BCR

No. CEO Office: 5 /24.03.2023

Supervisory Board

Annual Report

for the year ended at 31 December 2022

This report is prepared in accordance with requirements of ASF Regulation 5/2018.

Report issued: 15 March 2023

Name of legal entity:	Banca Comercială Română SA
Headquarters:	159 Calea Plevnei street, Sector 6, Bucharest, postal code 060013
Contact:	
Tel No. InfoBCR:	0800.801.227 +4021.407.42.00
Website	www.bcr.ro
Email:	contact.center@bcr.ro
Registration Number in the Trade Register:	J40/90/1991
Company Registration Number:	361757
Banking Register Number:	RB-PJR-40-008/18.02.1999
LEI Code	549300ORLU6LN5YD8X90
Notification registered as Personal Data Operator at ANSPDCP under No:	3776 and 3772
Subscribed and paid-up capital:	1,625,341,625.40 RON
The regulated market on which the bonds are issued:	Bucharest Stock Exchange (www.bvb.ro)
The main characteristics of the bonds issued by BCR S.A.	Issuance in amount RON 600,000,000, ISIN ROEAZVK5DFP8 Issuance in amount RON 1,000,000,000, ISIN RO1AQREPLMW7 Issuance in amount RON 500,000,000, ISIN ROMU2ND4VHC6 Issuance in amount RON 600,000,000, ISIN ROPQT4NGMLM3 Issuance in amount RON 351,500,000, ISIN RO451CMZH2K1 Issuance in amount RON 702,000,000, ISIN ROPC9F84ZSG4 Issuance in amount RON 334,000,000, ISIN ROGJ5KD9L1W9

1. Analysis of the Bank's activity

a) Description of the Bank's main activity

Banca Comercială Română S.A. is incorporated and domiciled in Romania. Its registered office is at 159, Calea Plevnei, Building A - Business Garden 6th floor, Bucharest, Romania.

According to Art. 9 from Charter of the Bank, the core area is monetary intermediation (CAEN Code 641). The Bank's principal activity is other monetary intermediation activities (CAEN Code 6419).

The Group provides day-to-day banking services and other financial services to governmental institutions, corporate and individual clients operating in Romania and abroad. These services include: accounts opening, domestic and international payments, foreign exchange transactions, working capital finance, medium and long term facilities, retail loans, finance micro and small enterprises, bank guarantees, letters of credit and through subsidiaries also leasing, brokerage, financial consultancy services and asset management.

b) The Bank's establishment date

Banca Comercială Română (BCR) was established in 1990, when it took over the commercial operations of the National Bank of Romania.

The Bank was recorded with the Trade Register under no. J40/90/1991, sole registration number 361757, and in the registry of credit institutions under no. RB-PJR-40-008.

c) Significant mergers and reorganizations of the Bank, its subsidiaries during the financial year

During 2022, Banca Comercială Română Group ("BCR Group" or "the Group") maintained the same structure as in 2021, comprising the parent bank, Banca Comercială Română S.A. and its subsidiaries, presented in the following table:

Company's name	Country of incorporation	Nature of the business	Shareholding		Gross Book Value	Net Book Value	Impaiment
			2022	2021			
BCR Chisinau SA (i)	Moldova	Banking	100.00%	100.00%	200,064	44,579	155,485
BCR Leasing IFN SA	Romania	Financial leasing	99.97%	99.97%	389,493	360,301	29,192
BCR Pensii, Societate de Administrare a Fondurilor de Pensii Private SA	Romania	Pension Fund	99.99%	99.99%	269,820	138,742	131,078
BCR Banca pentru Locuinte SA	Romania	Banking	99.99%	99.99%	948,578	-	948,578
Suport Colect SRL	Romania	Workout	99.99%	99.99%	983,047	-	983,047
BCR Payments Services SRL	Romania	Payments transactions	99.99%	99.99%	1,900	1,900	-
BCR Fleet Management SRL (ii)	Romania	Operational leasing	99.97%	99.97%	-	-	-

(i)Company held as available for sale;

(ii) Company held indirectly by BCR through BCR Leasing SA.

BCR Group (member of Erste Group) is one of the most important financial group in Romania, including universal banking operations (retail, corporate & investment banking, treasury and capital markets), as well as activities of leasing companies, private pension fund and housing bank.

d) Description of the acquisitions and/or sales of assets

During 2022, the gross book value of the Bank's investments in subsidiaries increased by RON 167,500 thousand (related to BCR BpL).

e) The main results of the assessment of the Bank's activity

External Audit

The financial statements are audited by PricewaterhouseCoopers Audit SRL starting with the financial year ended 31 December 2017.

According to the Audit Opinion, the consolidated and separate Financial Statements give a true and fair view of the consolidated and separate financial position, the consolidated and separate financial performance and cash-flows for December 31st 2022 in accordance with International Financial Reporting Standards as endorsed by the European Union.

1. Analysis of the Bank's activity (*continued*)

e) The main results of the assessment of the Bank's activity (*continued*)

Internal Audit

The Audit Committee is a consultancy body, which reviews, reports to, advises and assists the Supervisory Board in carrying out its tasks related to internal control and audit, as well as on the quality and performance of Bank's internal accountants and auditors, the reliability of the Bank's financial information, and the adequacy of the Bank's financial controls and policies.

The Audit Committee is made of 3 members and one additional replacement member elected out of the Supervisory Board members.

Members of the Audit Committee must have basic accounting and financial knowledge and at least one member of the Audit Committee shall have accounting or financial management professional background. The responsibilities, organization, the operation and the procedures of the Audit Committee are established by the Audit Committee Internal Rules.

1.1.1. General items of the assessment for the financial year ended December 31, 2022

The separate and consolidated financial statements prepared in accordance with the International Financial Reporting Standards endorsed by the European Union (NBR Order no. 27/2010, as subsequently amended and supplemented) are presented below:

in RON thousands	Group	Bank
Gross profit	2,157,882	2,220,564
Net profit	1,745,919	1,830,016
Total assets	98,850,060	97,756,207

Solvency ratio for BCR Bank standalone, according to the capital requirements regulations (CRR) stood at 22.1% as of December 2022, well above the regulatory requirements of the National Bank of Romania. Furthermore, the Tier 1+2 capital ratio of 20.8% (BCR Group) as of December 2022 is clearly reflecting BCR's strong capital and funding positions.

Return on assets calculated based on monthly average total assets (net profit for the year divided by average total assets) was 1.87% for Group and 1.99% for Bank.

1.1.2. Assessment of the Bank's at technical level

The Bank offers a complete range of financial services, a very developed digital banking ecosystem in George and financial solutions dedicated to each stage of the financial cycle in a lifetime, as a "one-stop shop": savings, investment, lending, consulting and advisory, as well as leasing. BCR encourages long-term relationships with its clients belonging to all segments, offers affordable and transparent products, but also personalized consulting services.

Network

BCR provides a full range of financial products and services, through a network of 20 commercial business centres and 14 mobile offices dedicated to companies and 321 retail units located in most cities across the country with over 10,000 inhabitants.

1.1.3. Assessment of the technical and material supply activities

N/A

1. Analysis of the Bank's activity (*continued*)

1.1.4. Assessment of the sales activity

BCR is one of the most important banks in Romania regarding bank transactions, as BCR clients have access to an extended national ATM and multifunctional terminal network – 1,700 units, and complete banking services via Internet banking, Mobile banking, Phone-banking and E-commerce.

BCR serves the following groups of clients:

Private Individuals: BCR supports its customers to fulfil their aspirations, insuring their current and future financial well-being and provides support for accessing the full digital flow of its products. BCR offers a full range of services and products, from real estate financing (mortgages), personal loans, personal accounts (including packages for entrepreneurs, students, NGOs and Foundations), debit and credit cards, investment and savings products, consultancy and sale of treasury products and financial market access to private customers. BCR offers full Internet banking, Mobile Banking, Phone Banking and E-commerce services. The George digital platform is always available for its customers on their mobile phone, tablets or laptops. The Bank's customers have full control over their financing, anytime and anywhere.

Small and Medium Enterprises as well as large companies: proper financing is essential for the sound development of a business. BCR is dedicated to finding ways to navigate together with customers, through the current challenges. As a leader in many banking areas, BCR plays a key role for the commercial companies' segment by offering customized products, specialized programs and advice to micro-enterprises, small and medium-sized businesses as well as for large commercial companies.

Municipal authorities, public and non-profit sector: thanks to the long and solid relationship with municipal authorities, as well as with the public and non-profit sector, BCR became the first choice for dedicated financial solutions (including special funding for infrastructure projects at national, regional and local level).

The BCR impact in the economy

In **retail banking business**, BCR generated total new loans to individuals and micro businesses of RON 9,5 billion in 2022, on the back of mortgage sales increasing by 20.7% yoy. Stock of mortgage in local currency increased by 10.6% yoy, while the stock of unsecured consumer loans (including credit cards and overdrafts) increased by 5.7% yoy as of 31 December 2022.

In **corporate banking business**, BCR (bank standalone) approved new corporate loans of RON 15.6 billion in 2022, up by 65% yoy, of which a third are aimed for investments. The advance of 25.5% yoy in the stock of corporate financing was driven by significant increases in all customer segments.

The total BCR Leasing financing portfolio granted to customers increased by 32% compared to 2021, to over RON 1.95 billion, offering support for entrepreneurs in different activity domains.

The Group follows an accelerated digitalization strategy. In the **intelligent banking platform George there are** 2.14 million users, up to 22% as compared to 2021. 62% of all BCR products (current account opening, mortgage and personal loans, savings account, deposits, insurance and investment products) are granted on a 100% digital flow.

BCR Group performance in 2022

BCR Group achieved a **net profit of RON 1,745.9 million (EUR 354 million) in 2022**, up by 23.8% against RON 1,409.8 million (EUR 286.5 million) in 2021, driven by improved operating result underpinned by continued strong loan growth.

Operating result improved by 29% to **RON 2,735.5 million (EUR 554.7 million) in 2022** from RON 2,120.1 million (EUR 430.8 million) in 2021, on the back of improved operating income, partly offset by higher operating expenses.

Net interest income increased by 21.7% to **RON 2,948.7 million (EUR 597.9 million**) in 2022, from RON 2,422.1 million (EUR 492.2 million) in 2021, driven by higher business volumes coupled with higher market rates.

Net fee and commission income increased by 8.8% to **RON 944.2 million (EUR 191.5 million) in 2022**, from RON 867.9 million (EUR 176.4 million) in 2021, driven by higher transactional business as well as higher fee income from lending and brokerage.

Net trading result increased by 64.3%, to **RON 630.1 million (EUR 127.8 million**) **in 2022**, from RON 383.5 million (EUR 77.9 million) in 2021, on higher trading activity.

Operating income increased by 21.7%, to **RON 4,615.5 million (EUR 935.9 million) in 2022**, from RON 3,791.7 million (EUR 770.5 million) in 2021, driven by all major income components.

General administrative expenses reached **RON 1,880 million (EUR 381.2 million) in 2022**, up by 12.5% in comparison to RON 1,671.6 million (EUR 339.7 million) in 2021, mainly due to higher contribution to deposit insurance fund in 2022 as well as higher personnel and other administrative expenses generated by the inflationary environment.

As such, **cost-income ratio improved to 40.7% in 2022**, versus 44.1% in 2021.

BCR

1. Analysis of the Bank's activity (*continued*)

1.1.4. Assessment of the sales activity (*continued*)

Risk costs and Asset Quality

Impairment result from financial instruments recorded a provision allocation of **RON 393.8 million (EUR 79.8 million) in 2022**, as compared to an allocation of RON 228.4 million (EUR 46.4 million) in 2021. This result has been mainly triggered by allocations of portfolio provisions reflecting the bank's prudential approach given the current operating and geopolitical context. This translated into updated macroeconomic scenarios, re-estimated risk parameters and additional stricter rules for credit risk classification under IFRS 9.

NPL ratio stood at **2.8% as of December 2022**, significantly lower than 3.9% recorded as of December 2021. This evolution is reflecting the low NPL formation, a good trend of recoveries in both retail and corporate segments and also the increase in loans to customers. At the same time, the NPL provisioning coverage was 171.4% as of December 2022.

Net loans and advances to customers increased by 15.6% to **RON 55,328.5 million (EUR 11,178.6 million) as of 31 December 2022**,from RON 47,868.5 million (EUR 9,672.4 million) as of 31 December 2021, supported by increases in both retail loans (+4.1% ytd to RON 28,062.2 million) and corporate loans (+25.5% ytd to RON 26,036.5 million).

Deposits from customers increased by 4.3% to **RON 75,588.5 million (EUR 15,271.9 million) as of 31 December 2022,** from RON 72,458.4 million (EUR 14,641.0 million) as of 31 December 2021, due to decline in retail deposits (-5.3% ytd to RON 43,753.6 million) counterbalanced by the increase in corporate deposits (+20.1% ytd to RON 28,847.4million).

1.1.5. Assessment of the aspects related to the Bank's and the Group's employees

The number of own employees of the Bank at 31 December 2022 was 5,018 employees (31 December 2021: 4,905 employees).

The number of own employees of the Group at 31 December 2022 was 5,430 employees (31 December 2021: 5,342 employees).

Key statistics related to BCR's workforce:

- gender distribution: 75.49% women and 24.51% men;
- average age: 40.3 years;
- Level of studies: 87.08% employees with higher education and 12.92% employees with secondary education.

Improvement and professional development

In 2022, there were 16,875 participations in various training sessions and workshops organized in accordance with our annual training plan, of which 37% represents participation in technical training courses.

The total average number of training days was 8.14 days per employee, of which in virtual / face-to-face sessions 5.09 days/employee and 3.05 days/employee in e-learning format. Following our return to the office, more and more sessions were organised in class, but we continued to facilitate virtual sessions by using interactive and engaging techniques.

Our e-learning platform is actively used for on-line education as well as for regular testing sessions, such as: prevention and combating money laundering, information security, market abuse, financial sanctions, transparency and consumer protection, health and safety at work (SSM), compliance, data protection etc. Starting 2022, we added new topics in areas of interest such as investments and sustainable finance.

We continued to use the approximately 500 online courses which we made available to all our employees directly on the platform supplied by the training provider – Skillsoft. Additionally, some 551 colleagues benefited from online courses on various current topics available on the international Udemy for Business platform. The most accessed courses were in these areas: technology (67,4%), business (25,7%), while the rest were dedicated to personal development (6.9%).

Employees from our retail units benefited from specialized programs for development of technical skills and other skills necessary in their daily activity. Thus, they participated in virtual or face-to-face courses focused on customer service, our products and services, as well as in courses designed to improve the client-bank relationship.

Our colleagues in the corporate area attended a customized training and development program built on four main pillars: (1) advisory selling, (2) technical expertise, (3) skills of the future and (4) (self)leadership. In total, there were 1,758 participations in this program.

In 2022, the Bank continued the process of transformation in line with worldwide digitalisation trends and ever-changing customer expectations and, for this purpose, a series of events and workshops were organized on relevant topics such as new ways of working, design thinking and agile methodologies.

The Bank continued to focus on management education by providing managers with various specific courses on management & leadership skills, individual and team coaching sessions, to ensure they are prepared to face the challenges brought about by the hybrid leadership model and thus contribute to overall achievement of strategic objectives.

1. Analysis of the Bank's activity (*continued*)

1.1.6. Assessment related the impact of the Bank's core business on environment

For BCR, the overall journey towards the fulfilment of ESG goals includes addressing climate and environmental risks and fully observing all regulatory framework and recommendations and also goes beyond this, as part of the bank intention to provide value to the social and economical environment. To this end, in 2022 BCR expanded its actions:

- in respect of lending and customer support, especially by the ESG dialogue framework with existing and potential clients;
- also, BCR has been focused on the products development side, and is already offering products which underpin the importance of energy-efficiency solutions and buildings with lower energy consumption;
- on a partnership and commitment level, BCR's efforts are also focused on the decarbonization of the portfolios, where BCR will follow the actions of its's parent company Erste Group Bank AG, which joined the Net-Zero Banking Alliance, which commits the Group to achieve net-zero no later than end of 2050;
- implementing mandatory ESG training to the BCR induction curriculum.

In 2022, the Bank further acted on our ambitions to support the transition to a sustainable economy. In addition to the issuance in October 2021 of its first Green Bond, in June 2022, BCR successfully issued a new senior green non-preferred bond issuance of RON 702 million, continuing its strategy towards expanding its financing sources and contributing to the development of the capital market in Romania. The order book was well diversified, as pension funds, asset management firms, insurance companies, credit institutions and IFIs had large interest in the transaction.

Banca Comerciala Romana:

- admits and accepts the fundamental importance of an integrated approach of the environmental and social factors, as well as of lasting development principles within its financing activity;
- pays adequate attention to its financing processes, securing before making the financing decision, the compliance of the respective projects with the minimal environmental protection, social protection and occupational safety standards applicable in Romania.

BCR does not finance activities which do not meet environmental requirements specified in the Romanian legislation, relevant international conventions and agreements to which Romania adhered expressly. Analysis of environmental issues is part of the lending process and is mandatory for every transaction.

Generally, business operations of financial institutions have impact mainly through the indirect environmental impact of the loan portfolios. Nevertheless, the Bank's ambition is also to reduce its direct ecological footprint. Therefore, in respect of its own operations, the most effective way for the Bank to proceed was by reducing CO_2 emissions, by switching to electricity from renewable sources. In 2022, the Bank increased its total share of directly purchased energy to approximately 70% from renewable sources, with the aim in 2023 to increase this share. In 2022, we maintained the 100% of the electricity used in both headquarter buildings in Bucharest came from renewable sources. Both premises hold a LEED Platinum (Leadership in Energy and Environmental Design) certification. In addition, the Bank upgraded old heating and air conditioning systems and installed new sensors for lightening logos on premises used. In 2023, the focus will continue to be on the car fleet strategy and electrification.

For December 2022, the Bank applied the exemption of disclosing any quantitative information required by the Regulation UE 2020/852, as per article 19a from Directive 2013/34/EU, as the details are presented in the consolidated management report of the parent Erste Group Bank AG.

Please refer to: https://www.erstegroup.com/en/investors/reports/nichtfinanzielle_berichte.

1.1.7. Assessment of Research and Development

N/A

1.1.8. Assessment of the Bank's risk management activity

Risk management processes ensures that the bank's risk profile remains in line with the risk strategy. The development of specific risk profile (i.e. retail credit, corporate credit, operational risk, etc.) is reported through dedicated risk reports in a more granular way and supports risk decision making of the dedicated risk functions. These reports also include specific monitoring metrics that provide an early warning signal for adverse developments of portfolio quality (client, segment, countries and industries) or risk drivers. In instances where certain risk portfolios or events are identified as potentially in distress, these are closely monitored by the dedicated risk functions to manage the risk impact and to develop effective strategies to minimize potential losses. These processes facilitate early risk detection and reaction.

1. Analysis of the Bank's activity (*continued*)

1.1.8. Assessment of the Bank's risk management activity (*continued*)

The overall risk profile for the Group, as well as the individual risk profiles are implemented through the Group Risk Strategy and are subject to an annual comprehensive review process. A quarterly assessment of the risk profiles checks if there are changes in respect of the risk materiality or if new risks occurred in the Bank's activity.

Given the Group business strategy, the key risks for the Group are credit risk, market risk (including interest rate risk in the banking book), liquidity and funding risk and operational risk. All material risks are covered by the Group's control and risk management framework. This entails a set of different tools and governance to ensure adequate oversight of the overall risk profile and sound execution of the risk strategy, including appropriate monitoring and escalation of issues that could materially impact the risk profile of the Group.

Based on the Group Risk Strategy and the Group overall and individual risk profiles, the Group's subsidiaries, including the Bank, set up their local risk profile. Also, the Group's capital management framework serves to ensure that the Group and its subsidiaries are capitalized in line with the risk profile, regulatory requirements and economic capital requirements.

As part of its risk strategy, the Group analyses its actual risk profile and determines a target risk profile based on its strategic goals. The target risk profile is a result of the risk assessment process in combination with the boundaries set by the business strategy and the risk appetite framework.

In terms of governance, full oversight of the risk profile and a sound execution of the risk strategy is ensured including appropriate monitoring and escalation of issues that could materially impact the risk profile of the Group.

The proportionality principle is a crucial and integral part of the Group's overall risk framework and strategy. The proportionality principle is applied for the core components of the Group ICAAP framework (Risk Materiality Assessment/Risk taxonomy, Risk-bearing Capacity Calculation, Risk Appetite & Risk Profile, Stress testing, Risk Concentration Analysis, and Recovery Plan).

The Group level risk management principles, concepts and processes are generally designed, developed and implemented to address over-arching organizational needs across both group and local entities/subsidiaries reflecting a high degree of granularity and detail.

However, subsequent implementation and application at the Group subsidiaries requires an approach that takes differences in business structures, size, complexity and relevance into account. This will ensure a meaningful, suitable and adequate application across the Group in line with local needs and capabilities while still fulfilling overall the Group level requirements and standards.

The evaluation of proportionality criteria is reviewed on an annual basis and included in the Risk Strategy. In addition, a reassessment might be carried out outside the annual review cycle if changed business parameters indicate a need for a respective reclassification.

Starting from the volume and nature of the Bank activity as part of the Group, the risk profile of the Group is driven by the Bank risk profile. Thus, the Risk Profile for the Group follows in general the same directions as the Bank, both regarding to overall risk profile and individual risks profiles based on the following considerations:

- the volume and nature of the Bank's activity as part of the Group;
- the categorization of the Bank as a full subsidiary based on the Proportionality Principles.

1.1.9. Outlook on Bank's activity

2023 expected macroeconomic development

Real GDP growth is expected at 2.7% in 2023 on the back of strong capital expenditure in the public sector financed by EU funds. 2023 could be a top year in terms of EU funds absorption, with inflows of structural, cohesion, agricultural and Next Generation EU funds likely to peak at around 5.0% of GDP. The growth of households' consumption could moderate on lagged effects of negative real wage growth.

Inflation rate is projected by NBR to ease to 7% y/y in 2023 due to falling prices for energy and agricultural commodities on global markets. The extension of the energy support scheme by the Romanian government for households should also help the disinflation process.

Unemployment rate could rise marginally in 2023.

1. Analysis of the Bank's activity (*continued*)

1.1.9. Outlook on Bank's activity (*continued*)

Balance Sheet developments

Loan production continues to be the key growth driver for the total assets, BCR Group expecting in 2023 a mid-single digit growth in net loans, sustained by digital lending initiatives and state programs.

Retail portfolio projected to still increase roughly by mid-single digit. Growth ambitions of micro segment supported by new digital products, governmental programs and focus on ESG and EU funds to attract investments. **Corporate lending** remains on an upward trend supported by new business and government programs, with all segments posting positive developments.

On the **liabilities side**, BCR will continue to capitalize on its very strong customer deposit base and with focus on digitalization, both Retail and Corporate deposits maintaining their positive evolution.

Net loan-to-deposit ratio to increase to about 77% from 73% as of end-2022.

Income Statements developments

Operating income is expected to remain the main driver with double-digit growth in 2023 mainly on the back of **net interest income** due to market rates environment and solid loan volume growth, especially in corporate segment and **net fee and commission income** driven by higher number of clients and bank's focus on products. Less favorable development in **net trading result** (mainly due to changes in funding plan structure) offset by net interest income and fees income gains.

Operating expense up in 2023 considering the achievement of the entire income target and an improved CIR to 40.2%.

Risk cost ratio estimated at approx. 70bps for 2023, given the geopolitical instability and the forward-looking macroeconomic risks. Normalized risk cost starting 2024.

Based on the above-mentioned expected performance, BCR Group aiming to deliver a double-digit Return on Equity by the end of budget year.

2. The Bank's tangible assets

Currently, the Bank has a portfolio of 71 properties, located in 38 counties, of which the largest number of buildings are located in Bucharest - 6 units, and the remaining 65 buildings are located in other counties in Romania (out of which 3 in the counties Alba, Botosani, Galati, Maramures, Satu Mare, Timis, Teleorman and Vaslui).

In 2019, the Bank decided to pursue a strategy of optimizing the network of units and headquarter buildings including selling certain properties. Implementation of strategy continued in 2021 and 2022.

Thus, the Bank's property portfolio is classified for accounting purposes in accordance with IAS 16, IFRS 5 and IAS 40 respectively, depending on the purpose for which the property is held.

During 2022, the Bank sold 18 properties (land and buildings), the net book value of which amounted to RON 56,157 thousand.

3. Securities Market

3.1. Markets where the securities issued by the Bank are traded

BCR's current debt issuance programme implemented in 2013 is a programme for issuing debt instruments in various currencies and maturities with a limited range of interest rate structures.

In April 2018, BCR's Extraordinary Shareholders General Meeting has approved the extension of the Debt Issuing Programme for a period of 10 years, as well as new bond structures (e.g. subordinated notes, Minimum requirement for eligible liabilities (MREL) notes). In 2019, the debt issuance programme has been integrated into the Multi Issuer Programme (MIP) arranged by Erste Group Bank and is approved by Financial Market Authority (Austria) and listed on the Vienna Stock Exchange.

In 2022, 3 Senior Non-Preferred new bonds were issued under the MIP (2021: 3), with a total volume of RON 1.38bn (2021: 2.1bn), out of which 1 Green Senior Non-Preferred bond (2021: 1 Senior Preferred bond), with a volume of RON 702m (2021: RON 500m).

As of 31 December 2022, BCR had 7 bond issues outstanding under the Multi Issuer Programme, in total amount of RON 4.08bn RON, listed on the Bucharest Stock Exchange (www.bvb.ro). The summary of the bonds is presented below:

ISIN	Issue date	Maturity date	Category	Type	Currency	Issue value	Paying Agent
ROEAZVK5DFP8	12/16/2019	12/16/2026	SENIOR	NON-PREFERRED	RON	600,000,000	BCR
RO1AQREPLMW7	5/21/2021	5/21/2028	SENIOR	NON-PREFERRED	RON	1,000,000,000	BCR
ROMU2ND4VHC6	10/14/2021	10/14/2028	SENIOR	PREFERRED	RON	500,000,000	BCR
ROPQT4NGMLM3	12/9/2021	12/9/2028	SENIOR	NON-PREFERRED	RON	600,000,000	BCR
RO451CMZH2K1	3/31/2022	3/31/2027	SENIOR	NON-PREFERRED	RON	351,500,000	BCR
ROPC9F84ZSG4	6/14/2022	6/14/2027	SENIOR	NON-PREFERRED	RON	702,000,000	BCR
ROGJ5KD9L1W9	10/6/2022	10/6/2028	SENIOR	NON-PREFERRED	RON	334,000,000	BCR

3.2. Description regarding Bank's dividends policy

The net profit of the Bank for the financial year ended 31 December 2022, amounting to RON 1,830,015,908 will be distributed according to the law and in accordance with GSM's decision.

The proposal for the distribution of profit is in accordance with: art. 29 para. 1 of the Accounting Law no. 82/1991, republished as subsequently amended and supplemented, para. 67 of the Law no. 31/1990, republished as subsequently amended and supplemented and para. 27 of BCR Charter. The Supervisory Board proposes to the General Meeting of Shareholders the distribution of 2022 net profit as follows:

in RON	Bank
Other Reserves[1]	73,547,564
Dividend distribution out of which:[2]	1,189,510,340
- ordinary dividends	1,145,561,239
- AT1dividends[3]	43,949,102
Result reported[4]	566,958,004
Total	**1,830,015,908**

[1] The amount of RON 73,547,564 represents the reinvested accounting profit of BCR which was exempt from applying corporate income tax, in accordance with the provisions of the Fiscal Code in force and which should be allocated to „Other Reserves".
[2] The amount of RON 1,189,510,340 represents the gross amount of ordinary dividends and dividends related to AT1 instruments issued by BCR in September 2022 recorded in other AT1 capital items.
[3] The AT1 dividends will be booked as payable in EUR on the date of approval of their distribution by the GMS and will be paid according to contract on 29 May 2023. Their value, established according to the terms and conditions of the AT1 notes, is EUR 8,940,740. The RON equivalent mentioned above has been calculated at the exchange rate valid on 9 March 2023 of 1 EUR = 4.9156 RON. The final value of these will be lower or higher depending on the evolution of the EUR - RON exchange rate up to the date of registration of the payment obligation in EUR. The FX difference will have impact on the Retained earnings – item 4.
[4] The retained earnings totaling RON 566,958,004 will be used in accordance with the Bank's business strategy.

BCR

3. Securities Market (*continued*)

3.3. Description of any activities of the Bank to acquire its own shares

N/A

3.4. The number and nominal value of the shares issued by the parent company and owned by the subsidiaries

At 31[St] December 2022 and 31[st] December 2021, BCR Leasing IFN SA holds 109 BCR shares with nominal value of 0.10 RON/share.

3.5. Presentation of the methods used by the Bank for paying its obligation towards the owners of these types of securities in case that the bank issued bonds and/or other debt securities

The coupon payment and principal repayments of the outstanding senior non-preferred and senior preferred bonds are made in accordance with the provisions of sections "Securities Note" of the respective Base Prospectus, as well as the Final Terms of the bonds, published on the web page of the Bucharest Stock Exchange (www.bvb.ro), direct link:

BVB - Bonds BCR26 BANCA COMERCIALA ROMANA
BVB - Bonds BCR28 BANCA COMERCIALA ROMANA
BVB - Bonds BCR28A BANCA COMERCIALA ROMANA
BVB - Bonds BCR28B BANCA COMERCIALA ROMANA
BVB - Bonds BCR27 BANCA COMERCIALA ROMANA
BVB - Bonds BCR27A BANCA COMERCIALA ROMANA
BVB - Bonds BCR28C BANCA COMERCIALA ROMANA

4. Bank's Management

As of 31.12.2022, the members of the Supervisory Board were:

- Manfred Wimmer – Chairman;
- Stefan Dörfler – Deputy Chairman;
- Daniela Camelia Nemoianu – member;
- Hildegard Gacek – member;
- Elisabeth Krainer Senger -Weiss – member;
- Iris Bujatti – member;
- Christine Catasta – member.

The Members of the Management Board as of 31.12.2022 were as follows:

1. **Sergiu Cristian Manea** – Executive President, Chairman of the Management Board - mandate valid until 28.02.2026;
2. **Elke Meier** – Executive Vice-President coordinating the Financial functional line, Member of the Management Board - mandate valid until 31.12.2023;
3. **Ilinka Kajgana** – Executive Vice-President, coordinator of the Risk functional line, Member of the Management Board - mandate valid until 31.12.2023;
4. **Dana Luciana Dima** - Executive Vice-President coordinating the Retail & Private Banking functional line, Member of the Management Board - mandate valid until 31.10.2025;
5. **Thomas Kolarik** - Executive Vice-President coordinating the Operations & IT functional line, Member of the Management Board – mandate valid until 31.12.2023.

Management Board members meet the general conditions provided by the law and the special conditions of the Banking Law, National Bank's regulations, and Recruitment and Remuneration Policy of BCR Group management.

Professional experience details of Management Board may be found on the following link: https://www.bcr.ro/en/about-us/bcr-management.

The Management Board may set up committees as it deems necessary and appropriate. Such committee's competencies and authority will be stipulated by the Management Board and responsibilities will be defined by each committee's internal rules.

There are no litigation or administrative proceedings in the records of the bank involving the members of the Supervisory Board or the Management Board of BCR.

5. Financial highlights

5.1. Statements of financial position

The structure and evolution of the Group's main asset, liability and equity categories are presented below.

ASSETS	Group				Bank			
in RON thousands	31.12.2022	31.12.2021	31.12.2020	2022/2021	31.12.2022	31.12.2021	31.12.2020	2022/2021
Cash and cash balances	15,224,576	13,317,439	10,538,199	14.3%	15,224,262	13,069,516	10,193,736	16.5%
Financial assets held for trading	177,242	1,704,540	1,248,822	-89.6%	177,708	1,704,540	1,248,822	-89.6%
Derivatives	177,213	23,994	39,891	638.6%	177,679	23,994	39,891	640.5%
Other financial assets held for trading	29	1,680,546	1,208,931	-100.0%	29	1,680,546	1,208,931	-100.0%
Non-trading financial assets mandatorily at fair value through profit or loss	67,179	65,753	104,739	2.2%	67,179	65,502	104,504	2.6%
Equity instruments	50,851	35,121	75,033	44.8%	50,851	34,870	74,798	45.8%
Debt securities	16,328	30,632	27,781	-46.7%	16,328	30,632	27,781	-46.7%
Loans and advances to customers	-	-	1,925	-	-	-	1,925	-
Financial assets at fair value through other comprehensive income	9,664,296	7,834,955	7,536,126	23.3%	9,664,296	7,805,091	7,511,525	23.8%
Debt securities	9,664,296	7,834,955	7,536,126	23.3%	9,664,296	7,805,091	7,511,525	23.8%
Financial assets at amortised cost	68,046,211	62,702,857	57,990,947	8.5%	69,264,841	63,381,929	57,372,656	9.3%
Debt securities	15,215,719	15,570,473	14,827,570	-2.3%	15,132,875	15,382,134	13,986,991	-1.6%
Loans and advances to banks	148,344	1,362,313	2,028,021	-89.1%	156,699	1,362,004	2,026,208	-88.5%
Loans and advances to customers	52,682,148	45,770,071	41,135,356	15.1%	53,975,267	46,637,791	41,359,457	15.7%
Finance lease receivables	1,745,363	1,445,231	1,301,380	20.8%	8,405	11,240	15,106	-25.2%
Property and equipment	1,029,207	1,094,606	863,743	-6.0%	820,797	820,178	803,005	0.1%
Investment property	148,543	150,223	171,860	-1.1%	148,543	150,223	171,860	-1.1%
Intangible assets	394,847	361,674	348,900	9.2%	377,240	349,068	339,662	8.1%
Investments in joint ventures and associates	43,336	42,109	39,031	2.9%	33,470	33,470	33,470	0.0%
Current tax assets	222,026	185,406	230,979	19.8%	219,164	182,155	227,831	20.3%
Deferred tax assets	197,778	200,946	173,378	-1.6%	184,550	194,629	165,784	-5.2%
Assets held for sale and disposal group	749,318	227,730	625,253	229.0%	51,499	9,153	192,247	462.6%
Trade and other receivables	901,025	653,237	563,885	37.9%	875,813	631,610	548,097	38.7%
Investments in subsidiaries	-	-	-	-	500,943	518,464	448,521	-3.4%
Other assets	239,113	268,413	249,430	-10.9%	137,497	163,730	161,407	-16.0%
Total assets	**98,850,060**	**90,255,119**	**81,986,672**	**9.5%**	**97,756,207**	**89,090,498**	**79,538,233**	**9.7%**

Total assets of BCR as at 31 December 2022 amounted to RON 97,756,207 thousands, increasing by 9.7% compared to 31 December 2021 (RON 89,090,498 thousands). At Group level, the total assets increased by 9.5% from RON 90,255,119 thousands as at 31 December 2021 to RON 98,850,060 thousands as at 31 December 2022.

5. Financial highlights (*continued*)

5.1. Statements of financial position (*continued*)

Liabilities and Equity	Group				Bank			
in RON thousands	31.12.2022	31.12.2021	31.12.2020	2022/2021	31.12.2022	31.12.2021	31.12.2020	2022/2021
Financial liabilities held for trading	163,579	22,343	52,051	632.1%	163,579	22,359	52,051	631.6%
Derivatives	163,579	22,343	52,051	632.1%	163,579	22,359	52,051	631.6%
Financial liabilities measured at amortised cost	84,713,627	77,835,634	69,847,085	8.8%	84,930,411	77,617,727	68,527,999	9.4%
Deposits from banks	1,431,205	430,383	1,066,225	232.5%	2,125,964	1,569,445	2,065,137	35.5%
Borrowings and financing lines	648,189	849,192	1,453,289	-23.7%	189,261	246,763	426,827	-23.3%
Deposits from customers	75,588,537	72,458,416	64,876,774	4.3%	75,609,053	71,721,511	63,591,718	5.4%
Debt securities issued	5,424,406	2,733,120	614,801	98.5%	5,424,406	2,733,120	614,801	98.5%
Subordinated loans	-	503,964	1,087,260	-100.0%	-	503,964	1,087,260	-100.0%
Other financial liabilities	1,621,290	860,559	748,736	88.4%	1,581,727	842,924	742,256	87.6%
Finance lease liabilities	444,486	435,710	428,737	2.0%	442,538	435,710	426,424	1.6%
Provisions	1,000,507	1,793,931	1,857,633	-44.2%	885,531	1,149,254	1,145,984	-22.9%
Current tax liabilities	75,162	48,764	2,985	54.1%	70,202	45,104	-	55.6%
Deferred tax liabilities	19,443	14,317	11,833	35.8%	-	-	-	-
Liabilities associated with assets held for sale	568,508	-	150,294	-	-	-	-	-
Other liabilities	809,949	383,978	291,133	110.9%	357,525	333,489	234,409	7.2%
Total equity	**11,054,799**	**9,720,442**	**9,344,921**	**13.7%**	**10,906,421**	**9,486,855**	**9,151,366**	**15.0%**
Equity attributable to non-controlling interest	63	50	43	26.0%	-	-	-	-
Equity attributable to owners of the parent	11,054,736	9,720,392	9,344,878	13.7%	10,906,421	9,486,855	9,151,366	15.0%
Share capital	2,952,565	2,952,565	2,952,565	0.0%	2,952,565	2,952,565	2,952,565	0.0%
Additional equity instruments	741,555	-	-	-	741,555	-	-	-
Retained earnings	5,904,001	5,143,334	4,630,400	14.8%	5,745,545	4,900,768	4,419,688	17.2%
Other reserves	1,456,615	1,624,493	1,761,913	-10.3%	1,466,756	1,633,522	1,779,113	-10.2%
Total liabilities and equity	**98,850,060**	**90,255,119**	**81,986,672**	**9.5%**	**97,756,207**	**89,090,498**	**79,538,233**	**9.7%**

5. Financial highlights (*continued*)

5.2. Profit or Loss

in RON thousands	Group 31.12.2022	Group 31.12.2021	Group 31.12.2020	Group 2022/2021	Bank 31.12.2022	Bank 31.12.2021	Bank 31.12.2020	Bank 2022/2021
Net interest income (1)	**2,948,748**	**2,422,069**	**2,371,025**	**21.7%**	**2,767,309**	**2,305,635**	**2,248,995**	**20.0%**
Interest income	3,977,510	2,695,293	2,721,402	47.6%	3,888,023	2,631,663	2,635,589	47.7%
Other similar income	76,989	65,960	63,517	16.7%	2,682	3,299	5,631	-18.7%
Interest expense	(1,085,570)	(320,385)	(393,464)	238.8%	(1,103,445)	(310,614)	(372,153)	255.2%
Other similar expense	(20,181)	(18,799)	(20,430)	7.4%	(19,951)	(18,713)	(20,072)	6.6%
Net fee and commission income (2)	**944,240**	**867,922**	**709,999**	**8.8%**	**897,686**	**805,904**	**664,455**	**11.4%**
Fee and commission income	1,190,732	1,093,800	913,890	8.9%	1,133,301	1,020,813	856,101	11.0%
Fee and commission expense	(246,492)	(225,878)	(203,891)	9.1%	(235,615)	(214,909)	(191,646)	9.6%
Dividend income (3)	3,804	3,210	3,312	18.5%	26,808	4,303	3,683	523.0%
Net trading result (4)	595,841	386,284	345,186	54.2%	579,217	377,933	335,938	53.3%
Gains/(losses) from non-trading financial instruments mandatorily measured at fair value through profit or loss (5)	22,235	2,642	14,608	741.6%	22,235	2,642	14,608	741.6%
Foreign currency translation (6)	12,025	(5,430)	(3,261)	-321.5%	4,229	(2,925)	608	-244.6%
Net result from equity method investments (7)	990	3,441	(2,060)	-71.2%	-	-	-	-
Rental income from investment properties and other operating leases (8)	87,579	111,568	107,489	-21.5%	5,063	5,953	8,298	-15.0%
Personnel expenses (9)	(895,947)	(799,008)	(804,958)	12.1%	(828,548)	(737,025)	(695,984)	12.4%
Other administrative expenses (10)	(727,003)	(657,200)	(644,115)	10.6%	(712,428)	(645,240)	(658,967)	10.4%
Depreciation and amortisation (11)	(257,089)	(215,432)	(219,695)	19.3%	(206,586)	(205,366)	(206,796)	0.6%
Operating Income (1+2+3+4+5+6+7+8)	4,615,462	3,791,706	3,546,298	21.7%	4,302,547	3,499,445	3,276,585	22.9%
Operating Expenses (9+10+11)	(1,880,039)	(1,671,640)	(1,668,768)	12.5%	(1,747,562)	(1,587,631)	(1,561,747)	10.1%
Operating Result	2,735,423	2,120,066	1,877,530	29.0%	2,554,985	1,911,814	1,714,838	33.6%
Gains/(losses) from derecognition of financial assets measured at amortised cost	-	-	11	-	-	-	11	-
Other gains/(losses) from derecognition of financial instruments not measured at fair value through profit or loss	31	(31)	(59)	-200.0%	31	(31)	(59)	-200.0%
Net impairment loss on financial instruments	(393,777)	(228,362)	(521,271)	72.4%	(349,430)	(201,659)	(505,325)	73.3%
Other operating result	(183,795)	(161,277)	(291,102)	14.0%	14,978	(29,637)	(192,356)	-150.5%
Pre-tax result from continuing operations	**2,157,882**	**1,730,396**	**1,065,109**	**24.7%**	**2,220,564**	**1,680,487**	**1,017,109**	**32.1%**
Taxes on income	(411,963)	(320,618)	(251,001)	28.5%	(390,548)	(302,570)	(237,151)	29.1%
Net result for the period	**1,745,919**	**1,409,778**	**814,108**	**23.8%**	**1,830,016**	**1,377,917**	**779,958**	**32.8%**
Net result attributable to non-controlling interests	13	7	(9)	85.7%	-	-	-	-
Net result attributable to owners of the parent	**1,745,906**	**1,409,771**	**814,117**	**23.8%**	**1,830,016**	**1,377,917**	**779,958**	**32.8%**

5. Financial highlights (*continued*)

5.3. Cash Flow

	Group			Bank		
in RON thousands	**31.12.2022**	**31.12.2021**	**31.12.2020**	**31.12.2022**	**31.12.2021**	**31.12.2020**
Net result for the period	**1,745,919**	**1,409,778**	**814,108**	**1,830,016**	**1,377,917**	**779,958**
Non-cash adjustments for items in net result for the period						
Depreciation, amortisation of assets	257,089	215,432	219,695	206,586	205,366	206,796
Allocation and release of impairment of loans	356,454	202,660	670,181	318,435	175,115	646,555
Gains/(losses) from the sale of tangible and intangible assets	(2,636)	35,654	10,222	(10,319)	(24,542)	3,474
Gains/(Losses) on disposal of assets held for sale and disposal group	96,574	50,382	10,044	(9,840)	50,382	10,044
Other provisions	(301,839)	(51,882)	62,003	(284,980)	15,004	82,842
Impairment of subsidiaries	-	-	-	139,736	(69,943)	39,556
Impairment tangible and intangible assets	22,847	116,109	135,461	20,890	24,127	53,772
Impairment other assets	6,835	-	-	6,551	-	-
Current tax not paid	368,320	202,740	249,726	344,763	241,463	242,793
Other adjustments	198,326	35,850	(21,128)	(34,875)	57,708	(33,399)
Adjustments for items in net profit/(loss) for the year	**(2,948,749)**	**(2,422,069)**	**(2,371,025)**	**(2,790,371)**	**(2,305,635)**	**(2,249,404)**
Interest income from operating activities	(3,524,685)	(2,103,106)	(2,118,192)	(3,376,963)	(1,988,247)	(2,000,474)
Interest expense for operating activities	876,674	274,882	311,198	901,607	256,246	281,437
Interest income from investing activities	(529,815)	(658,147)	(666,727)	(513,742)	(646,715)	(640,746)
Interest expense for financing activities	229,077	64,302	102,696	221,790	73,081	110,788
Dividend income from investing activities	-	-	-	(23,063)	-	(409)
Changes in assets and liabilities from operating activities after adjustment for non-cash components						
Financial assets - held for trading	1,680,517	(471,615)	(819,675)	1,680,517	(471,615)	(819,675)
Non-trading financial assets mandatorily at fair value through profit or loss	20,733	1,925	1,637	20,733	1,925	1,637
Financial assets at fair value through other comprehensive income	(2,104,316)	(573,419)	(1,324,565)	(2,074,462)	(568,397)	(1,302,971)
Financial assets at amortised cost	**(6,950,255)**	**(4,471,785)**	**(4,958,436)**	**(6,661,592)**	**(4,897,545)**	**(5,502,132)**
Loans and advances to banks	1,213,969	665,708	(1,366,584)	1,205,016	663,266	(1,365,396)
Loans and advances to customers	(7,864,092)	(4,993,642)	(3,408,404)	(7,869,443)	(5,564,677)	(4,125,029)
Finance lease receivables	(300,132)	(143,851)	(183,448)	2,835	3,866	(11,707)
Other assets from operating activities	54,583	269,865	42,885	123,616	53,418	20,511
Financial liabilities measured at amortised cost	5,445,502	7,048,467	6,855,473	5,182,657	7,821,240	7,352,837
Deposits from banks	1,040,292	(615,984)	(332,585)	556,312	(429,786)	(572,751)
Deposits from customers	3,643,037	7,581,642	7,084,994	3,887,542	8,129,793	7,816,294
Other financial liabilities	762,173	82,809	103,064	738,803	121,233	109,294
Income tax paid	(344,405)	(199,826)	(241,812)	(323,285)	(185,721)	(234,696)
Other liabilities from operating activities	(401,713)	86,014	(83,997)	35,188	99,082	(58,829)
Interest received from operating activities	3,651,283	2,144,806	2,090,933	3,591,382	2,002,332	1,959,934
Interest paid for operating activities	(1,084,291)	(380,246)	(318,349)	(1,130,821)	(297,224)	(326,906)
Cash flow from operating activities	**(233,222)**	**3,248,840**	**1,023,381**	**180,525**	**3,304,457**	**872,697**

5. Financial highlights (*continued*)

5.3. Cash Flow (*continued*)

	Group			Bank		
in RON thousands	**31.12.2022**	**31.12.2021**	**31.12.2020**	**31.12.2022**	**31.12.2021**	**31.12.2020**
Proceeds of disposal:	**2,616,736**	**3,312,692**	**1,951,203**	**2,329,823**	**2,491,749**	**1,378,473**
Debt securities at amortised cost	2,275,932	3,118,694	1,867,749	2,251,811	2,333,166	1,315,940
Property and equipment, intangible assets,investment properties and assets held for sale	340,804	193,998	79,568	78,012	158,583	58,647
Assets held for sale and disposal group	-	-	3,886	-	-	3,886
Acquisition of:	**(2,414,823)**	**(4,204,128)**	**(1,194,967)**	**(2,299,279)**	**(3,843,640)**	**(1,043,352)**
Debt securities at amortised cost	(2,165,586)	(3,808,264)	(967,137)	(2,067,308)	(3,675,171)	(886,822)
Property and equipment, intangible assets,investment properties and assets held for sale	(249,237)	(395,864)	(227,830)	(231,971)	(168,469)	(156,530)
Contribution to increase in share capital of subsidiaries and investements in associates	-	-	-	(167,500)	-	(4,535)
Interest received from investing activities	514,764	664,932	666,727	498,691	653,500	640,746
Dividends received from investing activities	-	-	-	23,063	-	409
Cash flow from investing activities	**716,677**	**(226,504)**	**1,422,963**	**384,798**	**(698,391)**	**971,741**
Capital increases	741,555	-	-	741,555	-	-
Dividends paid to equity holders of the parent	(963,452)	(870,887)	-	(963,452)	(870,887)	-
Dividends paid to non-controlling interests	(1,090)	(1,039)	-	(1,090)	(1,039)	-
Repayment of principal of lease liabilities (IFRS 16)	(112,613)	(74,474)	(73,705)	(95,827)	(74,332)	(73,077)
Debt securities redeemed	-	(45,983)	(85,601)	-	(45,983)	(85,601)
Debt securities issued	2,624,350	2,100,000	-	2,624,350	2,100,000	-
Inflows from other financing activities	235,440	-	-	4,891	-	-
Outflows from other financing activities	(932,189)	(1,289,323)	(684,196)	(557,388)	(782,599)	(159,901)
Interest paid for financing activities	(168,319)	(61,390)	(71,161)	(163,616)	(55,446)	(57,094)
Debt securities issued	(136,747)	-	-	(136,747)	-	-
Other financing activities	(9,688)	(12,685)	-	(4,985)	(6,741)	-
Subordinated loans	(21,884)	(48,705)	-	(21,884)	(48,705)	-
Cash flow from financing activities	**1,423,682**	**(243,096)**	**(914,663)**	**1,589,423**	**269,714**	**(375,673)**
Cash and cash equivalents at beginning of period	**13,317,439**	**10,538,199**	**9,006,518**	**13,069,516**	**10,193,736**	**8,724,971**
Cash flow from operating activities	(233,222)	3,248,840	1,023,381	180,525	3,304,457	872,697
Cash flow from investing activities	716,677	(226,504)	1,422,963	384,798	(698,391)	971,741
Cash flow from financing activities	1,423,682	(243,096)	(914,663)	1,589,423	269,714	(375,673)
Cash and cash equivalents at end of period	**15,224,576**	**13,317,439**	**10,538,199**	**15,224,262**	**13,069,516**	**10,193,736**

6. Annexes

The following documents are annexed to this report:

1. The bank's constitutive act valid at 31 December 2022;
2. Resignation act among members of the executive management;
3. List of the subsidiaries of the Bank and entities controlled or controlling the Bank;
4. Statement of Compliance of the members of the Executive Committee who assume responsibility for the preparation of the Financial Statements;
5. Financial Statements as at 31 December 2022;
6. Auditors' report.

