisis management and business continuity plan
- Management of Information Security and IT Risk

In 2022, the operational risk strategy focused on the following axes:

- Continue the enhancement of operational risk culture through new sessions of operational risk awareness and staff training, including specific session on fraud risk, information security and business continuity risk;
- Continue the improvement of the operational risk management process and tools by adapting to the internal and external environment.

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44. Capital management

BRD Group calculates the capital requirements in accordance with Basel 3 principles, implemented in the European Union law by the capital Directive (CRD IV - 36/2013), Regulation (CRR – 575/2013), technical regulatory standards and technical implementation standards issued by the European Banking Authority, with all subsequent amendments as of date. Locally, the European requirements are also adopted through National Bank of Romania (NBR) prudential regulations for credit institutions and investment firms: OUG 99/2006 on credit institutions and capital adequacy and NBR Regulation no. 5/2013 regarding prudential requirements.

All CRR 2 requirements (represented by new provisions of Regulations EU 876/2019) have been implemented starting 30.06.2021.

Group's and Bank's own funds comprises Tier 1 and Tier 2 capital. Two subordinated loans in total amount of 250 million EUR (received in December 2021 and June 2022) are included as Tier 2 capital.

Tier 1 capital includes CET 1 capital, namely eligible capital, eligible reserves and other comprehensive income less regulatory deductions.

A summary of the capital requirements indicators is presented below, in million RON:

	Group		Bank	
	2022	2021	2022	2021
Total Tier 1 capital	6,995	6,927	6,714	6,646
Total Tier 2 capital	1,237	495	1,237	495
TOTAL OWN FUNDS	8,231	7,422	7,951	7,141
Total capital requirement	2,711	2,509	2,551	2,368
Credit risk (including counterparty risk)	31,067	28,753	29,150	27,067
Market risk	77	132	76	138
Operational risk	2,526	2,211	2,448	2,125
CVA risk	218	266	218	266
Total risk exposure amount	33,888	31,362	31,892	29,596
Regulatory CAR	24.29%	23.66%	24.93%	24.13%
Tier 1 ratio	20.64%	22.09%	21.05%	22.46%

BRD Group regulatory own funds as of December 31, 2022 amounted to 8,231 million RON (including current year net result and the impact of OCI quick fix adjustment), compared to 7,422 million RON as of December 31, 2021 (including the 2021 profit net of dividends paid in amount of 896 million RON).

Note: The Regulatory CAR indicator without the impact of OCI quick fix adjustment is 21.37% (Group) and 21.83% (Bank) as of December 31, 2022.

The Group and Bank was compliant with the capital adequacy ratios throughout the year.