Chairman of the Supervisory Board,

Manfred Wimmer

Annex 1: The Bank's constitutive act valid at 31 December 2022

The bank's constitutive act valid at 31 December 2022 is available at following web address:

https://cdn0.erstegroup.com/content/dam/ro/bcr/www_bcr_ro/EN/About-us/Corporate-Governance/BCR_Charter.pdf

Anexa 2/Annex 2

Actele de demisie/demitere in randul membrilor administratiei conducerii executive/ Resignation/dismissal acts among members of the executive management

Consiliull de Supraveghere

Nr. Intrare/Ieşire 10/23.06.2022

Bernhard Spalt
Haymogasse 140
1230 Wien

Supervisory Board of Banca Comercială Română
Attn. to Mr. Manfred Wimmer
159 Calea Plevnei, Business Garden Bucharest
Building A, 6th floor, 6th District
RO-060013 Bucharest

Vienna, 23.06.2022

Letter of Resignation

Dear Mr. Wimmer,

Further to the previous information, please accept this as my formal resignation from the function as Member of the Supervisory Board of the company, effective per 30.06.2022.

Allow me to express my gratitude for the constructive cooperation and to wish all the success to the company in the future.

Sincerely,

Bernhard Spalt

Annex 3: List of the subsidiaries of the issuer and entities controlled or controlling the issuer

List of the subsidiaries of the issuer and entities controlled by the issuer

- BCR Chisinau SA
- BCR Leasing IFN SA
- BCR Pensii, Societate de Administrare a Fondurilor de Pensii Private SA
- BCR Banca pentru Locuinte SA
- Suport Colect SRL
- BCR Payments Services SRL
- BCR Fleet Management SRL

List of the of entities controlling the issuer

The ultimate parent of the Group is Erste Group Bank AG.

Banca Comercială Română S.A.

Consolidated and Separate Financial Statements

(The Group and the Parent Bank)

Prepared in Accordance with
International Financial Reporting Standards
as endorsed by the European Union
549300ORLU6LN5YD8X90

31 December 2022

Contents of the consolidated and separated financial statements

Independent Auditor's Report

To the Shareholders of Banca Comercială Română SA

Report on the audit of the financial statements

Our opinion

In our opinion, the consolidated and separate financial statements give a true and fair view of the consolidated and separate financial position of Banca Comercială Română SA (the "Bank" or "BCR") and its subsidiaries (together the "Group") as at 31 December 2022, and the Group's consolidated and Bank's separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and the National Bank of Romania (NBR) Order no. 27/2010 for approving accounting Regulations in accordance with International Financial Reporting Standards, applicable to credit institutions and subsequent amendments (the "NBR Order 27/2010").

Our opinion is consistent with our additional report to the Audit Committee dated 24 March 2023.

What we have audited

The Group's and the Bank's consolidated and separate financial statements comprise:

- the consolidated and separate statement of profit or loss for the year ended 31 December 2022;
- the consolidated and separate statement of other comprehensive income for the year ended 31 December 2022;
- the consolidated and separate statement of financial position as at 31 December 2022;
- the consolidated and separate statement of changes in equity for the year ended 31 December 2022;
- the consolidated and separate statement of cash flow for the year ended 31 December 2022; and
- the notes to the consolidated and separate financial statements, which include significant accounting policies and other explanatory information.

The consolidated financial statements as at 31 December 2022 are identified as follows:

• Total equity	RON 11,054,799 thousand;
• Net result for the period	RON 1,745,919 thousand.

The separate financial statements as at 31 December 2022 are identified as follows:

• Total equity	RON 10,906,421 thousand;
• Net result for the period	RON 1,830,016 thousand.

The Bank's registered office is in Bucharest, no.159, Business Garden, Calea Plevnei, Building A, Floor 6 and the Bank's unique fiscal registration code is RO361757.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs), Regulation EU No 537/2014 of the European Parliament and of the Council and subsequent amendments (the “Regulation 537/2014”) and Law 162/2017 regarding statutory audit of annual financial statements and annual consolidated financial statements and regarding changes to other regulations and subsequent amendments (the “Law 162/2017”). Our responsibilities under those standards are further described in the Auditor’s responsibilities for the audit of the consolidated and separate financial statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

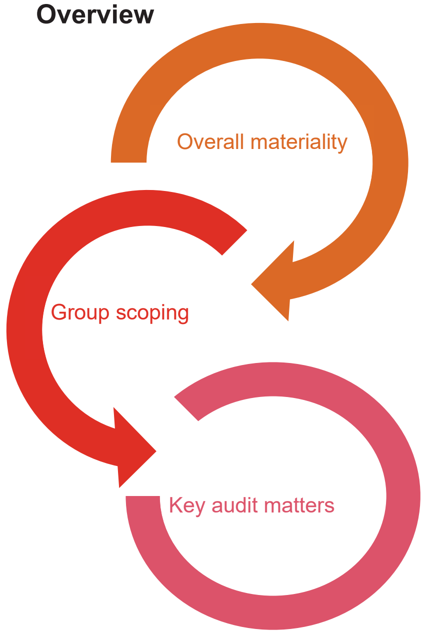
We are independent of the Group and the Bank in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code) and the ethical requirements of the Regulation 537/2014 and the Law 162/2017 that are relevant to our audit of the consolidated and separate financial statements in Romania. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code and the ethical requirements of the Regulation 537/2014 and the Law 162/2017.

To the best of our knowledge and belief, we declare that non-audit services that we have provided to the Group and the Bank are in accordance with the applicable law and regulations in Romania and that we have not provided non-audit services that are prohibited under Article 5(1) of the Regulation 537/2014.

The non-audit services that we have provided to the Group and the Bank in the period from 1 January 2022 to 31 December 2022, are disclosed in Note 43 Audit fees and tax consultancy fees” to the consolidated and separate financial statements.

Our audit approach

Overview



Overall materiality:
RON 111,028 thousand, for both consolidated and separate financial statements, which represents 5% of profit before tax

Group scoping:
We planned and scoped our audit for 2022 reflecting the Group’s current structure whereby the Bank represents a very significant part of the Group’s assets, liabilities and profit before tax. Hence we defined the Bank as the sole significant component within the Group and so it was subject to a full scope audit of its financial information.

Key audit matters:

- Application of IFRS 9 in the calculation of expected credit losses for loans and advances to customers (“ECL”)
- Tax matters resulting from the tax treatment applied to deductibility of the impairment loss for the Bank’s investment in its subsidiaries
- Impact on BCR Banca pentru Locuinte SA subsidiary of the control performed by the Romanian Court of Accounts

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated and separate financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the consolidated and separate financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated and separate financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall Group and Bank materiality for the consolidated and separate financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the consolidated and separate financial statements as a whole.

Overall Group and Bank materiality	RON 111,028 thousand
How we determined it	5% of profit before tax per the separate statement of profit or loss for the year ended 31 December 2022.
Rationale for the materiality benchmark applied	We chose profit before tax as the benchmark because, in our view, it is the benchmark against which the performance of the Group and Bank is most commonly measured by its stakeholders, and it is a generally accepted benchmark. We chose 5%, which in our experience is an acceptable quantitative materiality threshold for this benchmark.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above RON 5,551 thousand as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Key audit matters

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

Key audit matter	How our audit addressed the key audit matter
Application of IFRS 9 in the calculation of expected credit losses for loans and advances to customers ("ECL")	
IFRS 9, "Financial Instruments", requires ECL allowances for all exposures from the time a loan is originated, based on the deterioration of credit risk since initial recognition. If the credit risk has not increased significantly (Stage 1), IFRS 9 requires allowances based on 12-month expected credit losses. If the credit risk has increased significantly since initial recognition (Stage 2) or if the loan is 'credit impaired' (Stage 3), the standard requires allowances based on lifetime expected credit losses. ECL allowance for Stage 1, Stage 2 and non-significant Stage 3 loans and advances to customers is performed collectively; the key assumptions being the probability of an account falling into arrears and subsequently entering into default ("PD"), definition of significant increase in credit risk, exposure at the moment of default ("EAD") and the estimated losses from defaulted loans ("LGD"). Statistical models are used for determination of the key assumptions including different future macroeconomic scenarios. For significant loans and advances in Stage 3, the ECL are assessed individually based on probability weighted scenarios of cash flow forecasts. The key assumptions here are the expected cash flows (from both operating cash flows and recoveries from collateral) and the weighting attached to the different scenarios. The uncertainty inherent in the estimation of ECL for loans and advances, in particular the consideration of future economic conditions, have increased significantly due to the geopolitical and economic developments of 2022. Relief programmes like Public and Private Moratoria (mainly in 2020 and, at much lower scale, also during 2021 and 2022) or ceiling of the energy prices for eligible end consumers were implemented. This resulted in low default rates being observed and delays in identifying a potential deterioration of the loan portfolio, hence negatively influencing the predictability of statistical credit risk models. Taking into account the significant increase in uncertainty in respect of the key inputs for the	In relation to implementation of the ECL statistical models, we assessed the compliance of the key methodologies and models with the requirements of IFRS 9. We engaged our credit risk technical experts to assist us in undertaking this assessment. We also assessed the changes in the methodology, including the new retail and non-retail macroeconomic models, for calculation of expected credit losses of loans and advances to customers. We also assessed the reasonableness of selecting and using the multiple economic scenarios, including the latest macroeconomic forecasts as well as the severity and magnitude of modelled scenarios. Assessment critically assessed how these are considered and applied to the assumptions obtained from statistical models used in arriving at the overall ECL at the balance sheet date. Internal controls were tested including assessing the independent statistical models validation framework, validation results and overall model governance for IFRS 9. We tested, on a sample basis, the key controls over the inputs of critical data into source systems and the flow and transformation of data from the source systems to the ECL calculation engine. Detailed risk assessment analytics were performed over the Bank's loan portfolio, in order to identify possible areas of risk and better calibrate our procedures described below. We performed substantive testing over the critical data used in the ECL calculation as at 31 December 2022. We tested a sample of the statistical models used by the management to determine key assumptions (probability of default, loss given default and exposure at default) to assess whether the calculation process was consistent with IFRS 9 requirements and the Bank's own methodology. We have tested that the key assumptions (EAD, PD, LGD) resulting from the statistical estimation models and which were

Key audit matter	How our audit addressed the key audit matter
ECL, the Bank has addressed the related risk through a mix of measures, including: i. Update, throughout the year, of the forward-looking information ("FLI") with the latest available macroeconomic forecasts and revision of the weighting applied to the scenarios, accounting for increased uncertainty about future economic developments, - which impacted the computation of PD and LGD parameters; ii. Usage of post model adjustments, through which sub-populations of exposures with perceived higher risk (e.g. clients operating within industries particularly affected by the economic turbulences) are transferred into Stage 2, even though no other triggering restaging criteria are met; and iii. Update of the macroeconomic model FLI component of retail and non-retail portfolios. Considering (i) the substantial judgement to be applied by the management in designing the overlays and determining and weighting macro-economic future scenarios, (ii) a high degree of uncertainty of future economic developments, which led to a high degree of the auditor judgement, (iii) the complexity of models and interdependent assumptions and the resulting audit effort and (iv) the volume of ECL, we identified this area to be a key audit matter. ."Significant accounting policies", Note 13 "Financial assets at amortized cost" and Note 26 "Credit risk" to the consolidated and separate financial statements provide detailed information on the ECL for loans and advances to customers.	subsequently approved by management were the same as the parameters effectively implemented in the system for automated computation of ECL. We verified the reconciliation of the output of the automated ECL calculation engine with the audited trial balance. With regards to significant exposures of loans and advances to customers within Stage 3, for which ECL is assessed individually, we tested the approval of the key inputs, assumptions and discounted cash-flows from both operating cash flows and recoveries from collateral that support the ECL. In respect of the post model adjustments, we obtained the updated industries' assessment which resulted in grouping of customers that are potentially particularly affected by the negative economic developments, and we traced this information to relevant approvals of management but also relevant market information. In respect of the staging procedures, we have tested the application of the post model adjustments criteria and also performed procedures over stages' allocation at portfolio level. We have also selected a representative sample of individual exposures, based on risk criteria and including both performing and non-performing clients, and substantively tested the assessments performed by the Bank, and, where applicable, computation of provision for non-performing exposures. We have focused our testing on identification of impairment indicators that the selected clients may have to ensure that the significant increase in credit risk or credit-impaired status are identified on a timely basis.
Tax matters resulting from the tax treatment applied to deductibility of the impairment loss for the Bank's investment in its subsidiaries	
We focused on the results of fiscal treatment of impairment of subsidiaries (disclosed in Note 10 – "Taxes on income") generating non-current tax asset as the assessment of this matter requires making significant judgements and estimates by the management of the Bank.	In respect of the deductibility of the impairment loss of the Bank's subsidiaries, we examined together with our tax specialists the arguments put forward by the management of the Bank to support the deductibility of the impairment loss and we examined the RTA's correspondence with the

Key audit matter	How our audit addressed the key audit matter
The Bank initially considered the impairment loss on its subsidiaries as non-deductible for tax purposes. However, the Bank reconsidered its assessment based on the arguments determined by its management and its external tax advisors. Consequently, management concluded that the impairment loss on the investment in subsidiaries recorded during the period 2012 - 2015 is deductible and, in 2017, challenged the Romanian Tax Authority ("RTA") approach in the Court of law. The RTA performed a tax inspection during 2017, concluding that these impairment losses were non-deductible. This change in assessment resulted in recognition of a non-current tax asset of RON 168 million in accordance with IAS 12, "Income Taxes", paragraph 46 in the 2017 consolidated and separate financial statements and given that no significant changes occurred during the period from 2018 to 2022 with regards to the litigation against the RTA, the balance of this non-current tax asset being changed insignificantly, reaching RON 173 million as at 31 December 2022. Note 10 – "Taxes on income" and Note 36 – "Litigations and contingent liabilities" to the consolidated and separate financial statements provide more information on these matters.	Bank. We also considered the views of the Bank's external tax and legal advisors. Taking into account our understanding of the Romanian tax legislation and other factors affecting this issue we concur with management's assertion that it is appropriate for the impairment loss on investment in subsidiaries recorded during the period 2012 – 2015 to be treated as deductible and a non-current income tax asset should continue to be recognised in the 2021 and 2022 consolidated and separate financial statements. While we do not take exception to management's conclusion that the tax position is sustainable, nevertheless, as set out in the consolidated and separate financial statements, the final outcome of this issue is subject to final resolution of the ongoing litigation with the RTA. Hence, the fiscal treatment of the impairment loss for the subsidiaries recorded during the period 2012 – 2015 as deductible expense is subject to inherent uncertainty and the future resolution of this matter may not be in line with management's current assessment.
Impact on BCR Banca pentru Locuinte SA subsidiary of the control performed by the Romanian Court of Accounts BCR Banca pentru Locuințe SA subsidiary ("BpL") is a home savings and mortgages bank. The Romanian Court of Accounts ("CoA") identified several deficiencies following the inspection in 2015, that were included in the Decision no. 17 ("CoA Decision"). The majority were grounded on differing interpretations of the applicable legal provisions. BpL challenged the CoA Decision in court. In March 2017, the Court of Appeal ruled in favour of BpL for 5 out of 8 claims. However, on 21 June 2019, the High Court of Justice ("Court") finally ruled in favour of the CoA for 6 of the claims. During 2021 CoA performed a follow up control and as a result, BpL paid in 2022 the state premiums, considered as damage, in the amount of RON 432,699 thousands. Subsequently BpL performed a payment of related withholding tax and officially applied for the amnesty on the related accessories (late payment charges and	To assess the adequacy of the treatment of BpL's obligation resulting from the Court's ruling, we have performed the following procedures: • Obtained and critically assessed the relevant documents related to BpL's litigation, including follow up control from CoA and correspondences with the RTA and MDPWA; • Involved tax and legal specialists in analysing these correspondences; • Tested the payments, representing the state premiums, considered as damage and related withholding tax made by BpL during 2022 by vouching them to the payment orders; • Obtained the request for amnesty and the approval of the amnesty for the accessories related to the withholding tax; • Tested the recognition of the liability as of 31 December 2022 against IFRS criteria and vouched the amount booked in BpL accounting to the MDPWA decision from December 2022;

Key audit matter	How our audit addressed the key audit matter
interest) and withholding tax. The amnesty for the withholding tax accessories was received during February 2022 from the RTA. During the third quarter of 2022, the amnesty on the related accessories for the principal obligation on the undue subsidies was rejected by the Ministry of Development, Public Works and Administration ("MDPWA"). Subsequently, in December 2022, MDPWA issued a decision where the accessories of RON 388,919 thousand for which BpL requested amnesty were requested to be paid within 30 days from the date when BpL received the decision. Consequently, BpL recognised a liability of RON 388,919 thousand, by using the previously recognized provision of RON 156,201 thousand and recognising the remaining difference of RON 232,718 thousand as expense. However, BpL oppose to both MDPWA rejection of amnesty and it's December decision, legal actions being initiated. Following in December 2022 the shareholders of BpL approved the increase of share capital in the amount of RON 167,500 thousand, by issuing new shares, the capital being paid up on 27 December 2022 by BCR, as main shareholder. As a result of the above, we have determined the above-mentioned litigations and the related accounting treatment as a key audit matter. "Significant accounting policies", Note 35 – "Provisions", Note 36 "Litigations and contingent liabilities", and Note 38 – "Subsidiaries" to the consolidated and separate financial statements provide more information on the BpL litigation and related accounting treatment.	• Obtained the external lawyer letter describing the related litigations status; and • Obtained the documents related to the share capital increase from 27 December 2022.

How we tailored our Group audit scope

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated and separate financial statements as a whole, taking into account the structure of the Group and the Bank, the accounting processes and controls, and the industry in which the Group and the Bank operate.

We planned and scoped our audit for 2022 reflecting the Group's current structure whereby the Bank represents the vast majority of the Group's assets (99%), liabilities (99%) and profit before tax (105%). Hence, we defined the Bank as the sole significant component within the Group and so the Bank was subject to an audit of its complete financial information. We applied analytical procedures to the financial information of the three largest subsidiaries of the Group (BCR Banca pentru Locuinte, BCR Leasing IFN SA, BCR Chisinau SA) and on the remaining components no procedures were considered necessary.

Reporting on other information including the Consolidated and Separate Administrators' Report

The Administrators are responsible for the other information. The other information comprises the Consolidated Administrators' Report and the Consolidated Non-Financial Statement which is part of the Consolidated Administrators' Report, but does not include the consolidated and separate financial statements and our auditor's report thereon.

Our opinion on the consolidated and separate financial statements does not cover the other information, including the Consolidated Administrators' Report and the Consolidated Non-Financial Statement which is part of the Consolidated Administrators' Report.

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

In accordance with NBR Order 27/2010, article 33^(8), in connection with our audit of the consolidated and separate financial statements, our responsibility is to verify whether the Consolidated Non-Financial Statement was prepared.

We confirm that the Consolidated Non-Financial Statement referred to in the articles 33^(1)-33^(7) has been prepared as part of the Consolidated Administrators' Report and considers the taxonomy as per requirements of the Regulation EU No 852/2020 of the European Parliament and of the Council and subsequent amendments (the "Regulation 852/2020").

We have not performed any specific procedures for providing any form of assurance regarding the Consolidated Non-Financial Statement and we do not provide any assurance with regards to it.

With respect to the Consolidated Administrators' Report, our responsibility is to consider whether the Consolidated Administrators' Report was prepared in accordance with NBR Order 27/2010 (republished) articles 32, 33 and 34.

Based on the work undertaken in the course of our audit, in our opinion:

- the information given in the Consolidated Administrators' Report for the financial year for which the consolidated and separate financial statements are prepared is consistent with the consolidated and separate financial statements;
- the Consolidated Administrators' Report has been prepared in accordance with NBR Order 27/2010 (republished) articles 32, 33 and 34.

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

Responsibilities of management and those charged with governance for the consolidated and separate financial statements

Management is responsible for the preparation of the consolidated and separate financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and NBR Order 27/2010, and for such internal control as management determines is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's responsibilities for the audit of the consolidated and separate financial statements

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

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

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

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

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

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

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

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

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

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

Report on other legal and regulatory requirements

Appointment

We were first appointed by Ordinary General Shareholders Meeting as auditors of of Banca Comercială Română SA on 27 January 2017. Our appointment has been renewed by Ordinary General Shareholders Meeting representing a total period of uninterrupted engagement appointment of six years, covering the financial years ended 31 December 2017 up to 31 December 2022.

Report on the compliance of the presentation of consolidated financial statements with the requirements of the European Single Electronic Format ("ESEF")

We have been engaged as part of our audit engagement letter by the Management Board of the Bank to conduct a reasonable assurance engagement for the verification of compliance with the applicable requirements of the presentation of the consolidated financial statements of the Group for the year ended 31 December 2022 in the digital files 549300ORLU6LN5YD8X90-2022-12-31-en (the "Presentation of the Consolidated Financial Statements").

Description of a subject matter and applicable criteria

The Presentation of the Consolidated Financial Statements has been applied by the Management Board of the BCR to comply with the requirements of Law 24/2017, Financial Supervision Authority Regulation 7/2021 and art. 3 and 4 of the Commission Delegated Regulation (EU) 2019/815 of 17 December 2018 supplementing Directive 2004/109/EC of the European Parliament and of the Council with regard to regulatory technical standards on the specification of a single electronic reporting format (the "ESEF Regulation"). The applicable requirements regarding the Presentation of the Consolidated Financial Statements are contained in the ESEF Regulation.

The requirements described in the preceding sentence determine the basis for application of the Presentation of the Consolidated Financial Statements and, in our view, constitute appropriate criteria to form a reasonable assurance conclusion.

Responsibility of the Management Board and the Supervisory Board

The Management Board of BCR is responsible for the Presentation of the Consolidated Financial Statements that complies with the requirements of the ESEF Regulation.

This responsibility includes the selection and application of appropriate markups in iXBRL using ESEF taxonomy and designing, implementing and maintaining internal controls relevant for the preparation of the Presentation of the Consolidated Financial Statements which is free from material non-compliance with the requirements of the ESEF Regulation.

Members of the Supervisory Board are responsible for overseeing the financial reporting process, which should also be understood as the preparation of consolidated financial statements in accordance with the format resulting from the ESEF Regulation.

Our responsibility

Our responsibility was to express a reasonable assurance conclusion whether the Presentation of the Consolidated Financial Statements complies, in all material respects, with the ESEF Regulation.

We conducted our engagement in accordance with the International Standard on Assurance Engagements 3000 (R) - Assurance Engagements other than Audits and Reviews of Historical Financial Information (ISAE 3000(R). This standard requires that we comply with ethical requirements, plan and perform procedures to obtain reasonable assurance whether the Presentation of the Consolidated Financial Statements complies, in all material aspects, with the applicable requirements.

Reasonable assurance is a high level of assurance, but it does not guarantee that the service performed in accordance with ISAE 3000 (R) will always detect the existing material misstatement (significant non-compliance with the requirements).

Quality control requirements

We apply the provisions of the International Standard on Quality Control 1 (ISQC) and accordingly maintain a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

We comply with the independence and other ethical requirements of the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Summary of the work performed

Our planned and performed procedures were aimed at obtaining reasonable assurance that the Presentation of the Consolidated Financial Statements complies, in all material aspects, with the applicable requirements and such compliance is free from material errors or omissions. Our procedures included in particular:

- obtaining an understanding of the internal control system and processes relevant to the application of the Electronic Reporting Format of the Consolidated Financial Statements, including the preparation of the XHTML format and marking up the consolidated financial statements;
- verification whether the XHTML format was applied properly;
- evaluating the completeness of marking up the consolidated financial statements using the iXBRL markup language according to the requirements of the implementation of electronic format as described in the ESEF Regulation;
- evaluating the appropriateness of the Group’s' use of XBRL markups selected from the ESEF taxonomy and the creation of extension markups where no suitable element in the

ESEF taxonomy has been identified; and

- evaluating the appropriateness of anchoring of the extension elements to the ESEF taxonomy.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

Conclusion

In our opinion, based on the procedures performed, the Presentation of the Consolidated Financial Statements complies, in all material respects, with the ESEF Regulation.

The financial auditor responsible for carrying out the audit resulting in this independent auditor's report is Victor Sasu.

On behalf of

PricewaterhouseCoopers Audit S.R.L

Audit firm

registered with the Public Electronic Register of financial auditors and audit firms under no. FA6

Refer to the original signed Romanian version

Victor Sasu

Financial Auditor

registered with the Public Electronic Register of financial auditors and audit firms under no. AF4097

Stefan Friedemann Weiblen

Administrator

Bucharest, 24 March 2023

BCR

STATEMENT OF PROFIT OR LOSS

Consolidated and Separate for the year ended 31 December 2022

Statement of profit or loss

	Notes	Group		Bank	
in RON thousands		**31.12.2022**	**31.12.2021**	**31.12.2022**	**31.12.2021**
Net interest income	1	**2,948,748**	**2,422,069**	**2,767,309**	**2,305,635**
Interest income		3,977,510	2,695,293	3,888,023	2,631,663
Other similar income		76,989	65,960	2,682	3,299
Interest expense		(1,085,570)	(320,385)	(1,103,445)	(310,614)
Other similar expense		(20,181)	(18,799)	(19,951)	(18,713)
Net fee and commission income	2	**944,240**	**867,922**	**897,686**	**805,904**
Fee and commission income		1,190,732	1,093,800	1,133,301	1,020,813
Fee and commission expense		(246,492)	(225,878)	(235,615)	(214,909)
Dividend income	3	3,804	3,210	26,808	4,303
Net trading result	4	595,841	386,284	579,217	377,933
Gains/(losses) from non-trading financial instruments mandatorily measured at fair value through profit or loss		22,235	2,642	22,235	2,642
Foreign currency translation		12,025	(5,430)	4,229	(2,925)
Net result from equity method investments	39	990	3,441	-	-
Rental income from investment properties and other operating leases	5	87,579	111,568	5,063	5,953
Personnel expenses	6	(895,947)	(799,008)	(828,548)	(737,025)
Other administrative expenses	6	(727,003)	(657,200)	(712,428)	(645,240)
Depreciation and amortisation	6	(257,089)	(215,432)	(206,586)	(205,366)
Other gains/(losses) from derecognition of financial instruments not measured at fair value through profit or loss		31	(31)	31	(31)
Net impairment loss on financial instruments	7,8	(393,777)	(228,362)	(349,430)	(201,659)
Other operating result, out of which	9	**(183,795)**	**(161,277)**	**14,978**	**(29,637)**
Other income		130,077	226,959	75,562	206,375
Other expense		(313,872)	(388,236)	(60,584)	(236,012)
Pre-tax result from continuing operations		**2,157,882**	**1,730,396**	**2,220,564**	**1,680,487**
Taxes on income	10	(411,963)	(320,618)	(390,548)	(302,570)
Net result for the period		**1,745,919**	**1,409,778**	**1,830,016**	**1,377,917**
Net result attributable to non-controlling interests		13	7	-	-
Net result attributable to owners of the parent		**1,745,906**	**1,409,771**	**1,830,016**	**1,377,917**

AUTHORISED PERSON,
First name and name
Signature
Executive Vice-President,

Elke Meier

AUTHORISED PERSON,
First name and name
Signature
Director Accounting Division,

Gina Badea

BCR

STATEMENT OF OTHER COMPREHENSIVE INCOME

Consolidated and Separate for the year ended 31 December 2022

Statement of other comprehensive income

	Group		Bank	
in RON thousands	**31.12.2022**	**31.12.2021**	**31.12.2022**	**31.12.2021**
Net result for the period	**1,745,919**	**1,409,778**	**1,830,016**	**1,377,917**
Other comprehensive income				
Items that will not be reclassified to profit or loss				
Actuarial gains/(losses) on defined benefit pension plans	(10,104)	11,820	(10,104)	11,734
Deferred taxes relating to items that will not be reclassified	1,617	(1,891)	1,617	(1,877)
Total items that will not be reclassified to profit or loss	**(8,487)**	**9,929**	**(8,487)**	**9,857**
Items that may be reclassified to profit or loss				
Debt instruments at fair value through other comprehensive income	(211,550)	(214,471)	(213,067)	(214,713)
Currency translation reserve	(2,447)	7,886	-	-
Deferred taxes relating to items that may be reclassified	33,909	34,325	34,091	34,354
Total items that may be reclassified to profit or loss	**(180,088)**	**(172,260)**	**(178,976)**	**(180,359)**
Total other comprehensive income	**(188,575)**	**(162,331)**	**(187,463)**	**(170,502)**
Total comprehensive income	**1,557,344**	**1,247,447**	**1,642,553**	**1,207,415**
Total comprehensive income attributable to non-controlling interests	13	7	-	-
Total comprehensive income attributable to owners of the parent	1,557,331	1,247,440	1,642,553	1,207,415

Please refer to Note 10 – Taxes on income for details regarding the deferred tax.

Please refer to Note 35 – Actuarial gains/(losses) on defined benefit pension plan.

AUTHORISED PERSON,
First name and name
Signature
Executive Vice-President,

Elke Meier

AUTHORISED PERSON,
First name and name
Signature
Director Accounting Division,

Gina Badea

STATEMENT OF FINANCIAL POSITION
Consolidated and Separate as at 31 December 2022

Statement of financial position

		Group		Bank	
in RON thousands	**Notes**	**31.12.2022**	**31.12.2021**	**31.12.2022**	**31.12.2021**
Assets					
Cash and cash equivalents	12	15,224,576	13,317,439	15,224,262	13,069,516
Financial assets held for trading		177,242	1,704,540	177,708	1,704,540
Derivatives	16	177,213	23,994	177,679	23,994
Other financial assets held for trading	17,20	29	1,680,546	29	1,680,546
Non-trading financial assets mandatorily at fair value through profit or loss	18	67,179	65,753	67,179	65,502
Equity instruments		50,851	35,121	50,851	34,870
Debt securities		16,328	30,632	16,328	30,632
Financial assets at fair value through other comprehensive income	19,20	9,664,296	7,834,955	9,664,296	7,805,091
Debt securities	19,20	9,664,296	7,834,955	9,664,296	7,805,091
thereof pledged as collateral		180,325	-	180,325	-
Financial assets at amortised cost	13	68,046,211	62,702,857	69,264,841	63,381,929
thereof pledged as collateral	22	386,866	210,331	1,121,147	1,425,072
Debt securities	13, 20	15,215,719	15,570,473	15,132,875	15,382,134
Loans and advances to banks	13	148,344	1,362,313	156,699	1,362,004
Loans and advances to customers	13	52,682,148	45,770,071	53,975,267	46,637,791
Finance lease receivables	33	1,745,363	1,445,231	8,405	11,240
Property and equipment	29	1,029,207	1,094,606	820,797	820,178
Investment property	29	148,543	150,223	148,543	150,223
Intangible assets	31	394,847	361,674	377,240	349,068
Investments in joint ventures and associates	39	43,336	42,109	33,470	33,470
Current tax assets	10	222,026	185,406	219,164	182,155
Deferred tax assets	10	197,778	200,946	184,550	194,629
Assets held for sale and disposal group	44	749,318	227,730	51,499	9,153
Trade and other receivables	14	901,025	653,237	875,813	631,610
Investments in subsidiaries	38	-	-	500,943	518,464
Other assets	32	239,113	268,413	137,497	163,730
Total assets		**98,850,060**	**90,255,119**	**97,756,207**	**89,090,498**

Liabilities and Equity					
Financial liabilities held for trading		163,579	22,343	163,579	22,359
Derivatives	16	163,579	22,343	163,579	22,359
Financial liabilities measured at amortised cost	15	84,713,627	77,835,634	84,930,411	77,617,727
Deposits from banks	15	1,431,205	430,383	2,125,964	1,569,445
Borrowings and financing lines	15	648,189	849,192	189,261	246,763
Deposits from customers	15	75,588,537	72,458,416	75,609,053	71,721,511
Debt securities issued	15	5,424,406	2,733,120	5,424,406	2,733,120
Subordinated loans	15	-	503,964	-	503,964
Other financial liabilities	15	1,621,290	860,559	1,581,727	842,924
Lease liabilities	33	444,486	435,710	442,538	435,710
Provisions	35	1,000,507	1,793,931	885,531	1,149,254
Current tax liabilities	10	75,162	48,764	70,202	45,104
Deferred tax liabilities	10	19,443	14,317	-	-
Liabilities associated with assets held for sale and disposal group	44	568,508	-	-	-
Other liabilities	34	809,949	383,978	357,525	333,489
Total equity	**37**	**11,054,799**	**9,720,442**	**10,906,421**	**9,486,855**
Attributable to non-controlling interest		63	50	-	-
Attributable to owners of the parent		11,054,736	9,720,392	10,906,421	9,486,855
Share capital		2,952,565	2,952,565	2,952,565	2,952,565
Additional equity instruments		741,555	-	741,555	-
Retained earnings		5,904,001	5,143,334	5,745,545	4,900,768
Other reserves		1,456,615	1,624,493	1,466,756	1,633,522
Total liabilities and equity		**98,850,060**	**90,255,119**	**97,756,207**	**89,090,498**

AUTHORISED PERSON,
First name and name
Signature

Executive Vice-President,

Elke Meier

AUTHORISED PERSON,
First name and name
Signature

Director Accounting Division,

Gina Badea

BCR

STATEMENT OF CHANGES IN EQUITY

Consolidated and Separate for the year ended 31 December 2022

Statement of changes in equity

in RON thousands	Share capital	Share premium	Additional equity instruments	Retained earnings	Other reserves (1)	Fair value reserve	Currency translation reserve (2)	Actuarial gains/(losses) on defined benefit pension plans	Deferred tax	Equity attributable to owners of the parent	Equity attributable to non-controlling interests	Total
											31.12.2022	Group
Total equity as of 31.12.2021	**2,952,565**	**395,483**	**-**	**5,143,334**	**1,222,377**	**(58,778)**	**(10,264)**	**78,822**	**(3,147)**	**9,720,392**	**50**	**9,720,442**
Dividends paid	-	-	-	(964,542)	-	-	-	-	-	(964,542)	-	(964,542)
Capital increases (i)	-	-	741,555	-	-	-	-	-	-	741,555	-	741,555
Reclassification among components of equity	-	-	-	(20,697)	20,697	-	-	-	-	-	-	-
Total comprehensive income, of which	**-**	**-**	**-**	**1,745,906**	**-**	**(211,550)**	**(2,447)**	**(10,104)**	**35,526**	**1,557,331**	**13**	**1,557,344**
Net result for the period	-	-	-	1,745,906	-	-	-	-	-	1,745,906	13	1,745,919
Other comprehensive income	-	-	-	-	-	(211,550)	(2,447)	(10,104)	35,526	(188,575)	-	(188,575)
Total equity as of 31.12.2022	**2,952,565**	**395,483**	**741,555**	**5,904,001**	**1,243,074**	**(270,328)**	**(12,711)**	**68,718**	**32,379**	**11,054,736**	**63**	**11,054,799**

(i) Capital increases include AT1 instruments issued as described in Note 37

(1) Other reserves include legal reserves and general banking risk reserve described Note 37.
(2) Refers to translation of financial information of foreign operation to presentation currency.

in RON thousands	Share capital	Share premium	Additional equity instruments	Retained earnings	Other reserves (1)	Fair value reserve	Currency translation reserve (2)	Actuarial gains/(losses) on defined benefit pension plans	Deferred tax	Equity attributable to owners of the parent	Equity attributable to non-controlling interests	Total
											31.12.2021	Group
Total equity as of 31.12.2020	**2,952,565**	**395,483**	**-**	**4,630,400**	**1,197,466**	**155,693**	**(18,150)**	**67,002**	**(35,581)**	**9,344,878**	**43**	**9,344,921**
Dividends paid	-	-	-	(871,926)	-	-	-	-	-	(871,926)	-	(871,926)
Reclassification among components of equity	-	-	-	(24,911)	24,911	-	-	-	-	-	-	-
Total comprehensive income, of which	**-**	**-**	**-**	**1,409,771**	**-**	**(214,471)**	**7,886**	**11,820**	**32,434**	**1,247,440**	**7**	**1,247,447**
Net result for the period	-	-	-	1,409,771	-	-	-	-	-	1,409,771	7	1,409,778
Other comprehensive income	-	-	-	-	-	(214,471)	7,886	11,820	32,434	(162,331)	-	(162,331)
Total equity as of 31.12.2021	**2,952,565**	**395,483**	**-**	**5,143,334**	**1,222,377**	**(58,778)**	**(10,264)**	**78,822**	**(3,147)**	**9,720,392**	**50**	**9,720,442**

(1) Other reserves include legal reserves and general banking risk reserve.
(2) Refers to translation of financial information of foreign operation to presentation currency.

STATEMENT OF CHANGES IN EQUITY

Consolidated and Separate for the year ended 31 December 2022

Statement of changes in equity *(continued)*

								31.12.2022	Bank
in RON thousands	**Share capital**	**Share premium**	**Additional equity instruments**	**Retained earnings**	**Other reserves (1)**	**Fair value reserve**	**Actuarial gains/(losses) on defined benefit pension plans**	**Deferred tax**	**Total**
Total equity as of 31.12.2021	**2,952,565**	**395,483**	**-**	**4,900,768**	**1,222,377**	**(60,179)**	**78,822**	**(2,981)**	**9,486,855**
Dividends paid	-	-	-	(964,542)	-	-	-	-	(964,542)
Capital increases (i)	-	-	741,555	-	-	-	-	-	741,555
Reclassification among components of equity	-	-	-	(20,697)	20,697	-	-	-	-
Total comprehensive income, of which	**-**	**-**	**-**	**1,830,016**	**-**	**(213,067)**	**(10,104)**	**35,708**	**1,642,553**
Net result for the period	-	-	-	1,830,016	-	-	-	-	1,830,016
Other comprehensive income	-	-	-	-	-	(213,067)	(10,104)	35,708	(187,463)
Total equity as of 31.12.2022	**2,952,565**	**395,483**	**741,555**	**5,745,545**	**1,243,074**	**(273,246)**	**68,718**	**32,727**	**10,906,421**

(i) Capital increases include AT1 instruments issued as described in Note 37

(1) Other reserves include legal reserves and general banking risk reserves.

								31.12.2021	Bank
in RON thousands	**Share capital**	**Share premium**	**Additional equity instruments**	**Retained earnings**	**Other reserves (1)**	**Fair value reserve**	**Actuarial gains/(losses) on defined benefit pension plans**	**Deferred tax**	**Total**
Total equity as of 31.12.2020	**2,952,565**	**395,483**	**-**	**4,419,688**	**1,197,466**	**154,534**	**67,088**	**(35,458)**	**9,151,366**
Dividends paid	-	-	-	(871,926)	-	-	-	-	(871,926)
Reclassification among components of equity	-	-	-	(24,911)	24,911	-	-	-	-
Total comprehensive income, of which	**-**	**-**	**-**	**1,377,917**	**-**	**(214,713)**	**11,734**	**32,477**	**1,207,415**
Net result for the period	-	-	-	1,377,917	-	-	-	-	1,377,917
Other comprehensive income	-	-	-	-	-	(214,713)	11,734	32,477	(170,502)
Total equity as of 31.12.2021	**2,952,565**	**395,483**	**-**	**4,900,768**	**1,222,377**	**(60,179)**	**78,822**	**(2,981)**	**9,486,855**

(1) Other reserves include legal reserves and general banking risk reserve.

STATEMENT OF CASH FLOW
Consolidated and Separate for the year ended 31 December 2022

Statement of cash flow

		Group		Bank	
in RON thousands	**Notes**	**31.12.2022**	**31.12.2021**	**31.12.2022**	**31.12.2021**
Net result for the period		**1,745,919**	**1,409,778**	**1,830,016**	**1,377,917**
Non-cash adjustments for items in net result for the period					
Depreciation, amortisation of assets	6	257,089	215,432	206,586	205,366
Allocation and release of impairment of loans	7,8	356,454	202,660	318,435	175,115
Gains/(losses) from the sale of tangible and intangible assets	29,31	(2,636)	35,654	(10,319)	(24,542)
Gains/(Losses) on disposal of assets held for sale and disposal group	44	96,574	50,382	(9,840)	50,382
Other provisions	35	(301,839)	(51,882)	(284,980)	15,004
Impairment of subsidiaries	38	-	-	139,736	(69,943)
Impairment tangible and intangible assets	9	22,847	116,109	20,890	24,127
Impairment other assets		6,835	-	6,551	-
Current tax not paid	14	368,320	202,740	344,763	241,463
Other adjustments		198,326	35,850	(34,875)	57,708
Adjustments for items in net profit/(loss) for the year		(2,948,749)	(2,422,069)	(2,790,371)	(2,305,635)
Interest income from operating activities		(3,524,685)	(2,103,106)	(3,376,963)	(1,988,247)
Interest expense for operating activities		876,674	274,882	901,607	256,246
Interest income from investing activities	1	(529,815)	(658,147)	(513,742)	(646,715)
Interest expense for financing activities	1	229,077	64,302	221,790	73,081
Dividend income from investing activities	3	-	-	(23,063)	-
Changes in assets and liabilities from operating activities after adjustment for non-cash components					
Financial assets - held for trading	16	1,680,517	(471,615)	1,680,517	(471,615)
Non-trading financial assets mandatorily at fair value through profit or loss	18	20,733	1,925	20,733	1,925
Financial assets at fair value through other comprehensive income	19,20	(2,104,316)	(573,419)	(2,074,462)	(568,397)
Financial assets at amortised cost		(6,950,255)	(4,471,785)	(6,661,592)	(4,897,545)
Loans and advances to banks	13	1,213,969	665,708	1,205,016	663,266
Loans and advances to customers	13	(7,864,092)	(4,993,642)	(7,869,443)	(5,564,677)
Finance lease receivables	33	(300,132)	(143,851)	2,835	3,866
Other assets from operating activities	32	54,583	269,865	123,616	53,418
Financial liabilities measured at amortised cost	15	5,445,502	7,048,467	5,182,657	7,821,240
Deposits from banks		1,040,292	(615,984)	556,312	(429,786)
Deposits from customers		3,643,037	7,581,642	3,887,542	8,129,793
Other financial liabilities		762,173	82,809	738,803	121,233
Income tax paid		(344,405)	(199,826)	(323,285)	(185,721)
Other liabilities from operating activities	34	(401,713)	86,014	35,188	99,082
Interest received from operating activities		3,651,283	2,144,806	3,591,382	2,002,332
Interest paid for operating activities		(1,084,291)	(380,246)	(1,130,821)	(297,224)
Cash flow from operating activities		**(233,222)**	**3,248,840**	**180,525**	**3,304,457**
Proceeds of disposal:		2,616,736	3,312,692	2,329,823	2,491,749
Debt securities at amortised cost	13	2,275,932	3,118,694	2,251,811	2,333,166
Property and equipment, intangible assets,investment properties and assets held for sale	29,31	340,804	193,998	78,012	158,583
Acquisition of:		(2,414,823)	(4,204,128)	(2,299,279)	(3,843,640)
Debt securities at amortised cost	13	(2,165,586)	(3,808,264)	(2,067,308)	(3,675,171)
Property and equipment, intangible assets,investment properties and assets held for sale	29,31	(249,237)	(395,864)	(231,971)	(168,469)
Contribution to increase in share capital of subsidiaries and investements in associates	32	-	-	(167,500)	-
Interest received from investing activities	1	514,764	664,932	498,691	653,500
Dividends received from investing activities	3	-	-	23,063	-
Cash flow from investing activities		**716,677**	**(226,504)**	**384,798**	**(698,391)**
Capital increases	37	741,555	-	741,555	-
Dividends paid to equity holders of the parent	11	(963,452)	(870,887)	(963,452)	(870,887)
Dividends paid to non-controlling interests	11	(1,090)	(1,039)	(1,090)	(1,039)
Repayment of principal of lease liabilities (IFRS 16)	33	(112,613)	(74,474)	(95,827)	(74,332)
Debt securities redeemed	15	-	(45,983)	-	(45,983)
Debt securities issued	15	2,624,350	2,100,000	2,624,350	2,100,000
Inflows from other financing activities	29	235,440	-	4,891	-
Outflows from other financing activities	15	(932,189)	(1,289,323)	(557,388)	(782,599)
Interest paid for financing activities	1	(168,319)	(61,390)	(163,616)	(55,446)
Debt securities issued		(136,747)	-	(136,747)	-
Other financing activities		(9,688)	(12,685)	(4,985)	(6,741)
Subordinated loans		(21,884)	(48,705)	(21,884)	(48,705)
Cash flow from financing activities		**1,423,682**	**(243,096)**	**1,589,423**	**269,714**
Cash and cash equivalents at beginning of period	**12**	**13,317,439**	**10,538,199**	**13,069,516**	**10,193,736**
Cash flow from operating activities		(233,222)	3,248,840	180,525	3,304,457
Cash flow from investing activities		716,677	(226,504)	384,798	(698,391)
Cash flow from financing activities		1,423,682	(243,096)	1,589,423	269,714
Cash and cash equivalents at end of period	**12**	**15,224,576**	**13,317,439**	**15,224,262**	**13,069,516**

Notes to the group financial statements of BCR Group

Corporate information

Banca Comercială Română S.A. (the 'Bank' or 'BCR') together with its subsidiaries (the 'Group') provides retail, corporate banking and investment banking services mainly in Romania. As a result of the privatization process organized by the government of Romania, Erste Bank der oesterreichischen Sparkassen AG ('Erste Bank') purchased 61.88% of the share capital of the Bank pursuant to a share purchase agreement dated 21 December 2005. Until 31 December 2022, Erste Bank purchased further 38.0091% from other shareholders (including employees) of the Bank, adding up to 99.8891%. Erste Bank is the direct parent of the Bank. Erste Bank is owned 100% by Erste Group Bank AG. The ultimate parent of the Group is Erste Group Bank AG.

The Group provides day-to-day banking services and other financial services to governmental institutions, corporate and individual clients operating in Romania and abroad. These services include: accounts opening, domestic and international payments, foreign exchange transactions, working capital finance, medium and long term facilities, retail loans, finance micro and small enterprises, bank guarantees, letters of credit and through subsidiaries also leasing, brokerage, financial consultancy services and asset management.

Banca Comercială Română S.A. is incorporated and domiciled in Romania. Its registered office is at 159, Calea Plevnei, Building A - Business Garden 6th floor, Bucharest, Romania.

The consolidated financial statements for the year ended 31 December 2022 were pre-approved by the Management Board on 15 March 2023 and Supervisory Board on 24 March 2023.

The financial statements are audited by PricewaterhouseCoopers Audit SRL starting with the financial year ended 31 December 2017.

Significant accounting policies

The accounting policies apply to both the consolidated ('Group') and separate financial statements of the Bank, except for accounting of investments in subsidiaries and associates in the Bank's financial statements.

a) Basis of preparation

The separate and consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union on the basis of IAS Regulation (EC) No. 1606/2002 and in accordance with NBR Order 27/2010.

The separate and consolidated financial statements have been prepared on a historical cost basis modified to include the inflation adjustments under International Accounting Standard (IAS) 29 'Financial Reporting in Hyperinflationary Economies' up to 31 December 2003, except for financial assets at fair value through other comprehensive income, trading financial assets, derivative financial instruments, non-trading financial assets at fair value through profit or loss and financial assets designated at fair value through profit or loss.

The Bank and its subsidiaries which are incorporated in Romania maintain their books of account and prepare their statutory financial statements in accordance with Romanian Accounting Regulations and in the case of the Bank and its subsidiaries 'BCR Leasing IFN SA' and 'Banca pentru Locuinte' in accordance with Romanian Banking Regulations. The foreign subsidiaries maintain their books of account and prepare their statutory financial statements in their presentation currencies and in accordance with the regulations of the countries in which they operate.

The Bank's separate and consolidated financial statements are presented in Romanian Lei ('RON'), and all values are rounded to the nearest RON thousands, except when otherwise indicated. The tables in this Financial Statements may contain rounding differences.

The Bank's separate and consolidated financial statements have been prepared on a going concern basis.

The Group presents its statement of financial position in decreasing order of liquidity.

Significant accounting policies *(continued)*

b) Covid-19 disclosures, war in Ukraine and geopolitical context

In the separate and consolidated financial statements, considerations and significant impacts of the Covid-19 outbreak, war in Ukraine and geopolitical context are in the sub-chapter 'Measurement of ECL- Collective assessment' from Note 26 which explains the impact on the ECL measurement, sensitivity analyses and information on credit exposures.

c) Accounting and measurement methods

Foreign currency translation

The financial statements are presented in RON, which is the Bank's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

i. Transactions and balances

Transactions in foreign currencies are initially recorded in the functional currency at the rate of exchange ruling at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated into the functional currency at the rate of exchange ruling at the statement of financial position date. All differences are taken to 'Foreign currency translation' in the profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at 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.

ii. Group companies

As at the reporting date, the assets and liabilities of foreign subsidiaries are translated into the Bank's presentation currency (RON) at the National Bank of Romania (NBR) rate of exchange ruling at the statement of financial position date, and their profits or losses are translated at the average NBR exchange rates for the year. Exchange differences arising on translation are taken directly to a separate component of equity 'Currency translation reserve'. On disposal of a foreign entity, the deferred cumulative amount recognized in equity relating to that particular foreign operation is recognized in the statement of comprehensive income in 'Other operating result'.

Accounting treatment of issues related to Covid-19, war in Ukraine and geopolitical context

i. Public moratoria

In 2022, the Government issued a new public moratoria including on repayment of loans aimed at addressing the economic consequences generated by the energy crisis and the war between Russia and Ukraine. The conditions for accessing the repayment postponement were similar to those relating to COVID 19 moratoria, based also on an opt-in approach.

The public moratoria modified the contractual cash flows of the related financial assets and are therefore treated as contractual modifications within the meaning of IFRS 9.

During any moratoria period, interest continued to accrue on the outstanding balance of the loans. Nevertheless, in many cases an economic loss is incurred and modification losses are recognised from accounting perspective. This results from the fact that the interest accrued, instead of being repaid or capitalised at the end of the moratorium, is repaid over the period after the moratorium. For the public moratoria issued in 2022, the impact for the Bank from the related modification loss recognized was insignificant because of the small number of clients' applications.

With respect to the assessment of significant increases in credit risk (SICR), the Bank does not consider the public moratoria in itself as automatic SICR triggers but applies its specific assessment rules consisting of qualitative information and quantitative thresholds. Details on this assessment and other considerations on the expected credit loss estimation in the light of the COVID-19 outbreak are described in Note 26 Credit risk.

In 2022, the Group has received an insignificant number of requests under public moratoria and, therefore, no significant increases have been identified in terms of the number and value of new non-performing exposures and no significant increases in past-due days, at the level of the loan portfolio.

As of December 2022, all public or private moratoria ended.

Significant accounting policies *(continued)*

ii. Public guarantees

In its efforts to mitigate the economic effects of COVID-19, the government is providing public guarantees on banks' exposures. Financial guarantees received in the context of public COVID-19 measures are typically related to new credit facilities and are therefore considered as integral. Financial guarantees and other types of credit enhancements which are considered as integral to the contractual terms of financial assets are included in the estimates of expected credit losses. The criteria for integral are:

- the guarantee is entered into at or close to the inception of the guaranteed financial asset;
- the option of the Bank to require provision of the guarantee is included in the loan contract.

Financial guarantees and other credit enhancements which are not considered integral cannot be directly reflected in the expected cash-flows. They are recognized as reimbursement assets under Other assets (i.e. non-financial assets) when the 'virtually certain' criterion under IAS 37.53 is met.

iii. Impairment of financial instruments

The main contributor to the impairment allocation in the line item „Impairment result from financial instruments" at Group level in the amount of RON 314,337 thousands (out of overall impairment result in the amount of RON 393,777 thousands) is directly attributable to changes in the macroeconomic and geopolitical environment:

i) new Ukraine war stagging overlays for cyclical industries and energy, with additional ECL allocated in amount of RON 93,945 thousands for cyclical industries and RON 81,172 thousands for energy sector, mainly for Non-financial corporations;

ii) update of forward looking information (FLI) in amount of RON 139,220 thousands.

d) Significant accounting judgements, assumptions and estimate

The consolidated financial statements contain amounts that have been determined on the basis of judgements and by the use of estimates and assumptions. The estimates and assumptions used are based on historical experience and other factors, such as planning as well as expectations and forecasts of future events that are currently deemed to be reasonable. As a consequence of the uncertainty associated with these assumptions and estimates, actual results could in future periods lead to adjustments in the carrying amounts of the related assets or liabilities. The most significant uses of judgements, assumptions and estimates are described in the notes of the respective assets and liabilities and relate in particular to:

- Taxes on income and deferred tax assets (Note 10 - Taxes on income);
- SPPI assessment of financial instruments (Chapter Financial instruments – Significant accounting policies);
- Business model assessment of financial instruments (Chapter Financial instruments – Significant accounting policies);
- Fair value of financial instruments (Chapter Financial instruments at fair value);
- Impairment of financial instruments (Chapter Financial instruments – Significant accounting policies, Note 26 Credit risk);
- Impairment of non-financial assets (Chapter Non-current assets and other investments);
- Provisions (Note 35 Provisions);
- Defined employees benefit plans (Note 35 Provisions);
- Control of subsidiaries (Note 38 Subsidiaries);
- Significant influence in associates and joint ventures (Note 39 Investments in joint ventures and associates).

e) Application of amended and new IFRS/IAS

The following amended standards became effective from 1 January 2022, but did not have any material impact on the Group and Bank:

- Covid-19-Related Rent Concessions – Amendments to IFRS 16 (issued on 31 March 2021 and effective for annual periods beginning on or after 1 April 2021). In May 2020, an amendment to IFRS 16 was issued that provided an optional practical expedient for lessees from assessing whether a rent concession related to COVID-19, resulting in a reduction in lease payments due on or before 30 June 2021, was a lease modification. An amendment issued on 31 March 2021 extended the date of the practical expedient from 30 June 2021 to 30 June 2022.
- Proceeds before intended use, Onerous contracts – cost of fulfilling a contract, Reference to the Conceptual Framework – narrow scope amendments to IAS 16, IAS 37 and IFRS 3, and Annual Improvements to IFRSs 2018-2020 – amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41 (issued on 14 May 2020 and effective for annual periods beginning on or after 1 January 2022).

Significant accounting policies ***(continued)***

Certain new standards and interpretations have been issued that are mandatory for the annual periods beginning on or after 1 January 2023 or later, and which the Group has not early adopted.

Classification of liabilities as current or non-current, deferral of effective date – Amendments to IAS 1 (issued on 15 July 2020 and effective for annual periods beginning on or after 1 January 2023). The amendment to IAS 1 on classification of liabilities as current or non-current was issued in January 2020 with an original effective date 1 January 2022. However, in response to the Covid-19 pandemic, the effective date was deferred by one year to provide companies with more time to implement classification changes resulting from the amended guidance.

Amendments to IAS 1 and IFRS Practice Statement 2: Disclosure of Accounting policies (issued on 12 February 2021 and effective for annual periods beginning on or after 1 January 2023). IAS 1 was amended to require companies to disclose their material accounting policy information rather than their significant accounting policies. The amendment provided the definition of material accounting policy information. The amendment also clarified that accounting policy information is expected to be material if, without it, the users of the financial statements would be unable to understand other material information in the financial statements. The amendment provided illustrative examples of accounting policy information that is likely to be considered material to the entity's financial statements. Further, the amendment to IAS 1 clarified that immaterial accounting policy information need not be disclosed. However, if it is disclosed, it should not obscure material accounting policy information. To support this amendment, IFRS Practice Statement 2, 'Making Materiality Judgements' was also amended to provide guidance on how to apply the concept of materiality to accounting policy disclosures.

The Group and the Bank are in process of assessing the impact of application of these amendments.

Amendments to IAS 8: Definition of Accounting Estimates (issued on 12 February 2021 and effective for annual periods beginning on or after 1 January 2023). The amendment to IAS 8 clarified how companies should distinguish changes in accounting policies from changes in accounting estimates.

Deferred tax related to assets and liabilities arising from a single transaction – Amendments to IAS 12 (issued on 7 May 2021 and effective for annual periods beginning on or after 1 January 2023). The amendments to IAS 12 specify how to account for deferred tax on transactions such as leases and decommissioning obligations. In specified circumstances, entities are exempt from recognising deferred tax when they recognise assets or liabilities for the first time. Previously, there had been some uncertainty about whether the exemption applied to transactions such as leases and decommissioning obligations – transactions for which both an asset and a liability are recognised. The amendments clarify that the exemption does not apply and those entities are required to recognise deferred tax on such transactions. The amendments require companies to recognise deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences.

Sale or Contribution of Assets between an Investor and its Associate or Joint Venture – Amendments to IFRS 10 and IAS 28 (issued on 11 September 2014 and effective for annual periods beginning on or after a date to be determined by the IASB). These amendments address an 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 recognised when a transaction involves a business. A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if these assets are held by a subsidiary.

Amendments to IFRS 16 Leases: Lease Liability in a Sale and Leaseback (issued on 22 September 2022 and effective for annual periods beginning on or after 1 January 2024). The amendments relate to the sale and leaseback transactions that satisfy the requirements in IFRS 15 to be accounted for as a sale. The amendments require the seller-lessee to subsequently measure liabilities arising from the transaction and in a way that it does not recognise any gain or loss related to the right of use that it retained. This means deferral of such a gain even if the obligation is to make variable payments that do not depend on an index or a rate.

IFRS 17 'Insurance Contracts'(issued on 18 May 2017 and effective for annual periods beginning on or after 1 January 2021). IFRS 17 replaces IFRS 4, which has given companies dispensation to carry on accounting for insurance contracts using existing practices. As a consequence, it was difficult for investors to compare and contrast the financial performance of otherwise similar insurance companies. IFRS 17 is a single principle-based standard to account for all types of insurance contracts, including reinsurance contracts that an insurer holds. The standard requires recognition and measurement of groups of insurance contracts at: (i) a risk-adjusted present value of the future cash flows (the fulfilment cash flows) that incorporates all of the available information about the fulfilment cash flows in a way that is consistent with observable market information; plus (if this value is a liability) or minus (if this value is an asset) (ii) an amount representing the unearned profit in the group of contracts (the contractual service margin). Insurers will be recognising the profit from a group of insurance contracts over the period they provide insurance coverage, and as they are released from risk. If a group of contracts is or becomes loss-making, an entity will be recognising the loss immediately.

Significant accounting policies *(continued)*

Amendments to IFRS 17 and an amendment to IFRS 4 (issued on 25 June 2020 and effective for annual periods beginning on or after 1 January 2023). The amendments include a number of clarifications intended to ease implementation of IFRS 17, simplify some requirements of the standard and transition. The amendments relate to eight areas of IFRS 17, and they are not intended to change the fundamental principles of the standard. The following amendments to IFRS 17 were made:

Effective date: The effective date of IFRS 17 (incorporating the amendments) has been deferred by two years to annual reporting periods beginning on or after 1 January 2023; and the fixed expiry date of the temporary exemption from applying IFRS 9 in IFRS 4 has also been deferred to annual reporting periods beginning on or after 1 January 2023.
Expected recovery of insurance acquisition cash flows: An entity is required to allocate part of the acquisition costs to related expected contract renewals, and to recognise those costs as an asset until the entity recognises the contract renewals. Entities are required to assess the recoverability of the asset at each reporting date, and to provide specific information about the asset in the notes to the financial statements.
Contractual service margin attributable to investment services: Coverage units should be identified, considering the quantity of benefits and expected period of both insurance coverage and investment services, for contracts under the variable fee approach and for other contracts with an 'investment-return service' under the general model. Costs related to investment activities should be included as cash flows within the boundary of an insurance contract, to the extent that the entity performs such activities to enhance benefits from insurance coverage for the policyholder.
Reinsurance contracts held – recovery of losses: When an entity recognises a loss on initial recognition of an onerous group of underlying insurance contracts, or on addition of onerous underlying contracts to a group, an entity should adjust the contractual service margin of a related group of reinsurance contracts held and recognise a gain on the reinsurance contracts held.
The amount of the loss recovered from a reinsurance contract held is determined by multiplying the loss recognised on underlying insurance contracts and the percentage of claims on underlying insurance contracts that the entity expects to recover from the reinsurance contract held. This requirement would apply only when the reinsurance contract held is recognised before or at the same time as the loss is recognised on the underlying insurance contracts.
Other amendments: Other amendments include scope exclusions for some credit card (or similar) contracts, and some loan contracts; presentation of insurance contract assets and liabilities in the statement of financial position in portfolios instead of groups; applicability of the risk mitigation option when mitigating financial risks using reinsurance contracts held and non-derivative financial instruments at fair value through profit or loss; an accounting policy choice to change the estimates made in previous interim financial statements when applying IFRS 17; inclusion of income tax payments and receipts that are specifically chargeable to the policyholder under the terms of an insurance contract in the fulfilment cash flows; and selected transition reliefs and other minor amendments.

Transition option to insurers applying IFRS 17 – Amendments to IFRS 17 (issued on 9 December 2021 and effective for annual periods beginning on or after 1 January 2023). The amendment to the transition requirements in IFRS 17 provides insurers with an option aimed at improving the usefulness of information to investors on initial application of IFRS 17. The amendment relates to insurers' transition to IFRS 17 only and does not affect any other requirements in IFRS 17. The transition requirements in IFRS 17 and IFRS 9 apply at different dates and will result in the following one-time classification differences in the comparative information presented on initial application of IFRS 17: accounting mismatches between insurance contract liabilities measured at current value and any related financial assets measured at amortised cost; and if an entity chooses to restate comparative information for IFRS 9, classification differences between financial assets derecognised in the comparative period (to which IFRS 9 will not apply) and other financial assets (to which IFRS 9 will apply). The amendment will help insurers to avoid these temporary accounting mismatches and, therefore, will improve the usefulness of comparative information for investors. It does this by providing insurers with an option for the presentation of comparative information about financial assets.
When initially applying IFRS 17, entities would, for the purpose of presenting comparative information, be permitted to apply a classification overlay to a financial asset for which the entity does not restate IFRS 9 comparative information. The transition option would be available, on an instrument-by-instrument basis; allow an entity to present comparative information as if the classification and measurement requirements of IFRS 9 had been applied to that financial asset, but not require an entity to apply the impairment requirements of IFRS 9; and require an entity that applies the classification overlay to a financial asset to use reasonable and supportable information available at the transition date to determine how the entity expects that financial asset to be classified applying IFRS 9.

The Group and the Bank are in process of assessing whether some of its contracts fall in scope of IFRS 17. The Group and the Bank will estimate the effect on its financial statements when this has been clarified.

Unless otherwise described above, the new standards and interpretations are not expected to significantly affect the Group's financial statements.

During 2022, the Group and the Bank have applied the same accounting policies as in 2021, except for a new derecognition trigger for financial instruments which was introduced referring to modifications of contractual terms and conditions, namely the modification which alters floating interest rate into fixed interest rate (such as Euribor-based interest rate into fixed interest rate, e.g. 2.0%) or vice versa for the entire remaining life of the financial asset.

Performance/ return

1. Net interest income

Net interest income is broken down into line items of 'interest income', 'other similar income', 'interest expenses' and 'other similar expenses'. The distinguishing factor is whether the EIR method is mandatorily applied for recognition of interest income or expense in accordance with IFRS 9.

'Interest income' relates to interest revenue from financial assets measured at amortised cost and at fair value through other comprehensive income. It is calculated using the EIR method as presented in chapter 'Financial instruments – Significant accounting policies', 'Measurement methods for financial instruments', part 'i. Amortised cost and effective interest rate'. The prepayment fees are not deferred and are assimilated to interest income.

'Other similar income' captures interest-like sources of income resulting from non-derivative financial assets measured at fair value through profit or loss, held-for-trading derivatives used for economic hedge and negative interest on financial liabilities.

'Interest expenses' relates to interest expense from financial liabilities measured at amortised cost calculated using effective interest rate as discussed in chapter 'Financial instruments', 'Measurement methods for financial instruments', part (i) 'Amortised cost and effective interest rate'.

'Other similar expenses' capture interest-like sources of expense resulting from non-derivative financial liabilities measured at fair value through profit or loss, held-for-trading derivatives used for economic hedge, negative interest on financial assets, effect of passage of time on provisions recognised under IFRS 9 and IAS 37 and net defined liability (net interest cost on severance payment, pension and jubilee obligations) under IAS 19.

As regards types of financial instruments, interest income and other similar income include interest income on loans and advances to banks and customers, on cash balances, and on debt securities in all measurement categories of financial assets. Interest expenses and other similar expenses include interest paid on deposits from customers, deposits from banks, debt securities issued and other financial liabilities in all measurement categories of financial liabilities. Net interest income also includes interest on derivative financial instruments.

Interest income also includes modification gains and losses recognised on financial assets in Stage 1. Further, the unamortised balance of the origination fees/transaction costs upon derecognition of assets in Stage 1 and 2 considered in the effective interest rate is presented as interest income at the derecognition date.

	Group		Bank	
in RON thousands	**31.12.2022**	**31.12.2021**	**31.12.2022**	**31.12.2021**
Interest and other similar income				
Financial assets at amortised cost	3,722,551	2,498,008	3,644,746	2,436,432
Financial assets measured at fair value through other comprehensive income	254,959	197,285	243,277	195,231
Interest income	**3,977,510**	**2,695,293**	**3,888,023**	**2,631,663**
Non-trading financial assets at fair value through profit or loss	-	5	-	5
Financial assets - held for trading	-	448	-	448
Finance lease receivables	74,521	63,005	215	280
Other assets	250	12	249	12
Negative interest from financial liabilities	2,218	2,490	2,218	2,554
Other similar income	**76,989**	**65,960**	**2,682**	**3,299**
Total interest and other similar income	**4,054,499**	**2,761,253**	**3,890,705**	**2,634,962**
Interest and other similar expense				
Financial liabilities measured at amortised cost	(1,085,570)	(320,385)	(1,103,445)	(310,614)
Interest expenses	**(1,085,570)**	**(320,385)**	**(1,103,445)**	**(310,614)**
Financial liabilities - held for trading	-	(221)	-	(221)
Lease liabilities	(9,401)	(8,889)	(9,169)	(8,803)
Other liabilities	(7,905)	(6,998)	(7,905)	(6,998)
Negative interest from financial assets	(2,875)	(2,691)	(2,877)	(2,691)
Other similar expenses	**(20,181)**	**(18,799)**	**(19,951)**	**(18,713)**
Total interest and other similar expense	**(1,105,751)**	**(339,184)**	**(1,123,396)**	**(329,327)**
Net interest income	**2,948,748**	**2,422,069**	**2,767,309**	**2,305,635**

Net interest income increased driven by higher business volumes coupled with higher market rates.

2. Net fee and commission income

The Group 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:

Fee income earned from services that are provided over a certain period of time

Fees earned for the provision of services over a period of time are accrued over that period, being recognized in P&L gradually. These fees include commission and asset management income, guarantees given.

Loan commitment given and received fees for loans that are likely to be drawn down and other credit related fees are deferred (together with any incremental costs) and recognized as an adjustment to the effective interest rate on the loan. When it is unlikely that a loan will be drawn down, the loan commitment fees are recognized over the commitment period on a straight-line basis.

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 – 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. Fees that are recognized when the service is provided are securities – brokerage, clearing and settlement, custody, payment services, customer resources distributed but not managed, structured finance.

Group

in RON thousands	31.12.2022		31.12.2021	
	Income	Expense	Income	Expense
Securities - brokerage	**76,882**	**(10,105)**	**40,080**	**(5,958)**
Transfer orders	76,882	(10,105)	40,080	(5,958)
Clearing and settlement	8,951	(21,968)	7,868	(18,344)
Asset management	34,469	-	53,360	-
Custody	18,278	(4,527)	17,093	(4,770)
Payment services	**730,448**	**(165,847)**	**694,052**	**(163,216)**
Card business	263,617	(122,875)	237,664	(109,083)
Other	466,831	(42,972)	456,388	(54,133)
Customer resources distributed but not managed	**180,354**	**(8,498)**	**181,241**	**(5,025)**
Collective investment	39,428	-	56,022	-
Insurance products	94,769	-	91,483	-
Foreign exchange transactions	44,503	(8,498)	32,799	(5,025)
Other	1,654	-	937	-
Structured finance	2,515	-	1,354	-
Lending business	**83,264**	**(30,807)**	**69,438**	**(25,779)**
Guarantees given, guarantees received	28,061	(792)	21,814	(1,643)
Loan commitments given, loan commitments received	25,634	-	21,224	-
Other lending business	29,569	(30,015)	26,400	(24,136)
Other	55,571	(4,740)	29,314	(2,786)
Total fee and commission income and expenses	**1,190,732**	**(246,492)**	**1,093,800**	**(225,878)**
Net fee and commission income	**944,240**		**867,922**	

Bank

in RON thousands	31.12.2022		31.12.2021	
	Income	Expense	Income	Expense
Securities - brokerage	**76,882**	**(10,105)**	**40,080**	**(5,958)**
Transfer orders	76,882	(10,105)	40,080	(5,958)
Clearing and settlement	8,966	(21,877)	7,876	(18,244)
Custody	18,278	(2,435)	17,093	(2,915)
Payment services	**723,964**	**(162,555)**	**688,681**	**(160,683)**
Card business	259,588	(120,316)	234,496	(107,318)
Other	464,376	(42,239)	454,185	(53,365)
Customer resources distributed but not managed	**169,236**	**(8,498)**	**173,644**	**(5,025)**
Collective investment	39,428	-	56,022	-
Insurance products	80,715	-	81,213	-
Building society brokerage	-	-	7	-
Foreign exchange transactions	44,504	(8,498)	32,800	(5,025)
Other	4,589	-	3,602	-
Structured finance	2,515	-	1,354	-
Lending business	**82,773**	**(28,744)**	**69,145**	**(21,402)**
Guarantees given, guarantees received	27,859	(39)	21,607	(73)
Loan commitments given, loan commitments received	25,635	-	21,224	-
Other lending business	29,279	(28,705)	26,314	(21,329)
Other	50,687	(1,401)	22,940	(682)
Total fee and commission income and expenses	**1,133,301**	**(235,615)**	**1,020,813**	**(214,909)**
Net fee and commission income	**897,686**		**805,904**	

The 'Other' category contains mostly factoring fees which are not an integral part of the effective interest rate, for December 2022 in amount of RON 42,186 thousands (December 2021: RON 18,161 thousands).

3. Dividend income

Revenue is recognized when the Group's or Bank's right to receive the payment is established. This line item includes dividends from all shares and other equity investments, i.e. from those that are held for trading, non-trading equity instruments at FVPL and at FVOCI.

	Group		Bank	
in RON thousands	**31.12.2022**	**31.12.2021**	**31.12.2022**	**31.12.2021**
Dividend income				
Non-trading financial assets at fair value through profit or loss (i)	3,804	3,210	3,745	3,146
Dividend income from investment in subsidiaries and associates (ii)	-	-	23,063	1,157
Dividend income	**3,804**	**3,210**	**26,808**	**4,303**

(i) Dividends received from non-trading financial assets at fair value through profit or loss: Biroul de Credit, Transfond, BCR Asigurari de Viata, Bursa de Valori Bucuresti and Visa.

(ii) Dividends received from subsidiaries and joint venture: BCR Payments and BCR Pensii, Societate de Administrare a Fondurilor de Pensii Private SA

4. Net trading result

Results arising from trading activities include all gains and losses from changes in fair value and related interest income or expense for financial assets and financial liabilities held for trading.

	Group		Bank	
in RON thousands	**31.12.2022**	**31.12.2021**	**31.12.2022**	**31.12.2021**
Securities and derivatives trading	186,598	94,988	186,598	94,988
Foreign exchange transactions	409,243	291,296	392,619	282,945
Net Trading Result	**595,841**	**386,284**	**579,217**	**377,933**

5. Rental income from investment properties and other operating leases

Rental income is recognised on a straight-line basis over the lease term. Other expenses for investment properties are reported in line item 'Other operating result'. For further details we refer to Note 9 Other operating result.

	Group		Bank	
in RON thousands	**31.12.2022**	**31.12.2021**	**31.12.2022**	**31.12.2021**
Investment properties	2,852	2,601	3,361	3,099
Other operating leases	84,727	108,967	1,702	2,854
Rental income from investment properties and other operating leases	**87,579**	**111,568**	**5,063**	**5,953**

Operating leases are mainly from car fleets rentals and other buildings which do not meet the criteria for investment property. Reported decrease is in line with expectation of operating leasing business of the Group.

6. General administrative expenses

Personnel expenses

Personnel expenses include wages and salaries, bonuses, statutory and voluntary social security contributions, staff-related taxes, levies and cash-settled share-based payments.
They also include service costs for severance payments, pension. Furthermore, restructuring provision expenses may be part of personnel expenses.

Starting 2022, WeShare program was implemented in BCR Bank and its subsidiaries in Romania. WeShare program is a cash-settled share-based payment transaction and consists of two parts: WeShare-Investment Plus and WeShare-Participation. Both parts are offered to employees of BCR Group provided that the specific requirements detailed in the Remuneration Policy are met.

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

6. General administrative expenses *(continued)*

The Bank and the subsidiaries in Romania, in the normal course of business make payments to the Romanian State funds on behalf of its Romanian employees for pension, health care and income tax. All employees of the Bank and of the subsidiaries in Romania are members and are also legally obliged to make defined contributions (included in the social security contributions) to the Romanian State pension plan (a State defined contribution plan). All relevant contributions to the Romanian State pension plan are recognized as an expense in the profit or loss as incurred. The Bank and its subsidiaries in Romania make payments to the Romanian state's funds on behalf of its Romanian employees for contributions due to the state social insurance budget, contributions due to the single health insurance fund. Contributions are paid by the employer. BCR pays the labour insurance contribution to the state funds, the contribution is relevant to the profit and loss account.

For Management Board members, all executive directors and Other Identified staff, variable remuneration is subject to a deferral mechanism in accordance with Remuneration Policy.

Depending on the amount, a pre-set % of the variable remuneration payment is allocated immediately (meaning upfront payment) and a pre-set % of the variable remuneration payment is deferred over the minimum five years for Management Board members and minimum four years (equal instalments) for all Executive Managers and Other Identified Staff. 50% of the entire variable remuneration has to be effected in cash and 50% in remuneration certificates.

BCR uses a remuneration certificate as an alternative to non-monetary payment. Through the certificates, the 50% portion of a variable component of remuneration is to be granted in remuneration certificates. The nominal value of a certificate shall be 1 leu (at granting date). The value of a certificate at the payment date shall be set based on its current price observing the calculation method detailed in the Remuneration Policy.

Other administrative expenses

Other administrative expenses include primarily information technology expenses, expenses for office space, office operating expenses, advertising and marketing, and expenditures for legal and other consultants. Furthermore, the line item contains deposit insurance contributions.

Depreciation and amortisation

This line item comprises depreciation of property and equipment, depreciation of investment property and amortisation of intangible assets.
In the line item 'Depreciation and amortisation', also the depreciation of right-of-use assets according to IFRS 16 is disclosed.

	Group		Bank	
in RON thousands	**31.12.2022**	**31.12.2021**	**31.12.2022**	**31.12.2021**
Personnel expenses (i)	(895,947)	(799,008)	(828,548)	(737,025)
Other administrative expenses (ii)	(727,003)	(657,200)	(712,428)	(645,240)
Depreciation and amortisation (iii)	(257,089)	(215,432)	(206,586)	(205,366)
Total	**(1,880,039)**	**(1,671,640)**	**(1,747,562)**	**(1,587,631)**
Personnel expenses	**(895,947)**	**(799,008)**	**(828,548)**	**(737,025)**
Wages and salaries	(850,507)	(747,763)	(787,202)	(690,435)
Compulsory social security	(25,341)	(22,750)	(21,638)	(19,522)
Long-term employee provisions	(1,060)	(1,073)	(1,046)	(1,073)
Other personnel expenses	(19,039)	(27,422)	(18,662)	(25,995)
Other administrative expenses	**(727,003)**	**(657,200)**	**(712,428)**	**(645,240)**
Payments into deposit insurance fund	(45,971)	(16,748)	(44,927)	(15,526)
IT expenses	(305,641)	(315,658)	(298,037)	(309,831)
Expenses for office space	(74,240)	(58,231)	(72,932)	(57,315)
Office operating expenses	(139,169)	(128,006)	(144,949)	(133,511)
Security services	(12,373)	(13,610)	(12,049)	(13,234)
Operating leases	(19,927)	(19,756)	(18,848)	(18,837)
Advertising / Marketing	(50,592)	(44,991)	(48,998)	(42,787)
Legal and consulting costs	(38,747)	(35,825)	(34,558)	(31,950)
Sundry administrative expenses	(40,343)	(24,375)	(37,130)	(22,249)
Depreciation and amortisation	**(257,089)**	**(215,432)**	**(206,586)**	**(205,366)**
Software and other intangible assets	(71,492)	(77,151)	(68,035)	(74,898)
Owner occupied real estate	(15,145)	(13,345)	(15,132)	(13,332)
Investment properties	(5,293)	(5,632)	(5,293)	(5,632)
Right of use assets	(78,603)	(69,093)	(70,682)	(67,937)
Office furniture and equipment and sundry property and equipment	(86,556)	(50,211)	(47,444)	(43,567)
General administrative expenses	**(1,880,039)**	**(1,671,640)**	**(1,747,562)**	**(1,587,631)**

6. General administrative expenses *(continued)*

(i) Personnel expenses increased in 2022 as compared to 2021 by RON 96,939 thousand at consolidated level mainly due to impact from implementation of approved CLA - Collective Labour Agreement for 2022.

The number of own employees of the Bank at 31 December 2022 was 5,018 employees (31 December 2021: 4,905 employees). The number of own employees of the Group at 31 December 2022 was 5,430 employees (31 December 2021: 5,342 employees).

The contribution to statutory pension funds for 2022 is RON 200,347 thousand at Group level (2021: RON 180,590 thousand) and RON 184,463 thousand at Bank level (2021: 167,091 RON thousand).

Under the WeShare-Investment Plus part program all employees, who had been employed by an entity of the Group, from March/April 2022 until September 2022 (service condition) could voluntarily invest in Erste Group shares and receive free shares depending on the amount of their personal investment. The WeShare-Investment Plus part was settled in September 2022. The number of free shares, which were granted under this program for the period, is 49,794. Personnel expenses in the amount of RON 5,418 thousands were booked.

In the WeShare-Participation part all employees, who have been employed by an entity of the Group for at least six months in 2022 and are still employed until the transfer of the shares to the employees in 2023 (service condition) are entitled to receive shares in an equivalent amount of EUR 350. The number of shares granted is calculated using the on-grant date expected EGB share price on settlement date. The expected number of free shares, which are granted under this program for the period, is 57,247. Based on the number of entitled employees, personnel expenses in the amount of RON 5,018 thousands were booked.

(ii) Other administrative expenses for the Group in 2022 were higher compared with 2021, mainly driven by higher annual contribution to the deposit insurance fund, as well as inflationary pressure on tariffs (utilities, fuel, cash processing, etc.)

(iii) Depreciation and amortization for the Group in 2022 are higher vs. 2021 mainly due to BCR Fleet Management subsidiary - depreciation related to remaining portfolio not part of sale transaction. Until 31.12.2021 the full portfolio amortization was stopped, as the company was held for sale.

The key management remuneration for the Bank

	2022				2021			
in RON thousands	Expense	Employer taxes	Accrued liability	Employer taxes	Expense	Employer taxes	Accrued liability	Employer taxes
Short-term benefits	**14,944**	**204**	**-**	**-**	**11,849**	**159**	**2,379**	**23**
Salaries	9,094	127	-	-	8,714	125	2,379	23
Benefits in kind	5,850	77	-	-	3,135	34	-	-
Share-based compensation:	**-**	**-**	**22,286**	**501**	**(18)**	**-**	**18,423**	**415**
Cash-settled share-based compensation (bonus cash)	-	-	22,286	501	(18)	-	18,423	415

The actual cash out for share based compensation was of 4,823 thousands RON in 2022 and 4,243 thousands RON in 2021.

The average numbers of own employees during the financial years are presented below (weighted according to the period of employment):

	2022	2021
Domestic	**5,215**	**5,389**
Banca Comerciala Romana	4,878	5,041
BCR Leasing IFN SA	135	126
BCR Banca pentru Locuinte SA	50	62
BCR Payments Services SRL	79	87
BCR Pensii, Societate de Administrare a Fondurilor de Pensii Private SA	51	47
BCR Fleet Management SRL	17	21
Suport Colect SRL	5	5
Abroad	**89**	**91**
BCR Chisinau SA	89	91
Total	**5,304**	**5,480**

7. Net impairment loss on financial instruments

Net impairment losses on financial instruments comprise impairment losses and reversals of impairment on all kinds of financial instruments, to which the IFRS 9 expected credit loss impairment model applies. The impairment result also includes recoveries on written-off financial assets. Modification gains and losses recognised on financial assets in Stage 2 and Stage 3 and POCI assets are also included in this line item. Moreover, gains/losses from derecognition of financial assets in Stage 3 and POCI assets are presented as part of the impairment result.

	Group		Bank	
in RON thousands	**31.12.2022**	**31.12.2021**	**31.12.2022**	**31.12.2021**
Allocation to risk provisions	(449,306)	(285,267)	(371,484)	(229,388)
Financial assets at fair value through other comprehensive income	(5,252)	(705)	(3,732)	(545)
Financial assets at amortised cost (i)	(347,206)	(196,149)	(308,996)	(168,772)
Finance lease receivables	(32,126)	(27,942)	1,100	1,124
Allocation of provisions for commitments and guarantees given	(64,722)	(60,471)	(59,856)	(61,195)
Direct write-offs	(9,248)	(6,343)	(9,439)	(6,343)
Recoveries recorded directly to the income statement	63,903	72,170	30,612	42,959
Modification gains or losses	874	(8,922)	881	(8,887)
Net impairment loss on financial instruments	**(393,777)**	**(228,362)**	**(349,430)**	**(201,659)**

(i) Net impairment losses are driven by collective provisions allocation for the performing portfolio, in line with the Bank's prudent risk approach in the current geopolitical context and macroeconomic evolution (forward looking indicators updates, re-estimation of risk parameters for both corporate and retail portfolios).

8. Reconciliation of the net impairment result to the changes in the credit loss allowances

	Group		Bank	
in RON thousands	**31.12.2022**	**31.12.2021**	**31.12.2022**	**31.12.2021**
Opening balance of credit loss allowances	**(3,002,257)**	**(2,691,153)**	**(2,927,910)**	**(2,637,765)**
Allocation to risk provisions	(449,306)	(285,267)	(371,484)	(229,388)
PL-impairment (gain)/loss attributable to POCI assets with no CLA attached	(34,665)	(34,446)	(34,665)	(34,446)
(Increase) due to passage of time (UWC)	(68,922)	(68,275)	(78,186)	(75,324)
CLA decreases due to sales	3,743	-	-	-
CLA decreases due to write-offs and POCI loans	427,835	108,228	382,364	71,791
Other CLA changes	12,026	(31,344)	(5,810)	(22,778)
Closing balance of credit loss allowances (total)	**(3,111,546)**	**(3,002,257)**	**(3,035,691)**	**(2,927,910)**

Balance of credit loss allowance include allowances for cash and cash equivalents in amount of RON 1,775 thousands for Group (2021: RON 1,266 thousands) and RON 1,789 thousands for the Bank (2021: nil).

9. Other operating result

The other operating result reflects all other income and expenses not directly attributable to Group's ordinary activities.
In particular, this includes impairment losses or any reversal of impairment losses as well as results on the sale of property and equipment, investment property and intangible assets. The main reasons for impairment losses to be recognized are summarized hereinafter:

- the intention to sell fixed assets and accordingly their re-measurement before reclassifying them based on IFRS 5;
- not fully occupied buildings that triggered a lower recoverable amount;
- recurring measurement for foreclosed assets at the balance sheet date and;
- recurring measurement for own used items of property at the balance sheet date and;
- concessions and other intangibles for which measurable economic benefits are no longer expected in the future.

In addition, the other operating result encompasses the following: recovery and resolution fund; expenses for other taxes; income from the release of and expenses for allocations to provisions and gains or losses from impairment of subsidiaries.

9. Other operating result *(continued)*

	Group		Bank	
in RON thousands	**31.12.2022**	**31.12.2021**	**31.12.2022**	**31.12.2021**
Other income, of which:	**130,077**	**226,959**	**75,562**	**206,375**
Impairment of subsidiaries (i)	-	-	-	69,943
Gain on disposal of premises and equipment	-	18,789	7,692	9,184
Gain on disposal of investment properties	2,627	11,237	2,627	11,237
Gain on disposal of non-current assets held for sale and disposal group (ii)	-	64,277	9,840	64,277
Gains on other assets	43,914	72,587	19,510	32,849
Other income (iii)	83,536	60,069	35,893	18,885
Other expense, of which:	**(313,872)**	**(388,236)**	**(60,584)**	**(236,012)**
Other provisions - net (allocation)/release (iv)	366,561	57,442	344,836	12,979
Losses on other assets	(35,704)	(62,936)	(15,411)	(21,760)
Losses on non-current assets held for sale and disposal group (vi)	(96,574)	-	-	-
Impairment of subsidiaries (i)	-	-	(139,736)	-
Impairment of tangible and intangible assets (v)	(22,850)	(17,700)	(20,890)	(17,585)
Impairment of assets held for sale and other assets	(6,835)	(98,409)	(6,551)	(6,542)
Recovery and resolution fund	(58,621)	(56,213)	(57,677)	(54,774)
Insurance premiums	(73,129)	(71,409)	(54,721)	(57,201)
Other taxes	(30,561)	(23,769)	(26,029)	(19,948)
Other expenses (vii)	(356,159)	(115,242)	(84,405)	(71,181)
Total	**(183,795)**	**(161,277)**	**14,978**	**(29,637)**

(i) Impairment of subsidiaries is eliminated at Group level. For 2022, the Bank registered an allocation of impairment. Further details are presented in Note 38;
(ii) In 2021, the Bank sold the former headquarter BFP building;
(iii) Includes the income related to nonbanking activities, such as cash processing and transportations and car fleet management activities. The increase in 2022 is due to inventory pluses, sundry amounts recognised on income;
(iv) The movement in other provisions are presented in Note 35;
(v) The book value of fixed assets was adjusted to the recoverable amount based on an external valuator report in 2022, as a result of annual impairment test;
(vi) Losses on non-current assets held for sale and disposal group on Group level are mainly related to reclassification of BCR Chisinau subsidiary as assets held for sale and disposal group, being the net result of adjustment of the net assets to the net realisable value as described in Note 44;
(vii) Includes sundry expenses: litigations, penalties, inventory impairment, cash transportations. The increase at group level in 2022 is due to recognition of an expense for the binding liability related to ancillary amounts in respect of budgetary obligation of BpL in amount of RON 232,718 thousands, as described in Note 36.

10. Taxes on income

Current and deferred taxes are recognised as income or an expense and included in profit or loss for the period. However, they are recognised in other comprehensive income or directly in equity if they arise from a transaction or event which itself is recognised in OCI or equity.

i. Current tax

Current tax assets and liabilities for the current and prior years are measured at the amount expected to be recovered from or paid to the taxation authorities.

The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the statement of financial position date.

ii. Deferred tax

Deferred tax is provided on temporary differences at the statement of financial position date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax liabilities are recognized for all taxable temporary differences, except where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

Deferred tax assets are recognized for all deductible temporary differences.

The carrying amount of deferred tax assets is reviewed at each statement of financial position date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at each statement of financial position date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

10. Taxes on income *(continued)*

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the statement of financial position date.

Current tax and deferred tax relating to items recognized directly in equity are also recognized in other comprehensive income and not in the profit or loss.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority. The Group recognizes both deferred tax assets and liabilities within different entities across the Group which have no enforceable right to be compensated.

Taxes on income are made up of current taxes on income calculated in each of the Group companies based on the results reported for tax purposes, and the change in deferred taxes.

	Group		Bank	
in RON thousands	**31.12.2022**	**31.12.2021**	**31.12.2022**	**31.12.2021**
Current tax expense/income	**(368,320)**	**(313,268)**	**(344,762)**	**(298,938)**
Current period	(368,320)	(284,530)	(344,762)	(270,200)
Prior period	-	(28,738)	-	(28,738)
Deferred tax expense/income	**(43,643)**	**(7,350)**	**(45,786)**	**(3,632)**
Current period	(43,643)	(7,350)	(45,786)	(3,632)
Taxes on income	**(411,963)**	**(320,618)**	**(390,548)**	**(302,570)**

The following table reconciles the income taxes reported in the statement of profit or loss to the pre-tax profit/loss multiplied by the nominal Romanian tax rate.

	Group		Bank	
in RON thousands	**31.12.2022**	**31.12.2021**	**31.12.2022**	**31.12.2021**
Pre-tax profit/(loss)	**2,157,882**	**1,730,396**	**2,220,564**	**1,680,487**
Income tax expense for the financial year at the domestic statutory tax rate (16%)	(343,700)	(276,863)	(355,290)	(268,878)
Impact of tax-exempt earnings of investments and other tax-exempt income (i)	391,662	223,423	282,401	215,786
Tax increases due to non-deductible expenses and similar elements (ii)	(505,265)	(264,632)	(362,874)	(246,489)
Impact of other elements (iii)	45,340	26,192	45,215	25,749
Tax expense not atributable to the reporting period	-	(28,738)	-	(28,738)
Income tax (expense) / release reported in the income statement	**(411,963)**	**(320,618)**	**(390,548)**	**(302,570)**
The effective tax rate	**19.09%**	**18.53%**	**17.59%**	**18.00%**

(i) Include mainly the releases of the provisions for off-balance sheet exposures, releases of the provisions for litigations.
(ii) Include mainly the allocation of the provisions for off-balance sheet exposures, allocations of the provisions for litigations and other provisions.
(iii) Include VAT split effect, sponsorship, tax exemption for reinvested profit.

Reinvested profit

Tax exemption on reinvested profit is a tax relief/incentive available for profit reinvested in technical equipment (subgroup 2.1 or 2.2.9 of the Catalogue of the Classification and the Normal Useful Life of Fixed Assets) and software property or license rights produced/acquired during the relevant tax period and is represented by the acquisition value (including VAT) of the respective investment (investment go live in the current year) deducted from the cumulative accounting profit before tax from the beginning of the year (no more than the level of the accounting profit recorded at the end of the fiscal year).

In order to benefit from this tax exemption, BCR has to keep the equipment for at least half of the normal useful economic life, in accordance with the applicable accounting rules, but no more than 5 years. Otherwise, corporate income tax is recalculated accordingly and late payment interest and penalties are imposed.

The amount of RON 11,768 thousand represents the tax exemption on the reinvested profit booked in 2022. Thus, the reinvested profit in the amount of RON 73,547 thousand will be recorded in Other Reserves, after obtaining the approval of the General Meeting of Shareholders, according to the legal provisions. In the event that, in the future, it will be decided to use/distribute this reserve in any form, the tax exemption on the profit recorded in Other Reserves will be cancelled and the tax will be paid at that time.

Sponsorship

All companies registered as corporate income taxpayers that record sponsorship expenses in accordance with the relevant legislation may benefit from tax credit (deduction from the corporate income tax due) for sponsorship, which means that part of the tax due to the state budget is redirected towards the recipients of the sponsorships granted by the company.

10. Taxes on income *(continued)*

To qualify for the tax credit, sponsorship must fulfil the conditions set out in the Law no. 32/1994 on sponsorship, as further amended and the Fiscal Code, it must be supported by a sponsorship contract and the beneficiaries of the sponsorships must be registered, at the date of conclusion of the contract, in the Register of organizations/religious entities for which tax deductions are granted.

In 2022, the Bank paid 33,447 thousands RON for sponsorships which allow to benefit from tax credit in an equal amount. Considering that the minimum amount established according to the Fiscal Code has not been used in full, additional RON 11mn will be redirected within six months as of the date of submission of the annual corporate income tax return.

Discount of CIT

The main elements similar to expenses considered by the Bank in 2022 consist of the deduction of the fiscal depreciation and the deduction of losses from selling of the fixed assets. The main element similar to revenues, considered by the Bank is in relation to the taxation of selling of the receivables.

The increase of income tax from RON 302,570 thousands in 2021 to RON 390,548 thousands in 2022 for the Bank was mainly due to a significant increase of the pre-tax profit due to a strong operating profit. Other components offsetting each other were higher tax exempt incomes due to lower litigation provisions, higher non-deductible expenses related to impairment of Bank's participation in subsidiaries and higher tax benefits from sponsorship.

The following table shows the income tax effects relating to each component of other comprehensive income:

						Group
	2022			2021		
in RON thousands	Before-tax amount	Tax benefit/ (expense)	Net-of-tax amount	Before-tax amount	Tax benefit/ (expense)	Net-of-tax amount
Fair value reserve	(270,328)	43,372	(226,956)	(58,778)	9,463	(49,315)
Remeasurement of net gain/ (losses) on benefit plans	68,718	(10,993)	57,725	78,822	(12,610)	66,212
Currency translation reserve of foreign subsidiary	(12,711)	-	(12,711)	(10,264)	-	(10,264)
Other comprehensive income	**(214,321)**	**32,379**	**(181,942)**	**9,780**	**(3,147)**	**6,633**

						Bank
	2022			2021		
in RON thousands	Before-tax amount	Tax benefit/ (expense)	Net-of-tax amount	Before-tax amount	Tax benefit/ (expense)	Net-of-tax amount
Fair value reserve	(273,246)	43,721	(229,525)	(60,179)	9,630	(50,549)
Remeasurement of net gain/ (losses) on benefit plans	68,718	(10,994)	57,724	78,822	(12,611)	66,211
Other comprehensive income	**(204,528)**	**32,727**	**(171,801)**	**18,643**	**(2,981)**	**15,662**

High interest rate environment for both RON and EUR generated negative impact on the fair value reserve in 2022 vs 2021.

Major components for deferred tax assets and deferred tax liabilities

						31.12.2022	Group
					Net variance 2022		
in RON thousands	Tax assets 2022	Tax assets 2021	Tax liabilities 2022	Tax liabilities 2021	Total	Through profit or loss	Through other comprehensive income
Temporary differences relate to the following items:							
Financial assets at fair value through other comprehensive income	43,372	9,454	-	-	33,918	-	33,908
Property and equipment (useful life in tax law different)	23,152	30,369	-	-	(7,217)	(7,217)	-
Long-term employee provisions (tax valuation different)	(10,993)	(12,611)	-	-	1,618	-	1,618
Other provisions (tax valuation different)	162,658	197,809	(450)	-	(35,151)	(35,151)	-
Intangible assets	(19,740)	(30,528)	-	-	10,788	10,788	-
Other	(671)	6,453	(18,993)	(14,317)	(11,800)	(12,063)	-
Total deferred taxes	**197,778**	**200,946**	**(19,443)**	**(14,317)**	**(7,844)**	**(43,643)**	**35,526**
Total current taxes	**222,026**	**185,406**	**(75,162)**	**(48,764)**	**(368,320)**	**(368,320)**	**-**
Total taxes	**419,804**	**386,352**	**(94,605)**	**(63,081)**	**(376,164)**	**(411,963)**	**35,526**

10. Taxes on income *(continued)*

					31.12.2022		Bank
					Net variance 2022		
in RON thousands	Tax assets 2022	Tax assets 2021	Tax liabilities 2022	Tax liabilities 2021	Total	Through profit or loss	Through other comprehensive income
Temporary differences relate to the following items:							
Financial assets at fair value through other comprehensive income	43,721	9,628	-	-	34,093	-	34,091
Property and equipment (useful life in tax law different)	24,669	30,070	-	-	(5,401)	(5,401)	-
Long-term employee provisions (tax valuation different)	(10,994)	(12,611)	-	-	1,617	-	1,617
Other provisions (tax valuation different)	163,588	198,533	-	-	(34,945)	(34,945)	-
Intangible assets	(36,167)	(30,724)	-	-	(5,443)	(5,440)	-
Other	(267)	(267)		-	-	-	-
Total deferred taxes	**184,550**	**194,629**	**-**	**-**	**(10,079)**	**(45,786)**	**35,708**
Total current taxes	**219,164**	**182,155**	**(70,202)**	**(45,104)**	**(344,762)**	**(344,762)**	**-**
Total taxes	**403,714**	**376,784**	**(70,202)**	**(45,104)**	**(354,841)**	**(390,548)**	**35,708**

11. Dividends paid

Dividends on ordinary shares are recognized as a liability and deducted from equity when they are approved by the Group's shareholders. Interim dividends are deducted from equity when they are declared and no longer at the discretion of the Group.

During 2022, following the Decision of the Ordinary General Meeting of shareholders, BCR distributed dividends for financial year 2021 in amount of RON 964,541,648.

During 2021, the Bank paid dividends in amount of RON 871,925,572 from the undistributed profits of financial years 2019 and 2020 as the ECB requirements imposed by the COVID-19 pandemic spread in 2020 were eliminated by National Bank of Romania.

Financial instruments – Significant accounting policies

A financial instrument is any contract giving rise to a financial asset of one party and a financial liability or equity instrument of another party. All financial assets and liabilities – which also include derivative financial instruments – have to be recognised on the balance sheet and measured in accordance with their assigned categories.

A. Measurement methods for financial instruments

Measurement of financial assets and financial liabilities is subject to two primary measurement methods.

i. Amortised cost and effective interest rate

Amortised cost is the amount at which the financial asset or financial liability is measured at initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount. For financial assets, the amount is adjusted for any loss allowance.

The effective interest rate ('EIR') is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset or financial liability to the gross carrying amount of the financial asset (i.e. its amortised cost before adjusting for any loss allowance) or to the amortised cost of the financial liability. The estimated cash flows consider all the contractual terms of the financial instrument but disregard the expected credit losses. The calculation includes transaction costs, origination fees that are an integral part of the EIR and all other premiums and discounts to the par amount.

For purchased or originated credit-impaired financial assets ('POCI', see part 'Impairment of financial instruments'), credit-adjusted EIR is used. It is the rate that exactly discounts the estimated future cash flows which consider expected credit losses to the amortised cost of a financial asset.

Financial instruments – Significant accounting policies *(continued)*

The EIR is used for recognition of interest income and interest expense. Interest income is calculated in the following way:

- EIR applied to the gross carrying amount for financial assets that are not credit-impaired (Stage 1 and Stage 2, see part 'Impairment of financial instruments');
- EIR applied to the amortised cost for financial assets that are credit-impaired (Stage 3, see 'Impairment of financial instruments'); and
- credit-adjusted EIR applied to the amortised cost for POCI financial assets.

Interest expense is calculated by applying the EIR to the amortised cost of a financial liability.

ii. Fair value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The definition also applies to fair value measurements of non-financial assets and liabilities. Details on valuation techniques applied for fair value measurement and on the fair value hierarchy are disclosed in Note 21 Fair value of financial assets and liabilities.

B. Initial recognition and measurement

i. Initial recognition

Financial instruments are initially recognised when BCR Group becomes a party to the contractual provisions of the instrument. Regular way (spot) purchases and sales of financial assets are recognised at the settlement date, which is the date that an asset is delivered.

ii. Initial measurement

Financial instruments are measured initially at their fair value including transaction costs (except for financial instruments at fair value through profit or loss, for which transaction costs are recognised directly in profit or loss). In most cases, the fair value at initial recognition equals the transaction price, i.e. the price transferred to originate or acquire a financial asset or the price received to issue or incur a financial liability.

C. Classification and subsequent measurement of financial assets

In accordance with IFRS 9, the classification and subsequent measurement of financial assets depend on the following two criteria:

- the business model for managing the financial assets – the assessment is focused on whether the financial asset is part of a portfolio in which the assets are held in order to collect contractual cash flows, to both collect the contractual cash flows and sell the assets or they are held in other business models;
- the cash flow characteristics of the financial assets – the assessment is focused on whether the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest ('SPPI') on the principal amount outstanding.

Application of these criteria leads to classification of financial assets into three measurement categories described in the notes:

- Note 13 - Financial assets at amortised cost;
- Note 19 - Financial assets at fair value through other comprehensive income;
- Note 18 – Non-trading financial assets mandatorily at fair value through profit or loss.

D. Classification and subsequent measurement of financial liabilities

Financial liabilities are classified as measured at amortised cost unless they are measured at fair value through profit or loss. Further details on financial liabilities at amortised cost and financial liabilities at FVPL are in the notes: Note 15 Financial liabilities at amortised costs and section Financial instruments at fair value.

Financial instruments – Significant accounting policies *(continued)*

E. Impairment of financial instruments

BCR Group recognises loss allowances for impairment on its debt instrument financial assets, other than those measured at FVPL, its lease receivables, and its off-balance credit risk exposures arising from financial guarantees and certain loan commitments. The impairment is based on expected credit losses whose measurement reflects:

- an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- the time value of money; and
- 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 amount of the impairment loss is recognised as a loss allowance. For the purpose of the measurement of the amount of expected credit loss and recognition of interest income, BCR Group distinguishes between three stages of impairment.

As per IFRS 9 requirements, the following definitions of expected credit losses are used:

- lifetime expected credit losses - the expected credit losses that result from all possible default events over the expected life of a financial instrument;
- 12-month expected credit losses - the portion of lifetime expected credit losses that represent the expected credit losses that result from default events on a financial instrument that are possible within the 12 months after the reporting date.

Stage 1 relates to financial instruments for which no significant increase in credit risk has been recorded since their initial recognition. The impairment is measured in the amount of the 12-month expected credit loss. Interest income is recognised by effective interest rate applied to the gross carrying amount of the financial asset.

Financial instruments in Stage 2 are subject to significant increase in credit risk since their initial recognition. The impairment is measured in the amount of the lifetime expected credit loss. Interest income is recognised by effective interest rate applied to the gross carrying amount of the financial asset.

Financial assets in Stage 3 are credit-impaired. In respect of applying the 'credit-impaired' concept of IFRS 9, BCR Group generally adopted the approach of aligning it with the regulatory concept of 'default' for lending exposures. The impairment for such financial assets is measured in the amount of lifetime expected credit loss. Interest income is recognised by EIR applied to the amortised cost (i.e. the net carrying amount) of the financial asset.

From a balance sheet perspective, interest is accrued based on the financial assets' gross carrying amount. The difference between the interest accrued on the assets and the interest income recognised is reflected through the allowance account (without impacting the impairment loss).

More detailed information about identification of significant increases in credit risk including collective assessment, estimation techniques used to measure 12-month and lifetime expected credit losses and definition of default is provided in Note 26 Credit risk.

The loss allowances decrease the value of the assets, i.e. for financial assets measured at amortised cost, the net carrying amount of the financial asset presented on the balance sheet is the difference between the gross carrying amount and the cumulative loss allowance, that is recognised in the statement of profit or loss. However, for financial assets measured at FVOCI, the loss allowance is recognised in accumulated OCI, specifically under 'Fair value reserve' in the statement of changes in equity and it does not reduce the carrying amount of the financial asset on the balance sheet.

For financial assets that are credit-impaired at initial recognition (purchased or originated credit-impaired – POCI – financial assets) lifetime expected credit losses are initially reflected in the credit-adjusted effective interest rate. As a result, no loss allowance is recognised at inception. Subsequently, only adverse changes in lifetime expected credit losses after the initial recognition are recognised as loss allowance, whilst favourable changes are recognised as impairment gains increasing the gross carrying amount of the POCI financial assets.

Loss allowances for loan commitments and financial guarantees are presented under the balance sheet line item 'Provisions'. Measurement of ECL for credit lines and other facilities with undrawn component is done separately for the undrawn component.

In the statement of income, impairment losses and their reversals (gains) on all categories of financial instruments are presented in the line item 'Net impairment loss on financial instruments'. Disclosures concerning impairment of financial assets are in Note 7.

Financial instruments – Significant accounting policies *(continued)*

F. Write-offs

BCR Group writes off a financial asset or a part of it when it has no reasonable expectations of recovering the respective cash flows. When performing the write-off, the gross carrying amount of the asset is reduced simultaneously with the related loss allowance balance.

BCR Group has specified criteria for writing off the unrecoverable balances in its loan business. Write-off can result from forbearance measures whereby the Bank contractually waives part of the existing balance in order to help the customers overcome financial difficulties and thus improve the prospects of recovering the remaining loan balance (normally this relates to going concern scenarios for corporate customers).

In gone concern scenarios with corporate customers, write-offs of the unrecoverable exposure parts are triggered by enforcement activities such as filing or termination of legal proceedings (bankruptcy, liquidation, court case).

Other write-off triggers may result from decisions about no enforcement due to worthlessness of the claim/collateral or generally from assessment that the receivable is economically lost.

For retail customers, the non-recoverability, the timing and amounts of write-off crystallise during the collection process when it becomes evident that the amount due cannot be collected, e.g. due to ongoing bankruptcy proceedings. Residual uncollectable balances are written off after the finalization of the collection process.

G. Derecognition of financial instruments including treatment of contractual modifications

i. Derecognition of financial assets

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

- the contractual rights to receive cash flows from the asset have expired; or
- BCR Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement;

and either:

- it has transferred substantially all risks and rewards connected with ownership of the asset, or
- has neither transferred nor retained substantially all risks and rewards connected with ownership of the asset but has transferred control of the asset.

The difference between the carrying amount of the derecognised asset and the consideration received is presented in the statement of profit or loss in the line 'Gains/losses from derecognition of financial assets measured at amortised cost' (if the case) or, for debt financial assets at FVOCI, in the line 'Other gains/losses from derecognition of financial instruments not measured at fair value through profit or loss'. For financial assets measured at FVPL, the derecognition gains or losses are recognised together with the measurement result in the lines 'Net trading result' or 'Gains/losses from financial instruments measured at fair value through profit or loss'.

ii. Derecognition criteria with respect to contractual modifications of financial assets

In the normal course of running its lending business and in agreement with the respective debtors, BCR Group may renegotiate or otherwise modify some terms or conditions of the underlying contracts. This can involve either market-driven commercial renegotiations or contractual changes aimed at alleviating or preventing borrower's financial difficulty.

For the purpose of capturing the economic substance and financial effect of such contractual modifications, BCR Group has developed a set of criteria to assess whether or not the modified terms are substantially different from the original terms.

Substantial modifications lead to derecognition of the original financial asset and initial recognition of the modified financial asset as a new financial instrument. They include the following events:

- change of the contractual counterparty (unless this is a formal change such as changes in legal name);
- change in the currency of the contract (unless the change results from exercising an embedded option in the original contract with pre-agreed conditions of the change, or if the new currency is pegged to the original currency);
- introduction of a non-SPPI contractual feature (unless it is intended to improve recoveries from debtors by granting concessions supporting them to recover from financial difficulties);
- removal of a non-SPPI contractual feature; and
- the modification which alters floating interest rate into fixed interest rate (such as Euribor-based interest rate into fixed interest rate, e.g. 2.0%) or vice versa for the entire remaining life of the financial asset.

Financial instruments – Significant accounting policies *(continued)*

Some derecognition criteria distinguish whether contractual modifications are applied to debtors facing financial difficulties. Application of certain modifications to debtors in financial difficulties is not considered as substantial since they are aimed at improving the prospects of the Bank to recover the claims by tailoring the repayment schedules to specific financial conditions of those debtors.

On the other hand, such contractual modifications applied to performing debtors may be considered as substantial enough to warrant the derecognition, as further detailed below.

From this perspective, the following criteria lead to derecognition unless they are considered as forbearance measures, they are applied to customers in default or they trigger default:

- repayment schedule changed in a way that the weighted remaining maturity of the assets is modified by more than 100% and not less than two years compared to the original asset;
- change in timing/amount of contractual cash flows resulting in the present value of the modified cash flows (discounted at pre-modification effective interest rate) being different by more than 10% of the gross carrying amount of the asset immediately before the modification (cumulative assessment considering all modifications occurring over the last twelve months).

If contractual modifications that qualify as forbearance measures are applied to customers in default or trigger default are so significant that they are qualitatively assessed as an extinguishment of original contractual rights, they result in derecognition. Examples of such modifications are:

- a new agreement with materially different terms signed up as part of distressed restructuring following a standstill agreement suspending the rights of the original assets;
- consolidation of multiple original loans into one with substantially different terms; or
- transformation of a revolving loan into non-revolving.

Contractual modifications leading to derecognition of the related original assets result in the initial recognition of new financial assets. If the debtor is in default or the significant modification leads to the default, then the new asset will be treated as POCI. The difference between the carrying amount of the derecognised asset and initial fair value of the new POCI asset is presented in the statement of income in the line 'Impairment result from financial instruments'.

If the debtor is not in default or the significant modification does not lead to default, the new asset recognised after derecognition of the original asset will be in Stage 1. For loans measured at amortised cost, the unamortized balance of the origination fees/transaction costs considered in the effective interest rate is presented in the line 'Net interest income' at the derecognition date.

The release of the credit loss allowance attached to the original asset at the date of that significant modification as well as the credit loss allowance recognised for the new asset are presented in the line 'Impairment result from financial instruments'.

For financial assets measured at FVPL, irrespective of whether they are in default, the derecognition gains and losses are included in the same line items of the statement of income as their measurement result, i.e. in 'Gains/losses from financial instruments measured at fair value through profit or loss'. For debt instrument assets not measured at FVPL that are subject to contractual modifications that do not result in derecognition, the gross carrying amount of the asset is adjusted against recognising a modification gain or loss in profit or loss.

The modification gain or loss equals the difference between the gross carrying amount before the modification and the present value of the cash flows based on the modified terms discounted with the original effective interest rate.

In the statement of income, the modification gain or loss is presented in the line 'Net interest income' if the modification relates to financial assets in Stage 1. For financial assets in Stage 2 and 3 and POCI financial assets, the modification gain or loss is presented in the line 'Impairment result from financial instruments'.

iii. Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires. This normally occurs when the liability is repaid or repurchased.

In the statement of income, the difference between the carrying amount of the derecognised financial liability and the consideration paid is presented in the line 'Other gains/losses from derecognition of financial instruments not measured at fair value through profit or loss', 'Gains/losses from financial instruments measured at fair value through profit or loss' and 'Net trading result' depending on the measurement category of the derecognised financial liability.

Financial instruments – Significant accounting policies *(continued)*

H. Offsetting financial instruments

Financial assets and financial liabilities are presented gross in the statement of financial position. Financial assets and liabilities are offset and the net amount reported in the consolidated statement of financial position only when there is a legally enforceable right to offset the recognised amounts, and there is an intention to either settle on a net basis, or to realise the asset and settle the liability simultaneously. Such a right of set off (a) must not be contingent on a future event and (b) must be legally enforceable in all of the following circumstances: (i) in the normal course of business, (ii) the event of default and (iii) the event of insolvency or bankruptcy.

I. Significant accounting judgements, assumptions and estimates

i. SPPI assessment

The assessment of whether the contractual cash flows of financial assets give rise to cash flows that are solely payments of principal and interest (SPPI) is subject to the application of significant judgements.

These judgements are crucial in the IFRS 9 classification and measurement process as they determine whether the asset must be measured at FVPL or, depending on the business model assessment, at amortised cost or at FVOCI.

When taking into consideration specific features of loans in the business of BCR Group, significant areas of judgement are prepayment fees, project financing loans and benchmark test for loans with interest mismatch features.

The assessment whether the prepayment fees applied to loans can be considered as a reasonable compensation for early terminations or prepayments is based on comparing the level of the fees with the economic costs incurred by the Bank upon the early termination.

For these purposes, BCR Group uses a quantitative test where the costs relate to the lost interest margin and the lost interest differential due to a decrease in the interest rates upon early termination or prepayment. The evaluation is normally performed on a portfolio level. The adequacy of the fees can also be defended on a qualitative basis such as common market practice regarding level of prepayment fees and their acceptance by authorities.

For project financing loans, BCR Group assesses whether they represent basic loan agreements rather than investments in the financed projects. In this respect credit rating, level of collateralisation, existing sponsor guarantees and the extent of equity funding of the financed projects are considered.

Interest mismatches relate mainly to floating rate agreements for which the floating base rate is contractually repriced based on past date price (ex. loans with rate linked to 3-month Euribor and reset frequency of 3 months but the rate is always fixed as of the last day of previous month).

For assets with interest mismatches resulting only from prior and average rates (i.e. no mismatches resulting from a tenor different from the reset frequency), SPPI compliance is considered to be met based on a qualitative assessment if the time lag between the fixation of the rate and the start of the interest period does not exceed one month.

For assets with interest mismatches resulting from prior and average rates (i.e. no mismatches resulting from a tenor different from the reset frequency) with the lag between the fixation of the rate and the start of the interest period higher than 1 month, BCR Group has developed what is called a 'benchmark test' to assess whether the interest mismatch feature could result in contractual (undiscounted) cash flows that are significantly different from the (undiscounted) benchmark cash-flows (that would arise if the time value of money element was not modified).

Apart from the interest mismatch features, the terms of this benchmark deal correspond to the asset in the test (i.e. if the floating rate reset frequency is 3 months, then the floating rate would be the 3-month Euribor and/or no time lag exists in the floating rate fixation).

The quantitative significance threshold is set to 5%. If the significance thresholds are breached, the benchmark test is not passed, and the financial asset must be measured at fair value through profit or loss.

IRCC is a regulated rate mandatorily used for pricing the loans granted to individuals which was assessed as being a proxy for the time value of money element because it provides consideration that is broadly consistent with the passage of time. The IRCC based loans would not fail SPPI merely because IRCC replaced ROBOR.

Financial instruments – Significant accounting policies *(continued)*

ii. Business model assessment

For each SPPI-compliant financial asset at initial recognition, BCR Group must assess whether it is part of a business model where the assets are held in order to collect contractual cash flows, to both collect the contractual cash flows and sell the assets, or they are held in other business models.

As a consequence, the critical aspect in distinguishing the business models is frequency and significance of sales of assets in the respective business model. Since asset allocation to business models is based on the initial assessment, it may happen that in subsequent periods cash flows are realised differently than originally expected, and a different measurement method may seem to be appropriate.

In accordance with IFRS 9, such subsequent changes do not generally lead to reclassifications or prior period error corrections in respect of existing financial assets.

The new information on how cash flows are realised may, however, indicate that the business model, and thus the measurement method changes for newly acquired or newly originated financial assets.

At BCR Group, sales due to increases in credit risk, sales close to assets' maturity, infrequent sales triggered by a non-recurring event (such as changes in regulatory or tax environment, major internal reorganisation or a business combination, severe liquidity crisis, etc.) are considered as not contradicting the held to collect contractual cash flows business model.

Other kinds of sales carried out in the 'held to collect' business model is assessed retrospectively, and if they exceed certain quantitative thresholds, or whenever it is considered necessary with regard to new expectations, BCR Group performs a prospective test.

If the outcome was that the carrying amount of assets expected to be sold over the expected life of the current business model portfolio, for reasons other than the cases above, exceeds 10% of the carrying amount of the portfolio, any new acquisitions or originations of assets would be classified in a different business model.

iii. Impairment of financial instruments

The expected credit loss impairment model is inherently based on judgement since it requires assessment of significant increases in credit risk and measurement of expected credit losses without providing detailed guidance. In respect of significant increases in credit risk, BCR Group has determined specific assessment rules consisting of qualitative information and quantitative thresholds. Another area of complexity relates to establishing groups of similar assets when credit risk deterioration has to be assessed on a collective basis before specific information is available at individual instrument level. Measurement of expected credit losses involves complex models relying on historical statistics of probabilities of default and loss rates in case of defaults, their extrapolations in case of insufficient observations, individual estimates of credit-adjusted cash flows and probabilities of various scenarios including forward-looking information. In addition, the life of the instruments has to be modelled in respect of behavioural life of revolving credit facilities. The impairment loss on loans and advances is disclosed in more detail in Note 26 Credit risk.

Financial instruments held at amortised cost

Financial assets are measured at amortised cost if they are held in a business model whose objective is to collect contractual cash flows, and their contractual cash flows are SPPI.

On the balance sheet, these assets are carried at amortised cost, i.e. the gross carrying amount net of the credit loss allowance. They are presented under the line 'Financial assets at amortised cost', 'Trade and other receivables', and 'Cash and cash balances'.

Interest income on these assets is calculated by effective interest method and is included under the line 'Interest income' under 'Net interest income'. Impairment gains or losses are included in the line 'Impairment result from financial instruments'.

At BCR Group, financial assets at amortised cost constitute the largest measurement category, which includes the vast majority of loan business to customers (except for certain loans measured at fair value through profit or loss), interbank lending business (including reverse repo transactions), deposits with central banks, amounts in the course of settlement, trade and other receivables.

For description of financial liabilities at measured amortised cost refer to Note 15 Financial liabilities at amortised costs.

12. Cash and cash equivalents

Cash balances include only claims (deposits) against central banks and credit institutions that are repayable on demand. Repayable on demand means that they may be withdrawn at any time or with a term of notice of only one business day or 24 hours. Mandatory minimum reserves are also shown under this item.

The mandatory minimum reserve base is established as the average daily balances (during the observance period) of both local and foreign currency-denominated liabilities from Bank's balance sheets (except interbank liabilities, obligations to the NBR and own capital). The observance period and the maintenance period are one-month long and successive (the observance period lasts from the 24 of the previous months to the 23 of the current month).

	Group		Bank	
in RON thousands	**31.12.2022**	**31.12.2021**	**31.12.2022**	**31.12.2021**
Cash on hand	4,753,906	6,137,542	4,753,906	6,113,158
Cash balances with the central bank (other than mandatory reserve deposits)	2	60,391	-	4,624
Mandatory cash balances with central banks (i)	7,720,721	6,810,882	7,720,721	6,740,957
Correspondent accounts and overnight placements with other banks	151,635	204,967	151,323	107,120
Overnight placements with other banks	-	103,657	-	103,657
Overnight placements with central bank	2,598,312	-	2,598,312	-
Cash and cash equivalents	**15,224,576**	**13,317,439**	**15,224,262**	**13,069,516**

(i) The current accounts held by the Bank with National Bank of Romania ensure the compliance with minimum mandatory reserves requirements of National Bank. Mandatory reserve rates at the end of 2022 were for RON 8% (December 2021: 8%) and for foreign currencies 5% (December 2021: 5%). All cash and cash equivalents are in Stage 1, for more details please see Note 26.

13. Financial assets at amortised cost

13.1. Debt securities

Investments in debt securities measured at amortised cost may be acquired with different business objectives (such as fulfilling internal/external liquidity risk requirements and efficient placement of the structural liquidity surplus, strategic positions decided by the board of directors, initiation and fostering of client relationships, substitution of loan business or other yield enhancement activities). Their common attribute is that significant and frequent sales of such securities are not expected. For a description of what sales are considered as compliant with the held to collect contractual cash flows business model, see paragraph 'Business model assessment' in section 'Financial instruments - Significant accounting policies'.

31.12.2022 Group

in RON thousands	Gross carrying amount					Credit loss allowances					Carrying amount
	Stage 1	Stage 2	Stage 3	POCI	Total	Stage 1	Stage 2	Stage 3	POCI	Total	
Debt securities	**15,200,064**	**30,895**	**-**	**-**	**15,230,959**	**(15,001)**	**(239)**	**-**	**-**	**(15,240)**	**15,215,719**
General governments	15,200,064	30,895	-	-	15,230,959	(15,001)	(239)	-	-	(15,240)	15,215,719

31.12.2021 Group

in RON thousands	Gross carrying amount					Credit loss allowances					Carrying amount
	Stage 1	Stage 2	Stage 3	POCI	Total	Stage 1	Stage 2	Stage 3	POCI	Total	
Debt securities	**15,590,868**	**-**	**-**	**-**	**15,590,868**	**(20,395)**	**-**	**-**	**-**	**(20,395)**	**15,570,473**
General governments	15,590,868	-	-	-	15,590,868	(20,395)	-	-	-	(20,395)	15,570,473

13. Financial assets at amortised cost *(continued)*

13.1. Debt securities *(continued)*

in RON thousands	Gross carrying amount					Credit loss allowances					Carrying amount
31.12.2022 Bank	Stage 1	Stage 2	Stage 3	POCI	Total	Stage 1	Stage 2	Stage 3	POCI	Total	
Debt securities	**15,117,138**	**30,896**	**-**	**-**	**15,148,034**	**(14,920)**	**(239)**	**-**	**-**	**(15,159)**	**15,132,875**
General governments	15,117,138	30,896	-	-	15,148,034	(14,920)	(239)	-	-	(15,159)	15,132,875

in RON thousands	Gross carrying amount					Credit loss allowances					Carrying amount
31.12.2021 Bank	Stage 1	Stage 2	Stage 3	POCI	Total	Stage 1	Stage 2	Stage 3	POCI	Total	
Debt securities	**15,396,999**	**-**	**-**	**-**	**15,396,999**	**(14,865)**	**-**	**-**	**-**	**(14,865)**	**15,382,134**
General governments	15,396,999	-	-	-	15,396,999	(14,865)	-	-	-	(14,865)	15,382,134

There are no purchased or originated credit-impaired (POCI) debt securities at AC as of 31 December 2022 and as of 31 December 2021.

The year-end total gross carrying amount of AC debt securities that were initially recognized (purchased) during the reporting period and not fully derecognized by 31 December 2022 amounts to RON 2,165,586 thousands at Group level, RON 2,067,308 thousands for the Bank (2021: RON 3,914,434 thousands for the Group, RON 3,787,995 thousands for the Bank.) The GCA of AC debt securities that were held on 1 January 2022 and fully derecognized during the reporting period amounts to RON 2,275,932 thousands at Group level, RON 2,251,811 thousands for the Bank (2021: RON 3,118,694 thousands for the Group, RON 2,333,166 thousands for the Bank).

13.2. Loans and advances to banks

in RON thousands	Gross carrying amount					Credit loss allowances					Carrying amount
31.12.2022 Group	Stage 1	Stage 2	Stage 3	POCI	Total	Stage 1	Stage 2	Stage 3	POCI	Total	
Loans and advances to banks	**148,606**	**-**	**-**	**-**	**148,606**	**(262)**	**-**	**-**	**-**	**(262)**	**148,344**
Central banks	831	-	-	-	831	-	-	-	-	-	831
Credit institutions	147,775	-	-	-	147,775	(262)	-	-	-	(262)	147,513

in RON thousands	Gross carrying amount					Credit loss allowances					Carrying amount
31.12.2021 Group	Stage 1	Stage 2	Stage 3	POCI	Total	Stage 1	Stage 2	Stage 3	POCI	Total	
Loans and advances to banks	**1,363,163**	**30**	**-**	**-**	**1,363,193**	**(878)**	**(2)**	**-**	**-**	**(880)**	**1,362,313**
Central banks	1,878	-	-	-	1,878	(657)	-	-	-	(657)	1,221
Credit institutions	1,361,285	30	-	-	1,361,315	(221)	(2)	-	-	(223)	1,361,092

in RON thousands	Gross carrying amount					Credit loss allowances					Carrying amount
31.12.2022 Bank	Stage 1	Stage 2	Stage 3	POCI	Total	Stage 1	Stage 2	Stage 3	POCI	Total	
Loans and advances to banks	**158,772**	**-**	**66,938**	**-**	**225,710**	**(2,073)**	**-**	**(66,938)**	**-**	**(69,011)**	**156,699**
Central banks	831	-	-	-	831	-	-	-	-	-	831
Credit institutions	157,941	-	66,938	-	224,879	(2,073)	-	(66,938)	-	(69,011)	155,868

13. Financial assets at amortised cost *(continued)*

13.2. Loans and advances to banks *(continued)*

31.12.2021 Bank

in RON thousands	Gross carrying amount					Credit loss allowances					Carrying amount
	Stage 1	Stage 2	Stage 3	POCI	Total	Stage 1	Stage 2	Stage 3	POCI	Total	
Loans and advances to banks	**1,362,096**	**951**	**68,336**	**-**	**1,431,383**	**(878)**	**(165)**	**(68,336)**	**-**	**(69,379)**	**1,362,004**
Central banks	1,878	-	-	-	1,878	(657)	-	-	-	(657)	1,221
Credit institutions	1,360,218	951	68,336	-	1,429,505	(221)	(165)	(68,336)	-	(68,722)	1,360,783

There are no purchased or originated credit impaired (POCI) AC loans and advances to banks on 31 December 2022 and 31 December 2021.

13.3. Loans and advances to customers

31.12.2022 Group

in RON thousands	Gross carrying amount					Credit loss allowances					Carrying amount
	Stage 1	Stage 2	Stage 3	POCI	Total	Stage 1	Stage 2	Stage 3	POCI	Total	
Loans and advances to customers	**41,321,455**	**12,353,756**	**1,386,420**	**268,622**	**55,330,253**	**(236,621)**	**(1,301,973)**	**(1,062,712)**	**(46,799)**	**(2,648,105)**	**52,682,148**
General governments	5,717,684	366,079	3,121	8,473	6,095,357	(4,308)	(7,933)	(2,824)	(51)	(15,116)	6,080,241
Other financial corporations	552,820	611,251	8,243	-	1,172,314	(2,438)	(33,582)	(8,174)	-	(44,194)	1,128,120
Non-financial corporations	13,448,825	4,955,548	446,241	77,152	18,927,766	(120,364)	(410,438)	(288,961)	(1,966)	(821,729)	18,106,037
Households	21,602,126	6,420,878	928,815	182,997	29,134,816	(109,511)	(850,020)	(762,753)	(44,782)	(1,767,066)	27,367,750

31.12.2021 Group

in RON thousands	Gross carrying amount					Credit loss allowances					Carrying amount
	Stage 1	Stage 2	Stage 3	POCI	Total	Stage 1	Stage 2	Stage 3	POCI	Total	
Loans and advances to customers	**37,165,190**	**9,206,913**	**1,743,671**	**272,041**	**48,387,815**	**(238,303)**	**(965,758)**	**(1,348,009)**	**(65,674)**	**(2,617,744)**	**45,770,071**
General governments	3,688,169	637,924	9,693	12,475	4,348,261	(2,775)	(9,220)	(8,908)	(2,161)	(23,064)	4,325,197
Other financial corporations	150,699	19,757	8,273	-	178,729	(2,484)	(2,583)	(8,141)	-	(13,208)	165,521
Non-financial corporations	11,847,079	3,214,456	783,899	47,856	15,893,290	(125,615)	(409,680)	(582,485)	(10,985)	(1,128,765)	14,764,525
Households	21,479,243	5,334,776	941,806	211,710	27,967,535	(107,429)	(544,275)	(748,475)	(52,528)	(1,452,707)	26,514,828

31.12.2022 Bank

in RON thousands	Gross carrying amount					Credit loss allowances					Carrying amount
	Stage 1	Stage 2	Stage 3	POCI	Total	Stage 1	Stage 2	Stage 3	POCI	Total	
Loans and advances to customers	**42,679,881**	**12,278,394**	**1,341,422**	**268,622**	**56,568,319**	**(217,828)**	**(1,296,995)**	**(1,031,430)**	**(46,799)**	**(2,593,052)**	**53,975,267**
General governments	5,717,684	366,079	3,121	8,473	6,095,357	(4,308)	(7,933)	(2,824)	(51)	(15,116)	6,080,241
Other financial corporations	3,249,116	610,839	8,134	-	3,868,089	(5,779)	(33,565)	(8,131)	-	(47,475)	3,820,614
Non-financial corporations	12,163,653	4,889,203	418,727	77,152	17,548,735	(98,786)	(406,327)	(274,984)	(1,966)	(782,063)	16,766,672
Households	21,549,428	6,412,273	911,440	182,997	29,056,138	(108,955)	(849,170)	(745,491)	(44,782)	(1,748,398)	27,307,740

31.12.2021 Bank

in RON thousands	Gross carrying amount					Credit loss allowances					Carrying amount
	Stage 1	Stage 2	Stage 3	POCI	Total	Stage 1	Stage 2	Stage 3	POCI	Total	
Loans and advances to customers	**38,089,744**	**9,148,547**	**1,674,713**	**272,005**	**49,185,009**	**(223,947)**	**(958,529)**	**(1,299,068)**	**(65,674)**	**(2,547,218)**	**46,637,791**
General governments	3,688,169	637,843	9,693	12,475	4,348,180	(2,775)	(9,219)	(8,908)	(2,161)	(23,063)	4,325,117
Other financial corporations	2,221,211	18,163	8,273	-	2,247,647	(7,410)	(2,500)	(8,141)	-	(18,051)	2,229,596
Non-financial corporations	10,855,094	3,199,838	743,036	47,856	14,845,824	(107,419)	(405,208)	(559,838)	(10,985)	(1,083,450)	13,762,374
Households	21,325,270	5,292,703	913,711	211,674	27,743,358	(106,343)	(541,602)	(722,181)	(52,528)	(1,422,654)	26,320,704

13. Financial assets at amortised cost *(continued)*

13.2. Loans and advances to customers *(continued)*

The movement in gross exposure is presented below:

						31.12.2022	Group
in RON thousands	Opening balance	Increases due to origination and acquisition	Decreases due to derecognition	Thereoff arising from: out of which writeoffs	Thereoff arising from: out of which repayments	Exchange-rate and other changes (+/-)	Closing balance
Loans and advances to banks	1,363,193	101,137	(1,315,724)	-	(1,315,724)	-	148,606
Loans and advances to customers	48,387,815	20,277,117	(13,333,655)	(153,123)	(11,832,670)	(1,023)	55,330,253
Total	**49,751,008**	**20,378,254**	**(14,649,379)**	**(153,123)**	**(13,148,394)**	**(1,023)**	**55,478,859**

						31.12.2021	Group
in RON thousands	Opening balance	Increases due to origination and acquisition	Decreases due to derecognition	Thereoff arising from: out of which writeoffs	Thereoff arising from: out of which repayments	Exchange-rate and other changes (+/-)	Closing balance
Loans and advances to banks	2,029,037	1,291,327	(1,957,171)	-	(1,957,171)	-	1,363,193
Loans and advances to customers	43,526,838	12,650,615	(8,032,339)	(80,400)	(7,951,939)	242,702	48,387,815
Total	**45,555,875**	**13,941,942**	**(9,989,510)**	**(80,400)**	**(9,909,110)**	**242,702**	**49,751,008**

						31.12.2022	Bank
in RON thousands	Opening balance	Increases due to origination and acquisition	Decreases due to derecognition	Thereoff arising from: out of which writeoffs	Thereoff arising from: out of which repayments	Exchange-rate and other changes (+/-)	Closing balance
Loans and advances to banks	1,431,383	101,137	(1,306,810)	-	(1,306,810)	-	225,710
Loans and advances to customers	49,185,009	19,803,051	(12,418,655)	(107,653)	(10,936,667)	(1,085)	56,568,319
Total	**50,616,392**	**19,904,188**	**(13,725,465)**	**(107,653)**	**(12,243,477)**	**(1,085)**	**56,794,029**

						31.12.2021	Bank
in RON thousands	Opening balance	Increases due to origination and acquisition	Decreases due to derecognition	Thereoff arising from: out of which writeoffs	Thereoff arising from: out of which repayments	Exchange-rate and other changes (+/-)	Closing balance
Loans and advances to banks	2,093,991	1,291,327	(1,953,935)	-	(1,953,935)	-	1,431,383
Loans and advances to customers	43,682,870	12,867,506	(7,593,948)	(69,943)	(7,524,005)	228,581	49,185,009
Total	**45,776,861**	**14,158,833**	**(9,547,883)**	**(69,943)**	**(9,477,940)**	**228,581**	**50,616,392**

In 2022 and 2021, the Group and the Bank derecognized a part of non-performing loan portfolio, as follows:

				Group
in RON thousands	**31.12.2022**		**31.12.2021**	
Transfer of loans	**Gross carrying amount**	**Related allowance**	**Gross carrying amount**	**Related allowance**
Sale on balance loans	3,587	2,759	-	-
Write off on balance loans	153,123	153,123	108,226	108,226
Sales from previously writen off loans	18,719	18,719	-	-
Total exposure reduction from sale and write offs	**175,429**	**174,601**	**108,226**	**108,226**

				Bank
in RON thousands	**31.12.2022**		**31.12.2021**	
Transfer of loans	**Gross carrying amount**	**Related allowance**	**Gross carrying amount**	**Related allowance**
Sale on balance loans	896	896	-	-
Write off on balance loans	107,653	107,653	71,791	71,791
Sales from previously writen off loans	18,719	18,719	-	-
Total exposure reduction from sale and write offs	**127,268**	**127,268**	**71,791**	**71,791**

Note: The write-offs include also amounts presented in category 'Trade and other receivables'.

14. Trade and other receivables

The main items under 'Trade and other receivables' position are represented by factoring assets. Recourse factoring is initially recognized against the Seller at the date when the Bank becomes contractually bound to the terms and conditions of the underlying factoring contract with the seller (typically, the sign-up date of that underlying factoring contract).

In case of non-recourse factoring, the related assets are recognized against the underlying buyers at the dates when the Bank acquires from the seller the right to collect from the underlying buyers the contractual cash-flows of the related underlying invoices (typically, the date of a down-payment required by the seller).

Regarding the timing and amount of revenue recognition, the IFRS 15 requirements are applied in case of all fees related to non-recourse factoring and in case of the fees derived from recourse factoring which are not part of the effective interest rate.

Contractual modifications and related de-recognition triggers are deemed not applicable in case of factoring assets.

31.12.2022 Group

in RON thousands	Gross carrying amount					Credit loss allowances					Carrying amount
	Stage 1	Stage 2	Stage 3	POCI	Total	Stage 1	Stage 2	Stage 3	POCI	Total	
General governments	8,530	6,026	120	90	**14,766**	(11)	(28)	(120)	(90)	**(249)**	**14,517**
Credit institutions	105,842	88,183	-	-	**194,025**	(576)	(5,344)	-	-	**(5,920)**	**188,105**
Other financial corporations	61,653	4,089	90	-	**65,832**	(72)	(241)	(89)	-	**(402)**	**65,430**
Non-financial corporations	320,915	213,110	36,830	610	**571,465**	(4,438)	(8,341)	(34,872)	(610)	**(48,261)**	**523,204**
Households	85,949	25,592	4,194	70	**115,805**	(38)	(1,751)	(4,184)	(63)	**(6,036)**	**109,769**
Total	**582,889**	**337,000**	**41,234**	**770**	**961,893**	**(5,135)**	**(15,705)**	**(39,265)**	**(763)**	**(60,868)**	**901,025**

31.12.2021 Group

in RON thousands	Gross carrying amount					Credit loss allowances					Carrying amount
	Stage 1	Stage 2	Stage 3	POCI	Total	Stage 1	Stage 2	Stage 3	POCI	Total	
General governments	24,867	1,048	91	90	**26,096**	(197)	(6)	(91)	(90)	**(384)**	**25,712**
Credit institutions	20,155	42,821	-	-	**62,976**	(1)	(2,285)	-	-	**(2,286)**	**60,690**
Other financial corporations	10,539	6,041	34	-	**16,614**	(10)	(3)	(32)	-	**(45)**	**16,569**
Non-financial corporations	424,173	60,495	53,361	608	**538,637**	(7,545)	(3,392)	(44,164)	(608)	**(55,709)**	**482,928**
Households	49,053	19,485	3,826	80	**72,444**	(37)	(1,189)	(3,808)	(72)	**(5,106)**	**67,338**
Total	**528,787**	**129,890**	**57,312**	**778**	**716,767**	**(7,790)**	**(6,875)**	**(48,095)**	**(770)**	**(63,530)**	**653,237**

31.12.2022 Bank

in RON thousands	Gross carrying amount					Credit loss allowances					Carrying amount
	Stage 1	Stage 2	Stage 3	POCI	Total	Stage 1	Stage 2	Stage 3	POCI	Total	
General governments	8,125	6,026	120	90	**14,361**	(11)	(28)	(120)	(90)	**(249)**	**14,112**
Credit institutions	105,710	88,188	-	-	**193,898**	(575)	(5,344)	-	-	**(5,919)**	**187,979**
Other financial corporations	60,870	4,076	89	-	**65,035**	(69)	(241)	(89)	-	**(399)**	**64,636**
Non-financial corporations	301,464	210,243	11,526	610	**523,843**	(4,130)	(8,017)	(11,439)	(610)	**(24,196)**	**499,647**
Households	85,651	25,561	4,058	70	**115,340**	(33)	(1,747)	(4,058)	(63)	**(5,901)**	**109,439**
Total	**561,820**	**334,094**	**15,793**	**770**	**912,477**	**(4,818)**	**(15,377)**	**(15,706)**	**(763)**	**(36,664)**	**875,813**

31.12.2021 Bank

in RON thousands	Gross carrying amount					Credit loss allowances					Carrying amount
	Stage 1	Stage 2	Stage 3	POCI	Total	Stage 1	Stage 2	Stage 3	POCI	Total	
General governments	24,867	1,048	91	90	**26,096**	(197)	(6)	(91)	(90)	**(384)**	**25,712**
Credit institutions	19,714	42,827	-	-	**62,541**	(1)	(2,285)	-	-	**(2,286)**	**60,255**
Other financial corporations	9,845	6,040	32	-	**15,917**	(10)	(3)	(32)	-	**(45)**	**15,872**
Non-financial corporations	407,538	58,784	34,779	608	**501,709**	(7,358)	(3,288)	(27,748)	(608)	**(39,002)**	**462,707**
Households	48,809	19,404	3,674	80	**71,967**	(26)	(1,131)	(3,674)	(72)	**(4,903)**	**67,064**
Total	**510,773**	**128,103**	**38,576**	**778**	**678,230**	**(7,592)**	**(6,713)**	**(31,545)**	**(770)**	**(46,620)**	**631,610**

The year-end total gross carrying amount of trade receivables that were initially recognized (purchased) during the year 2022 and not fully derecognized by 31 December 2022 amounts to RON 565,896 thousands (2021: RON 310,886 thousands) at Group level, RON 552,218 thousands (2021: RON 306,956 thousands) at Bank level. The gross carrying amount of trade receivables that were held on 1 January 2022 and derecognized during the year 2022 amounts to RON 270,339 thousand at Group level (2021: RON 203,833 thousand), RON 269,660 thousands (2021: RON 202,014 thousands) at Bank level.

15. Financial liabilities measured at amortised cost

The financial liabilities measured at amortised cost are further broken down into: 'Deposits from banks' 'Borrowings and financing lines', 'Subordinated loans', 'Deposits from customers', 'Debt securities issued' and 'Other financial liabilities'.

Interest expenses incurred are calculated using effective interest method are reported in the line item 'Interest expenses' under 'Net interest income' in the statement of income. Gains and losses from derecognition (mainly repurchase) are reported under the line item 'Other gains/losses from derecognition of financial instruments not measured at fair value through profit or loss'.

Deposits from banks

	Group		Bank	
in RON thousands	**31.12.2022**	**31.12.2021**	**31.12.2022**	**31.12.2021**
Current accounts / overnight deposits	437,342	260,229	470,760	273,372
Term deposits from other banks	814,067	170,154	817,396	157,735
Repurchase agreements	179,796	-	837,808	1,138,338
Deposits from banks	**1,431,205**	**430,383**	**2,125,964**	**1,569,445**
Borrowings and financing lines	648,189	849,192	189,261	246,763
Subordinated loans	-	503,964	-	503,964
Total	**2,079,394**	**1,783,539**	**2,315,225**	**2,320,172**

Borrowings and financing lines

Maturity of financing lines is between February 2023 and September 2030, the interest rates are fixed or variable in a range between 1.342%-5.25%.

Liabilities from financing activities			**Group**
in RON thousands	**Other borrowed funds**	**Subordinated debt**	**Total**
Borrowings at 01.01.2021	**1,453,289**	**1,087,260**	**2,540,549**
Cash flow	(708,356)	(642,357)	(1,350,713)
Foreign exchange adjustments	21,940	17,247	39,187
Other non-cash movements	12,590	41,814	54,404
Liabilities associated with assets held for sale reclassified in deposits	69,729	-	69,729
Borrowings at 31.12.2021	**849,192**	**503,964**	**1,353,156**
Cash flow	(211,848)	(516,474)	(728,322)
Foreign exchange adjustments	(122)	(221)	(343)
Other non-cash movements	10,967	12,731	23,698
Borrowings at 31.12.2022	**648,189**	**-**	**648,189**

Liabilities from financing activities			**Bank**
in RON thousands	**Other borrowed funds**	**Subordinated debt**	**Total**
Borrowings at 01.01.2021	**426,827**	**1,087,260**	**1,514,087**
Cash flow	(195,688)	(642,357)	(838,045)
Foreign exchange adjustments	9,529	17,247	26,776
Other non-cash movements	6,095	41,814	47,909
Borrowings at 31.12.2021	**246,763**	**503,964**	**750,727**
Cash flow	(62,892)	(516,474)	(579,366)
Foreign exchange adjustments	14	(221)	(207)
Other non-cash movements	5,376	12,731	18,107
Borrowings at 31.12.2022	**189,261**	**-**	**189,261**

Subordinated loans

On 27 June 2022 the subordinated loan in amount of EUR100,000 thousands matured, being repaid by the Bank.

15. Financial liabilities measured at amortised cost *(continued)*

Debt securities issued

	Group		Bank	
in RON thousands	**31.12.2022**	**31.12.2021**	**31.12.2022**	**31.12.2021**
Subordinated debt securities issued	1,243,102	-	1,243,102	-
Senior non-preferred bonds	3,675,893	2,227,709	3,675,893	2,227,709
Other debt securities issued	505,411	505,411	505,411	505,411
Debt securities issued	**5,424,406**	**2,733,120**	**5,424,406**	**2,733,120**

BCR's current debt issuance programme implemented in 2013 is a programme for issuing debt instruments in various currencies and maturities with a limited range of interest rate structures.

In April 2018, BCR's Extraordinary Shareholders General Meeting has approved the extension of the Debt Issuing Programme (DIP) for a period of 10 years, as well as new bond structures (e.g. subordinated notes, Minimum requirement for eligible liabilities (MREL) notes). In 2019, the debt issuance programme has been integrated into the Multi Issuer Programme (MIP) arranged by Erste Group Bank and is approved by Financial Market Authority (Austria) and listed on the Vienna Stock Exchange.

In 2022, 3 Senior Non-Preferred new bonds were issued under the MIP (2021: 3), with a total volume of RON 1.38bn (2021: 2.1bn), out of which 1 Green Senior Non-Preferred bond (2021: 1 Senior Preferred bond), with a volume of RON 702m (2021: RON 500m).

The proceeds of the Green Bond are used to finance and/or refinance the loans and investments of the Issuer dedicated to the financing of Eligible Green Projects (i.e. (i) Green Buildings (Residential), (ii) Green Buildings (Commercial) and (iii) Renewable Energy) with environmental benefits ("Green Loans") in accordance with the Erste Group Sustainable Finance Framework dated April 2021 (as amended and/or replaced periodically).

In July 2022, BCR issued under the MIP unsecured, subordinated EUR-denominated bonds in nominal amount of EUR 100,000,000 (RON 494,740,000) that qualify as Tier 2 instruments. The instruments bear variable interest rate and have a maturity in July 2029. In addition, in December 2022, BCR issued a second unsecured, subordinated EUR-denominated bonds in nominal amount of EUR 150,000,000 (RON 742,110,000) that qualify as Tier 2 instruments, with a floating interest rate and a maturity in December 2029. The Tier 2 bonds are not listed.

As of 31 December 2022, BCR had 7 bond issues outstanding under the Multi Issuer Programme, in total amount of RON 4.08bn RON, listed on the Bucharest Stock Exchange (www.bvb.ro). The summary of the bonds is presented below:

ISIN	Issue date	Maturity date	Category	Type	Currency	Issue value	Paying Agent
ROEAZVK5DFP8	12/16/2019	12/16/2026	SENIOR	NON-PREFERRED	RON	600,000,000	BCR
RO1AQREPLMW7	5/21/2021	5/21/2028	SENIOR	NON-PREFERRED	RON	1,000,000,000	BCR
ROMU2ND4VHC6	10/14/2021	10/14/2028	SENIOR	PREFERRED	RON	500,000,000	BCR
ROPQT4NGMLM3	12/9/2021	12/9/2028	SENIOR	NON-PREFERRED	RON	600,000,000	BCR
RO451CMZH2K1	3/31/2022	3/31/2027	SENIOR	NON-PREFERRED	RON	351,500,000	BCR
ROPC9F84ZSG4	6/14/2022	6/14/2027	SENIOR	NON-PREFERRED	RON	702,000,000	BCR
ROGJ5KD9L1W9	10/6/2022	10/6/2028	SENIOR	NON-PREFERRED	RON	334,000,000	BCR

15. Financial liabilities measured at amortised cost *(continued)*

Deposits from customers

Deposits from Customers have seen a development driven mainly by corporate.

	Group		Bank	
in RON thousands	**31.12.2022**	**31.12.2021**	**31.12.2022**	**31.12.2021**
Overnight deposits	45,484,991	45,434,373	45,531,008	45,231,120
Savings deposits	755	1,467	-	-
Households	755	1,467	-	-
Non-savings deposits	45,484,236	45,432,906	45,531,008	45,231,120
General governments	4,861,448	3,468,443	4,861,448	3,468,443
Other financial corporations	1,252,891	1,772,394	1,289,551	1,849,329
Non-financial corporations	14,959,028	15,619,397	14,969,141	15,424,720
Households	24,410,869	24,572,672	24,410,868	24,488,628
Term deposits	30,103,546	27,024,043	30,078,045	26,490,391
Deposits with agreed maturity	30,103,546	27,024,043	30,078,045	26,490,391
Savings deposits	214,171	510,016	-	-
Households	214,171	510,016	-	-
Non-savings deposits	29,889,375	26,514,027	30,078,045	26,490,391
General governments	4,111,924	3,521,667	4,111,924	3,521,667
Other financial corporations	2,468,226	936,355	2,544,933	1,057,354
Non-financial corporations	9,211,951	6,370,508	9,323,913	6,379,911
Households	14,097,274	15,685,497	14,097,275	15,531,459
Deposits from customers	**75,588,537**	**72,458,416**	**75,609,053**	**71,721,511**
General governments	8,973,372	6,990,110	8,973,372	6,990,110
Other financial corporations	3,721,117	2,708,749	3,834,484	2,906,683
Non-financial corporations	24,170,979	21,989,905	24,293,054	21,804,631
Households	38,723,069	40,769,652	38,508,143	40,020,087

Other financial liabilities

	Group		Bank	
in RON thousands	**31.12.2022**	**31.12.2021**	**31.12.2022**	**31.12.2021**
Intrabanking settlement liabilities	557,473	224,747	557,473	224,747
Settlement liabilities due to clients	506,450	212,962	506,204	212,743
Client accounts for securities transactions	128,561	118,966	128,561	118,966
Financial liabilities - suppliers	223,580	245,997	184,069	229,275
Other financial liabilities	205,226	57,887	205,420	57,193
Total other financial liabilities	**1,621,290**	**860,559**	**1,581,727**	**842,924**

Financial instruments at fair value

Financial instruments at fair value through profit or loss

Financial assets whose contractual cash flows are not considered as SPPI are automatically measured at FVPL. In the business of BCR Group, this concerns certain loans to customers, equity instruments and debt securities.

Other source of FVPL measurement relates to financial assets that are part of residual business models, i.e., they are neither held to collect contractual cash flows nor held to either collect contractual cash flows or sell the assets. These financial assets are generally expected to be sold before their maturity or they are managed and their performance is evaluated on a fair value basis.

In the statement of financial position, debt instrument financial assets measured at FVPL are presented as 'Financial assets held for trading', sub-items 'Other trading assets'. Financial assets are mandatorily measured at fair value through profit or loss either because their contractual cash flows are not SPPI or they are held as part of residual business models that are other than held for trading.

In the statement of income, the profit or loss effects of non-derivative financial assets measured at FVPL are split into interest income or dividend income and fair value gains and losses to determine the realised income. The dividend income on equity instruments is presented in the line 'Dividend income'.

The fair value gains or losses are calculated net of the interest or dividend income. The transaction costs and origination fees are immediately recognized in profit or loss, they are reported in the line 'Net trading result' for financial assets held for trading and in the line 'Gains/losses from non-trading financial instruments mandatorily measured at fair value through profit or loss' in case of non-trading financial assets at FVPL.

Financial liabilities at FVPL consist of financial liabilities held for trading and financial liabilities designated at FVPL. The Group did not designate any financial liabilities at fair value through profit or loss.

The gains or losses on financial liabilities held for trading are reported in the line 'Net trading result' in the statement of income.

16. Derivatives

Derivative financial instruments are used by BCR Group to manage exposures to interest rates, foreign currencies and other market price risks. Derivatives used by BCR Group include mainly interest rate swaps, futures, forward rate agreements, interest rate options, currency swaps and currency options as well as credit default swaps. Derivative financial instruments are carried at fair value (dirty price) on the balance sheet. Derivatives are carried as assets if their fair value is positive and as liabilities if their fair value is negative.

Derivatives – held for trading are those that are not designated as hedging instruments for hedge accounting. They are presented in the line item 'Derivatives' under the heading 'Financial assets/Financial liabilities held for trading'. All kinds of non-hedging derivatives without regard to their internal classification, i.e. both derivatives held in the trading book and banking book, are presented in this line item.

Changes in the fair value (clean price) of derivatives – held for trading are reported in the statement of income in the line item 'Net trading result'.

Group

in RON thousands	2022 Notional amount	2022 Fair value Positive	2022 Fair value Negative	2021 Notional amount	2021 Fair value Positive	2021 Fair value Negative
Derivatives held in Trading book	**7,639,367**	**176,211**	**158,092**	**7,369,147**	**23,717**	**21,021**
Interest rate instruments and related derivatives	4,863,130	146,012	143,510	4,608,348	13,977	14,566
Foreign exchange trading and related derivatives	2,776,237	30,199	14,582	2,760,799	9,740	6,455
Derivatives held in Banking Book	**2,483,502**	**1,002**	**5,487**	**2,242,695**	**277**	**1,322**
Foreign exchange trading and related derivatives	2,483,502	1,002	5,487	2,242,695	277	1,322
Total	**10,122,869**	**177,213**	**163,579**	**9,611,842**	**23,994**	**22,343**

Bank

in RON thousands	2022 Notional amount	2022 Fair value Positive	2022 Fair value Negative	2021 Notional amount	2021 Fair value Positive	2021 Fair value Negative
Derivatives held in Trading book	**7,772,946**	**176,677**	**158,092**	**7,418,628**	**23,716**	**21,037**
Interest rate instruments and related derivatives	4,863,130	146,012	143,510	4,608,348	13,976	14,566
Foreign exchange trading and related derivatives	2,909,816	30,665	14,582	2,810,280	9,740	6,471
Derivatives held in Banking Book	**2,483,502**	**1,002**	**5,487**	**2,242,695**	**278**	**1,322**
Foreign exchange trading and related derivatives	2,483,502	1,002	5,487	2,242,695	278	1,322
Total	**10,256,448**	**177,679**	**163,579**	**9,661,323**	**23,994**	**22,359**

17. Other financial assets held for trading

	Group		Bank	
in RON thousands	**31.12.2022**	**31.12.2021**	**31.12.2022**	**31.12.2021**
Debt securities	29	1,680,546	29	1,680,546
General governments (i)	29	1,680,546	29	1,680,546
Other financial assets held for trading	**29**	**1,680,546**	**29**	**1,680,546**

(i) Debt securities include treasury bills and bonds denominated in RON. The amount decreased at the end of 2022 due to selling of investments in treasury bills and bonds, both issued by Ministry of Public Finance.

18. Non-trading financial assets mandatorily at fair value through profit or loss

	Group		Bank	
in RON thousands	31.12.2022	31.12.2021	31.12.2022	31.12.2021
	Mandatorily at fair value		Mandatorily at fair value	
Equity instruments	50,851	35,121	50,851	34,870
Debt securities	16,328	30,632	16,328	30,632
Non-trading financial assets mandatorly at fair value through profit or loss	**67,179**	**65,753**	**67,179**	**65,502**

19. Financial assets at fair value through other comprehensive income

Debt instrument financial assets are measured at fair value through other comprehensive income (FVOCI) if their contractual cash flows are SPPI-compliant and they are held within a business model whose objective is achieved by both to collect contractual cash flows and sell the assets. In the statement of financial position, they are included as 'Debt securities' under the line 'Financial asset at fair value through other comprehensive income'.

Interest income on these assets is calculated using the effective interest method and is included under the line 'Net interest income' in the statement of profit or loss. Impairment gains and losses are recognised in profit or loss in the line 'Net impairment loss on financial instruments'. As a result, the measurement impact recognised in profit or loss is the same as for financial assets measured at amortised cost.

The difference between the fair value at which the assets are carried in the statement of financial position and the amortised cost component is recognised as accumulated OCI in equity specifically under 'Fair value reserve' in the statement of changes in equity. The change for the period is reported as OCI in the statement of comprehensive income in the line 'Debt instruments at fair value through other comprehensive income'.

The debt instruments belonging to this category are subject to the impairment requirements of the standard (IFRS 9.5.5.1) and their respective credit loss allowances are calculated based on the one-year or lifetime expected losses, depending on the particular stage the asset is assigned to. However, the loss allowance is recognised in other comprehensive income and it does not reduce the carrying amount of the financial asset on the balance sheet.

The amount of credit loss allowance is recognized in the statement of profit or loss under the respective positions dedicated to the particular type of instrument. The accumulated depreciation position within OCI determines an increase in the OCI reserve due to the fact that it represents a counter-booking to the amounts already presented in the Statement of profit or loss. The impairment booking entry between the Statement of profit or loss and OCI does not constitute reclassification ('recycling') from OCI to profit or loss.

When the debt financial asset is derecognised, the amount previously accumulated in OCI is reclassified to profit or loss and reported under the line 'Other gains/losses from derecognition of financial instruments not measured at fair value through profit or loss'.

Debt securities measured at FVOCI are part of 'held to collect and sell' business models. Similarly, to debt instruments, assets measured at amortised cost, they relate to various business objectives such as fulfilling internal/external liquidity risk requirements and efficient placement of the structural liquidity surplus, strategic positions decided by the Management Board, initiation and fostering of client relationships, substitution of loan business or other yield-enhancement activities.

The common attribute for investments in debt instruments at FVOCI is that an active yield optimisation via sales is integral to achieving the objectives. The sales are carried out in order to optimise the liquidity position or to realise the fair value gains or losses. As a result, the business objectives are achieved through both collecting contractual cash flows and sales of the securities.

For certain investments in equity instruments that are not held for trading, BCR Group makes use of the option to measure them at FVOCI. This election is only applied at initial recognition, is irrevocable and is considered only for strategic, significant banking business relationship investments. The fair value gains or losses for the period are reported as OCI in the line 'Fair value changes of equity instruments' of the statement of comprehensive income.

The cumulative gains or losses are included under 'Fair value reserve' in the statement of changes in equity. The amount recognised in OCI is never reclassified to profit or loss. Dividends received on these investments are reported under the line 'Dividend income' of the statement of income. In the statement of financial position, financial assets measured at fair value through OCI are included as 'Equity instruments' under the line 'Financial asset at fair value through other comprehensive income'.

									31.12.2022	Group
in RON thousands	Gross carrying amount				Credit loss allowances				Accumulated other fair value changes	Carrying amount
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total		
Debt securities	**9,861,228**	**87,971**	**-**	**9,949,199**	**(11,451)**	**(1,761)**	**-**	**(13,212)**	**(284,903)**	**9,664,296**
General governments	9,732,318	-	-	9,732,318	(11,022)	-	-	(11,022)	(285,300)	9,447,018
Credit institutions	123,745	87,971	-	211,716	(333)	(1,761)	-	(2,094)	512	212,228
Non-financial corporations	5,165	-	-	5,165	(96)	-	-	(96)	(115)	5,050
Total	**9,861,228**	**87,971**	**-**	**9,949,199**	**(11,451)**	**(1,761)**	**-**	**(13,212)**	**(284,903)**	**9,664,296**

19. Financial assets at fair value through other comprehensive income *(continued)*

31.12.2021 Group

in RON thousands	Gross carrying amount				Credit loss allowances				Accumulated other fair value changes	Carrying amount
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total		
Debt securities	**7,898,193**	**5,211**	**-**	**7,903,404**	**(8,953)**	**(718)**	**-**	**(9,671)**	**(68,449)**	**7,834,955**
Central banks	29,283	-	-	29,283	(1,377)	-	-	(1,377)	1	29,284
General governments	7,868,909	-	-	7,868,909	(7,576)	-	-	(7,576)	(68,429)	7,800,480
Other financial corporations	1	5,211	-	5,212	-	(718)	-	(718)	(21)	5,191
Total	**7,898,193**	**5,211**	**-**	**7,903,404**	**(8,953)**	**(718)**	**-**	**(9,671)**	**(68,449)**	**7,834,955**

31.12.2022 Bank

in RON thousands	Gross carrying amount				Credit loss allowances				Accumulated other fair value changes	Carrying amount
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total		
Debt securities	**9,861,273**	**87,971**	**-**	**9,949,244**	**(9,941)**	**(1,761)**	**-**	**(11,702)**	**(284,948)**	**9,664,296**
General governments	9,732,318	-	-	9,732,318	(9,512)	-	-	(9,512)	(285,300)	9,447,018
Credit institutions	123,745	87,971	-	211,716	(333)	(1,761)	-	(2,094)	512	212,228
Non-financial corporations	5,210	-	-	5,210	(96)	-	-	(96)	(160)	5,050
Total	**9,861,273**	**87,971**	**-**	**9,949,244**	**(9,941)**	**(1,761)**	**-**	**(11,702)**	**(284,948)**	**9,664,296**

31.12.2021 Bank

in RON thousands	Gross carrying amount				Credit loss allowances				Accumulated other fair value changes	Carrying amount
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total		
Debt securities	**7,868,327**	**5,209**	**-**	**7,873,536**	**(7,548)**	**(718)**	**-**	**(8,266)**	**(68,445)**	**7,805,091**
General governments	7,868,326	-	-	7,868,326	(7,548)	-	-	(7,548)	(68,426)	7,799,900
Non-financial corporations	1	5,209	-	5,210	-	(718)	-	(718)	(19)	5,191
Total	**7,868,327**	**5,209**	**-**	**7,873,536**	**(7,548)**	**(718)**	**-**	**(8,266)**	**(68,445)**	**7,805,091**

The year-end total gross carrying amount of FVOCI debt securities that were initially recognized (purchased) during the year 2022 and not fully derecognized by 31 December 2022 amounts to RON 3,275,404 thousands (2021: RON 3,009,349 thousands) at Group level, RON 3,214,168 thousands (2021: RON 2,979,485 thousands) at Bank level. The gross carrying amount of FVOCI debt securities that were held on 1 January 2022 and derecognized during the year 2022 amounts to RON 1,509,958 thousand at Group level (2021: RON 2,526,956 thousand), RON 1,508,573 thousands (2021: RON 2,500,669 thousands) at Bank level.

Financial instruments – other disclosure matters

20. Securities

Group

in RON thousands	2022 Financial Assets: Financial assets at amortised cost	Trading financial assets	Financial assets mandatorily measured at fair value through profit or loss	Fiancial assets designated at fair value through profit or loss	Financial assets at fair value through other comprehensive income	2021 Financial Assets: Financial assets at amortised cost	Trading financial assets	Financial assets mandatorily measured at fair value through profit or loss	Financial assets at fair value through other comprehensive income
Bonds and other interest-bearing securities	**15,215,719**	**29**	**16,328**	**-**	**9,664,296**	**15,570,473**	**1,680,546**	**30,632**	**7,834,955**
Listed	15,215,719	29	-	-	9,351,597	15,459,941	619,770	-	4,875,048
Unlisted	-	-	16,328	-	312,699	110,532	1,060,776	30,632	2,959,907
Equity related securities	**-**	**-**	**50,851**	**-**	**-**	**-**	**-**	**35,121**	**-**
Listed	-	-	5,034	-	-	-	-	4,251	-
Unlisted	-	-	45,817	-	-	-	-	30,870	-
Total	**15,215,719**	**29**	**67,179**	**-**	**9,664,296**	**15,570,473**	**1,680,546**	**65,753**	**7,834,955**

20. Securities *(continued)*

Bank

in RON thousands	2022 Financial Assets					2021 Financial Assets			
	Financial assets at amortised cost	Trading financial assets	Financial assets mandatorily measured at fair value through profit or loss	Fiancial assets designated at fair value through profit or loss	Financial assets at fair value through other comprehensive income	Financial assets at amortised cost	Trading financial assets	Financial assets mandatorily measured at fair value through profit or loss	Financial assets at fair value through other comprehensive income
Bonds and other interest-bearing securities	**15,132,875**	**29**	**16,328**	**-**	**9,664,296**	**15,382,134**	**1,680,546**	**30,632**	**7,805,091**
Listed	15,132,875	29	-	-	9,351,597	15,382,134	619,770	-	4,875,048
Unlisted	-	-	16,328	-	312,699	-	1,060,776	30,632	2,930,043
Equity related securities	**-**	**-**	**50,851**	**-**	**-**	**-**	**-**	**34,870**	**-**
Listed	-	-	5,034	-	-	-	-	4,251	-
Unlisted	-	-	45,817	-	-	-	-	30,619	-
Total	**15,132,875**	**29**	**67,179**	**-**	**9,664,296**	**15,382,134**	**1,680,546**	**65,502**	**7,805,091**

21. Fair value of financial assets and liabilities

The fair value for financial instruments traded in active markets at the statement of financial position date is based on their quoted market price or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs.

For all other financial instruments not listed in an active market, the fair value is determined by using appropriate valuation techniques. Valuation techniques include pricing models or discounted cash flow techniques. Where discounted cash flow techniques are used, estimated future cash flows are based on management's best estimates and the discount rate is market related rate at the statement of financial position date for an instrument with similar terms and conditions. Where pricing models are used, inputs are based on market related measures at the statement of financial position date. Where a fair value cannot reliably be estimated, unquoted equity instruments e.g. investments in subsidiaries (see note 38) that do not have a quoted market price in an active market are measured at cost and periodically tested for impairment.

The fair value is best evidenced by a quoted market price if such exists. Credit Value Adjustment/Debt Value Adjustment is included in the fair value of derivatives, not representing a significant amount both at 31 December 2022 and 31 December 2021.

Level 1 of the fair value hierarchy

The fair value of financial instruments assigned to level 1 of the fair value hierarchy is determined based on quoted prices in active markets for identical financial assets and liabilities. More particular, the evaluated fair value can qualify as a level 1 input if transactions occur with sufficient frequency, volume and pricing consistency on an ongoing basis. This will be used as fair value and there is no need for a valuation model in this case. These include exchange traded derivatives (futures, options), shares, government bonds, as well as other bonds and funds which are traded in highly liquid and active markets.

Level 2 of the fair value hierarchy

In case a market quote is used for valuation but due to restricted liquidity the market does not qualify as active (derived from available market liquidity indicators) the instrument is classified as level 2. If no market prices are available, the fair value is measured by using valuation models which are based on observable market data. If all the significant inputs in the valuation model are observable, the instrument is classified as level 2 of the fair value hierarchy. For level 2 valuations typically yield curves, credit spreads and implied volatilities are used as observable market parameters. These include over-the-counter (OTC) derivatives, less liquid shares, bonds and funds, as well as and own issues. Should the spread not be observable, it has to be tested if the unobservable input parameter is significant. An unobservable input parameter for theoretical priced securities is considered significant if the effect of the unobservable input on the fair value of the respective security is higher than 2%.

Level 3 of the fair value hierarchy

In some cases, the fair value can be determined neither on the basis of sufficiently frequent quoted market prices nor of valuation models that rely entirely on observable market data. In these cases, individual valuation parameters not observable in the market are estimated on the basis of reasonable assumptions. If any unobservable input in the valuation model is significant or the price quote used is updated infrequently the instrument is classified as level 3 fair value hierarchy. For level 3 valuations, besides observable parameters, typically credit spreads derived from internally calculated historical probability of default (PD) and loss given default (LGD) measures are used as unobservable parameters.

21. Fair value of financial assets and liabilities *(continued)*

The following table shows fair values and fair value hierarchy of financial instruments whose fair value is disclosed in the notes for the year-end:

31.12.2022

in RON thousands	Group					Bank				
	Carrying amount	Fair value	Fair value hierarhy			Carrying amount	Fair value	Fair value hierarhy		
			Level 1	Level 2	Level 3			Level 1	Level 2	Level 3
Assets										
Financial assets at amortised cost	68,046,211	66,175,352	12,548,024	985,310	52,642,018	69,264,841	67,435,674	12,478,007	977,590	53,980,077
Loans and advances to banks	148,344	148,911	-	-	148,911	156,699	156,585	-	-	156,585
Loans and advances to customers	52,682,148	52,476,957	-	-	52,476,957	53,975,267	53,807,342	-	-	53,807,342
Debt securities	15,215,719	13,549,484	12,548,024	985,310	16,150	15,132,875	13,471,747	12,478,007	977,590	16,150
Finance lease receivables	1,745,363	1,745,363	-	-	1,745,363	8,405	8,405	-	-	8,405
Trade and other receivables	901,025	899,067	-	-	899,067	875,813	873,766	-	-	873,766
Liabilities										
Financial liabilities measured at amortised cost	84,713,627	83,893,273	-	5,345,178	78,548,095	84,930,411	84,110,773	-	5,345,178	78,765,595
Deposits from banks, borrowings and financial lines	2,079,394	2,079,988	-	-	2,079,988	2,315,225	2,315,732	-	-	2,315,732
Deposits from customers	75,588,537	74,846,817	-	-	74,846,817	75,609,053	74,868,136	-	-	74,868,136
Debt securities in issue	5,424,406	5,345,178	-	5,345,178	-	5,424,406	5,345,178	-	5,345,178	-
Other financial liabilities	1,621,290	1,621,290	-	-	1,621,290	1,581,727	1,581,727	-	-	1,581,727
Lease liabilities	444,486	444,486	-	-	444,486	442,538	442,538	-	-	442,538
Financial guarantees and commitments	**-**	**172,853**	**-**	**-**	**172,853**	**-**	**170,626**	**-**	**-**	**170,626**
Financial guarantees	-	(14)	-	-	(14)	-	(14)	-	-	(14)
Irrevocable commitments	-	172,867	-	-	172,867	-	170,640	-	-	170,640

31.12.2021

in RON thousands	Group					Bank				
	Carrying amount	Fair value	Fair value hierarhy			Carrying amount	Fair value	Fair value hierarhy		
			Level 1	Level 2	Level 3			Level 1	Level 2	Level 3
Assets										
Financial assets at amortised cost	62,702,857	63,609,921	14,820,192	313,468	48,476,261	63,381,929	64,319,982	14,743,354	197,480	49,379,148
Loans and advances to banks	1,362,313	1,348,714	-	-	1,348,714	1,362,004	1,348,406	-	-	1,348,406
Loans and advances to customers	45,770,071	47,127,547	-	-	47,127,547	46,637,791	48,030,742	-	-	48,030,742
Debt securities	15,570,473	15,133,660	14,820,192	313,468	-	15,382,134	14,940,834	14,743,354	197,480	-
Finance lease receivables	1,445,231	1,445,231	-	-	1,445,231	11,240	11,240	-	-	11,240
Trade and other receivables	653,237	666,835	-	-	666,835	631,610	645,285	-	-	645,285
Liabilities										
Financial liabilities measured at amortised cost	77,835,634	77,485,210	-	2,748,005	74,737,205	77,617,727	77,276,176	-	2,748,005	74,528,171
Deposits from banks, borrowings and financial lines	1,783,539	1,781,523	-	-	1,781,523	2,320,172	2,326,789	-	-	2,326,789
Deposits from customers	72,458,416	72,095,123	-	-	72,095,123	71,721,511	71,358,458	-	-	71,358,458
Debt securities in issue	2,733,120	2,748,005	-	2,748,005	-	2,733,120	2,748,005	-	2,748,005	-
Other financial liabilities	860,559	860,559	-	-	860,559	842,924	842,924	-	-	842,924
Lease liabilities	435,710	435,710	-	-	435,710	435,710	435,710	-	-	435,710
Financial guarantees and commitments	**-**	**211,683**	**-**	**-**	**211,683**	**-**	**131,737**	**-**	**-**	**131,737**
Financial guarantees	-	(147)	-	-	(147)	-	(91)	-	-	(91)
Irrevocable commitments	-	211,830	-	-	211,830	-	131,828	-	-	131,828

21. Fair value of financial assets and liabilities *(continued)*

The fair value of loans and advances to customers and credit institutions has been calculated by discounting future cash flows while taking into consideration interest and credit spread effects. The interest rate impact is based on the movements of market rates, while credit spread changes are derived from PD's used for internal risk calculations. For the calculation of fair value loans and advances were grouped into homogeneous portfolios based on rating method, rating grade, maturity, and the country where they were granted.

The fair values of financial assets at amortized cost are either taken directly from the market or they are determined by directly observable input parameters (i.e. yield curves).

The fair value of issued securities and subordinated liabilities measured at amortized cost is based on market prices or on observable market parameters, if these are available, otherwise it is estimated by taking into consideration the actual interest rate environment and in this case, they are allocated to Level 2.

The fair value of deposits and other financial liabilities measured at amortized cost is estimated by taking into consideration the actual interest rate environment and own credit spreads, and these are allocated to Level 3.

The fair value for commitments is based on the commitment amounts by rating method and rating grade for which hypothetical loans are created through applying credit conversion factors, which finally will be subject to the regular fair value calculation procedure described above for loans and advances.

Guarantees are seen as having two types of CFs or legs representing the regular fee payments received, and a single potential compensation payment, respectively. The first leg consists of the sum of the discounted fee payments, weighted by the survival probability (annualized marginal default probability), while the second leg consists of the negative sum of discounted potential protection payments, i.e. the sum of the discounted loss weighted by the default probability. The fair value of the guarantee is derived as the value of the premium leg minus the value of the compensation leg.

Financial instruments measured at fair value in the statement of financial position

Group

in RON thousands	Quoted market prices in active markets Level 1		Marked to model based on observable market data Level 2		Marked to model based on non-observable inputs Level 3		Total	
Assets	**31.12.2022**	**31.12.2021**	**31.12.2022**	**31.12.2021**	**31.12.2022**	**31.12.2021**	**31.12.2022**	**31.12.2021**
Financial assets - held for trading	**29**	**1,305,267**	**177,213**	**398,373**	**-**	**900**	**177,242**	**1,704,540**
Derivatives	-	-	177,213	23,094	-	900	177,213	23,994
Other financial assets held for trading	29	1,305,267	-	375,279	-	-	29	1,680,546
Non-trading financial assets at fair value through profit or loss	**4,034**	**-**	**-**	**2,914**	**63,145**	**62,839**	**67,179**	**65,753**
Equity instruments	4,034	-	-	2,914	46,817	32,207	50,851	35,121
Debt securities	-	-	-	-	16,328	30,632	16,328	30,632
Financial assets at fair value through other comprehensive income	**8,059,029**	**7,542,861**	**1,550,411**	**263,768**	**54,856**	**28,326**	**9,664,296**	**7,834,955**
Debt securities	8,059,029	7,542,861	1,550,411	263,768	54,856	28,326	9,664,296	7,834,955
Total assets	**8,063,092**	**8,848,128**	**1,727,624**	**665,055**	**118,001**	**92,065**	**9,908,717**	**9,605,248**
Liabilities								
Financial liabilities - held for trading	-	-	163,579	22,343	-	-	163,579	22,343
Derivatives	-	-	163,579	22,343	-	-	163,579	22,343
Total liabilities	**-**	**-**	**163,579**	**22,343**	**-**	**-**	**163,579**	**22,343**

Bank

in RON thousands	Quoted market prices in active markets Level 1		Marked to model based on observable market data Level 2		Marked to model based on non-observable inputs Level 3		Total	
Assets	**31.12.2022**	**31.12.2021**	**31.12.2022**	**31.12.2021**	**31.12.2022**	**31.12.2021**	**31.12.2022**	**31.12.2021**
Financial assets - held for trading	**29**	**1,305,267**	**177,679**	**398,373**	**-**	**900**	**177,708**	**1,704,540**
Derivatives	-	-	177,679	23,094	-	900	177,679	23,994
Other financial assets held for trading	29	1,305,267	-	375,279	-	-	29	1,680,546
Non-trading financial assets at fair value through profit or loss	**4,034**	**-**	**-**	**2,914**	**63,145**	**62,588**	**67,179**	**65,502**
Equity instruments	4,034	-	-	2,914	46,817	31,956	50,851	34,870
Debt securities	-	-	-	-	16,328	30,632	16,328	30,632
Financial assets at fair value through other comprehensive income	**8,059,029**	**7,542,861**	**1,550,411**	**233,904**	**54,856**	**28,326**	**9,664,296**	**7,805,091**
Debt securities	8,059,029	7,542,861	1,550,411	233,904	54,856	28,326	9,664,296	7,805,091
Total assets	**8,063,092**	**8,848,128**	**1,728,090**	**635,191**	**118,001**	**91,814**	**9,909,183**	**9,575,133**
Liabilities								
Financial liabilities - held for trading	-	-	163,579	22,359	-	-	163,579	22,359
Derivatives	-	-	163,579	22,359	-	-	163,579	22,359
Total liabilities	**-**	**-**	**163,579**	**22,359**	**-**	**-**	**163,579**	**22,359**

Financial assets held for trading position has decreased during 2022 compared 2021 mostly due to a decrease in the government bonds portfolio.

21. Fair value of financial assets and liabilities *(continued)*

Non-trading financial assets at fair value through profit or loss position includes:

- loans and advances to customers classified at fair value through profit and loss according to IFRS 9 due to failure to pass the SPPI (solely payments of principal and interest) test. The methodology to compute the fair value of these assets corresponds to the basic present value technique where expected cash flows of assets are discounted by the full rate including credit risk, market risk and cost components. The credit risk is incorporated in the assessment of cash flows in order to come to expected cash flows accounting for customer's probability of default. These cash flows are then adjusted with the discount rate;
- equity instruments, in principal minority interests classified as level 3 instruments for which the fair value is determined based on internal assessment. The most common valuation methods used in the evaluation of minority interest are: Quoted price in active markets, Expert opinion or Recent transaction value, Discounted Cash Flow Method / Dividend Discount Model, the adjusted Net Asset Value, Simplified income approach;
- Visa Inc Preferred Share equity for which fair value is computed based on internal assessment for class C.

Financial assets at fair value through other comprehensive income include:

- Debt securities issued by Ministry of Finance which are actively traded classified on level 1 and 2.
- One corporative bond, as well as two debt securities issued by the Ministry of Finance, which are theoretically priced are presented on level 3.

Valuation of level 3 financial instruments

The volume of level 3 financial assets can be allocated to the following two categories:

- market values of derivatives where the credit value adjustment (CVA) has a material impact and is calculated based on unobservable parameters (i.e. internal estimates of PDs and LGDs);
- illiquid bonds, shares and funds not quoted in an active market where either valuation models with non-observable parameters have been used (e.g. credit spreads) or broker quotes have been used that cannot be allocated to Level 1 or Level 2.

The unobservable inputs from CVA calculation are the probability of default (PD) and loss given default (LGD). The probabilities of default are the result of the rating models development internally (at Erste Group level) and are used to evaluate the credit risk including CVA. According to the allocated rating, each counterparty has assigned a probability of default. The value of LGD parameter for the calculation of CVA is 60%.

As at December 2022, the fair valuation of VISA Inc class C preferred shares was based on reasonable assumptions and estimations and was consequently classified in level 3. The sale of shares is limited to certain conditions which may restrict the conversion of preferred shares into tradable VISA Inc shares. Due to these limiting conditions, and in order to reflect the potential price volatility of Class A common shares and the limited liquidity of preferred shares the fair value of the preferred shares was capped based on assumptions compared to free tradable VISA Inc. class A common shares. The price of class C preferred shares was determined based on the conversion ratio of 1: 3,645 and an additional haircut of 27.07% was applied.

Movements in Level 3 of financial instruments carried at fair value

Group

in RON thousands	Balance	Gain/(loss) in profit or loss	Gain/(loss) in other comprehensive income	Purchases	Settlements	Transfers into Level 3	Transfers out of Level 3	Exchange rate differences	Balance
Financial assets - held for trading	**900**	**454**	**-**	**-**	**-**	**-**	**(1,354)**	**-**	**-**
Derivatives	900	454	-	-	-	-	(1,354)	-	-
Non-trading financial assets at fair value through profit or loss	**62,839**	**21,373**	**-**	**-**	**-**	**-**	**(21,039)**	**(28)**	**63,145**
Equity instruments	32,207	14,861	-	-	-	-	(253)	2	46,817
Debt securities	30,632	6,512	-	-	-	-	(20,786)	(30)	16,328
Financial assets at fair value through other comprehensive income	**28,326**	**-**	**(139)**	**49,803**	**-**	**-**	**(23,134)**	**-**	**54,856**
Debt securities	28,326	-	(139)	49,803	-	-	(23,134)	-	54,856
Total assets	**92,065**	**21,827**	**(139)**	**49,803**	**-**	**-**	**(45,527)**	**(28)**	**118,001**

21. Fair value of financial assets and liabilities *(continued)*

Group

in RON thousands	Balance	Gain/(loss) in profit or loss	Gain/(loss) in other comprehensive income	Purchases	Settlements	Transfers into Level 3	Transfers out of Level 3	Exchange rate differences	Balance
Assets	**01.01.2021**								**31.12.2021**
Financial assets - held for trading	**1,401**	**(501)**	**-**	**-**	**-**	**-**	**-**	**-**	**900**
Derivatives	1,401	(501)	-	-	-	-	-	-	900
Non-trading financial assets at fair value through profit or loss	**64,013**	**5,596**	**-**	**-**	**(6,786)**	**-**	**-**	**16**	**62,839**
Equity instruments	34,307	(2,116)	-	-	-	-	-	16	32,207
Debt securities	27,781	2,851	-	-	-	-	-	-	30,632
Loans and advances	1,925	4,861	-	-	(6,786)	-	-	-	-
Financial assets at fair value through other comprehensive income	**29,121**	**-**	**(1,038)**	**652**	**(24,140)**	**23,228**	**-**	**503**	**28,326**
Debt securities	29,121	-	(1,038)	652	(24,140)	23,228	-	503	28,326
Total assets	**94,535**	**5,095**	**(1,038)**	**652**	**(30,926)**	**23,228**	**-**	**519**	**92,065**

Bank

in RON thousands	Balance	Gain/(loss) in profit or loss	Gain/(loss) in other comprehensive income	Purchases	Settlements	Transfers into Level 3	Transfers out of Level 3	Exchange rate differences	Balance
Assets	**01.01.2022**								**31.12.2022**
Financial assets - held for trading	**900**	**454**	**-**	**-**	**-**	**-**	**(1,354)**	**-**	**-**
Derivatives	900	454	-	-	-	-	(1,354)	-	-
Non-trading financial assets at fair value through profit or loss	**62,588**	**21,373**	**-**	**-**	**-**	**-**	**(20,786)**	**(30)**	**63,145**
Equity instruments	31,956	14,861	-	-	-	-	-	-	46,817
Debt securities	30,632	6,512	-	-	-	-	(20,786)	(30)	16,328
Financial assets at fair value through other comprehensive income	**28,326**	**-**	**(139)**	**49,803**	**-**	**-**	**(23,134)**	**-**	**54,856**
Debt securities	28,326	-	(139)	49,803	-	-	(23,134)	-	54,856
Total assets	**91,814**	**21,827**	**(139)**	**49,803**	**-**	**-**	**(45,274)**	**(30)**	**118,001**

Bank

in RON thousands	Balance	Gain/(loss) in profit or loss	Gain/(loss) in other comprehensive income	Purchases	Settlements	Transfers into Level 3	Transfers out of Level 3	Exchange rate differences	Balance
Assets	**01.01.2021**								**31.12.2021**
Financial assets - held for trading	**1,401**	**(501)**	**-**	**-**	**-**	**-**	**-**	**-**	**900**
Derivatives	1,401	(501)	-	-	-	-	-	-	900
Non-trading financial assets at fair value through profit or loss	**63,778**	**5,596**	**-**	**-**	**(6,786)**	**-**	**-**	**-**	**62,588**
Equity instruments	34,072	(2,116)	-	-	-	-	-	-	31,956
Debt securities	27,781	2,851	-	-	-	-	-	-	30,632
Loans and advances	1,925	4,861	-	-	(6,786)	-	-	-	-
Financial assets at fair value through other comprehensive income	**5,482**	**-**	**(1,036)**	**652**	**-**	**23,228**	**-**	**-**	**28,326**
Equity instruments	5,482	-	(1,036)	652	-	23,228	-	-	28,326
Total assets	**70,661**	**5,095**	**(1,036)**	**652**	**(6,786)**	**23,228**	**-**	**-**	**91,814**

Unobservable inputs and sensitivity analysis for Level 3 measurements

In case the fair value measurement of a financial asset is retrieved from input parameters which are not observable in the market, those parameters can be retrieved from a range of alternative parameters. For the preparation of the balance sheet the parameters were chosen to reflect the market situation at the reporting date.

21. Fair value of financial assets and liabilities *(continued)*

Range of unobservable valuation parameters used in Level 3 measurement

Financial assets	Type of instrument	Valuation technique	Significant unobservable inputs	Range of unobservable inputs (weighted average)
22-Dec				
Financial assets at FVOCI	Fixed and variable coupon bonds	Discounted cash flow	Credit Spread	1.61%-5.31% (1.95%)
Financial assets at FVOCI / at FVPL	Non-trading equity instruments (participations)	Dividend Discount Model; Simplified Income Approach	Beta relevered	Industries: Insurance (General) 1.09 Financial Svcs. (Non-bank & Insurance) 1.04
			Country risk premium	Romania 1.87%-2.64%
		Adjusted Net Asset Value	Adjusted Equity	Depending on accounting equity of investment.

In estimating these impacts, mainly changes in credit spreads (for bonds), and market values of comparable equities were considered. An increase (decrease) of spreads result in a decrease (increase) of the corresponding fair values. For non-trading equity instruments increases (decreases) in any of the inputs used for the cost of equity calculation in isolation would result in a lower (higher) fair value.

The following ranges of reasonably possible alternatives of the unobservable inputs were considered in the sensitivity analysis table:

- for debt securities range of credit spreads between +100 basis points and -75 basis points
- for equity related instruments the price range between -10% and +5%
- for unquoted equity instruments measured by the adjusted net asset value the price range between -10% and +10%
- for unquoted equity instruments measured by dividend discount model/simplified income approach the cost of equity range between -2% and +2%

	Bank	
	Fair value changes	
	Positive	Negative
in RON ths	Dec. 2022	Dec. 2022
Derivatives	-	-
Income statement	-	-
Other comprehensive income	-	-
Debt securities	1,127	(1,502)
Income statement	-	-
Other comprehensive income	1,127	(1,502)
Equity instruments	12,128	(9,004)
Income statement	12,128	(9,004)
Other comprehensive income	-	-
Loans and advances	-	-
Income statement	-	-
Other comprehensive income	-	-
Total	**13,255**	**(10,507)**
Income statement	**12,128**	**(9,004)**
Other comprehensive income	**1,127**	**(1,502)**

22. Encumbered assets

	Group		Bank	
in RON thousands	31.12.2022	31.12.2021	31.12.2022	31.12.2021
Financial assets at amortised cost	386,866	210,331	1,121,147	1,425,072
Financial assets at fair value through other comprehensive income	180,325	-	180,325	-
Total	**567,191**	**210,331**	**1,301,472**	**1,425,072**

On 31 December 2022, government bonds with a total book value of RON 386,866 thousands (31 December 2021: RON 210,331 thousands) have been used as pledge for funding received from International Financial Institutions and to ensure final settlement of interbank multilateral clearing operations according to NBR regulations for the settlement of transactions through ROCLEAR Bucharest, NBR's Clearing House, and Visa and MasterCard card transactions.
Encumbered assets include securities used for repo transactions (see further details in note 23) and securities pledged as collateral for various purposes, as described above.

23. Transfers of financial assets

Repurchase transactions

Transactions where securities are sold under an agreement to repurchase at a specified future date are also known as 'repos' or 'sale and repurchase agreements'. These securities are not derecognized from the statement of financial position, as Group retains substantially all the risks and rewards of ownership because the securities are repurchased when the repo transaction ends. Furthermore, the Group is the beneficiary of all the coupons and other income payments received on the transferred assets over the period of the repo transactions. These payments are remitted to the Group or are reflected in the repurchase price.

The corresponding cash received is recognized on the statement of financial position with a corresponding obligation to return it as a liability under the line item 'Financial liabilities measured at amortized cost', sub-items 'Deposits from banks' or 'Deposits from customers' reflecting the transaction's economic substance as a loan to the Group.

The difference between the sale and repurchase prices is treated as interest expense and recorded in the statement of profit or loss under the line item 'Net interest income' and is accrued over the life of the agreement.

Conversely, securities purchased under agreements to resell at a specified future date are not recognized on the statement of financial position. Such transactions are also known as 'reverse repos'.

The consideration paid is recorded on the balance sheet under the respective line items 'Financial assets at amortised cost', sub-item 'Loans and advances to banks' or 'Loans and receivables to customers', reflecting the transaction's economic substance as a loan by the Group. The difference between the purchase and resale prices is treated as interest income and is accrued over the life of the agreement and recorded in the statement of profit or loss under the line item 'Net interest income'.

Transfer of financial assets – repurchase transactions were done within the Group, therefore eliminated at consolidated level.

				Bank
in RON thousands	Carrying amount of transferred assets	Carrying amount of associated liabilities	Carrying amount of transferred assets	Carrying amount of associated liabilities
	31.12.2022		31.12.2021	
Repurchase agreements				
Financial assets at fair value through other comprehensive income	180,325	179,796	-	-
Financial assets at amortised cost	734,282	658,012	1,214,741	1,138,338
Total - repurchase agreements	**914,607**	**837,808**	**1,214,741**	**1,138,338**

The transferred financial instruments consist of government bonds issued by Romania.

At Bank level, the total amount RON 914,607 thousands as at 31 December 2022 (RON 1,214,741 thousands at 31 December 2021) represents the carrying amount of financial assets in the respective balance sheet positions for which the transferee has a right to sell or repledged.

At Bank level, liabilities from repo transaction in the amount of RON 837,808 thousands as at 31 December 2022 (RON 1,138,338 thousands at 31 December 2021), which are measured at amortised cost, represent an obligation to repay the borrowed funds.

The following table shows fair values of the assets pledged and associated liabilities which have recourse only to the transferred assets. These assets and liabilities relate to repo transactions.

23. Transfers of financial assets *(continued)*

				Bank
in RON thousands	Fair value of transferred assets	Fair value of associated liabilities	Fair value of transferred assets	Fair value of associated liabilities
	31.12.2022		31.12.2021	
Financial assets at fair value through other comprehensive income	180,343	180,343	-	-
Financial assets at amortised cost	682,973	682,973	1,172,196	1,172,196
Total	**863,316**	**863,316**	**1,172,196**	**1,172,196**

Repurchase agreements are primarily financing transactions. They are structured as a sale and subsequent repurchase of securities at a pre-agreed price and time. This ensures that the securities stay in hands of lender as collateral in case that borrower defaults in fulfilling any of its obligations.

Cash and non-cash financial collateral involved in these transactions is restricted from using it by the transferor during the time of the pledge. The carrying amount of assets pledged is included in note 22.

As at 31 December 2022, no reverse repurchase transactions were concluded (2021: RON 1,169,525 thousands). The Bank received as collateral financial assets consisting in bonds. The fair value of collateral as of December 31, 2021 was in amount of RON1,233,498 thousands. The Bank has the right to sell or repledge the assets in the absence of default situation of the owner of the collateral.

Derecognised in their entirety but where the Bank has continuing involvement

In 2016 and 2017, the Group sold two portfolios of loans to unrelated third parties. According to contractual clauses the Group has retained involvement in the transferred assets due to several clauses: put back clause that the buyer can exercise, contractual obligation for General Claim and Indemnity, upside sharing that could be received by the Group after a certain level of profitability/collections would be realized by the buyer, call option of BCR to take back selected sold loans (only for litigation cases).

The portfolio sold in 2016, containing corporate receivables no longer presents retained involvement of the Group in the transferred assets as at 31 December 2019, because a debt settlement was signed in February 2019 and implemented by the parties for approx. RON 7 Mn equivalent (covering all retained involvement clauses put back clauses, General claim requests, Cross-collaterals).

The portfolio containing private individuals receivables had a total exposure of approx. RON 1,825 mn as of 28 February 2016 comprising both BCR and Suport Colect clients with secured and unsecured receivables. Regarding the purpose of the continuing involvement as at 31 December 2022 retained after transferring those assets, the following clauses are active:

- the upside sharing mechanism stipulating that after the buyer has recovered the total price investment and operating costs, and a certain level of profitability/collections would be realized by the buyer, BCR Group would receive from the buyer a share of the additional recoveries;
- considering that the portfolio contains private individual's debts, the customers may request the re-calculation of the debts, hence an Indemnity clause was negotiated and the related provisions are calculated on semi-annual basis, adjusted with the portfolio diminished cases. Contractually, BCR and Suport Colect ('SCO') have a contractual obligation to indemnify the buyer on future events deriving from risks related to allegedly abusive clauses, in connection to exposure sold. Please see Note 35 Provisions.

In this respect the following amounts have been assessed as at 31 December 2022: provisions booked as pending legal issue provisions, for the Indemnity clause, at Group level in amount of RON 17.5 mn as at 31.12.2022 (31.12.2021: RON 18.5 mn) (BCR: 2022: RON 17 mn and for 2021: RON 18 mn).

Related to the upside sharing clause for recoveries to which the Group is entitled after a certain level of profitability/collections is realized by the buyer is in amount of RON 14 mn for 2022 (2021: RON 14.7 mn) (BCR: 2022: RON 8.7mn and for 2021: RON 9.1mn).

Risk and capital management

24. Risk management

Risk Management is embedded within the daily operation of the Bank, from strategy formulation and capital projects, through to operational planning and processes. In adopting this approach, the Bank provides a visible assurance of transparency and effective self-governance to stakeholders. At the same time the risk process assists the Bank in the planning of its resources, setting priorities, identifying opportunities, agreeing a relevant program of internal control and audit, and ensures that clear responsibility exists for the management of each area of risk.

Risk policy and risk strategy

The core function of the Bank is to take risks in a conscious and selective manner and to manage the risks professionally. The Group's proactive risk policy and risk strategy aims at achieving balanced risk and return in order to generate a sustainable and adequate return on equity.

The Group uses a risk management and control system that is forward-looking and tailored to its business and risk profile. This system is based on a clear risk strategy that is consistent with the business strategy and focused on early identification and management of risks and trends. In addition to meeting the internal goal of effective and efficient risk management, the Group's risk management and control system has been developed to fulfil external requirements and, in particular, regulatory requirements.

Given the Group's business strategy, the key risks for the Group are credit risk, market risk, operational risks, and liquidity risk. In addition, a risk materiality assessment is undertaken on at least an annual basis. It is ensured that all relevant material risks are covered by the Group's control and risk management framework. This entails a set of different tools and governance to ensure adequate oversight of the overall risk profile and sound execution of the risk strategy, including appropriate monitoring and escalation of issues that could materially impact the risk profile of the group. The Bank always seeks to enhance and complement existing methods and processes in all areas of risk management.

In 2022, management attention was focused on the geopolitical environment. In the current context BCR Group has taken a set of risk mitigation actions such as:

- interim review of Risk Strategy including Risk Materiality Assessment;
- updated forward looking scenarios (2022-2024): the potential impact on IFRS 9 risk parameters has been estimated based on the most recent forward-looking information; risk parameters were re-calculated based on the updated shifts given the new macroeconomic scenarios considering the current expectations on inflation and interest rates;
- individual assessment of the geopolitical risk: the portfolio of customers was individually assessed considering possible rating migrations due to supply chain disruptions, energy and commodities prices, sanctions, increase in interest rates and inflation;
- sensitivity analysis from interest rate risk induced credit risk was performed based on defined scenarios to assess the potential impact on risk cost;
- increased business continuity and security measures (including cyber security and physical security measures for branches closer to the Ukraine border);
- specific measures related to ensure cash management;
- measures to address the reputational risk (eg: communication, humanitarian help, etc.)
- in addition, the bank implemented all measures to ensure compliance with the sanction regime.

In 2022, the management has continued to steer critical portfolios, including active management of non-performing exposures, and further strengthening of the risk profile. This has been particularly demonstrated by the continuous improvement of the credit quality and the ongoing decrease of non-performing loans and risk costs. Management actions resulted in improved profitability, asset quality, lending and capital levels. In addition, emphasis was put on strengthening risk governance and ensuring compliance with regulatory requirements.

Risk governance structure

The Bank has developed a governance model based on a framework which ensures efficiently organized corporate governance. It also helps ensuring the Bank's stability and maintains the corporate governance standards and of business conduct.

The Risk Governance structure is presented below:

24. Risk management *(continued)*

Supervisory Board

The Supervisory Board secures the supervision, manages and coordinates the Management Board activity and monitors the compliance with the applicable legislation and the BCR Charter provisions including the decisions of the General Meeting of Shareholders and the Bank's strategies and policies. The Supervisory Board functions based on its own Internal Rules.

The Risk and Compliance Committee of the Supervisory Board

The Risk and Compliance Committee assists the Supervisory Board in carrying out its attributions in relation to risk management and is a consultative body which revises, reports to, counsels and assists the Supervisory Board in fulfilling attributions which fall in its responsibility in relation to risk management, compliance, litigations, business continuity and security management and issues recommendations according to the authority limits established through the Internal Rules. The Risk and Compliance Committee is in permanent contact and collaboration with the head of the risk management function and takes into account its recommendations and expertise in taking decisions or preparing reports towards the Management Board and Supervisory Board in relation to the key risk issues of the Bank.

Audit Committee of the Supervisory Board

The Audit Committee has a consultative role, as it was established in order to assist the Supervisory Board in carrying out its attributions, drafting recommendations within the limits of its competencies, according to its responsibilities and attributions provisioned in the Internal Rules, in relation to internal control, financial reporting process, annual financial statements and audit (internal and external).

Management Board

The Management Board fulfils the management, according to the law and secures the operational management of the Bank and effective administration of the compliance risk, having responsibilities established by the applicable legislation and by the Management Board Internal Rules, approved by the Supervisory Board.

The Management Board is responsible for the overall risk strategy of the Bank, including the risk tolerance/risk appetite, as well as for the risk management framework.

Risk Committee

Risk Committee is organized and works as analysis/approval body referring to the main subjects linked to operational risk administration, within the authority limits established through the Internal Rules and other specific internal regulations, delegated by the Management Board.

Credit Committee

The Credit Committee is a decisional body which is subordinated to the MB that carries out its activities in the corporate and retail credit areas as well as Workout area.

Sustainability Committee

Sustainability Committee is an analysis, consultative and decision-making body for all the sustainability related topics within the authority limits established through the Internal Rules and other specific internal regulations, delegated by the Management Board.

Risk management organization

Risk control and risk steering within the Group are performed based on the strategy and risk appetite approved by the Supervisory Board. Risk monitoring and control are achieved through a clear organizational structure with defined roles and responsibilities, delegated authorities and risk limits.

The Chief Risk Officer (CRO) has the role of Compliance Function and Risk Management Function coordinator and oversees the management of retail and corporate credit risk, market risk, operational risk, liquidity as well as reputational risk and strategic risk, the assessment of collaterals and other risk related activities and the compliance risk.

Also, CRO as BCR Compliance Officer coordinates the implementation of the internal policies and procedures for complying with the stipulations of the Law no. 129/2019 for AML/CFT:

- Coordinates the enforcement of the policies, procedures and the approved controls.
- Enacts the risk mitigation measures in case of non-compliance situations regarding AML/CFT/KYC/international sanctions.
- Participates in the meetings of the Bank's commissions and working committees on topics regarding situations that expose the bank to a higher level of risk AML/ CFT/ KYC/ international sanctions.

24. Risk management *(continued)*

Within this framework, the risk management specialists are clearly delimited from an organizational point of view from the employees of the operational and support functions.

The Risk Management function is a central organizational function, structured so it can implement risk policies and control the risk management framework.

The main roles of the Risk Management function are:

- Ensures that all material risks are identified, measured and properly reported;
- Implements the Enterprise Risk Management principles and ensures that adequate and consistent risk management policies are developed and implemented for all material risks; and
- Ensures that the Bank has effective risk management processes in place by being involved the elaboration and review of the strategies, in the decision-making process, as well as in the risk monitoring process.

The Risk Management function performs regular reports both at individual material risk level and at bank-wide risk exposure level (i.e. complete view of the whole range of risks) to the Management Board, the Risk Committee, Credit Committee, Assets and Liabilities Committee, the Risk and Compliance Committee of the Supervisory Board and the Supervisory Board of the risk aspects that are considered within the decision-making process of the Bank.

Reports include information on aspects such as:

- Risk exposures and their development;
- Key risk indicators evolution and specific limits;
- Results of the stress testing exercises;
- Internal capital adequacy (risks coverage capacity).

Risk management function is consolidated under the Risk Functional Line, coordinated by the Chief Risk Officer (Vice-President):

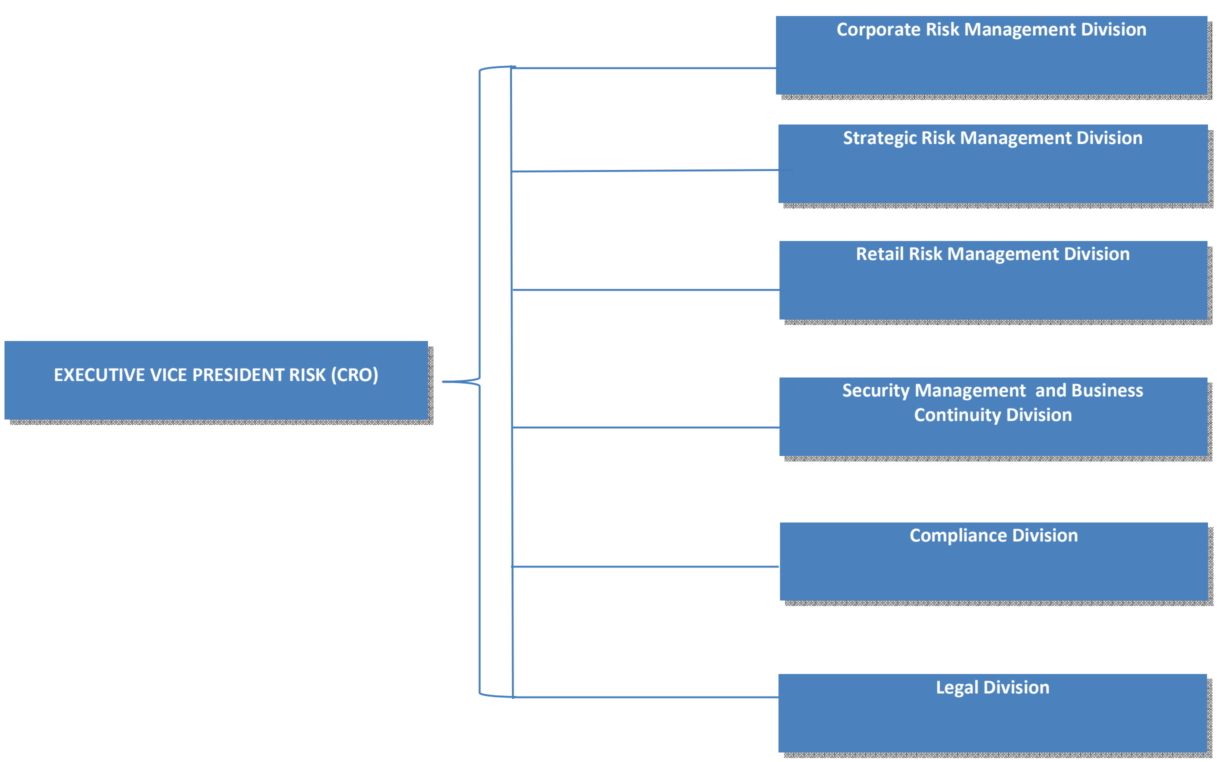


Figure: Risk functional line as of end 2022

24. Risk management *(continued)*

Group-wide risk and capital management

The main purposes of the Group's capital management policies and practices are to support its business strategy and to ensure that it is sufficiently capitalised to withstand even severe macroeconomic downturns.

The Group considers the management of risk and capital to be among its core responsibilities and a key factor in providing a stable, high return to shareholders. The Group's capital management aims to ensure efficient use of capital to meet the Group's overall capital targets.

Enterprise-wide Risk Management (ERM) enables an increased focus on holistic risk management and ensures comprehensive, cross-risk Group-wide risk portfolio steering.

ERM drives key strategic cross-risk initiatives to establish greater cohesion between the risk strategy including the risk appetite and limit steering. ERM involves all risk functions and key divisions to strengthen risk oversight group-wide, covering capital (RWA and ICAAP), credit, liquidity (ILAAP), market, operational and other risks.

At the Bank level, Strategic Risk Management Division is responsible for the group's Internal Capital Adequacy Assessment Process (ICAAP) including the stress testing framework, and furthermore for the proper calculation of risk-weighted assets (RWA), risk portfolio steering with respect to material risks, risk planning and risk input into capital planning, risk appetite and limit management, as well as liquidity & market risk / operational risk steering.

As in prior years, the Group's risk management framework has been continuously strengthened. In particular, ERM has continued to strengthen its comprehensive framework. This includes as its fundamental pillar the Internal Capital Adequacy Assessment Process (ICAAP), as required under Pillar II of the Basel framework.

The ERM framework is designed to support the bank's management in managing the risk portfolios as well as the coverage potential to ensure that the bank holds at all times adequate capital for the nature and magnitude of the bank's risk profile. ERM is tailored to the Group's business and risk profile, and it reflects the strategic goal of protecting shareholders while ensuring the sustainability of the organization.

ERM is a modular and comprehensive management and steering system within the Group and is an essential part of the overall steering and management instruments. The ERM can be clustered as follows:

- Risk appetite statement, limits and risk strategy;
- Portfolio & risk analytics, including:
  - Risk materiality assessment,
  - Concentration risk management,
  - Stress testing
- Risk-bearing capacity calculation
- Risk planning & forecasting, including:
  - Risk-weighted asset management,
  - Capital allocation
- Recovery planning.

In addition to the ICAAP's ultimate goal of ensuring ongoing and prospective capital adequacy, the ERM serves to support the bank's management in pursuing and achieving its strategy.

Risk appetite

The Group defines its Risk Appetite Statement (RAS) as part of the annual strategic planning process to ensure appropriate alignment of risk, capital and performance objectives and targets. The Group's RAS represents the aggregate level and types of risk that BCR Group is willing to assume within the limits of its risk capacity, according to its business model, in order to achieve its strategic objectives. It consists of a set of core strategic dimensions with corresponding metrics and targets that provide quantitative direction for risk steering and qualitative statements in the form of key risk principles that form part of the strategic guidelines for managing risks. The key objective of the RAS is to:

- ensure that the Group has sufficient resources to support its business at any given point in time and absorb stress events;
- set boundaries for the Group's risk-return target setting;
- support the Group's financial strength and the robustness of its systems and controls.

24. Risk management *(continued)*

The setting of the Group risk appetite is forward-looking in order to foster risk return steering and ensure proactive management of the risk profile. External constraints such as regulatory requirements set the boundaries for the RAS and the amount of risk the Group is willing to accept. In order to ensure that the Group remains within the targeted risk profile a Red Amber Green system was established and assigned to the core metrics of the RAS. This approach allows a timely delivery of information to the relevant organizational structures and the implementation of timely and effective remediation measures. A pre-defined threshold describes a level or event which triggers an escalation to the designated organizational level and the discussion of potential remediation actions. The breaching of a pre-defined limit initiates an immediate escalation to the designated organizational level and a prompt implementation of remediation actions.

Moreover, stress triggers are defined for selected core metrics and integrated into the assessment of the stress test results. They are reported as early warning signals to the management body to support proactive management of the risk profile.

In addition, strategic risk limits and principles are defined based on the Group RAS in the Group Risk Strategy. These limits and principles support the implementation of the mid to long term risk strategy. Risk management governance ensures full oversight over all risk decisions and the proper execution of the risk strategies.

Risk mitigating actions are undertaken as part of the regular risk management process to ensure that the Group remains within its defined RAS.

The RAS horizon covers 5 years to ensure a stronger interplay with the other strategic processes such as long-term planning and budgeting. The Group RAS 2022 was pre-approved by both Management Board and approved by the Supervisory Board, as part of the increased role of the Supervisory Board in RAS setting and monitoring.

Portfolio and risk analytics

The Group uses dedicated infrastructure, systems and processes to actively identify, control and manage risks within the scope of the portfolio. Portfolio and risk analytics processes are designed to quantify, qualify and discuss risks in order to raise awareness to management in a timely manner.

Risk materiality assessment

The Group has implemented and continuously develops its risk materiality assessment framework. This process is not limited to the risk function and therefore various other organizational units are involved in order to ensure the comprehensiveness of the assessment. Such broad involvement improves the understanding of the sources of risk, clarifies how risks relate to specific business activities, and provides the best chances of identifying newly emerging risks.

The risk materiality assessment is performed at least on an annual basis with the purpose of systematically assessing new and assessing existing material risks for the Group. The process uses a combination of quantitative and qualitative factors in the assessment of each risk type.

This assessment represents the starting point of the ICAAP process, as identified material risk types need to be considered either directly by allocating capital (or liquid assets) or indirectly through implementation of processes and control-based measures within the ICAAP framework elements. Insights generated by the assessment are used to improve risk management practices and further mitigate risks within the Group. The assessment also serves as an input for the design and definition of the Group's Risk Strategy and Risk Appetite Statement.

Risk Profile

The risk profile is defined as the assessment at a given point in time of gross and, where appropriate, net risk exposures (after taking into account risk mitigants), aggregated within and between each relevant risk category, on the basis of current assumptions or anticipatory.

As part of its risk strategy, the Group analyses its actual risk profile and determines a target risk profile based on its strategic goals. The risk profile is a result of the risk assessment process in combination with the boundaries set by the business strategy and the risk appetite framework. The risk profile is a key input in setting the business objectives, policies, risk appetite and the internal control environment in the Group.

Risk concentration analysis

The Group's concentration risk management framework outlines the methods needed to identify, measure, monitor, and mitigate concentration risks. The implementation of such methods is essential to ensuring the long-term viability of any financial institution, especially in the case of stressed economic conditions. Concentration risk is addressed through the banks' comprehensive limit framework and specific concentration analyses.

24. Risk management *(continued)*

Stress testing

Stress testing is a key risk management tool which supports the Bank in taking a forward-looking view of its risk profile as well as in strategic, business, risk, capital and liquidity planning. In this sense, stress testing is a vital element of the bank's (ERM) framework.

Stress testing the Bank's vulnerability to severe but plausible future deteriorations of the economic environment provides key insight in the sustainability and robustness of the bank and helps by ensuring timely preparation and execution of contingency plans and mitigating actions.

Based on forward – looking severe macroeconomic scenarios, the Group performs a yearly comprehensive stress testing exercise which seeks to identify any potential vulnerabilities of the bank and provide further robustness to the measuring, steering and management system.

Reverse stress testing, which assesses scenarios and circumstances that would jeopardize the bank's solvability, earnings and economic capital adequacy, complements the bank's stress testing program.

Unlike the comprehensive stress testing, reverse stress testing starts from an outcome of business failure and identifies under what circumstances this might occur, for the purpose of identifying possible combinations of risk events / concentrations.

Results of the stress testing program are further analysed particularly with regard to the bank's planning and budgeting process, risk materiality assessment or the risk-bearing capacity calculation.

Risk Capacity

The risk-bearing capacity is defined as the maximum level of risk that Bank may assume, taking into account the applicable capital requirements, its own risk management and control capabilities, and its regulatory constraints.

The Group defines the risk-bearing capacity as a prospective view of risk that is useful in establishing allocations of risk, capital or both to drive value for the shareholders and the organization as a whole. The risk capacity represents the limit beyond which a breach is likely to result in failure. The Group defines its risk capacity prior to framing strategy and setting its risk appetite.

Within the risk-bearing capacity calculation (RCC), the quantified risks are aggregated and compared to the risk coverage potential. The integral forecast, risk appetite as well as a traffic light system support management in its discussions and decision processes.

Based on the Group business and risk profile, the three main types of banking risks – credit risk, market risk and operational risk – are considered directly in the RCC. Additionally, other quantifiable material risks (which are not directly considered in RCC) identified through the Risk Materiality Assessment process are considered via capital allocations into RCC.

Risk planning and forecasting

Planning of risk relevant key numbers is also part of BCR Enterprise Risk Management framework and it assures the adequate reflection of risks within the steering and management process of the Group. Risk management and forecasting is used by the Group in strategic decision making. Implementing risk-based financial forecasts that link capital/liquidity adequacy to changes in macroeconomic conditions represents a powerful way to develop an understanding of risk.

The Group ensures that there is a strong link between the capital planning, budgeting and strategic planning processes. The risk planning and forecasting process includes both a forward- and backward-looking component, focusing on both portfolio and economic environment changes.

Key risk indicators covered by the Risk Planning framework include indicators that provide an overview of incurred or potential risks which contribute to overview of profitability and capital adequacy. Indicators include RWA (and related indicators), portfolio quality indicators (impairments, NPL/NPE and relevant performance indicators etc.), as well as indicators required by the regulatory authorities under the risks divisions responsibility.

Risk-weighted asset management

As risk-weighted assets (RWA) determine the actual regulatory capital requirement of the Group and influence the capital adequacy ratio, particular emphasis is devoted to meet targets and to the planning and forecasting capacity for RWA. Insights from RWA analysis are used to improve the calculation infrastructure and the quality of input parameters and data as well as the most efficient application of the EU regulatory capital framework (Capital Requirements Regulation – CRR).

Risk monitoring and review

Risks exposures are dynamic and therefore need to be monitored and reviewed in a timely and adequate manner.

Risks and the progress in implementing recommendations to reduce risks are kept under review and any new practices are evaluated. This enables the Group to monitor if the actions have had the desired effect of reducing risk and creating a more stable environment for its activity.

24. Risk management *(continued)*

Monitoring and review are key components of the Group's risk management process. Results are recorded and reported externally and internally, as appropriate. The results are also an input in the review and continuous improvement of the Group's risk management framework.

Monitoring and review of risks is required, to evaluate any changes in the risk or control environment. This also requires regular monitoring of risks in light of new developments, providing early warning if risk levels change.

Capital planning and capital allocation

Based on the material risks identified, the Group assesses its overall capital adequacy, and develops a strategy for maintaining adequate capital levels consistent with its risk profile and business plans.

This is reflected in the Group's capital planning process and the setting of internal capital targets.

The Group ensures that a well-defined process is put in place to translate estimates of risk into an assessment of capital adequacy.

Adequate systems and processes for managing risks are in place and implemented effectively, with consideration for providing appropriate capital for any residual risks that cannot be reduced to satisfactory levels.

The capital planning process is dynamic and forward-looking in relation to the Group's risk profile and its stated RAS. Sound capital planning is critical for determining the prudent amount, type and composition of capital that is consistent with the Bank long-term strategy of being able to pursue business objectives, while also withstanding stress economic conditions.

An important task integral to the risk planning process is the allocation of capital to entities, business lines and segments. This is done based on close co-operation between risk management and controlling functions. All insights from the ICAAP and controlling processes are used to allocate capital with a view to risk-return considerations.

Leverage ratio

The leverage ratio represents the relationship between core capital (tier 1) and leverage exposure according to Article 429 CRR. Essentially, the leverage exposure represents the sum of unweighted on- and off-balance-sheet positions considering valuation and risk adjustments as defined within the CRR.

Recovery and resolution planning

Recovery Plan concept

Banks are required to draft recovery plans to prepare for possible financial difficulties and restore its viability in a timely manner during periods of financial distress. Recovery plans should be fully aligned with bank's risk management framework. In broad lines, banks are expected to set up a governance framework that promptly detects a stress situation and operates swiftly and smoothly in a crisis. The core of the recovery plans outlines a wide range of credible and feasible recovery options to restore viability, for example to improve the capital or liquidity position. To identify and react to critical situations, banks should monitor a range of indicators reflecting at least their capital, liquidity, asset quality and profitability situation.

BCR maintains a comprehensive Recovery Plan, issued based on the provisions of the:

- Romanian Banking Law (i.e. the Emergency Ordinance no. 99/2006);
- Law 312/2015 on the recovery and resolution of credit institutions and investment firms, as further amended by Law 320/2021;
- Bank Recovery and Resolution Directive 2014/59/EU (BRRD) as amended by Directive 2019/879/EU;
- Regulation 2016/1075/EU supplementing the Bank Recovery and Resolution Directive;
- EBA guidelines and regulatory technical standards; and
- EGB Group Recovery Plan.

The BCR Recovery Plan sets a governance framework for the drawing up and the implementation of the plan as a main pillar of strengthening the financial resilience of BCR and restoring its financial position following a significant deterioration. It identifies a set of recovery measures which could be taken to restore BCR's financial strength and viability when it comes under severe stress.

The Recovery Plan is updated on an annual basis or after any changes to the legal or organisational structure of BCR or to its business or its financial position that could have a material effect on or require a change to the plan.

24. Risk management *(continued)*

Resolution Planning and Resolution Plan concept

In contrast to recovery plans, resolution plans are not drawn up by the banks, but are prepared and regularly updated by the Single Resolution Board SRB (for Banking Union entities) and National Resolution Authorities NRA (non-Banking Union entities).

The SRB in cooperation with the National Resolution Authorities is mainly responsible for the resolution planning of banks and, should they fail, their orderly resolution. When drafting a resolution plan, the SRB in cooperation with the National Resolution Authorities evaluate the extent to which a bank is resolvable by applying resolution tools to it, in accordance with the preferred resolution strategy, while avoiding any significant adverse consequences for the financial system and the real economy.

'Working together' is crucial for building resolvability. The legal framework acknowledges the important role of banks in the context of resolution planning and crisis management. The SRB/NRA may require banks to assist it in the drawing up and updating of resolution plans. Assistance involves:

- Provision of information and reporting - The provision of information for resolution planning and crisis management is one important aspect. Banks are expected to deliver at minimum a set of standard templates for the provision of core information to resolution authorities on a regular basis and be ready to deliver all other information deemed relevant for resolution purposes by the NRA.
- Proposal of measures to address or remove impediments - When drafting and updating resolution plans the SRB/NRA assesses the extent to which banks are resolvable in accordance to the preferred resolution strategy. The conclusion of the assessment of resolvability includes a description of any impediments to resolvability. Banks are expected to play an active role in the process of identifying and removing impediments and demonstrating that it is resolvable and prepared for crisis management.

Preferred Resolution strategy

The preferred resolution strategy for BCR Group is an MPE strategy. The Single Resolution Board (SRB), acting as Erste Group Bank AG Level Resolution Authority, and the 'Resolution Authorities' (Romanian Resolution Authority, Croatian Resolution Authority, Czech Republic Resolution Authority, Hungarian Resolution Authority) working together within the Resolution College, have reached a Joint Decision on The Group Resolution Plan and the Resolvability Assessment for Erste Group Bank AG (RC/JD/2020/05) on 28th of February 2020.

The joint decision on the resolution plan states: 'The preferred resolution strategy for Erste Group is an MPE (Multiple Point of Entry) strategy for European Union entities as well as for third countries.'

Consequence of its MPE resolution strategy BCR Group is forming a separate resolution group from Erste Group, while on country level it follows an SPE approach. Under the MPE strategy, the point of entry for BCR Resolution Group is BCR S.A. which means that the losses are recognized at Banca Comerciala Romana S.A. level and the bail-in takes place at Banca Comerciala Romana S.A. level.

25. Own funds and capital requirements

Own funds disclosure

Regulatory Requirements

Capital management at the Group and Bank level is done on total own funds. Since 1 January 2014, Group has been calculating the regulatory capital and the regulatory capital requirements according to Basel 3. The requirements have been implemented within the EU by the CRR and the CRD IV as well as within various technical standards issued by European Bank Authority, which were enacted in national law in the National Bank of Romania, Regulation No 5/2013 with further modifications and amendments.

25. Own funds and capital requirements *(continued)*

All requirements as defined in the CRR, the NBR and the aforementioned technical standards are fully applied by the Group and the Bank.

	Group		Bank	
in RON thousands	**31.12.2022**	**31.12.2021**	**31.12.2022**	**31.12.2021**
Common equity tier 1 capital (CET1)	7,873,514	8,421,167	7,700,444	8,200,009
Additional tier 1 capital (AT1)	741,555	-	741,555	-
Tier 1 Capital	8,615,069	8,421,167	8,441,999	8,200,009
Tier 2 Capital	1,236,850	48,234	1,236,850	48,234
Total own funds	**9,851,919**	**8,469,401**	**9,678,849**	**8,248,243**
Risk Weighted Exposure Amounts For Credit, Counterparty Credit And Dilution Risks And Free Deliveries	38,974,223	33,308,681	36,004,262	30,715,913
Total Risk Exposure Amount for Position, Foreign Exchange and Commodities Risks	333,891	104,855	85,991	104,855
Total Risk Exposure Amount for Operational Risk	7,922,119	8,014,511	7,492,439	7,655,095
Total Risk Exposure Amount for Credit Valuation Adjustment	145,472	32,277	145,472	32,277
Total Risk Exposure amount for settlement	74	10	74	10
Total Risk Exposure Amount	**47,375,779**	**41,460,334**	**43,728,238**	**38,508,150**
Capital Ratios				
CET 1 Capital ratio	16.62%	20.31%	17.61%	21.29%
T1 Capital ratio	18.18%	20.31%	19.31%	21.29%
Total capital ratio	20.80%	20.43%	22.13%	21.42%

For 2022 no resolution on the appropriation of the profit has yet been made by the general meeting of shareholders.

For 2021 comparatives were updated with the final figures, as approved by GSM on 28th April 2022.

During 2022, the Group and also the Bank were fully compliant with the limits imposed by the above regulations.

During 2022 the Bank issued subordinated debt securities qualifying as Tier 2 instruments as described in Note 15. Additionally, Tier 1 instruments were also issued in 2022 as described in Note 37.

Starting with 30 June 2022 BCR Group apply the transitory measures described in article 468 related to unrealized gains and losses for financial assets measured at fair value through other comprehensive income. The full impact related to this is considered in the calculation of own funds and capital ratios.

26. Credit Risk

Definition and overview

Credit risk is the risk of a partial or complete default on contractually agreed payment obligations. Credit risk refers to the negative consequences associated with defaults or the non-fulfilment of concluded contracts in banking operations due to deterioration in the counterparty's credit quality.

The Bank also defines credit risk as the current or prospective risk to earnings and capital arising from a borrower's failure to meet the terms of any contract with the credit institution or its failure to perform as agreed.

Credit risk arises in BCR's traditional lending and investment activities.

Credit risk includes subcategories among which:

Default Risk is the risk that issuers and obligors fail to meet contractual obligations; double-default (or wrong-way) risk occurs when collateral is also impaired.

Country risk means the risk of exposure to loss caused by events in a foreign country. This risk category encompasses country, sovereign risks and transfer risks. Sovereign risk is the risk that a central or regional government defaults on its debt or other obligations. Transfer risk is the risk that arises when debtors are unable to meet their obligations owing to an inability to transfer assets to non-residents due to direct sovereign intervention.

Concentration risk which refers to the potential adverse consequences, which may arise from concentrations or interactions between similar risk factors or risk types, such as the risk arising from loans to the same client, to a group of connected clients, to clients from the same geographic region or industry, or to clients who offer the same goods and services, as well as the risk arising from the use of credit risk mitigation techniques and in particular from large indirect credit exposures.

FX Induced Credit Risk is a risk associated with foreign currency lending to un-hedged borrowers, which arises due to exchange rate fluctuations of the respective foreign currency.

26. Credit risk *(continued)*

Internal rating system

BCR has business and risk strategies in place that govern policies for lending and credit approval processes. These policies are reviewed and adjusted regularly, at minimum on a yearly basis. They cover the entire lending business, taking into account the nature, scope and risk level of the transactions and the counterparties involved. Credit approval considers individual information on the creditworthiness of the customer, the type of credit, collateral, covenant package and other risk mitigation factors involved.

The assessment of counterparty default risk within the Group is based on the customer's probability of default (PD). For each credit exposure and lending decision, the Group assigns an internal rating, which is a unique measure of the counterparty default risk. The internal rating of each customer is updated event-specific, however, at least once a year (annual rating review). Ratings of workout customers are reviewed with higher frequency.

The main purpose of the internal ratings is to support the decision-making for lending and for the terms of credit facilities. Internal ratings also determine the level of decision-making authority within the Group and the monitoring procedures for existing exposures. At a quantitative level, internal ratings influence the level of required risk pricing, risk allowances and risk-weighted assets.

Internal ratings take into account all available significant information for the assessment of counterparty default risk. For non-retail borrowers, internal ratings take into account the financial strength of the counterparty, the possibility of external support, flexibility in corporate financing, general company information and external credit history information, where available. For retail clients, internal ratings are based mainly on payment behaviour versus the Bank and, where applicable, credit bureau information, supplemented with information provided by the respective client and general demographic information. Rating ceiling rules on credit quality are applied based on membership in a group of economically related entities and the country of main economic activity (applicable to cross-border financing facilities).

Internal specialist teams develop and improve internal rating models and risk parameters in cooperation with risk managers. Model development follows an internal group-wide methodological standard and utilises relevant data covering the respective market.

All rating models and their components (scorecards), whether retail or non-retail, are regularly validated by the central validation unit based on a Group-wide standard methodology. Validation uses statistical techniques to evaluate the accuracy of default prediction, rating stability, data quality, completeness and relevance, reviews the quality of documentation and degree of user acceptance. The results of this validation process are reported to the Group's management body. In addition to the validation process, the Group applies a regular monitoring process on the performance of rating tools, reflecting developments in new defaults and early delinquencies.

Credit risk classification

For the purpose of disclosing asset quality, the Group assigns each customer to one of the following four risk categories:

Low risk: Typically regional customers with well-established and rather long-standing relationships or large internationally recognized customers. A strong and good financial position and no foreseeable financial difficulties. Retail clients having long relationships with the Group, or clients with a wide product pool use. No relevant late payments currently or in the most recent 12 months. New business is generally with clients in this risk category.

Management attention: Vulnerable non-retail clients that may have overdue payments or defaults in their credit history or may encounter debt repayment difficulties in the medium term. Retail clients with limited savings or payment problems in the past triggering early collection reminders. These clients typically have a good recent payment history.

Substandard: The borrower is vulnerable to negative financial and economic developments and shows an elevated probability of failure. In some cases, restructuring measures are possible or already in place. Such loans are managed in specialized risk management departments.

Non-performing: In line with EBA's Technical Standards on forbearance and non-performing exposure. This category includes the non-performing exposure to defaulted customers in the sense of art. 178 of EU Regulation no. 575/2013 including unlikeliness to pay, overdue material amounts with more than 90 days past due, restructuring resulting into a loss to the lender, realization of a loan loss and initiation of Bankruptcy proceedings. BCR applies the customer view for all customer segments, including retail clients; if an obligor defaults on one deal, then the customer's performing transactions are classified as non-performing as well.

The assignment of exposures to risk categories is based on the calibration of PDs for regulatory purposes to the default rates published by rating agencies, the equivalent external customer rating was used for the assignment to risk categories. For the agency ratings, average one-year default rates resulting from long-term time series were applied.

26. Credit risk *(continued)*

In 2022, the method of assigning the external customer ratings to the internal PDs was reviewed. The main adjustments were the update of the one one-year default rates for the agency ratings and the redefinition of the internal PD assignment for the different rating methods, resulting in a more stable distribution of exposure to risk categories over time. Compared to the method used for the assignment of credit exposures to risk categories until 2021, the adjusted methodology results in a decrease of the portfolio share of the "Low risk" category by 6.9 percentage points, as of 31 December 2021. The "Management attention" and "Substandard" categories increase by 6.5 and 0.3 percentage points. The "Non-performing" risk category was not affected by the adjustment of the methodology.

In order to manage the credit risk for large corporates, banks, sovereigns and country risk, credit limits are established to reflect the maximum exposure that the Group is willing to have towards a particular customer or group of connected clients. All credit limits and the transactions booked within the limits are reviewed at least once a year.

For corporate clients there is a procedure in place related to Early Warning Signals identification and monitoring, through which it is ensured the detection at early stage of the sensitive exposure through a pro-active approach of the clients and maintaining an adequate payment behaviour of the corporate clients. Once adverse developments are identified, an action plan containing corrective measures is initiated.

For smaller enterprises (micro-banking) and private individuals (PI) customers, the portfolio monitoring and management is based on an automated early warning system and MIS (Management Integrated System) Group standards. In retail risk management the following early warning signals indicate potential adverse portfolio developments if left unaddressed:

- deterioration of new business quality;
- decreasing collections efficiency;
- average portfolio rating deterioration.

Credit portfolio reports for asset classes and business lines are prepared on a regular basis. Watch-list meetings are held on a regular basis to monitor customers with a poor credit standing and to discuss pre-emptive measures to help a particular debtor avoid default.

Credit risk review and monitoring

Credit risk exposure relates to the following balance sheet items:

- cash and cash balances - demand deposits to credit institutions;
- debt instruments held for trading;
- non-trading debt instruments at fair value through profit or loss (FVPL);
- debt instruments at fair value through other comprehensive income (FVOCI);
- debt instruments at amortised cost (AC), other than trade and other receivables;
- trade and other receivables (for disclosure purposes in the tabular summaries below, any contract assets are also included in this category);
- finance lease receivables;
- debt instruments held for sale in disposal groups;
- off-balance sheet exposures (primarily financial guarantees and undrawn loan commitments).

For credit risk purposes debt instruments shall include debt securities and loans and advances. Equity instruments are not included in the credit risk exposure.

The credit risk exposure equates the gross carrying amount (or nominal value in the case of off-balance sheet positions) excluding:

- credit loss allowances for financial assets;
- credit loss allowances for loan commitments and financial guarantees;
- provisions for other commitments;
- any collateral held (including risk transfer to guarantors);
- netting effects;
- other credit enhancements;
- credit risk mitigating transactions.

The gross carrying amount of the credit risk exposure of the Group increased by RON 13,162,459 thousands from almost RON 94,670,316 thousands as of 31 December 2021 to approximately RON 107,832,775 thousands as of 31 December 2022.

The gross carrying amount of the credit risk exposure of the Bank increased by RON 12,688,776 thousands, from almost RON 93,986,401 thousands as of 31 December 2021 to approximately RON 106,675,177 thousands as of 31 December 2022.

26. Credit risk *(continued)*

Reconciliation between the gross carrying amount and the carrying amount of the credit risk exposure components

	Group				Bank			
in RON thousands	Credit risk exposure	Credit loss allowances	Adjustments*	Carrying amount	Credit risk exposure	Credit loss allowances	Adjustments*	Carrying amount
	31.12.2022							
Cash and cash balances - demand deposits to central banks and credit	151,722	(87)	-	151,635	151,424	(101)	-	151,323
Debt instruments held for trading	177,242	-	-	177,242	177,708	-	-	177,708
Non-trading debt instruments at FVPL	16,328	-	-	16,328	16,328	-	-	16,328
Debt securities	16,328	-	-	16,328	16,328	-	-	16,328
Debt instruments at FVOCI	9,949,242	(14,575)	(284,946)	9,664,296	9,949,242	(11,702)	(284,947)	9,664,296
Debt securities	9,949,242	(14,575)	(284,946)	9,664,296	9,949,242	(11,702)	(284,947)	9,664,296
Debt instruments at AC	70,709,818	(2,663,607)	-	68,046,211	71,942,064	(2,677,223)	-	69,264,841
Debt securities	15,230,959	(15,240)	-	15,215,719	15,148,034	(15,159)	-	15,132,875
Loans and advances to banks	148,605	(261)	-	148,344	225,710	(69,011)	-	156,699
Loans and advances to customers	55,330,254	(2,648,106)	-	52,682,148	56,568,320	(2,593,053)	-	53,975,267
Trade and other receivables	961,886	(60,861)	-	901,025	912,474	(36,661)	-	875,813
Finance lease receivables	1,813,104	(67,741)	-	1,745,363	10,925	(2,520)	-	8,405
Debt instruments held for sale in disposal groups	762,992	(20,594)	-	742,398	-	-	-	-
Off balance-sheet exposures	23,290,441	(405,936)	-	-	23,515,012	(407,404)	-	-
Financial guarantees	19,246	(14,883)	-	-	19,246	(14,883)	-	-
Loan commitments	15,238,600	(289,465)	-	-	15,453,710	(290,911)	-	-
Other commitments	8,032,595	(101,589)	-	-	8,042,056	(101,610)	-	-
Total	**107,832,775**	**(3,233,401)**	**(284,946)**	**81,444,498**	**106,675,177**	**(3,135,611)**	**(284,947)**	**80,158,714**

*Adjustments refer to the fair value changes of the carrying amount for financial assets at FVOCI.

	Group				Bank			
in RON thousands	Credit risk exposure	Credit loss allowances	Adjustments*	Carrying amount	Credit risk exposure	Credit loss allowances	Adjustments*	Carrying amount
	31.12.2021							
Cash and cash balances - demand deposits to central banks and credit	309,890	(1,266)	-	308,624	210,777	-	-	210,777
Debt instruments held for trading	1,704,540	-	-	1,704,540	1,704,540	-	-	1,704,540
Non-trading debt instruments at FVPL	30,632	-	-	30,632	30,632	-	-	30,632
Debt securities	30,632	-	-	30,632	30,632	-	-	30,632
Debt instruments at FVOCI	7,903,401	(9,671)	(68,446)	7,825,284	7,873,535	(8,266)	(68,444)	7,796,825
Debt securities	7,903,401	(9,671)	(68,446)	7,825,284	7,873,535	(8,266)	(68,444)	7,796,825
Debt instruments at AC	65,341,876	(2,639,019)	-	62,702,857	66,013,392	(2,631,464)	-	63,381,928
Debt securities	15,590,868	(20,395)	-	15,570,473	15,396,998	(14,865)	-	15,382,133
Loans and advances to banks	1,363,193	(880)	-	1,362,313	1,431,384	(69,380)	-	1,362,004
Loans and advances to customers	48,387,815	(2,617,744)	-	45,770,071	49,185,010	(2,547,219)	-	46,637,791
Trade and other receivables	716,765	(63,528)	-	653,237	678,228	(46,618)	-	631,610
Finance lease receivables	1,502,031	(56,800)	-	1,445,231	14,864	(3,624)	-	11,240
Off balance-sheet exposures	17,161,181	(414,935)	-	-	17,460,433	(420,902)	-	-
Financial guarantees	39,218	(14,549)	-	-	24,147	(14,497)	-	-
Loan commitments	11,823,287	(217,423)	-	-	12,132,476	(223,442)	-	-
Other commitments	5,298,677	(182,963)	-	-	5,303,810	(182,963)	-	-
Total	**94,670,316**	**(3,185,219)**	**(68,446)**	**74,670,405**	**93,986,401**	**(3,110,874)**	**(68,444)**	**73,767,552**

Credit risk provisions comprise impairments for financial assets measured at amortised cost (including finance lease receivables and trade and other receivables) and at fair value through other comprehensive income (FVOCI), as well as provisions for off-balance sheet exposures.

Credit loss allowances do not include provisions for cash at central banks (2022: RON 1,688 thousands in case of Bank and Group), but include not subject to IFRS 9 provisions, such as Other commitments (2022: RON 101,610 thousands in case of Bank and RON 101,589 thousands in case of Group) and provisions for debt instruments held for sale in disposal groups in amount of RON 20,594 thousands in case of BCR Group.

The gross carrying amount of contingent liabilities refers to the nominal value, while credit risk provisions refer to provisions for financial guarantees. A carrying amount is not presented in the case of contingent liabilities.

Breakdown of credit risk exposure

On the next pages the credit risk exposure is categorized in the following way:

- industry and risk category;
- region and risk category;
- business segment and risk category;
- financial instrument and collateral;

26. Credit risk *(continued)*

Credit risk exposure by industry and risk category

Group

in RON thousands	Low risk	Management attention	Substandard	Non-performing	Total
			31.12.2022		
Natural Resources & Commodities	2,974,959	2,835,304	394,944	114,782	6,319,989
Energy	7,236,486	1,970,249	64,079	63,522	9,334,336
Construction and building materials	2,900,203	2,288,623	422,209	245,440	5,856,475
Automotive	294,628	402,501	82,954	28,964	809,047
Cyclical Consumer Products	1,519,557	1,033,216	219,554	51,543	2,823,870
Non-Cyclical Consumer Products	1,889,596	1,413,621	192,950	32,201	3,528,368
Machinery	462,665	366,659	116,936	23,084	969,344
Transportation	2,111,752	918,288	203,690	74,996	3,308,726
TMT and Paper & Packaging	416,548	211,365	45,386	51,383	724,682
Healthcare & Services	1,036,651	254,539	145,438	22,429	1,459,057
Hotels, Gaming & Leisure Industry	107,893	182,470	41,652	11,477	343,492
Real Estate	3,106,076	108,352	17,464	40,447	3,272,339
Public Sector	34,271,467	178,799	3,194	288	34,453,748
Financial Institutions	3,778,940	186,032	2,170	8,176	3,975,318
Private Households	25,845,992	2,907,517	905,236	994,587	30,653,332
Other	652	-	-	-	652
Total	**87,954,065**	**15,257,535**	**2,857,856**	**1,763,319**	**107,832,775**

Group

in RON thousands	Low risk	Management attention	Substandard	Non-performing	Total
			31.12.2021		
Natural Resources & Commodities	2,429,175	1,940,114	159,982	346,309	4,875,580
Energy	4,492,010	560,881	78,603	193,804	5,325,299
Construction and building materials	2,845,282	1,005,425	116,436	383,493	4,350,636
Automotive	389,805	204,397	85,055	7,727	686,983
Cyclical Consumer Products	1,665,141	604,270	126,449	56,948	2,452,807
Non-Cyclical Consumer Products	2,038,876	713,397	44,028	29,152	2,825,452
Machinery	518,112	274,500	15,465	29,967	838,044
Transportation	1,697,236	1,123,057	47,917	54,221	2,922,430
TMT and Paper & Packaging	432,494	95,330	48,916	38,645	615,385
Healthcare & Services	1,073,381	174,892	60,245	19,337	1,327,854
Hotels, Gaming & Leisure Industry	118,375	226,081	79,934	17,214	441,604
Real Estate	2,466,451	123,974	65,698	58,997	2,715,120
Public Sector	32,065,125	292,399	5,909	1,451	32,364,884
Financial Institutions	3,394,392	190,877	7,194	8,398	3,600,862
Private Households	26,559,536	1,024,604	710,199	1,015,383	29,309,722
Other	13,291	434	-	3,926	17,654
Total	**82,198,682**	**8,554,632**	**1,652,030**	**2,264,972**	**94,670,316**

26. Credit risk *(continued)*

Group

in RON thousands	Low risk	Management attention	Substandard	Non-performing	Total
			31.12.2021		
Agriculture and forestry	600,258	585,486	111,211	22,358	1,319,313
Mining	1,615,841	202,690	9,198	80,744	1,908,473
Manufacturing	4,113,349	2,032,022	216,645	485,918	6,847,934
Energy and water supply	1,003,354	152,624	70,152	42,205	1,268,335
Construction	2,277,963	508,931	82,639	383,271	3,252,804
Trade	5,526,191	1,768,210	182,625	63,465	7,540,491
Transport and communication	2,629,801	1,156,385	47,969	69,495	3,903,650
Hotels and restaurants	79,222	153,503	75,570	12,690	320,985
Financial and insurance services	4,017,408	358,394	7,194	28,721	4,411,717
Real estate and housing	1,484,605	73,233	64,595	22,661	1,645,094
Services	588,293	263,202	51,262	33,336	936,093
Public administration	31,209,441	263,115	5,909	1,516	31,479,981
Education, health and art	493,419	12,233	16,862	3,209	525,723
Private households	26,559,537	1,024,604	710,199	1,015,383	29,309,723
Other	-	-	-	-	-
Total	**82,198,682**	**8,554,632**	**1,652,030**	**2,264,972**	**94,670,316**

Bank

in RON thousands	Low risk	Management attention	Substandard	Non-performing	Total
			31.12.2022		
Natural Resources & Commodities	2,298,262	2,699,977	388,373	87,256	5,473,868
Energy	7,135,995	1,964,715	63,826	60,311	9,224,847
Construction and building materials	2,426,596	2,255,622	416,881	225,463	5,324,562
Automotive	279,893	593,917	82,954	28,736	985,500
Cyclical Consumer Products	989,474	954,101	216,208	37,636	2,197,419
Non-Cyclical Consumer Products	1,843,093	1,411,420	192,950	31,954	3,479,417
Machinery	452,981	345,208	116,936	23,084	938,209
Transportation	1,130,762	819,393	197,505	32,236	2,179,896
TMT and Paper & Packaging	381,073	209,414	45,153	50,577	686,217
Healthcare & Services	893,869	245,721	141,990	18,913	1,300,493
Hotels, Gaming & Leisure Industry	52,148	170,853	39,573	8,558	271,132
Real Estate	2,945,457	98,324	16,809	31,195	3,091,785
Public Sector	34,196,800	32,174	3,070	288	34,232,332
Financial Institutions	6,401,460	155,252	101,863	77,586	6,736,161
Private Households	25,766,557	2,905,852	904,415	976,515	30,553,339
Total	**87,194,420**	**14,861,943**	**2,928,506**	**1,690,308**	**106,675,177**

From current reporting period the Bank presents the portfolio industry distribution based on the internal segmentation, instead of previously reported regulatory (FINREP) segmentation, as it more accurately represents the view used for internal steering of the portfolio. For the purpose of comparison, above it is showed both regulatory and internal industry segmentation for year-end 2021.

With 81.6%, the low risk exposure has the highest share in total credit risk exposure, while management attention represents 14.1% for BCR Group as of December 2022. The substandard exposure contributes 2.7% and the non-performing category 1.6%. Similar structure can be observed in case of BCR standalone.

26. Credit risk *(continued)*

Bank

in RON thousands	Low risk	Management attention	Substandard	Non-performing	Total
			31.12.2021		
Natural Resources & Commodities	1,924,434	1,823,747	146,875	316,185	4,211,241
Energy	4,403,221	554,928	78,205	189,582	5,225,936
Construction and building materials	2,473,173	985,060	113,781	366,968	3,938,981
Automotive	383,059	571,309	85,055	7,727	1,047,149
Cyclical Consumer Products	1,205,861	570,843	123,611	39,985	1,940,301
Non-Cyclical Consumer Products	2,003,773	713,397	44,028	29,102	2,790,299
Machinery	511,865	259,129	15,465	29,967	816,426
Transportation	879,658	1,053,348	41,092	13,310	1,987,408
TMT and Paper & Packaging	387,643	91,876	48,605	38,151	566,274
Healthcare & Services	966,720	163,618	56,352	17,776	1,204,467
Hotels, Gaming & Leisure Industry	68,265	221,827	78,972	14,885	383,949
Real Estate	2,344,442	115,472	65,609	48,591	2,574,113
Public Sector	32,053,807	146,233	5,724	1,451	32,207,216
Financial Institutions	5,638,823	183,806	86,241	80,360	5,989,230
Private Households	26,387,365	1,020,125	708,674	987,245	29,103,411
Total	**81,632,109**	**8,474,718**	**1,698,289**	**2,181,285**	**93,986,401**

Bank

in RON thousands	Low risk	Management attention	Substandard	Non-performing	Total
			31.12.2021		
Agriculture and forestry	356,537	546,277	105,045	11,625	1,019,484
Mining	1,573,117	200,903	9,159	80,744	1,863,923
Manufacturing	3,847,233	1,959,532	209,705	466,476	6,482,946
Energy and water supply	957,288	148,458	69,793	37,984	1,213,523
Construction	1,929,511	488,567	79,983	366,795	2,864,856
Trade	4,993,831	1,712,061	179,787	46,453	6,932,132
Transport and communication	1,773,795	1,085,722	40,833	28,091	2,928,441
Hotels and restaurants	43,382	151,032	74,830	10,511	279,755
Financial and insurance services	6,332,761	322,040	86,241	100,683	6,841,725
Real estate and housing	1,465,827	72,043	64,595	15,100	1,617,565
Services	396,487	612,331	47,941	25,517	1,082,276
Public administration	31,130,540	146,233	5,724	1,516	31,284,013
Education, health and art	444,434	9,394	15,979	2,544	472,351
Private households	26,387,366	1,020,125	708,674	987,246	29,103,411
Other	-	-	-	-	-
Total	**81,632,109**	**8,474,718**	**1,698,289**	**2,181,285**	**93,986,401**

26. Credit risk *(continued)*

Credit risk exposure by region and risk category

Group

in RON thousands	Low risk	Management attention	Substandard	Non-performing	Total
			31.12.2022		
Core markets	**85,936,368**	**14,979,273**	**2,855,531**	**1,710,232**	**105,481,404**
Austria	559,359	103	9	18,975	578,446
Croatia	-	-	-	1	1
Romania	85,242,692	14,970,782	2,855,520	1,691,254	104,760,248
Serbia	10	-	-	1	11
Slovakia	335	8,388	-	-	8,723
Czech Republic	1,530	-	-	-	1,530
Hungary	132,442	-	2	1	132,445
Other EU	**1,282,102**	**13,093**	**1,271**	**44,947**	**1,341,413**
Other industrialised countries	**463,124**	**2**	**190**	**17**	**463,333**
Emerging markets	**272,471**	**265,167**	**864**	**8,123**	**546,625**
Southeastern Europe/CIS	267,231	211,024	135	7,925	486,315
Asia	1,732	56	4	1	1,793
Latin America	10	-	-	1	11
Middle East/Africa	3,498	54,087	725	196	58,506
Total	**87,954,065**	**15,257,535**	**2,857,856**	**1,763,319**	**107,832,775**

Group

in RON thousands	Low risk	Management attention	Substandard	Non-performing	Total
			31.12.2021		
Core markets	**81,161,113**	**8,337,336**	**1,644,613**	**2,108,682**	**93,251,744**
Austria	1,313,810	-	3	20,335	1,334,148
Croatia	-	-	-	1	1
Romania	79,714,809	8,337,336	1,644,609	2,088,346	91,785,100
Serbia	-	-	-	-	-
Slovakia	5	-	-	-	5
Czech Republic	30	-	-	-	30
Hungary	132,459	-	1	-	132,460
Other EU	**557,089**	**5,086**	**1,885**	**147,809**	**711,869**
Other industrialised countries	**226,356**	**12**	**13**	**9**	**226,390**
Emerging markets	**254,124**	**212,198**	**5,519**	**8,472**	**480,313**
Southeastern Europe/CIS	237,629	203,804	10	8,277	449,720
Asia	14,840	-	1	1	14,842
Latin America	232	-	-	-	232
Middle East/Africa	1,423	8,394	5,508	194	15,519
Total	**82,198,682**	**8,554,632**	**1,652,030**	**2,264,972**	**94,670,316**

Bank

in RON thousands	Low risk	Management attention	Substandard	Non-performing	Total
			31.12.2022		
Core markets	**85,715,415**	**14,785,243**	**2,926,304**	**1,645,140**	**105,072,102**
Austria	539,816	103	9	18,970	558,898
Croatia	-	-	-	1	1
Romania	85,041,282	14,776,752	2,926,293	1,626,167	104,370,494
Serbia	10	-	-	1	11
Slovakia	335	8,388	-	-	8,723
Czech Republic	1,530	-	-	-	1,530
Hungary	132,442	-	2	1	132,445
Other EU	**1,009,781**	**8,133**	**1,271**	**44,947**	**1,064,132**
Other industrialised countries	**463,124**	**2**	**190**	**17**	**463,333**
Emerging markets	**6,100**	**68,565**	**741**	**204**	**75,610**
Southeastern Europe/CIS	860	14,422	12	6	15,300
Asia	1,732	56	4	1	1,793
Latin America	10	-	-	1	11
Middle East/Africa	3,498	54,087	725	196	58,506
Total	**87,194,420**	**14,861,943**	**2,928,506**	**1,690,308**	**106,675,177**

26. Credit risk *(continued)*

Bank

in RON thousands	Low risk	Management attention	Substandard	Non-performing	Total
			31.12.2021		
Core markets	**80,831,782**	**8,465,189**	**1,690,873**	**2,033,266**	**93,021,110**
Austria	1,220,458	-	3	20,330	1,240,791
Croatia	-	-	-	1	1
Romania	79,478,830	8,465,189	1,690,869	2,012,935	91,647,823
Serbia	-	-	-	-	-
Slovakia	5	-	-	-	5
Czech Republic	30	-	-	-	30
Hungary	132,459	-	1	-	132,460
Other EU	**557,089**	**1,118**	**1,885**	**147,809**	**707,901**
Other industrialised countries	**226,356**	**12**	**13**	**9**	**226,390**
Emerging markets	**16,882**	**8,399**	**5,518**	**201**	**31,000**
Southeastern Europe/CIS	387	5	9	6	407
Asia	14,840	-	1	1	14,842
Latin America	232	-	-	-	232
Middle East/Africa	1,423	8,394	5,508	194	15,519
Total	**81,632,109**	**8,474,718**	**1,698,289**	**2,181,285**	**93,986,401**

The geographic analysis of credit risk exposure is based on the country of risk of borrowers and counterparties. It also includes obligors domiciled in other countries if the economic risk exists in the respective country of risk.

Credit risk exposure increased in absolute figures mainly in Romania with RON 12,975,148 thousands from RON 91,785,100 thousands in 2021 to RON 104,760,248 thousands in 2022 in case of Group. The increase in exposure in main market - Romania registered at Group level is also observed at Bank level: increase with RON 12,722,671 thousands from RON 91,647,823 thousands in 2021 to RON 104,370,494 in 2022. In total, BCR Group's core markets and the EU accounted for 99.1% (2021: 99.3%) of credit risk exposure.

Credit risk exposure by business segment and risk category

Group

in RON thousands	Low risk	Management attention	Substandard	Non-performing	Total
			31.12.2022		
Retail	26,350,300	3,412,357	1,533,980	1,057,229	32,353,866
Corporates	32,645,249	11,787,590	1,264,646	700,609	46,398,094
Group Markets	3,327,770	53,898	902	70	3,382,640
Asset/Liability Management and Local Corporate Center	25,630,746	3,690	58,328	5,411	25,698,175
Total	**87,954,065**	**15,257,535**	**2,857,856**	**1,763,319**	**107,832,775**

Group

in RON thousands	Low risk	Management attention	Substandard	Non-performing	Total
			31.12.2021		
Retail	27,227,020	1,421,268	857,908	1,083,920	30,590,116
Corporates	27,145,154	7,066,090	787,586	1,102,108	36,100,938
Group Markets	4,202,337	13,097	1,151	200	4,216,785
Asset/Liability Management and Local Corporate Center	23,624,171	54,177	5,385	78,744	23,762,477
Total	**82,198,682**	**8,554,632**	**1,652,030**	**2,264,972**	**94,670,316**

Bank

in RON thousands	Low risk	Management attention	Substandard	Non-performing	Total
			31.12.2022		
Retail	26,247,474	3,380,000	1,533,916	1,039,543	32,200,933
Corporates	29,036,826	11,230,916	1,235,323	575,815	42,078,880
Group Markets	3,334,227	60,845	21,767	90	3,416,929
Asset/Liability Management and Local Corporate Center	28,575,893	190,182	137,500	74,860	28,978,435
Total	**87,194,420**	**14,861,943**	**2,928,506**	**1,690,308**	**106,675,177**

26. Credit risk *(continued)*

Bank

in RON thousands	Low risk	Management attention	Substandard	Non-performing	Total
			31.12.2021		
Retail	27,019,458	1,418,841	857,567	1,056,407	30,352,273
Corporates	24,365,499	6,621,507	754,662	1,045,905	32,787,573
Group Markets	4,207,670	20,045	1,156	200	4,229,071
Asset/Liability Management and Local Corporate Center	26,039,482	414,325	84,904	78,773	26,617,484
Total	**81,632,109**	**8,474,718**	**1,698,289**	**2,181,285**	**93,986,401**

Low risk exposure has a significant share in total credit risk exposure (Bank: 81.7% and Group: 81.6%) as of December 2022, lower than 2021 (Bank: 86.9% and Group: 86.8%) as a result of methodological changes in the allocation of risk categories, resulting in a more stable distribution of exposure to risk categories over time.

Non-performing risk category registered a decrease in 2022, for both Bank (2022: 1.6% and 2021: 2.3%) and Group (2022: 1.6% and 2021: 2.4%). This evolution is reflecting the continuous workout efforts to diminish the non-performing stock through recoveries, healings and write-offs, fully offsetting new defaulted exposures.

Main types of collateral

The following types of collateral are accepted:

- real estate comprises residential and commercial real estate;
- financial collateral: such as securities, cash deposits and life insurance policies;
- guarantees given by sovereigns, public sector entities, financial institutes, companies and individuals. All guarantors must have a minimum credit rating, which is reviewed annually;
- movables: such as equipment, investment goods, machineries and motor vehicles;
- claims and rights: such as account receivables of trade, leasehold rights and shares in a company's capital.

The following table compares the credit risk exposure and allocated collateral broken down by financial instrument.

The allocated collateral values are capped by the amount of the secured transaction.

Credit risk exposure by financial instrument and collateral

Group

in RON thousands	Total credit risk exposure	Collateral total	Collateralised by			Credit risk exposure net of collateral	IFRS9 impairment relevant		
			Guarantees	Real estate	Other		Neither past due nor credit impaired	Past due but not credit impaired	Credit impaired
					31.12.2022				
Cash and cash balances - demand deposits to central banks and credit institutions	151,722	-	-	-	-	151,722	151,722	-	-
Debt instruments held for trading	177,242	-	-	-	-	177,243	-	-	-
Non-trading debt instruments at FVPL	16,328	-	-	-	-	16,328	-	-	-
Debt instruments at FVOCI	9,949,242	-	-	-	-	9,949,242	9,949,242	-	-
Debt instruments at AC	**73,484,808**	**29,672,903**	**8,568,172**	**17,659,749**	**3,444,983**	**43,811,905**	**69,181,864**	**2,677,912**	**1,625,032**
Debt securities	15,230,959	-	-	-	-	15,230,959	15,230,959	-	-
Loans and advances to banks	148,605	-	-	-	-	148,605	148,605	-	-
Loans and advances to customers	55,330,254	28,250,927	8,564,707	17,652,032	2,034,188	27,079,327	51,213,705	2,597,630	1,518,919
Trade and other receivables	961,886	27,181	3,465	704	23,013	934,705	913,020	6,870	41,996
Finance lease receivables	1,813,104	1,394,795	-	7,013	1,387,782	418,309	1,675,575	73,412	64,117
Debt instruments held for sale in disposal groups	762,992	-	-	-	-	762,992	762,992	-	-
Off balance-sheet exposures	23,290,441	5,133,572	3,951	432,919	4,696,702	18,156,869	15,210,894	1	46,951
out of which: other commitments	8,032,595	3,047,971	-	69,757	2,978,214	4,984,624	-	-	-
Total	**107,832,775**	**34,806,475**	**8,572,123**	**18,092,668**	**8,141,685**	**73,026,301**	**95,256,714**	**2,677,913**	**1,671,983**

Group

in RON thousands	Total credit risk exposure	Collateral total	Collateralised by			Credit risk exposure net of collateral	IFRS9 impairment relevant		
			Guarantees	Real estate	Other		Neither past due nor credit impaired	Past due but not credit impaired	Credit impaired
					31.12.2021				
Cash and cash balances - demand deposits to central banks and credit institutions	309,890	-	-	-	-	309,890	309,890	-	-
Debt instruments held for trading	1,704,540	-	-	-	-	1,704,540	-	-	-
Non-trading debt instruments at FVPL	30,632	-	-	-	-	30,632	-	-	-
Debt instruments at FVOCI	7,903,401	-	-	-	-	7,903,401	7,903,401	-	-
Debt instruments at AC	67,560,672	28,223,834	7,835,913	16,410,387	3,977,534	39,336,838	63,383,614	2,197,632	1,979,426
Debt securities	15,590,868	-	-	-	-	15,590,868	15,590,868	-	-
Loans and advances to banks	1,363,193	1,169,492	-	-	1,169,492	193,701	1,363,193	-	-
Loans and advances to customers	48,387,815	25,875,487	7,828,759	16,398,656	1,648,072	22,512,328	44,398,591	2,134,603	1,854,621
Trade and other receivables	716,765	9,177	7,154	566	1,457	707,588	655,149	3,536	58,080
Finance lease receivables	1,502,031	1,169,678	-	11,165	1,158,513	332,353	1,375,813	59,493	66,725
Off balance-sheet exposures	17,161,181	3,765,633	5,046	507,993	3,252,594	13,395,548	11,769,859	-	92,645
out of which: other commitments	5,298,677	2,086,602	-	40,020	2,046,582	3,212,075	-	-	-
Total	**94,670,316**	**31,989,467**	**7,840,959**	**16,918,380**	**7,230,128**	**62,680,849**	**83,366,764**	**2,197,632**	**2,072,071**

26. Credit risk *(continued)*

Bank

in RON thousands	Total credit risk exposure	Collateral total	Collateralised by: Guarantees	Collateralised by: Real estate	Collateralised by: Other	Credit risk exposure net of collateral	IFRS9 impairment relevant: Neither past due nor credit impaired	IFRS9 impairment relevant: Past due but not credit impaired	IFRS9 impairment relevant: Credit impaired
					31.12.2022				
Cash and cash balances - demand deposits to central banks and credit institutions	151,424	-	-	-	-	151,424	151,424	-	-
Debt instruments held for trading	177,708	-	-	-	-	177,708	-	-	-
Non-trading debt instruments at FVPL	16,328	-	-	-	-	16,328	-	-	-
Debt instruments at FVOCI	9,949,242	-	-	-	-	9,949,242	9,949,242	-	-
Debt instruments at AC	**72,865,463**	**26,909,759**	**8,536,954**	**17,538,396**	**834,409**	**45,955,704**	**68,803,149**	**2,510,314**	**1,552,000**
Debt securities	15,148,034	-	-	-	-	15,148,034	15,148,034	-	-
Loans and advances to banks	225,710	-	-	-	-	225,710	158,772	-	66,938
Loans and advances to customers	56,568,320	26,892,507	8,536,560	17,537,699	818,248	29,675,813	52,596,220	2,506,104	1,465,996
Trade and other receivables	912,474	17,252	394	697	16,161	895,222	891,710	4,210	16,554
Finance lease receivables	10,925	-	-	-	-	10,925	8,413	-	2,512
Off balance-sheet exposures	23,515,012	5,121,066	347	421,782	4,698,937	18,393,946	15,425,985	-	46,971
out of which: other commitments	8,042,056	3,049,889	-	69,757	2,980,132	4,992,167	-	-	-
Total	**106,675,177**	**32,030,825**	**8,537,301**	**17,960,178**	**5,533,346**	**74,644,352**	**94,329,800**	**2,510,314**	**1,598,971**

Bank

in RON thousands	Total credit risk exposure	Collateral total	Collateralised by: Guarantees	Collateralised by: Real estate	Collateralised by: Other	Credit risk exposure net of collateral	IFRS9 impairment relevant: Neither past due nor credit impaired	IFRS9 impairment relevant: Past due but not credit impaired	IFRS9 impairment relevant: Credit impaired
					31.12.2021				
Cash and cash balances - demand deposits to central banks and credit institutions	210,777	-	-	-	-	210,777	210,777	-	-
Debt instruments held for trading	1,704,540	-	-	-	-	1,704,540	-	-	-
Non-trading debt instruments at FVPL	30,632	-	-	-	-	30,632	-	-	-
Debt instruments at FVOCI	7,873,535	-	-	-	-	7,873,535	7,873,535	-	-
Debt instruments at AC	66,706,484	25,926,399	7,802,716	16,228,470	1,895,213	40,780,085	62,767,193	2,042,338	1,896,953
Debt securities	15,396,998	-	-	-	-	15,396,998	15,396,998	-	-
Loans and advances to banks	1,431,384	1,169,492	-	-	1,169,492	261,892	1,363,048	-	68,336
Loans and advances to customers	49,185,010	24,752,373	7,798,740	16,227,917	725,716	24,432,637	45,358,375	2,040,972	1,785,663
Trade and other receivables	678,228	4,534	3,976	553	5	673,694	637,517	1,366	39,345
Finance lease receivables	14,864	-	-	-	-	14,864	11,255	-	3,609
Off balance-sheet exposures	17,460,433	3,758,474	173	504,692	3,253,609	13,701,959	12,065,191	-	91,432
out of which: other commitments	5,303,810	2,086,602	-	40,020	2,046,582	3,217,208	-	-	-
Total	**93,986,401**	**29,684,873**	**7,802,889**	**16,733,162**	**5,148,822**	**64,301,528**	**82,916,696**	**2,042,338**	**1,988,385**

Development of Credit Loss Allowances (CLA)

The following tables give an overview over the development of credit loss allowances per balance sheet line item.

The movements in allowances for financial assets at amortised cost - Debt securities

31.12.2022 Group

in RON thousands	Opening balance	Increases due to origination and acquisition	Decreases due to derecognition	Net changes due to change in credit risk	Transfers between Stage 1 and Stages 2/3	Net changes due to modifications without derecognition	Decrease in allowance account due to write-offs and POCI loans	Exchange-rate and other changes (+/-)	Closing balance
Debt securities									
Stage 1	**(20,395)**	**(13,694)**	**13,786**	**1,667**	**10**	**-**	**-**	**3,625**	**(15,001)**
General governments	(20,395)	(13,694)	13,786	1,667	10	-	-	3,625	(15,001)
Stage 2	**-**	**-**	**-**	**-**	**(239)**	**-**	**-**	**-**	**(239)**
General governments	-	-	-	-	(239)	-	-	-	(239)
Total	**(20,395)**	**(13,694)**	**13,786**	**1,667**	**(229)**	**-**	**-**	**3,625**	**(15,240)**

31.12.2021 Group

in RON thousands	Opening balance	Increases due to origination and acquisition	Decreases due to derecognition	Net changes due to change in credit risk	Transfers between Stage 1 and Stages 2/3	Net changes due to modifications without derecognition	Decrease in allowance account due to write-offs and POCI loans	Exchange-rate and other changes (+/-)	Closing balance
Debt securities									
Stage 1	**(19,086)**	**(9,719)**	**10,567**	**(2,557)**	**696**	**-**	**-**	**(296)**	**(20,395)**
General governments	(19,082)	(9,719)	10,563	(2,557)	696	-	-	(296)	(20,395)
Credit institutions	(4)	-	4	-	-	-	-	-	-
Stage 2	**(585)**	**-**	**-**	**585**	**-**	**-**	**-**	**-**	**-**
General governments	(585)	-	-	585	-	-	-	-	-
Stage 3	**(406)**	**-**	**-**	**406**	**-**	**-**	**-**	**-**	**-**
General governments	(406)	-	-	406	-	-	-	-	-
Total	**(20,077)**	**(9,719)**	**10,567**	**(1,566)**	**696**	**-**	**-**	**(296)**	**(20,395)**

26. Credit risk *(continued)*

								31.12.2022	Bank
in RON thousands	Opening balance	Increases due to origination and acquisition	Decreases due to derecognition	Net changes due to change in credit risk	Transfers between Stage 1 and Stages 2/3	Net changes due to modifications without derecognition	Decrease in allowance account due to write-offs and POCI loans	Exchange-rate and other changes (+/-)	Closing balance
Debt securities									
Stage 1	**(14,865)**	**(10,125)**	**8,314**	**1,746**	**10**	**-**	**-**	**-**	**(14,920)**
General governments	(14,865)	(10,125)	8,314	1,746	10	-	-	-	(14,920)
Stage 2	**-**	**-**	**-**	**-**	**(239)**	**-**	**-**	**-**	**(239)**
General governments	-	-	-	-	(239)	-	-	-	(239)
Total	**(14,865)**	**(10,125)**	**8,314**	**1,746**	**(229)**	**-**	**-**	**-**	**(15,159)**

								31.12.2021	Bank
in RON thousands	Opening balance	Increases due to origination and acquisition	Decreases due to derecognition	Net changes due to change in credit risk	Transfers between Stage 1 and Stages 2/3	Net changes due to modifications without derecognition	Decrease in allowance account due to write-offs and POCI loans	Exchange-rate and other changes (+/-)	Closing balance
Debt securities									
Stage 1	**(13,624)**	**(4,554)**	**5,169**	**(2,497)**	**696**	**-**	**-**	**(55)**	**(14,865)**
General governments	(13,620)	(4,554)	5,165	(2,497)	696	-	-	(55)	(14,865)
Credit institutions	(4)	-	4	-	-	-	-	-	-
Stage 2	**(585)**	**-**	**-**	**585**	**-**	**-**	**-**	**-**	**-**
General governments	(585)	-	-	585	-	-	-	-	-
Stage 3	**(406)**	**-**	**-**	**406**	**-**	**-**	**-**	**-**	**-**
General governments	(406)	-	-	406	-	-	-	-	-
Total	**(14,615)**	**(4,554)**	**5,169**	**(1,506)**	**696**	**-**	**-**	**(55)**	**(14,865)**

In column 'Increases due to origination and acquisition' increases of CLA due to the initial recognition of debt securities at AC during the current reporting period are disclosed.
Releases of CLA following the derecognition of the related debt securities at AC are reported in column 'Decreases due to derecognitions'.

In column 'Transfers between stages' CLA net changes due to changes in credit risk that triggered re-assignments of the related AC debt securities from Stage 1 (on 1 January 2022 or initial recognition date) to Stages 2 or 3 at 31 December 2022 or vice-versa are reported. The effects of transfers from Stage 1 to Stages 2 or 3 on the related CLAs are adverse and presented in lines attributable to Stages 2 or 3. The effects of transfers from Stages 2 or 3 to Stage 1 on the related CLAs are favourable and presented in line 'Stage 1'.
Any other changes in credit risk which do not trigger a transfer between Stage 1 and Stage 2 or 3 or vice-versa are disclosed in column 'Net changes due to change in credit risk (net)'.

The movements in allowances loans and advances to banks:

								31.12.2022	Group
in RON thousands	Opening balance	Increases due to origination and acquisition	Decreases due to derecognition	Net changes due to change in credit risk	Transfers between Stage 1 and Stages 2/3	Net changes due to modifications without derecognition	Decrease in allowance account due to write-offs and POCI loans	Exchange-rate and other changes (+/-)	Closing balance
Loans and advances to banks									
Stage 1	**(878)**	**(7,621)**	**5,569**	**2,661**	**1**	**-**	**-**	**6**	**(262)**
Central banks	(657)	1	-	656	-	-	-	-	-
Credit institutions	(221)	(7,622)	5,569	2,005	1	-	-	6	(262)
Stage 2	**(2)**	**-**	**3**	**101**	**(20)**	**-**	**-**	**(82)**	**-**
Credit institutions	(2)	-	3	101	(20)	-	-	(82)	-
Total	**(880)**	**(7,621)**	**5,572**	**2,762**	**(19)**	**-**	**-**	**(76)**	**(262)**

26. Credit risk *(continued)*

31.12.2021 Group

in RON thousands	Opening balance	Increases due to origination and acquisition	Decreases due to derecognition	Net changes due to change in credit risk	Transfers between Stage 1 and Stages 2/3	Net changes due to modifications without derecognition	Decrease in allowance account due to write-offs and POCI loans	Exchange-rate and other changes (+/-)	Closing balance
Loans and advances to banks									
Stage 1	**(906)**	**(3,381)**	**4,179**	**(995)**	**232**	**-**	**-**	**(7)**	**(878)**
Central banks	-	-	-	(657)	-	-	-	-	(657)
Credit institutions	(906)	(3,381)	4,179	(338)	232	-	-	(7)	(221)
Stage 2	**(110)**	**-**	**3**	**117**	**-**	**-**	**-**	**(12)**	**(2)**
Credit institutions	(110)	-	3	117	-	-	-	(12)	(2)
Total	**(1,016)**	**(3,381)**	**4,182**	**(878)**	**232**	**-**	**-**	**(19)**	**(880)**

31.12.2022 Bank

in RON thousands	Opening balance	Increases due to origination and acquisition	Decreases due to derecognition	Net changes due to change in credit risk	Transfers between Stage 1 and Stages 2/3	Net changes due to modifications without derecognition	Decrease in allowance account due to write-offs and POCI loans	Exchange-rate and other changes (+/-)	Closing balance
Loans and advances to banks									
Stage 1	**(878)**	**(7,622)**	**5,569**	**851**	**1**	**-**	**-**	**6**	**(2,073)**
Central banks	(657)	-	-	657	-	-	-	-	-
Credit institutions	(221)	(7,622)	5,569	194	1	-	-	6	(2,073)
Stage 2	**(165)**	**-**	**3**	**264**	**(20)**	**-**	**-**	**(82)**	**-**
Credit institutions	(165)	-	3	264	(20)	-	-	(82)	-
Stage 3	**(68,336)**	**-**	**5,130**	**(3,732)**	**-**	**-**	**-**	**-**	**(66,938)**
Credit institutions	(68,336)	-	5,130	(3,732)	-	-	-	-	(66,938)
Total	**(69,379)**	**(7,622)**	**10,702**	**(2,617)**	**(19)**	**-**	**-**	**(76)**	**(69,011)**

31.12.2021 Bank

in RON thousands	Opening balance	Increases due to origination and acquisition	Decreases due to derecognition	Net changes due to change in credit risk	Transfers between Stage 1 and Stages 2/3	Net changes due to modifications without derecognition	Decrease in allowance account due to write-offs and POCI loans	Exchange-rate and other changes (+/-)	Closing balance
Loans and advances to banks									
Stage 1	**(906)**	**(3,382)**	**4,179**	**(994)**	**232**	**-**	**-**	**(7)**	**(878)**
Central banks	-	(1)	-	(656)	-	-	-	-	(657)
Credit institutions	(906)	(3,381)	4,179	(338)	232	-	-	(7)	(221)
Stage 2	**(286)**	**-**	**3**	**129**	**-**	**-**	**-**	**(11)**	**(165)**
Credit institutions	(286)	-	3	129	-	-	-	(11)	(165)
Stage 3	**(66,591)**	**-**	**-**	**(1,745)**	**-**	**-**	**-**	**-**	**(68,336)**
Credit institutions	(66,591)	-	-	(1,745)	-	-	-	-	(68,336)
Total	**(67,783)**	**(3,382)**	**4,182**	**(2,610)**	**232**	**-**	**-**	**(18)**	**(69,379)**

In column 'Increases due to origination and acquisition' increases of CLA due to the initial recognition of loans and advances to banks at AC during the current reporting period are disclosed. Releases of CLA following the derecognition of the related loans and advances to banks at AC are reported in column 'Decreases due to derecognition'.
Any changes in credit risk which do not trigger a transfer between Stage 1 and Stage 2 or 3 or vice-versa are disclosed in column 'Net changes due to change in credit risk'.

26. Credit risk *(continued)*

The movements in allowances - loans and advances to customers:

								31.12.2022	Group
in RON thousands	Opening balance	Increases due to origination and acquisition (1)	Decreases due to derecognition (2)	Net changes due to change in credit risk	Transfers between Stage 1 and Stages 2/3 (3)	Net changes due to modifications without derecognition (4)	Decrease in allowance account due to write-offs and POCI loans (5)	Exchange-rate and other changes (+/-)	Closing balance
Loans and advances to customers									
Stage 1	**(238,303)**	**(174,402)**	**63,557**	**43,236**	**67,124**	**18**	**13**	**2,136**	**(236,621)**
General governments	(2,775)	(1,239)	179	(666)	192	-	-	1	(4,308)
Other financial corporations	(2,484)	(1,620)	1	1,642	2,569	-	-	(2,546)	(2,438)
Non-financial corporations	(125,615)	(112,405)	52,150	13,990	47,093	-	-	4,423	(120,364)
Households	(107,429)	(59,138)	11,227	28,270	17,270	18	13	258	(109,511)
Stage 2	**(965,758)**	**(47,551)**	**147,157**	**51,652**	**(493,818)**	**2,389**	**186**	**3,770**	**(1,301,973)**
General governments	(9,220)	-	260	1,136	(216)	107	-	-	(7,933)
Other financial corporations	(2,583)	-	-	2,542	(29,305)	-	-	(4,236)	(33,582)
Non-financial corporations	(409,680)	(30,337)	81,921	84,889	(145,512)	177	-	8,104	(410,438)
Households	(544,275)	(17,214)	64,976	(36,915)	(318,785)	2,105	186	(98)	(850,020)
Stage 3	**(1,348,009)**	**-**	**81,197**	**39,165**	**(235,907)**	**(1,054)**	**401,637**	**259**	**(1,062,712)**
General governments	(8,908)	-	2,224	860	-	-	3,000	-	(2,824)
Other financial corporations	(8,141)	-	-	(34)	-	-	-	1	(8,174)
Non-financial corporations	(582,485)	-	34,852	29,963	(85,711)	(159)	314,588	(9)	(288,961)
Households	(748,475)	-	44,121	8,376	(150,196)	(895)	84,049	267	(762,753)
POCI	**(65,674)**	**-**	**2,538**	**14,915**	**-**	**(521)**	**2,054**	**(111)**	**(46,799)**
General governments	(2,161)	-	-	2,240	-	-	-	(130)	(51)
Non-financial corporations	(10,985)	-	491	8,438	-	16	31	43	(1,966)
Households	(52,528)	-	2,047	4,237	-	(537)	2,023	(24)	(44,782)
Total	**(2,617,744)**	**(221,953)**	**294,449**	**148,968**	**(662,601)**	**832**	**403,890**	**6,054**	**(2,648,105)**

								31.12.2021	Group
in RON thousands	Opening balance	Increases due to origination and acquisition (1)	Decreases due to derecognition (2)	Net changes due to change in credit risk	Transfers between Stage 1 and Stages 2/3 (3)	Net changes due to modifications without derecognition (4)	Decrease in allowance account due to write-offs and POCI loans (5)	Exchange-rate and other changes (+/-)	Closing balance
Loans and advances to customers									
Stage 1	**(166,578)**	**(125,123)**	**52,048**	**(239,875)**	**244,242**	**-**	**3**	**(3,020)**	**(238,303)**
General governments	(3,554)	(1,322)	1,580	(393)	922	-	-	(8)	(2,775)
Other financial corporations	(1,228)	(1,194)	100	107	3	-	-	(272)	(2,484)
Non-financial corporations	(100,882)	(83,213)	41,929	(34,092)	52,795	-	-	(2,152)	(125,615)
Households	(60,914)	(39,394)	8,439	(205,497)	190,522	-	3	(588)	(107,429)
Stage 2	**(807,816)**	**(16,037)**	**110,266**	**446,626**	**(687,576)**	**(6,183)**	**46**	**(5,084)**	**(965,758)**
General governments	(7,217)	-	691	4,800	(7,508)	14	-	-	(9,220)
Other financial corporations	(332)	-	248	139	(2,565)	-	-	(73)	(2,583)
Non-financial corporations	(326,642)	(13,279)	66,041	96,610	(229,048)	(242)	-	(3,120)	(409,680)
Households	(473,625)	(2,758)	43,286	345,077	(448,455)	(5,955)	46	(1,891)	(544,275)
Stage 3	**(1,337,382)**	**-**	**74,595**	**(68,960)**	**(81,619)**	**(2,753)**	**81,314**	**(13,204)**	**(1,348,009)**
General governments	(8,682)	-	4	(218)	-	(12)	-	-	(8,908)
Other financial corporations	(9,320)	-	11	1,313	-	-	-	(145)	(8,141)
Non-financial corporations	(608,341)	-	31,091	(23,795)	(15,996)	4,921	38,322	(8,687)	(582,485)
Households	(711,039)	-	43,489	(46,260)	(65,623)	(7,662)	42,992	(4,372)	(748,475)
POCI	**(79,706)**	**-**	**6,098**	**4,173**	**-**	**15**	**4,803**	**(1,057)**	**(65,674)**
General governments	(3,768)	-	-	1,767	-	(42)	-	(118)	(2,161)
Non-financial corporations	(10,418)	-	1,093	(2,124)	-	(38)	630	(128)	(10,985)
Households	(65,520)	-	5,005	4,530	-	95	4,173	(811)	(52,528)
Total	**(2,391,482)**	**(141,160)**	**243,007**	**141,964**	**(524,953)**	**(8,921)**	**86,166**	**(22,365)**	**(2,617,744)**

26. Credit risk *(continued)*

in RON thousands	Opening balance	Increases due to origination and acquisition (1)	Decreases due to derecognition (2)	Net changes due to change in credit risk	Transfers between Stage 1 and Stages 2/3 (3)	Net changes due to modifications without derecognition (4)	Decrease in allowance account due to write-offs and POCI loans (5)	31.12.2022 Exchange-rate and other changes (+/-)	Bank Closing balance
Loans and advances to customers									
Stage 1	**(223,947)**	**(159,672)**	**62,904**	**37,885**	**65,345**	**-**	**13**	**(356)**	**(217,828)**
General governments	(2,775)	(1,239)	179	(666)	192	-	-	1	(4,308)
Other financial corporations	(7,410)	(1,420)	1	3,039	2,557	-	-	(2,546)	(5,779)
Non-financial corporations	(107,419)	(98,466)	51,865	7,438	45,681	-	-	2,115	(98,786)
Households	(106,343)	(58,547)	10,859	28,074	16,915	-	13	74	(108,955)
Stage 2	**(958,529)**	**(47,413)**	**145,143**	**49,841**	**(487,965)**	**2,400**	**186**	**(658)**	**(1,296,995)**
General governments	(9,219)	-	260	1,135	(216)	107	-	-	(7,933)
Other financial corporations	(2,500)	-	-	2,456	(29,285)	-	-	(4,236)	(33,565)
Non-financial corporations	(405,208)	(30,235)	81,609	83,642	(140,299)	177	-	3,987	(406,327)
Households	(541,602)	(17,178)	63,274	(37,392)	(318,165)	2,116	186	(409)	(849,170)
Stage 3	**(1,299,068)**	**-**	**79,087**	**52,175**	**(234,980)**	**(998)**	**378,061**	**(5,707)**	**(1,031,430)**
General governments	(8,908)	-	2,224	860	-	-	3,000	-	(2,824)
Other financial corporations	(8,141)	-	-	9	-	-	-	1	(8,131)
Non-financial corporations	(559,838)	-	34,848	44,766	(84,864)	(159)	296,067	(5,804)	(274,984)
Households	(722,181)	-	42,015	6,540	(150,116)	(839)	78,994	96	(745,491)
POCI	**(65,674)**	**-**	**2,538**	**14,915**	**-**	**(521)**	**2,054**	**(111)**	**(46,799)**
General governments	(2,161)	-	-	2,240	-	-	-	(130)	(51)
Non-financial corporations	(10,985)	-	491	8,438	-	16	31	43	(1,966)
Households	(52,528)	-	2,047	4,237	-	(537)	2,023	(24)	(44,782)
Total	**(2,547,218)**	**(207,085)**	**289,672**	**154,816**	**(657,600)**	**881**	**380,314**	**(6,832)**	**(2,593,052)**

in RON thousands	Opening balance	Increases due to origination and acquisition (1)	Decreases due to derecognition (2)	Net changes due to change in credit risk	Transfers between Stage 1 and Stages 2/3 (3)	Net changes due to modifications without derecognition (4)	Decrease in allowance account due to write-offs and POCI loans (5)	31.12.2021 Exchange-rate and other changes (+/-)	Bank Closing balance
Loans and advances to customers									
Stage 1	**(153,345)**	**(115,072)**	**51,824**	**(248,106)**	**243,120**	**-**	**3**	**(2,371)**	**(223,947)**
General governments	(3,554)	(1,322)	1,580	(393)	922	-	-	(8)	(2,775)
Other financial corporations	(3,091)	(1,073)	100	(3,079)	3	-	-	(270)	(7,410)
Non-financial corporations	(86,569)	(73,754)	41,801	(39,126)	51,818	-	-	(1,589)	(107,419)
Households	(60,131)	(38,923)	8,343	(205,508)	190,377	-	3	(504)	(106,343)
Stage 2	**(807,957)**	**(16,036)**	**110,165**	**448,361**	**(681,765)**	**(6,151)**	**46**	**(5,192)**	**(958,529)**
General governments	(7,217)	-	691	4,801	(7,508)	14	-	-	(9,219)
Other financial corporations	(332)	-	248	88	(2,504)	-	-	-	(2,500)
Non-financial corporations	(327,696)	(13,279)	66,004	98,197	(224,922)	(242)	-	(3,270)	(405,208)
Households	(472,712)	(2,757)	43,222	345,275	(446,831)	(5,923)	46	(1,922)	(541,602)
Stage 3	**(1,282,405)**	**-**	**74,175**	**(60,905)**	**(80,922)**	**(2,750)**	**65,091**	**(11,352)**	**(1,299,068)**
General governments	(8,682)	-	4	(218)	-	(12)	-	-	(8,908)
Other financial corporations	(9,320)	-	11	1,313	-	-	-	(145)	(8,141)
Non-financial corporations	(588,325)	-	31,091	(12,848)	(15,601)	4,921	28,265	(7,341)	(559,838)
Households	(676,078)	-	43,069	(49,152)	(65,321)	(7,659)	36,826	(3,866)	(722,181)
POCI	**(79,706)**	**-**	**6,098**	**4,173**	**-**	**15**	**4,803**	**(1,057)**	**(65,674)**
General governments	(3,768)	-	-	1,767	-	(42)	-	(118)	(2,161)
Non-financial corporations	(10,418)	-	1,093	(2,124)	-	(38)	630	(128)	(10,985)
Households	(65,520)	-	5,005	4,530	-	95	4,173	(811)	(52,528)
Total	**(2,323,413)**	**(131,108)**	**242,262**	**143,523**	**(519,567)**	**(8,886)**	**69,943**	**(19,972)**	**(2,547,218)**

(1) Increases of CLA due to the initial recognition of loans and advances to customers at AC during the current reporting period are disclosed. According to the Bank's principles for stage 2 allocation, events such as transfer of the client to workout department, forbearance or client's inclusion to the watch list of EWS (Early Warning Signals) represents evidence for significant increase in credit risk on client level, meaning that all financial assets of the client are transferred into Stage 2 (including newly originated ones).
(2) Releases of CLA following the derecognition of the related loans and advances to customers at AC are reported.
(3) Changes in credit risk that triggered re-assignments of the related AC loans and advances to customers from Stage 1 at 1 January 2022 (or initial recognition date, if later) to Stages 2 or 3 at 31 December 2022 or vice-versa are reported. The effects of transfers from Stage 1 to Stages 2 or 3 on the related CLAs are adverse (incremental year-on-year allocations) and presented in lines attributable to Stages 2 or 3.The effects of transfers from Stages 2 or 3 to Stage 1 on the related CLAs are favourable (incremental year-on-year releases) and presented in the line Stage 1
(4) Reflects the effect on CLA arising from contractual modifications of loans and advances to customers at AC which do not trigger their full derecognition.
(5) The use of CLA triggered by full or partial write-offs of AC loans and advances to customers is reported in columns 'Write-offs'.

The reconciliation between movement in allowances and net impairment loss is presented in Note 8.

26. Credit risk *(continued)*

Transfers between impairment stages (gross exposures) for loans and advances to customers are presented below:

					31.12.2022	Group
	Transfers between Stage 1 and Stage 2		Transfers between Stage 2 and Stage 3		Transfers between Stage 1 and Stage 3	
in RON thousands	To Stage 2 from Stage 1	To Stage 1 from Stage 2	To Stage 3 from Stage 2	To Stage 2 from Stage 3	To Stage 3 from Stage 1	To Stage 1 from Stage 3
General governments	137,176	320,233	-	-	-	-
Other financial corporations	443,115	865	109	-	-	-
Non-financial corporations	3,204,710	578,977	156,825	12,196	27,841	584
Households	3,287,074	1,066,276	127,632	27,634	104,197	7,086
Total	**7,072,075**	**1,966,351**	**284,566**	**39,830**	**132,038**	**7,670**

					31.12.2021	Group
	Transfers between Stage 1 and Stage 2		Transfers between Stage 2 and Stage 3		Transfers between Stage 1 and Stage 3	
in RON thousands	To Stage 2 from Stage 1	To Stage 1 from Stage 2	To Stage 3 from Stage 2	To Stage 2 from Stage 3	To Stage 3 from Stage 1	To Stage 1 from Stage 3
General governments	287,384	86,742	-	-	-	-
Other financial corporations	19,757	-	-	-	-	-
Non-financial corporations	1,646,013	1,290,129	125,901	7,726	31,192	583
Households	2,517,829	1,152,293	163,988	58,126	78,797	45,670
Total	**4,470,983**	**2,529,164**	**289,889**	**65,852**	**109,989**	**46,253**

					31.12.2022	Bank
	Transfers between Stage 1 and Stage 2		Transfers between Stage 2 and Stage 3		Transfers between Stage 1 and Stage 3	
in RON thousands	To Stage 2 from Stage 1	To Stage 1 from Stage 2	To Stage 3 from Stage 2	To Stage 2 from Stage 3	To Stage 3 from Stage 1	To Stage 1 from Stage 3
General governments	137,176	320,233	-	-	-	-
Other financial corporations	442,658	-	-	-	-	-
Non-financial corporations	3,013,051	490,172	131,830	8,990	23,939	204
Households	3,278,723	1,059,233	127,129	27,465	104,123	6,899
Total	**6,871,608**	**1,869,638**	**258,959**	**36,455**	**128,062**	**7,103**

					31.12.2021	Bank
	Transfers between Stage 1 and Stage 2		Transfers between Stage 2 and Stage 3		Transfers between Stage 1 and Stage 3	
in RON thousands	To Stage 2 from Stage 1	To Stage 1 from Stage 2	To Stage 3 from Stage 2	To Stage 2 from Stage 3	To Stage 3 from Stage 1	To Stage 1 from Stage 3
General governments	287,384	86,742	-	-	-	-
Other financial corporations	18,163	-	-	-	-	-
Non-financial corporations	1,552,365	1,287,354	116,158	5,054	23,018	493
Households	2,486,315	1,151,593	163,714	58,041	77,913	45,310
Total	**4,344,227**	**2,525,689**	**279,872**	**63,095**	**100,931**	**45,803**

26. Credit risk *(continued)*

The above transfers include stage changes against the opening of the financial year or initial recognition of the impairment stage.

The movements in allowances for financial assets at amortised cost – trade and other receivables:

								31.12.2022	Group
in RON thousands	Opening balance	Increases due to origination and acquisition	Decreases due to derecognition	Net changes due to change in credit risk	Transfers between Stage 1 and Stages 2/3	Net changes due to modifications without derecognition	Decrease in allowance account due to write-offs and POCI loans	Exchange-rate and other changes (+/-)	Closing balance
Stage 1	**(7,790)**	**(13,316)**	**7,009**	**4,316**	**4,610**	**-**	**29**	**7**	**(5,135)**
General governments	(197)	(270)	842	(388)	2	-	-	-	(11)
Credit institutions	(1)	(727)	179	(27)	-	-	-	-	(576)
Other financial corporations	(10)	(172)	20	90	-	-	-	-	(72)
Non-financial corporations	(7,545)	(12,030)	5,908	4,662	4,558	-	2	7	(4,438)
Households	(37)	(117)	60	(21)	50	-	27	-	(38)
Stage 2	**(6,875)**	**-**	**3,011**	**(10,214)**	**(5,801)**	**-**	**224**	**3,950**	**(15,705)**
General governments	(6)	-	5	(4)	(23)	-	-	-	(28)
Credit institutions	(2,285)	-	-	(3,059)	-	-	-	-	(5,344)
Other financial corporations	(3)	-	1	(235)	(4)	-	-	-	(241)
Non-financial corporations	(3,392)	-	2,704	(6,034)	(5,601)	-	31	3,951	(8,341)
Households	(1,189)	-	301	(882)	(173)	-	193	(1)	(1,751)
Stage 3	**(48,095)**	**-**	**9,089**	**117**	**(2,424)**	**-**	**2,150**	**(102)**	**(39,265)**
General governments	(91)	-	10	(33)	(6)	-	-	-	(120)
Other financial corporations	(32)	-	3	(66)	(4)	-	10	-	(89)
Non-financial corporations	(44,164)	-	8,385	264	(986)	-	1,731	(102)	(34,872)
Households	(3,808)	-	691	(48)	(1,428)	-	409	-	(4,184)
POCI	**(770)**	**-**	**23**	**(83)**	**-**	**-**	**66**	**1**	**(763)**
General governments	(90)	-	-	-	-	-	-	-	(90)
Non-financial corporations	(608)	-	13	(80)	-	-	64	1	(610)
Households	(72)	-	10	(3)	-	-	2	-	(63)
Total	**(63,530)**	**(13,316)**	**19,132**	**(5,864)**	**(3,615)**	**-**	**2,469**	**3,856**	**(60,868)**

								31.12.2021	Group
in RON thousands	Opening balance	Increases due to origination and acquisition	Decreases due to derecognition	Net changes due to change in credit risk	Transfers between Stage 1 and Stages 2/3	Net changes due to modifications without derecognition	Decrease in allowance account due to write-offs and POCI loans	Exchange-rate and other changes (+/-)	Closing balance
Stage 1	**(2,544)**	**(7,874)**	**4,501**	**(8,199)**	**6,484**	**-**	**26**	**(184)**	**(7,790)**
General governments	(40)	(343)	718	(532)	-	-	-	-	(197)
Credit institutions	(78)	(30)	87	20	-	-	-	-	(1)
Other financial corporations	(69)	(11)	8	62	-	-	-	-	(10)
Non-financial corporations	(2,329)	(7,319)	3,625	(7,826)	6,484	-	3	(183)	(7,545)
Households	(28)	(171)	63	77	-	-	23	(1)	(37)
Stage 2	**(19,055)**	**-**	**2,796**	**10,872**	**(1,539)**	**-**	**215**	**(164)**	**(6,875)**
General governments	(4)	-	376	(378)	-	-	-	-	(6)
Credit institutions	(2,001)	-	31	(315)	-	-	-	-	(2,285)
Other financial corporations	(198)	-	1	194	-	-	-	-	(3)
Non-financial corporations	(15,625)	-	2,165	11,676	(1,482)	-	35	(161)	(3,392)
Households	(1,227)	-	223	(305)	(57)	-	180	(3)	(1,189)
Stage 3	**(38,894)**	**-**	**5,324**	**(16,068)**	**(720)**	**-**	**3,558**	**(1,295)**	**(48,095)**
General governments	(88)	-	8	(11)	-	-	-	-	(91)
Other financial corporations	(102)	-	92	(26)	-	-	5	(1)	(32)
Non-financial corporations	(36,236)	-	4,842	(14,022)	(61)	-	2,607	(1,294)	(44,164)
Households	(2,468)	-	382	(2,009)	(659)	-	946	-	(3,808)
POCI	**(831)**	**-**	**82**	**(67)**	**-**	**-**	**48**	**(2)**	**(770)**
General governments	(106)	-	16	-	-	-	-	-	(90)
Non-financial corporations	(588)	-	66	(97)	-	-	12	(1)	(608)
Households	(137)	-	-	30	-	-	36	(1)	(72)
Total	**(61,324)**	**(7,874)**	**12,703**	**(13,462)**	**4,225**	**-**	**3,847**	**(1,645)**	**(63,530)**

BCR

26. Credit risk *(continued)*

in RON thousands	Opening balance	Increases due to origination and acquisition	Decreases due to derecognition	Net changes due to change in credit risk	Transfers between Stage 1 and Stages 2/3	Net changes due to modifications without derecognition	Decrease in allowance account due to write-offs and POCI loans	31.12.2022 Exchange-rate and other changes (+/-)	Bank Closing balance
Stage 1	**(7,592)**	**(12,866)**	**7,006**	**4,105**	**4,499**	**-**	**29**	**1**	**(4,818)**
General governments	(197)	(270)	842	(388)	2	-	-	-	(11)
Credit institutions	(1)	(727)	179	(26)	-	-	-	-	(575)
Other financial corporations	(10)	(88)	20	9	-	-	-	-	(69)
Non-financial corporations	(7,358)	(11,667)	5,905	4,540	4,447	-	2	1	(4,130)
Households	(26)	(114)	60	(30)	50	-	27	-	(33)
Stage 2	**(6,713)**	**-**	**3,011**	**(11,034)**	**(4,815)**	**-**	**224**	**3,950**	**(15,377)**
General governments	(6)	-	5	(4)	(23)	-	-	-	(28)
Credit institutions	(2,285)	-	-	(3,059)	-	-	-	-	(5,344)
Other financial corporations	(3)	-	1	(236)	(3)	-	-	-	(241)
Non-financial corporations	(3,288)	-	2,704	(6,799)	(4,616)	-	31	3,951	(8,017)
Households	(1,131)	-	301	(936)	(173)	-	193	(1)	(1,747)
Stage 3	**(31,545)**	**-**	**8,993**	**7,404**	**(2,187)**	**-**	**1,731**	**(102)**	**(15,706)**
General governments	(91)	-	10	(33)	(6)	-	-	-	(120)
Other financial corporations	(32)	-	3	(66)	(4)	-	10	-	(89)
Non-financial corporations	(27,748)	-	8,347	7,501	(749)	-	1,312	(102)	(11,439)
Households	(3,674)	-	633	2	(1,428)	-	409	-	(4,058)
POCI	**(770)**	**-**	**23**	**(83)**	**-**	**-**	**66**	**1**	**(763)**
General governments	(90)	-	-	-	-	-	-	-	(90)
Non-financial corporations	(608)	-	13	(80)	-	-	64	1	(610)
Households	(72)	-	10	(3)	-	-	2	-	(63)
Total	**(46,620)**	**(12,866)**	**19,033**	**392**	**(2,503)**	**-**	**2,050**	**3,850**	**(36,664)**

in RON thousands	Opening balance	Increases due to origination and acquisition	Decreases due to derecognition	Net changes due to change in credit risk	Transfers between Stage 1 and Stages 2/3	Net changes due to modifications without derecognition	Decrease in allowance account due to write-offs and POCI loans	31.12.2021 Exchange-rate and other changes (+/-)	Bank Closing balance
Stage 1	**(2,355)**	**(7,770)**	**4,498**	**(8,416)**	**6,431**	**-**	**26**	**(6)**	**(7,592)**
General governments	(40)	(343)	718	(532)	-	-	-	-	(197)
Credit institutions	(78)	(30)	87	20	-	-	-	-	(1)
Other financial corporations	(5)	(11)	8	(2)	-	-	-	-	(10)
Non-financial corporations	(2,204)	(7,226)	3,622	(7,979)	6,431	-	3	(5)	(7,358)
Households	(28)	(160)	63	77	-	-	23	(1)	(26)
Stage 2	**(18,674)**	**-**	**2,788**	**10,339**	**(1,377)**	**-**	**215**	**(4)**	**(6,713)**
General governments	(4)	-	376	(378)	-	-	-	-	(6)
Credit institutions	(2,002)	-	31	(314)	-	-	-	-	(2,285)
Other financial corporations	(198)	-	1	194	-	-	-	-	(3)
Non-financial corporations	(15,244)	-	2,157	11,142	(1,377)	-	35	(1)	(3,288)
Households	(1,226)	-	223	(305)	-	-	180	(3)	(1,131)
Stage 3	**(29,804)**	**-**	**5,319**	**(9,951)**	**-**	**-**	**1,559**	**1,332**	**(31,545)**
General governments	(88)	-	8	(11)	-	-	-	-	(91)
Other financial corporations	(102)	-	92	(26)	-	-	5	(1)	(32)
Non-financial corporations	(27,220)	-	4,837	(7,918)	-	-	1,211	1,342	(27,748)
Households	(2,394)	-	382	(1,996)	-	-	343	(9)	(3,674)
POCI	**(831)**	**-**	**82**	**(67)**	**-**	**-**	**48**	**(2)**	**(770)**
General governments	(106)	-	16	-	-	-	-	-	(90)
Non-financial corporations	(588)	-	66	(97)	-	-	12	(1)	(608)
Households	(137)	-	-	30	-	-	36	(1)	(72)
Total	**(51,664)**	**(7,770)**	**12,687**	**(8,095)**	**5,054**	**-**	**1,848**	**1,320**	**(46,620)**

26. Credit risk *(continued)*

The movements in allowances for financial assets at fair value through other comprehensive income – debt securities:

Allowances for financial assets at fair value through other comprehensive income — 31.12.2022 — Group

in RON thousands	Opening balance	Increases due to origination and acquisition	Decreases due to derecognition	Net changes due to change in credit risk	Transfers between Stage 1 and Stages 2/3	Net changes due to modifications without derecognition	Decrease in allowance account due to write-offs and POCI loans	Exchange-rate and other changes (+/-)	Closing balance
Debt securities									
Stage 1	**(8,953)**	**(7,626)**	**4,065**	**(894)**	**251**	**-**	**-**	**1,706**	**(11,451)**
Central banks	(1,377)	-	-	-	-	-	-	1,377	-
General governments	(7,576)	(7,304)	4,065	(536)	-	-	-	329	(11,022)
Credit institutions	-	(322)	-	(167)	156	-	-	-	(333)
Non-financial corporations	-	-	-	(191)	95	-	-	-	(96)
Stage 2	**(718)**	**-**	**-**	**1,436**	**(2,479)**	**-**	**-**	**-**	**(1,761)**
Credit institutions	-	-	-	-	(1,761)	-	-	-	(1,761)
Non-financial corporations	(718)	-	-	1,436	(718)	-	-	-	-
Total	**(9,671)**	**(7,626)**	**4,065**	**542**	**(2,228)**	**-**	**-**	**1,706**	**(13,212)**

Allowances for financial assets at fair value through other comprehensive income — 31.12.2021 — Group

in RON thousands	Opening balance	Increases due to origination and acquisition	Decreases due to derecognition	Net changes due to change in credit risk	Transfers between Stage 1 and Stages 2/3	Net changes due to modifications without derecognition	Decrease in allowance account due to write-offs and POCI loans	Exchange-rate and other changes (+/-)	Closing balance
Debt securities									
Stage 1	**(8,235)**	**(4,266)**	**3,647**	**4**	**-**	**-**	**-**	**(103)**	**(8,953)**
Central banks	(1,105)	(1,316)	1,105	-	-	-	-	(61)	(1,377)
General governments	(7,130)	(2,950)	2,542	4	-	-	-	(42)	(7,576)
Stage 2	**(603)**	**-**	**-**	**(115)**	**-**	**-**	**-**	**-**	**(718)**
Non-financial corporations	(603)	-	-	(115)	-	-	-	-	(718)
Total	**(8,838)**	**(4,266)**	**3,647**	**(111)**	**-**	**-**	**-**	**(103)**	**(9,671)**

Allowances for financial assets at fair value through other comprehensive income — 31.12.2022 — Bank

in RON thousands	Opening balance	Increases due to origination and acquisition	Decreases due to derecognition	Net changes due to change in credit risk	Transfers between Stage 1 and Stages 2/3	Net changes due to modifications without derecognition	Decrease in allowance account due to write-offs and POCI loans	Exchange-rate and other changes (+/-)	Closing balance
Debt securities									
Stage 1	**(7,548)**	**(6,173)**	**4,037**	**(803)**	**250**	**-**	**-**	**296**	**(9,941)**
General governments	(7,548)	(5,851)	4,037	(446)	-	-	-	296	(9,512)
Credit institutions	-	(322)	-	(167)	156	-	-	-	(333)
Non-financial corporations	-	-	-	(190)	94	-	-	-	(96)
Stage 2	**(718)**	**-**	**-**	**1,435**	**(2,478)**	**-**	**-**	**-**	**(1,761)**
Credit institutions	-	-	-	-	(1,761)	-	-	-	(1,761)
Non-financial corporations	(718)	-	-	1,435	(717)	-	-	-	-
Total	**(8,266)**	**(6,173)**	**4,037**	**632**	**(2,228)**	**-**	**-**	**296**	**(11,702)**

26. Credit risk *(continued)*

Allowances for financial assets at fair value through other comprehensive income — 31.12.2021 — Bank

in RON thousands	Opening balance	Increases due to origination and acquisition	Decreases due to derecognition	Net changes due to change in credit risk	Transfers between Stage 1 and Stages 2/3	Net changes due to modifications without derecognition	Decrease in allowance account due to write-offs and POCI loans	Exchange-rate and other changes (+/-)	Closing balance
Debt securities									
Stage 1	**(7,078)**	**(2,925)**	**2,491**	**5**	**-**	**-**	**-**	**(41)**	**(7,548)**
General governments	(7,078)	(2,925)	2,491	5	-	-	-	(41)	(7,548)
Stage 2	**(603)**	**-**	**-**	**(115)**	**-**	**-**	**-**	**-**	**(718)**
Non-financial corporations	(603)	-	-	(115)	-	-	-	-	(718)
Total	**(7,681)**	**(2,925)**	**2,491**	**(110)**	**-**	**-**	**-**	**(41)**	**(8,266)**

The movements in allowances for finance lease are presented below:

31.12.2022 — Group

in RON thousands	Opening balance	Increases due to origination and acquisition	Decreases due to derecognition	Net changes due to change in credit risk	Transfers between Stage 1 and Stages 2/3	Net changes due to modifications without derecognition	Decrease in allowance account due to write-offs and POCI loans	Exchange-rate and other changes (+/-)	Closing balance
Stage 1	**(18,809)**	**(13,211)**	**380**	**6,050**	**2,107**	**-**	**-**	**4**	**(23,479)**
General governments	(42)	1	-	29	-	-	-	-	(12)
Credit institutions	-	-	-	(5)	5	-	-	-	-
Other financial corporations	(254)	(194)	11	106	20	-	-	4	(307)
Non-financial corporations	(18,237)	(12,615)	367	5,752	1,950	-	-	-	(22,783)
Households	(276)	(403)	2	168	132	-	-	-	(377)
Stage 2	**(7,618)**	**-**	**87**	**7,640**	**(6,427)**	**-**	**-**	**3**	**(6,315)**
General governments	(3)	-	-	-	-	-	-	3	-
Credit institutions	-	-	-	10	(10)	-	-	-	-
Other financial corporations	(119)	-	-	163	(82)	-	-	-	(38)
Non-financial corporations	(6,616)	-	87	7,040	(5,894)	-	-	-	(5,383)
Households	(880)	-	-	427	(441)	-	-	-	(894)
Stage 3	**(30,373)**	**-**	**2,035**	**(25,272)**	**(4,011)**	**-**	**21,475**	**(1,798)**	**(37,944)**
Other financial corporations	(11)	-	-	(9)	-	-	-	-	(20)
Non-financial corporations	(30,310)	-	2,035	(25,139)	(4,011)	-	21,340	(1,798)	(37,883)
Households	(52)	-	-	(124)	-	-	135	-	(41)
Total	**(56,800)**	**(13,211)**	**2,502**	**(11,582)**	**(8,331)**	**-**	**21,475**	**(1,791)**	**(67,738)**

31.12.2021 — Group

in RON thousands	Opening balance	Increases due to origination and acquisition	Decreases due to derecognition	Net changes due to change in credit risk	Transfers between Stage 1 and Stages 2/3	Net changes due to modifications without derecognition	Decrease in allowance account due to write-offs and POCI loans	Exchange-rate and other changes (+/-)	Closing balance
Stage 1	**(17,697)**	**(10,276)**	**137**	**8,616**	**733**	**-**	**-**	**(322)**	**(18,809)**
General governments	(5)	(36)	-	-	-	-	-	(1)	(42)
Other financial corporations	(167)	(131)	10	88	20	-	-	(74)	(254)
Non-financial corporations	(17,500)	(9,862)	127	8,545	696	-	-	(243)	(18,237)
Households	(25)	(247)	-	(17)	17	-	-	(4)	(276)
Stage 2	**(3,785)**	**-**	**42**	**1,305**	**(5,083)**	**-**	**-**	**(97)**	**(7,618)**
General governments	-	-	-	(3)	-	-	-	-	(3)
Other financial corporations	(45)	-	-	9	(82)	-	-	(1)	(119)
Non-financial corporations	(3,481)	-	42	1,431	(4,523)	-	-	(85)	(6,616)
Households	(259)	-	-	(132)	(478)	-	-	(11)	(880)
Stage 3	**(22,929)**	**-**	**65**	**(22,539)**	**(877)**	**-**	**18,213**	**(2,306)**	**(30,373)**
Other financial corporations	(6)	-	-	(4)	-	-	-	(1)	(11)
Non-financial corporations	(22,890)	-	65	(21,658)	(877)	-	17,324	(2,274)	(30,310)
Households	(33)	-	-	(877)	-	-	889	(31)	(52)
Total	**(44,411)**	**(10,276)**	**244**	**(12,618)**	**(5,227)**	**-**	**18,213**	**(2,725)**	**(56,800)**

26. Credit risk *(continued)*

31.12.2022 Bank

in RON thousands	Opening balance	Increases due to origination and acquisition	Decreases due to derecognition	Net changes due to change in credit risk	Transfers between Stage 1 and Stages 2/3	Net changes due to modifications without derecognition	Decrease in allowance account due to write-offs and POCI loans	Exchange-rate and other changes (+/-)	Closing balance
Stage 1	**(12)**	**-**	**-**	**2**	**-**	**-**	**-**	**4**	**(6)**
Other financial corporations	(12)	-	-	3	-	-	-	4	(5)
Non-financial corporations	-	-	-	(1)	-	-	-	-	(1)
Stage 2	**(3)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(3)**
Other financial corporations	(3)	-	-	1	-	-	-	-	(2)
Non-financial corporations	-	-	-	(1)	-	-	-	-	(1)
Stage 3	**(3,609)**	**-**	**-**	**1,097**	**-**	**-**	**-**	**-**	**(2,512)**
Credit institutions	(3,609)	-	-	1,097	-	-	-	-	(2,512)
Total	**(3,624)**	**-**	**-**	**1,099**	**-**	**-**	**-**	**4**	**(2,521)**

31.12.2021 Bank

in RON thousands	Opening balance	Increases due to origination and acquisition	Decreases due to derecognition	Net changes due to change in credit risk	Transfers between Stage 1 and Stages 2/3	Net changes due to modifications without derecognition	Decrease in allowance account due to write-offs and POCI loans	Exchange-rate and other changes (+/-)	Closing balance
Stage 1	**(23)**	**-**	**-**	**81**	**-**	**-**	**-**	**(70)**	**(12)**
Other financial corporations	(23)	-	-	81	-	-	-	(70)	(12)
Stage 2	**-**	**-**	**-**	**(3)**	**-**	**-**	**-**	**-**	**(3)**
Other financial corporations	-	-	-	(3)	-	-	-	-	(3)
Stage 3	**(4,654)**	**-**	**-**	**1,045**	**-**	**-**	**-**	**-**	**(3,609)**
Credit institutions	(4,654)	-	-	1,045	-	-	-	-	(3,609)
Total	**(4,677)**	**-**	**-**	**1,123**	**-**	**-**	**-**	**(70)**	**(3,624)**

In column 'Increases due to originations and acquisition' increases of CLA due to the initial recognition of finance lease receivables during the current reporting period are disclosed. Releases of CLA following the derecognition of the related finance lease receivables are reported in column 'Decreases due to derecognitions'.

In column 'Transfers between stages' CLA net changes due to changes in credit risk that triggered re-assignments of the related finance lease receivables from Stage 1 as of 1 January 2022 or initial recognition date to Stages 2 or 3 as of 31 December 2022 or vice-versa are reported. The effects of transfers from Stage 1 to Stages 2 or 3 on the related CLAs are adverse and presented in lines attributable to Stages 2 or 3. The effects of transfers from Stages 2 or 3 to Stage 1 on the related CLAs are favourable and presented in line 'Stage 1'.
Any other changes in credit risk which do not trigger a transfer between Stage 1 and Stage 2 or 3 or vice-versa are disclosed in column 'Other changes in credit risk (net)'.

Transfers between stages

31.12.2022 Group

	Transfers between Stage 1 and Stage 2		Transfers between Stage 2 and Stage 3		Transfers between Stage 1 and Stage 3	
in RON thousands	**To Stage 2 from Stage 1**	**To Stage 1 from Stage 2**	**To Stage 3 from Stage 2**	**To Stage 2 from Stage 3**	**To Stage 3 from Stage 1**	**To Stage 1 from Stage 3**
Other financial corporations	1,287	1,318	98	26	-	-
Non-financial corporations	128,448	86,525	20,473	8,097	23,547	370
Households	3,019	5,794	312	54	-	-
Total	**132,754**	**93,637**	**20,883**	**8,177**	**23,547**	**370**

26. Credit risk *(continued)*

					31.12.2021	Group
	Transfers between Stage 1 and Stage 2		Transfers between Stage 2 and Stage 3		Transfers between Stage 1 and Stage 3	
in RON thousands	To Stage 2 from Stage 1	To Stage 1 from Stage 2	To Stage 3 from Stage 2	To Stage 2 from Stage 3	To Stage 3 from Stage 1	To Stage 1 from Stage 3
Other financial corporations	1,580	142	20	-	12	-
Non-financial corporations	117,295	7,443	13,196	1,564	18,817	368
Households	9,365	71	-	34	103	-
Total	**128,240**	**7,656**	**13,216**	**1,598**	**18,932**	**368**

Movement in allowances for loan commitments and financial guarantees

						2022	Group
in RON thousands	Opening balance	Increases due to origination and acquisition	Decreases due to derecognition	Transfers between Stage 1 and Stages 2/3	Other changes in credit risk (net)	Exchange-rate and other changes (+/-)	Closing balance
Stage 1	47,139	64,035	(16,517)	(33,683)	(22,103)	(59)	38,812
Stage 2	107,957	-	(57,647)	136,761	44,541	41	231,653
Defaulted	76,876	609	(15,046)	8,328	(39,665)	2,780	33,882
Total	**231,972**	**64,644**	**(89,210)**	**111,406**	**(17,227)**	**2,762**	**304,347**

						2021	Group
in RON thousands	Opening balance	Increases due to origination and acquisition	Decreases due to derecognition	Transfers between Stage 1 and Stages 2/3	Other changes in credit risk (net)	Exchange-rate and other changes (+/-)	Closing balance
Stage 1	39,674	45,528	(13,033)	(8,130)	(16,418)	(482)	47,139
Stage 2	60,904	-	(22,707)	58,713	8,925	2,122	107,957
Defaulted	61,882	712	(4,024)	1,002	14,995	2,309	76,876
Total	**162,460**	**46,240**	**(39,764)**	**51,585**	**7,502**	**3,949**	**231,972**

						2022	Bank
in RON thousands	Opening balance	Increases due to origination and acquisition	Decreases due to derecognition	Transfers between Stage 1 and Stages 2/3	Other changes in credit risk (net)	Exchange-rate and other changes (+/-)	Closing balance
Stage 1	48,251	61,129	(16,500)	(33,605)	(21,091)	121	38,305
Stage 2	112,811	-	(57,646)	136,459	41,812	150	233,586
Defaulted	76,876	609	(15,046)	8,328	(39,645)	2,780	33,902
Total	**237,938**	**61,738**	**(89,192)**	**111,182**	**(18,924)**	**3,051**	**305,793**

						2021	Bank
in RON thousands	Opening balance	Increases due to origination and acquisition	Decreases due to derecognition	Transfers between Stage 1 and Stages 2/3	Other changes in credit risk (net)	Exchange-rate and other changes (+/-)	Closing balance
Stage 1	40,167	45,492	(13,012)	(8,152)	(15,758)	(486)	48,251
Stage 2	65,657	-	(22,707)	58,704	9,035	2,122	112,811
Defaulted	61,882	712	(4,024)	1,002	14,995	2,309	76,876
Total	**167,706**	**46,204**	**(39,743)**	**51,554**	**8,272**	**3,945**	**237,938**

In column 'increases due to origination and acquisition' increases of CLA due to the initial recognition of loan commitments and financial guarantees during the current reporting period are disclosed. Releases of CLA following the derecognition of the related loan commitments and financial guarantees are reported in column 'Decreases due to derecognitions'.

In the column 'Transfers between stage 1 and Stages 2/3' CLA net changes due to changes in credit risk that triggered re-assignments of the related loan commitments and financial guarantees from Stage 1 (on 1 January 2022 or initial recognition date) to Stages 2 or defaulted on 31 December 2022 or vice-versa are reported. The effects of transfers from Stage 1 to Stages 2 or Defaulted on the related CLAs are adverse and presented in lines attributable to Stages 2 or Defaulted. The effects of transfers from Stages 2 or Defaulted to Stage 1 on the related CLAs are favourable and presented in line 'Stage 1'. The P&L-neutral effect from cross-stage transferring of the related CLA amounts recognized prior to stage re-assignments are presented above in column 'Other changes in credit risk (net)'. This column also captures the passage-of-time adverse effect ('unwinding') over the lifetime expected cash shortfalls of defaulted loan commitments and financial guarantees.

26. Credit risk *(continued)*

The Expected Credit Loss (ECL) model

The general principles and standards for expected credit loss measurement are governed by internal policies, methodologies and procedures. According to IFRS 9, credit loss allowances are calculated for all components of the credit risk exposure which are measured at amortised cost (AC) or at fair value through other comprehensive income and include other demand deposits, debt securities, loans and advances to customers as well as finance lease and trade receivables. Provisions for loan commitments and financial guarantees are calculated if they meet the applicable IFRS 9 respective definitions.

According to the IFRS 9, there are three main stages outlined for expected credit loss (ECL) determination:

- A financial instrument that is not credit-impaired on initial recognition or for which credit risk has not increased significantly since initial recognition is classified in Stage 1. Financial instruments in Stage 1 have their ECL measured at an amount equal to the portion of lifetime expected credit losses that result from default events possible within the next 12 months;
- If a significant increase in credit risk (SICR) since initial recognition is identified but the exposure is not yet deemed to be credit-impaired, the financial instrument is moved to Stage 2. Instruments in Stage 2 have their ECL measured based on lifetime ('LT') expected credit losses arising from default events that are possible over the expected life of the instrument. In the case of drawings by non-defaulted customers on previously committed credit lines, depending on the development of credit risk between the commitment date and the drawing date, the whole exposure (on-balance and off-balance) is categorised as either Stage 1 or Stage 2.
- If the financial instrument is considered credit-impaired, it is moved to Stage 3. Instruments in Stage 3 have their ECL measured based on lifetime expected credit losses;
- Purchased or originated credit-impaired (POCI) financial instruments are those financial instruments that are credit-impaired on initial recognition. Their ECL is always measured on LT basis.

The key judgments and assumptions adopted by the Group in addressing the requirements of the standard are presented below:

Significant increase in credit risk determination

In the area of expected credit loss (ECL) modelling and calculation of ensuing credit loss allowances (CLA), the Group has concluded that one of the key drivers of the impact from applying the ECL model required by IFRS 9 is the assessment of significant increase in credit risk (SICR) for exposures that are not identified as credit-impaired as at the reporting date. In this respect, across portfolios and product types, quantitative and qualitative criteria are defined for assessing SICR, including the 30 days-past-due (DPD) criteria as a backstop.

Quantitative criteria

Quantitative SICR indicators include adverse changes in lifetime probability of default with significance being assessed by comparison to the thresholds. The Bank has established thresholds for significant increases in credit risk based on both a percentage (relative) and absolute change in PD compared to initial recognition. SICR occurs for a particular financial instrument, when both the relative and the absolute thresholds are breached.

The relative measure is calculated as a ratio between current annualised LT PD and annualised LT PD value on initial recognition, considering remaining maturity of the instrument. The breach means that such ratio has reached or is higher than the established threshold. These relative thresholds for SICR assessment are established at PD segment level or client rating level.

Relative thresholds for SICR assessment by geographical operating segment

Romania	Threshold intervals	
	Min	Max
31.12.2022	1.13	3.37
31.12.2021	1.13	3.37

There are certain portfolios where SICR quantitative criteria are assessed based on the ratings rather than PDs. The main rule in those cases is that downgrading of the ratings would lead to a positive conclusion on SICR. These rules are applied primarily to leasing and factoring business receivables.

BCR Group has not significantly recalibrated relative thresholds since IFRS9 implementation. They are kept stable as one of the most significant estimates in ECL measurement.

26. Credit risk *(continued)*

For migration back to Stage 1 there are no additional cure periods established for quantitative criteria other than those already established in general credit risk practice (e.g. for rating improvement).

The absolute threshold refers to difference of LT PD on initial recognition and current LT PD. It is set to a maximum of 50 bps and serves as a back-stop for migrations between the best ratings (LT PDs considered for remaining maturity). In such cases, relative thresholds may be breached, however overall LT PD is very low, and therefore SICR is not positively concluded.

Qualitative criteria

Some of the main qualitative SICR criteria used include:

- forbearance-type flags (identification of regulatory forbearance);
- work-out transfer flag (when account starts being monitored by work-out department);
- information from early-warning-system (if it is not sufficiently considered in rating) and;
- fraud indicators.

The assignment of some of the qualitative indicators inherently relies on experienced credit risk judgment being exercised adequately and timely. The related group-wide and entity-level credit risk controlling policies and procedures ensure the necessary governance framework. These indicators are used internally for identification of insolvency or increased probability that a borrower will enter bankruptcy and there is increased risk of default in the foreseeable future.

Besides the qualitative indicators defined on client level, the assessment of significant increase in credit risk is performed on portfolio level if the increase in credit risk on individual instrument or client level is only available with a certain time lag or is observable exclusively on portfolio level.

In 2022, the Bank has introduced additional portfolio level SICR assessment criteria due Ukraina war and related economic impacts.

Backstop

A backstop is applied and the financial instruments are considered to have experienced a SICR if the borrower is more than 30 days past due on contractual payments. As observed during validation, this does not represent a major trigger for Stage 2 classification.

BCR assigns Stage 2 to 'Datio in solutum' eligible performing portfolio of the Bank considered to be with increased risk of notification and expected credit losses using lifetime risk parameters are booked. Stage 2 is assigned to all loans where notifications were received based on law's provisions (77/2016). The total number of notifications received based on Law 77/2016 (Datio in solutum law 77/2016 allows the borrowers to fully settle their liability by transferring to the Bank the ownership right over the real estate mortgages used as collateral for loans) in 2022 is 33 (out of which 20 represent active accounts at 31st December 2022), lower than 2021 when the total number of notifications received based on Law 77/2016 provisions were related to 56 (out of which 29 represent active accounts at 31st December 2021).

Low credit risk exemption

The 'low credit risk exemption' allowed by IFRS 9 for 'investment grade' assets or other assets deemed 'low risk' (and resulting in 12 months expected credit losses being calculated irrespective of SICR quantitative measures) has been implemented with limitations in Group. Thus, the potential activation of this exemption is limited to particular types of debt instruments and counterparty categories, and only if supported by sufficient 'low risk' evidence. On this basis, the 'low risk exemption' is expected to be occasionally applied only to banks and sovereigns. As of 31 December 2022, the Group registered low credit risk exposures for sovereign clients with PD of 0.1% in amount of RON 30,516,058 thousands (2021: RON 26,875,402 thousands).

Purchased or Originated Credit Impaired ('POCI') exposures

POCI includes financial instruments which were credit-impaired at initial recognition, irrespective of whether they are still credit-impaired at the reporting date. Expected credit losses against POCI exposures are always calculated on a lifetime basis and are reflected in the credit-adjusted effective interest rate at initial recognition. As a result, no loss allowance is recognised at inception. Subsequently, only adverse changes in lifetime expected credit losses after the initial recognition are recognised as loss allowance, whilst favourable changes are recognised as impairment gains increasing the gross carrying amount of the POCI financial assets.

26. Credit risk *(continued)*

Credit-impaired assets

Stage 3 includes financial instruments which are credit-impaired at the reporting date but were not credit-impaired at initial recognition. In principle, a financial instrument becomes credit-impaired when the customer defaults. The default definition applied in the Group has been developed in accordance with EBA/GL/2016/07 'Guidelines on the application of the definition of default under Article 178 of Regulation (EU) No 575/2013. The Group generally applies a customer view in applying the default definition, which leads to an impairment of all claims even if the customer defaults only on one of several transactions ('pulling effect'). On the other side, an upgrade to a non-defaulted rating grade implies that the total exposure ceases to be impaired.

Measurement of ECL

The measurement of ECLs is a probability-weighted average estimate of credit losses that reflect the time value of money. A credit loss is the difference between the cash flows that are due to the Group in accordance with the contractual terms of the instrument and the cash flows that the Group expects to receive (i.e. cash shortfalls) discounted at the original effective interest rate ('EIR') of the same instrument, or the credit-adjusted EIR in case of purchased or originated credit impaired assets. For the purposes of measuring ECL, the Group estimates expected cash shortfalls, which reflect the cash flows expected from all possible sources including collateral and other credit enhancements that are part of the contractual terms. In the case of a collateralized financial instrument, the estimated expected cash flows related to the collateral reflects the amount and timing of cash flows that are expected from foreclosure on the collateral less the discounted costs of obtaining and selling the collateral. ECL is calculated over the residual period over which the Bank is exposed to credit risk. The residual period is defined based on the substantive terms of the instrument, including the Group's ability to demand repayment or cancellation and the customer's ability to require extension. However, for revolving credit facilities (i.e. those that include both a loan and an undrawn commitment component) the period of exposure is determined in accordance with the Group's expected credit risk management actions to mitigate credit risk, including terminating or limiting credit exposure. In doing so, the Group considers its normal credit risk mitigation process, its past practice, future intentions and expected credit risk mitigation actions.

For exposures to non-defaulted customers (i.e. in Stage 1 and Stage 2) the Bank determines ECL on a collective basis irrespective of the significance of the customer. The calculation of ECL for non-defaulted customers requires grouping the related exposures into homogenous groups on the basis of shared credit risk characteristics. The grouping criteria may differ on the customer segment (retail, corporate) and include product type, collateral type, repayment type, loan to value band or credit rating band/rating method. The calculation of credit loss allowances is done on a monthly basis on a single exposure level and in the contractual currency of the exposure.

ECL is determined as the product of exposure at default ('EAD') that also includes a credit conversion factor in case of off balance sheet exposures, probability of default ('PD') and loss given default ('LGD'), discounted with the original EIR, as follows:

- PD represents the likelihood of a borrower defaulting on its financial obligation (as per definition of default below), either over the next 12 month ('1Y PD') or over the remaining lifetime ('LT PD');
- EAD is based on the amounts the Group expects to be owed at the time of default, over next 12 months ('1Y EAD') or over remaining lifetime ('LT EAD'). The estimation includes current balance, expected repayments and expected drawings up to the current contractual limit by the time of default, should it occur;
- LGD represents the Group's expectation of the extent of loss on defaulted exposures. LGD varies by type of counterparty, type and seniority of claim and availability of collateral or other credit support. LGD is expressed as a percentage loss per unit exposure at the time of default (EAD).

Lifetime parameters

The LT PD is developed through observation of historical defaults from initial recognition through the lifetime of the loans. It is assumed to be the same across all assets in the same portfolio and rating band. The 1Y and LT EADs are determined based on the expected payment profiles, which vary by different product types. The LT EAD calculation utilizes repayment schedule or repayment type (annuity, linear, bullet). In the case of undrawn commitments, a credit conversion factor is estimated for reflecting the expected credit exposure in the EAD. The LGD is estimated as a life-time curve for any point in time, based on the historical loss observations.

The risk parameters used in the ECL calculation take into account available information at the reporting date about past events, current conditions and forecasts on future economic trends. Generally, the risk parameters applied in the calculation of IFRS 9 ECL differ from the risk parameters compliant with capital requirement regulations, calculated on a through-the-cycle basis.

BCR

26. Credit risk *(continued)*

Credit risk exposure by region and IFRS 9 treatment

Group

in RON thousands	Stage 1	Stage 2	Stage 3	POCI	Credit risk exposure (AC and FVOCI)	Not subject to IFRS 9 impairment	Total
				31.12.2022			
Core markets	**78,017,732**	**18,619,785**	**1,508,069**	**285,727**	**98,431,313**	**7,050,091**	**105,481,404**
Austria	60,024	220,093	18,975	-	299,092	279,354	578,446
Croatia	-	-	1	-	1	-	1
Romania	77,957,530	18,258,916	1,489,091	285,727	97,991,264	6,768,984	104,760,248
Serbia	10	-	1	-	11	-	11
Slovakia	81	8,389	-	-	8,470	253	8,723
Czech Republic	30	-	-	-	30	1,500	1,530
Hungary	57	132,387	1	-	132,445	-	132,445
Other EU	**633,913**	**8,512**	**21,691**	**110**	**664,226**	**677,187**	**1,341,413**
Other industrialised countries	**6,968**	**719**	**17**	**-**	**7,704**	**455,629**	**463,333**
Emerging markets	**366,501**	**128,742**	**8,123**	**-**	**503,366**	**43,259**	**546,625**
Southeastern Europe/CIS	350,127	128,263	7,925	-	486,315	-	486,315
Asia	761	4	1	-	766	1,027	1,793
Latin America	9	-	1	-	10	1	11
Middle East/Africa	15,604	475	196	-	16,275	42,231	58,506
Total	**79,025,114**	**18,757,758**	**1,537,900**	**285,837**	**99,606,609**	**8,226,166**	**107,832,775**

Group

in RON thousands	Stage 1	Stage 2	Stage 3	POCI	Credit risk exposure (AC and FVOCI)	Not subject to IFRS 9 impairment	Total
				31.12.2021			
Core markets	73,156,361	11,567,651	1,912,633	281,505	86,918,150	6,333,594	93,251,744
Austria	1,075,926	81,007	20,335	-	1,177,268	156,880	1,334,148
Croatia	-	-	1	-	1	-	1
Romania	72,071,648	11,362,936	1,892,297	281,505	85,608,386	6,176,714	91,785,100
Slovakia	-	5	-	-	5	-	5
Czech Republic	30	-	-	-	30	-	30
Hungary	8,757	123,703	-	-	132,460	-	132,460
Other EU	**219,477**	**5,514**	**38,060**	**1,428**	**264,479**	**447,390**	**711,869**
Other industrialised countries	**2,173**	**632**	**9**	**-**	**2,814**	**223,576**	**226,390**
Emerging markets	**403,785**	**38,767**	**8,472**	**-**	**451,024**	**29,289**	**480,313**
Southeastern Europe/CIS	402,764	38,679	8,277	-	449,720	-	449,720
Asia	665	69	1	-	735	14,107	14,842
Latin America	231	1	-	-	232	-	232
Middle East/Africa	125	18	194	-	337	15,182	15,519
Total	**73,781,796**	**11,612,564**	**1,959,174**	**282,933**	**87,636,467**	**7,033,849**	**94,670,316**

Bank

in RON thousands	Stage 1	Stage 2	Stage 3	POCI	Credit risk exposure (AC and FVOCI)	Not subject to IFRS 9 impairment	Total
				31.12.2022			
Core markets	**77,835,122**	**18,448,262**	**1,442,976**	**285,729**	**98,012,089**	**7,060,013**	**105,072,102**
Austria	40,481	220,093	18,970	-	279,544	279,354	558,898
Croatia	-	-	1	-	1	-	1
Romania	77,794,463	18,087,393	1,424,003	285,729	97,591,588	6,778,906	104,370,494
Serbia	10	-	1	-	11	-	11
Slovakia	81	8,389	-	-	8,470	253	8,723
Large Corporates	30	-	-	-	30	1,500	1,530
Hungary	57	132,387	1	-	132,445	-	132,445
Other EU	**356,631**	**8,512**	**21,691**	**110**	**386,944**	**677,188**	**1,064,132**
Other industrialised countries	**6,968**	**719**	**17**	**-**	**7,704**	**455,629**	**463,333**
Emerging markets	**19,726**	**12,420**	**204**	**-**	**32,350**	**43,260**	**75,610**
Southeastern Europe/CIS	3,353	11,941	6	-	15,300	-	15,300
Asia	761	4	1	-	766	1,027	1,793
Latin America	10	-	1	-	11	-	11
Middle East/Africa	15,602	475	196	-	16,273	42,233	58,506
Total	**78,218,447**	**18,469,913**	**1,464,888**	**285,839**	**98,439,087**	**8,236,090**	**106,675,177**

Bank

in RON thousands	Stage 1	Stage 2	Stage 3	POCI	Credit risk exposure (AC and FVOCI)	Not subject to IFRS 9 impairment	Total
				31.12.2021			
Core markets	**73,102,304**	**11,461,391**	**1,837,221**	**281,467**	**86,682,383**	**6,338,727**	**93,021,110**
Austria	982,574	81,007	20,330	-	1,083,911	156,880	1,240,791
Croatia	-	-	1	-	1	-	1
Romania	72,110,943	11,256,676	1,816,890	281,467	85,465,976	6,181,847	91,647,823
Slovakia	-	5	-	-	5	-	5
Czech Republic	30	-	-	-	30	-	30
Hungary	8,757	123,703	-	-	132,460	-	132,460
Other EU	**215,509**	**5,514**	**38,059**	**1,430**	**260,512**	**447,389**	**707,901**
Other industrialised countries	**2,174**	**632**	**9**	**-**	**2,815**	**223,575**	**226,390**
Emerging markets	**1,412**	**96**	**201**	**-**	**1,709**	**29,291**	**31,000**
Southeastern Europe/CIS	390	11	6	-	407	-	407
Asia	666	69	1	-	736	14,106	14,842
Latin America	231	1	-	-	232	-	232
Middle East/Africa	125	15	194	-	334	15,185	15,519
Total	**73,321,399**	**11,467,633**	**1,875,490**	**282,897**	**86,947,419**	**7,038,982**	**93,986,401**

26. Credit risk *(continued)*

Stage 1 and Stage 2 comprise not impaired credit risks while Stage 3 includes impaired credit risks. POCI (purchased or originated credit impaired) consists of credit risks already impaired when purchased or originated.

The defaulted part of POCI amounted to RON 134,083 thousands (2021: RON 112,895 thousands), the non-defaulted part to RON 151,756 thousands (2021: RON 170,038 thousands) in case of both BCR standalone and BCR Group.

Credit risk exposure and IFRS 9 treatment by business segment

Group

in RON thousands	Credit risk exposure					Credit loss allowances				NPE coverage ratio		
	Stage 1	Stage 2	Stage 3	POCI	Not subject to IFRS 9 impairment	Stage 1	Stage 2	Stage 3	POCI	Stage 2	Stage 3	POCI
	31.12.2022											
Retail	23,747,745	7,392,292	998,747	191,059	24,025	(124,683)	(1,015,593)	(816,031)	(45,619)	13.74%	81.71%	23.88%
Corporates	28,029,164	11,096,392	533,672	94,778	6,644,087	(200,308)	(529,695)	(344,577)	(9,656)	4.77%	64.57%	10.19%
Group Markets	1,781,404	88,844	70	-	1,512,322	(1,295)	(5,585)	(9)	-	6.29%	12.86%	
Asset/Liability Management and Local Corporate Center	25,466,801	180,230	5,411	-	45,732	(26,513)	(6,774)	(5,474)	-	3.76%	101.16%	
Total	**79,025,114**	**18,757,758**	**1,537,900**	**285,837**	**8,226,166**	**(352,799)**	**(1,557,647)**	**(1,166,091)**	**(55,275)**	**8.30%**	**75.82%**	**19.34%**

Group

in RON thousands	Credit risk exposure					Credit loss allowances				NPE coverage ratio		
	Stage 1	Stage 2	Stage 3	POCI	Not subject to IFRS 9 impairment	Stage 1	Stage 2	Stage 3	POCI	Stage 2	Stage 3	POCI
	31.12.2021											
Retail	23,534,479	5,803,006	1,016,372	220,635	15,625	(124,501)	(613,019)	(808,115)	(53,379)	11%	80%	24%
Corporates	24,920,717	5,713,775	864,761	62,300	4,539,384	(195,067)	(470,285)	(616,626)	(13,580)	8%	71%	22%
Group Markets	1,755,532	47,627	200	-	2,413,426	(306)	(2,294)	(15)	-	5%	8%	
Asset/Liability Management and Local Corporate Center	23,571,069	48,153	77,842	-	65,415	(23,660)	(3,327)	(78,081)	-	7%	100%	
Total	**73,781,797**	**11,612,561**	**1,959,175**	**282,935**	**7,033,850**	**(343,534)**	**(1,088,925)**	**(1,502,837)**	**(66,959)**	**9.38%**	**76.71%**	**23.67%**

Bank

in RON thousands	Credit risk exposure					Credit loss allowances				NPE coverage ratio		
	Stage 1	Stage 2	Stage 3	POCI	Not subject to IFRS 9 impairment	Stage 1	Stage 2	Stage 3	POCI	Stage 2	Stage 3	POCI
	31.12.2022											
Retail	23,618,233	7,386,554	981,061	191,061	24,022	(124,455)	(1,015,350)	(798,456)	(45,619)	13.75%	81.39%	23.88%
Corporates	24,176,907	10,754,230	408,877	94,778	6,644,087	(127,534)	(518,018)	(269,365)	(9,656)	4.82%	65.88%	10.19%
Group Markets	1,805,665	88,926	90	-	1,522,249	(1,309)	(5,586)	(29)	-	6.28%	32.22%	
Asset/Liability Management and Local Corporate Center	28,617,642	240,203	74,860	-	45,732	(34,693)	(9,008)	(74,923)	-	3.75%	100.08%	
Total	**78,218,447**	**18,469,913**	**1,464,888**	**285,839**	**8,236,090**	**(287,991)**	**(1,547,962)**	**(1,142,773)**	**(55,275)**	**8.38%**	**78.01%**	**19.34%**

Bank

in RON thousands	Credit risk exposure					Credit loss allowances				NPE coverage ratio		
	Stage 1	Stage 2	Stage 3	POCI	Not subject to IFRS 9 impairment	Stage 1	Stage 2	Stage 3	POCI	Stage 2	Stage 3	POCI
	31.12.2021											
Retail	23,355,548	5,771,641	988,859	220,599	15,625	(123,814)	(610,921)	(781,701)	(53,379)	10.58%	79.05%	24.20%
Corporates	21,964,310	5,413,021	808,557	62,300	4,539,384	(147,617)	(454,769)	(619,122)	(13,580)	8.40%	76.57%	21.80%
Group Markets	1,762,603	47,709	200	-	2,418,559	(325)	(2,296)	(15)	-	4.81%	7.50%	
Asset/Liability Management and Local Corporate Center	26,238,935	235,264	77,872	-	65,415	(31,338)	(10,953)	(78,081)	-	4.66%	100.27%	
Total	**73,321,396**	**11,467,635**	**1,875,488**	**282,899**	**7,038,983**	**(303,094)**	**(1,078,939)**	**(1,478,919)**	**(66,959)**	**9.41%**	**78.86%**	**23.67%**

Incorporation of Forward Looking Information (FLI)

Parameters are determined to reflect the risk as a ‘point-in-time’ measure and with consideration of forward-looking information (FLI). This approach considers a baseline forecast and a number of alternative scenarios for selected macroeconomic variables. The alternative scenarios are derived, together with their probabilities of occurrence, as a deviation from baseline forecasts. The baseline forecasts are, with a few exceptions, internally determined by BCR’s research department. Given multiple scenarios, the ‘neutral’ PDs (and, with a few exceptions, also LGDs) are adjusted using macro models that link relevant macroeconomic variables with risk drivers.

The same macro-shift models as for external and internal stress test are used. Forward-looking information is incorporated for first three years of ECL measurement and has at least a yearly frequency of update.

26. Credit risk *(continued)*

Thus, the unbiased probability weighted ECL considering FLI is derived using the weights representing the probability of occurrence of each macroeconomic scenario. Typical macroeconomic variables may include real gross domestic product, unemployment rate, inflation rate, production price index, wages and market interest rates. The selection of variables also depends on the availability of reliable forecasts for the given local market. The main indicators are GDP development for Corporate and wages for Retail.

In addition, economic effects of the war in Ukraine led to increasing inflation and/or interest rates, as well as uncertainty about energy carriers' availability and their prices. The Bank adjusted macro-shift models to properly reflect expected effects of those into credit risk parameters.

The Bank reviewed the scenarios used in forward looking information in the last quarter of 2022 according to the disclosed forecasts for baseline, downside and upside scenarios and decided to keep 40% probability of occurrence assigned to baseline forecast due to the unstable development of the geopolitical situation (war in Ukraine).

Table Baseline, upside and downside scenarios of GDP growth by geographic region

		Probability weights	GDP growth in %			
	Scenario	2023-2025		2023	2024	2025
31.12.2022						
Romania	Upside	1%		5.7	8.3	7.8
	Baseline	40%		2.7	5.3	4.8
	Downside	59%		(3.0)	0.2	2.8
31.12.2021		2021-2023	2020	2021	2022	2023
Romania	Upside	14%	(3.7)	9.0	6.6	7.6
	Baseline	40%	(3.7)	6.4	4.0	5.0
	Downside	46%	(3.7)	(1.7)	(0.5)	2.0

Baseline, upside and downside scenarios of the inflation development

	Baseline scenario			Scenario weighted outcome		
	2023	2024	2025	2023	2024	2025
	31.12.2022					
Romania						
GDP growth	2.7	5.3	4.8	(0.6)	2.3	3.7
Interest Rate (ROBOR 3M)	7.3	6.0	4.5	9.3	8.9	8.1
Inflation (CPI)	10.5	5.8	3.4	11.8	7.6	4.2

BCR recognizes additional challenges driven by the ESG (environmental, social and governance) risks. The bank is in the process of analyses how these risks can be incorporated into ECL measurement. In the Risk Materiality Assessment, climate and environment-related risks are overall assessed as medium and therefore classified as material, but they are expected to generate more impact on credit risk in the medium to long run. Therefore, in the short-term BCR did not include additional overlays for ESG risks into ECL calculation as of December 31st, 2022.

ECL for Stage 3 or POCI

ECL on Stage 3 or POCI exposures are calculated individually or collectively. The individual approach is applied in case of exposures to significant defaulted customers and consists of the individual assessment of the difference between the gross carrying amount and the net present value of the expected cash flows which are estimated by workout or risk managers. More than one scenario of expected future cash flows shall be considered in ECL calculation to ensure the unbiased and probability weighted result. In accordance with internal workout processes, the following scenarios should be accounted for: approved workout strategy (base scenario), alternative base case (if applicable), contingency scenario (e.g. bankruptcy/liquidation) and exit scenario (e.g. NPL sale).

The discounting of the cash flows is based on the effective interest rate (POCI: credit-adjusted effective interest rate). However, for financial guarantees the discount rate shall reflect the current market assessment of the time value of money and the risks that are specific to the cash flows which in Group's implementation means using a risk free rate as a proxy. A defaulted customer is classified as individually significant if the total on- and off-balance exposure exceeds a predefined materiality limit. The materiality limit on client level is 400,000 EUR for non-retail clients and 250,000 EUR for retail clients. Otherwise, the customer is considered as insignificant and a rule-based approach is used for the calculation of the related credit loss allowance. Under this approach, credit loss allowances are calculated as the product of gross carrying amount and LGD, where the LGD depends on characteristics such as time in default or the stage of the workout process, collateralization level. Specifically for retail clients ECL calculation is based on Expected Loss Best Estimates (ELBE) model, depending on the client's payment behaviour, the following categories can be assigned: cooperative, non-cooperative and average. The cooperative reflects the good payments behaviour of the client for which high recovery rates are expected, whereas the non-cooperative reflects low recovery expectations.

26. Credit risk *(continued)*

Collective assessment

Covid-19 Effect

All support measures granted in Covid context expired without resulting in a severe negative effect on the portfolio quality. Therefore, the Bank ceased the application of Covid overlays for private individuals in November 2022.

War in Ukraine

The Ukraine-Russia war, intensified challenges for both risk and business divisions: a rally in energy prices on the one hand and disruptions in supply chains on the other hand. The first ones had implications on various industries, mainly those with energy intensive production processes, but also impacting segments with high fuel cost shares. Issues with supply chains are managed by affected clients with diverse measures aiming to safeguard the business activity and liquidity, in some cases also by ensuring back-up/liquidity financing. Developments as mentioned above are reflected in the regular updates of the industry strategies.

In 2022, the Bank started a portfolio screening in order to identify the specific sectors affected by the future economic development and potential recession, i.e. cyclical industries and those which are severely affected by the energy carriers availability and price volatility driven by the current market uncertainty (mainly due to Ukraine war) – i.e. energy dependent industries.

In June 2022, Cyclical industries were identified as the first sub-group for the application of the collective SICR assessment. In order to differentiate customers where a downturn to come will have more significant impact, the Bank combined cyclical industry information with the criteria of PD greater than a threshold of 250 bps, expertly set by the the Bank.

Regarding energy dependent industries, the Bank aims to capture the following:

- Effects of gas rationing/ shortage or price increases on clients either due to energy intensive production processes or relying on gas as a primary input in their business processes. Within the industry Natural Resources and Commodities, Metals and Chemical subindustries were identified as being significantly affected.
- Massive shortages and distortions in the current energy market, with potential impact on the whole Energy industry.

In contrast to Cyclical industries, the above-described effects can seriously affect each company in the mentioned sectors irrespective of the rating as energy represents majority of the production inputs (manufacturing sector) or is at the very core of the impacted companies (energy sector). Therefore, no additional PD threshold to distinguish currently better performing companies was introduced and all companies in these sectors were migrated to stage 2.

Exemptions of these migrations are allowed based on individual review and documentation.

In case of Private individuals, the Bank has assessed that the internal behavioral scoring is timely capturing delinquency and account turnover driven by worsening macroeconomic conditions. Thus, additional collective SICR assessment are not required to be applied in case of private individuals.

As of December 31st, 2022, credit risk exposure in Stage 2 due to the application of Ukraine war overlays stood at RON 3,001,994 thousands for cyclical industries and RON 6,526,474 thousands for energy overlays, with ECL in amount of RON 298,281 thousands for cyclical industries and RON 195,329 thousands for energy overlays.

Effect on Expected Credit Loss (ECL)

The analysis tables below present the effects of the portfolio overlays and FLI on both exposure migration to Stage 2 and the resulting increase of ECL. Additional sensitivities to the baseline, upside and downside scenarios are simulated.

Scenario simulation presents sensitivity analyses taking into consideration only changes due to the different values of PDs, if baseline, upside or downside FLI scenarios had 100% weight. Sensitivities of these scenarios are calculated in comparison to current production - weighted scenarios FLI shifted – PDs. Weights and scenarios are disclosed in the "Incorporation of forward-looking information" section. Both staging and resulting ECL were simulated with the scenario PDs.

The incorporation of 100% baseline scenario instead of the currently applied weighted scenario outcome would lead to a decrease of Stage 2 exposure by RON 3,312,000 thousands (2021: RON 1,058,150 thousands), resulting in an ECL drop by RON 543,000 thousands (2021: RON 133,037 thousands).

The downside scenario would lead to additional RON 2,764,000 thousands of exposure migration to Stage 2 in comparison with scenario weighted FLI (2021: RON 1,802,033 thousands), resulting in ECL increase of RON 462,000 thousands (2021: RON 236,038 thousands).

26. Credit risk *(continued)*

For the ECL change a positive sign (+) equals a release while a negative sign (-) equals an allocation. Values presented sensitivities are results of internal simulations.

Impact on credit risk exposure

Bank

in RON thousands	Current status – parameters (FLI shifted)							Simulations - change of FLI shifts effect		
				Stage 2 affected by						
	Stage 1	Stage 2	Total	Stage overlays due to Covid-19	UA war - Cyclical	UA war - Energy	FLI shifts	Upside scenario	Baseline scenario	Downside scenario
				31.12.2022						
Romania	78,218,447	18,469,913	96,688,360	-	1,538,000	5,631,000	5,463,000	(5,008,000)	(3,312,000)	2,764,000
Total	**78,218,447**	**18,469,913**	**96,688,360**	**-**	**1,538,000**	**5,631,000**	**5,463,000**	**(5,008,000)**	**(3,312,000)**	**2,764,000**

Bank

in RON thousands	Current status – parameters (FLI shifted)							Simulations - change of FLI shifts effect		
				Stage 2 affected by						
	Stage 1	Stage 2	Total	Stage overlays due to Covid-19	UA war - Cyclical	UA war - Energy	FLI shifts	Upside scenario	Baseline scenario	Downside scenario
				31.12.2021						
Romania	73,321,399	11,467,633	84,789,032	1,193,229	-	-	4,214,014	(2,188,747)	(1,058,150)	1,802,033
Total	**73,321,399**	**11,467,633**	**84,789,032**	**1,193,229**	**-**	**-**	**4,214,014**	**(2,188,747)**	**(1,058,150)**	**1,802,033**

Impact on credit loss allowances

Bank

in RON thousands	Current status – parameters (FLI shifted)							Simulations - change of FLI shifts effect		
				Stage 2 affected by						
	Stage 1	Stage 2	Total	Stage overlays due to Covid-19	UA war - Cyclical	UA war - Energy	FLI shifts	Upside scenario	Baseline scenario	Downside scenario
				31.12.2022						
Romania	(287,991)	(1,547,962)	(1,835,953)	-	(68,000)	(80,000)	(982,000)	849,000	543,000	(462,000)
Total	**(287,991)**	**(1,547,962)**	**(1,835,953)**	**-**	**(68,000)**	**(80,000)**	**(982,000)**	**849,000**	**543,000**	**(462,000)**

Bank

in RON thousands	Current status – parameters (FLI shifted)							Simulations - change of FLI shifts effect		
				Stage 2 affected by						
	Stage 1	Stage 2	Total	Stage overlays due to Covid-19	UA war - Cyclical	UA war - Energy	FLI shifts	Upside scenario	Baseline scenario	Downside scenario
				31.12.2021						
Romania	(330,270)	(1,072,950)	(1,403,220)	(54,727)	-	-	(631,159)	275,819	133,037	(236,038)
Total	**(330,270)**	**(1,072,950)**	**(1,403,220)**	**(54,727)**	**-**	**-**	**(631,159)**	**275,819**	**133,037**	**(236,038)**

Composition of credit loss allowances

	Group		Bank	
in RON thousands	**31.12.2022**	**31.12.2021**	**31.12.2022**	**31.12.2021**
Credit loss allowances	(2,827,465)	(2,770,284)	(2,728,208)	(2,689,972)
of which: provisions for instruments HfS in disposal groups	(20,594)	-	-	-
Loss allowances for loan commitments and financial guarantees	(304,348)	(231,972)	(305,794)	(237,939)
Provisions for other commirments	(101,589)	(182,963)	(101,610)	(182,963)
Total	**(3,233,402)**	**(3,185,219)**	**(3,135,612)**	**(3,110,874)**

Credit loss allowances and loss allowances for loan commitments and financial guarantees are computed based on IFRS 9 requirements, while provisions for other commitments are subject to IAS 37.

Restructuring and renegotiation

Restructuring as business restructuring in the retail segment or as commercial renegotiation in the corporate segment is a potential and effective customer retention tool involving re-pricing or the offering of an additional loan or both in order to maintain the bank's valuable, good customers.

26. Credit risk *(continued)*

Forbearance

BCR's definition of 'forbearance' follows the EBA's Technical Standards on forbearance included in Regulation (EU) 2015/227. A restructuring is considered 'forbearance' if it entails a concession towards a customer facing or about to face financial difficulties in meeting their contractual financial commitments. A borrower is in financial difficulties if any of the following conditions are met:

- the customer has an active default event;
- the customer was more than 30 days past due in the past 3 months;
- the customer would be 30 days past due or more without receiving forbearance;
- the contract modification involves total or partial cancellation by write-off of the debt on any of the customer's credit obligations while at customer level open credit exposure still remains (only for retail clients);
- riskier ratings are assigned following a deterioration by minimum 2 points of the previous rating (applicable only for non-retail clients).

Forborne exposure is assessed at loan contract level and means only the exposure to which forbearance measures have been extended and excludes any other exposure the customer may have, as long as no forbearance was extended to these.

Concession means that any of the following conditions are met:

- modification/refinancing of the contract would not have been granted, had the customer not been in financial difficulty;
- there is a difference in favour of the customer between the modified/refinanced terms of the contract and the previous terms of the contract;
- the modified/refinanced contract includes more favourable terms than other customers with a similar risk profile would have obtained from the same institution.

Forbearance can be initiated by the Bank or by the customer (on account of loss of employment, illness etc.). Components of forbearance can be instalment reduction, tenor extension, interest reduction or forgiveness, principal reduction or forgiveness, revolving exposure change to instalment and/or others.

Forbearance measures are divided and reported as:

- performing forbearance (incl. performing forbearance under probation that was upgraded from non-performing forbearance);
- non-performing forbearance (incl. non-performing forbearance and defaulted/impaired forbearance); starting with May 2019 also the non-performing forbearance has assigned a default event.

Forborne exposures are considered performing when:

- the exposure did not have non-performing status at the time the extension of or application for forbearance was approved;
- granting the forbearance has not led to classifying the exposure as non-performing or default.

Performing forborne exposures become non-performing when one of the following forbearance classifications is fulfilled during the monitoring period of a minimum of two years:

- an additional forbearance measure is extended and in the past the customer was in the non-performing forbearance category;
- the customer becomes more than 30 days past due on forborne exposure and in the past the customer was in the non-performing forbearance category;
- the customer meets any of the default event criteria defined in the default definition;
- for corporate customers, when a final restructuring agreement cannot be concluded within 18 months after the first forbearance measure.

26. Credit risk *(continued)*

The performing forbearance classification can be discontinued and the account can become a non-forborne account when all of the following conditions are met:

- a minimum of two years has passed from the date of classifying the exposure as performing forbearance (probation period);
- under the forborne payment plan, at least 50% of the original (pre-forbearance) instalment has been regularly repaid at least during half of the probation period (in the case of retail customers);
- regular repayments in a significant amount during at least half of the probation period have been made (in the case of corporate customers);
- none of the exposure of the customer is more than 30 days past due at the end of the probation period.

An exposure is considered as non-performing forborne, if at the moment of forbearance measures implementation client meets at least one of the conditions mentioned below:

- The account/product is already classified as non-performing exposure;
- The account/product becomes non-performing after the concession implementation.

Nonperforming forbearance can be allocated as a result of a downgrade from a performing/ performing under probation forbearance status.

If for a performing forborne contract the customer meets any of the default event criteria defined in the Group internal default definition, the account will be classified as non-performing.

If for or a performing under probation contract at least one of the below triggers will take place, the account will be classified as non-performing:

- an additional forbearance measure is extended at account level, this being at least the 2nd restructuring measure at client level, in more than 2 years from receiving the last forbearance measure or
- the account has more than 30 days past due during the monitoring period, or
- the customer meets any of the default event criteria defined in the Group internal default definition.

The non-performing forbearance classification can be discontinued and reclassified as performing under probation when all of the following conditions are met:

- one year has passed from the date of classifying the exposure as non-performing forbearance;
- the forbearance has not led the exposure to be classified as non-performing;
- retail customers: the customer has demonstrated the ability to comply with the post-forbearance conditions by either of the following:
    - the customer has never been more than 30 days past due during the last 6 months and there is no delinquent amount;
    - the customer has repaid the full past due amount or the written-off amount (if there was any).
- corporate customers: analysis of financial development that leaves no concern about future compliance with post-forbearance terms and conditions. Furthermore, the customer has never been more than 30 days past due during the monitoring period and there is no delinquent amount.

In the corporate segment, recognition of forbearance measures typically leads to the involvement of the responsible local workout unit. The largest part of the forbearance measures are set and monitored within the responsibility of the local workout units according to the internal regulations and standards for the workout involvement. Forbearance measures are defined as qualitative trigger events in the SICR concept according to the internal regulations of the Bank.

26. Credit risk (continued)

Credit risk exposure, forbearance exposure and credit loss allowances

Group

in RON thousands	Loans and advances	Debt securities	Other on- and off-balance-sheet positions	Loan commitments	Total
			31.12.2022		
Gross exposure	**58,253,848**	**25,196,529**	**9,143,798**	**15,238,600**	**107,832,775**
thereof gross forborne exposure	1,856,785	-	7,288	94,231	1,958,304
Performing exposure	**56,628,817**	**25,196,529**	**9,033,792**	**15,210,318**	**106,069,456**
thereof performing forborne exposure	1,135,794	-	-	75,730	1,211,524
Credit loss allowances for performing exposure	**(1,598,300)**	**(29,815)**	**(66,232)**	**(270,700)**	**(1,965,047)**
thereof credit loss allowances for performing forborne exposure	(79,433)	-	-	(5,477)	(84,910)
Non-performing exposure	**1,625,031**	**-**	**110,006**	**28,282**	**1,763,319**
thereof non-performing forborne exposure	720,991	-	-	18,502	739,493
Credit loss allowances for non-performing exposure	**(1,178,670)**	**-**	**(70,919)**	**(18,765)**	**(1,268,354)**
thereof credit loss allowances for non-performing forborne exposure	(447,430)	-	(6,603)	(14,944)	(468,977)

Group

in RON thousands	Loans and advances	Debt securities	Other on- and off-balance-sheet positions	Loan commitments	Total
			31.12.2021		
Gross exposure	**51,969,803**	**23,524,902**	**7,352,325**	**11,823,286**	**94,670,316**
thereof gross forborne exposure	1,599,150	-	-	128,403	1,727,553
Performing exposure	**49,990,376**	**23,524,902**	**7,139,102**	**11,750,964**	**92,405,344**
thereof performing forborne exposure	525,227	-	-	106,472	631,699
Credit loss allowances for performing exposure	**(1,255,529)**	**(30,065)**	**(41,563)**	**(154,955)**	**(1,482,112)**
thereof credit loss allowances for performing forborne exposure	(82,160)	-	-	(3,511)	(85,671)
Non-performing exposure	**1,979,427**	**-**	**213,223**	**72,322**	**2,264,972**
thereof non-performing forborne exposure	1,073,923	-	-	21,931	1,095,854
Credit loss allowances for non-performing exposure	**(1,483,424)**	**-**	**(157,215)**	**(62,468)**	**(1,703,107)**
thereof credit loss allowances for non-performing forborne exposure	(752,442)	-	-	(17,512)	(769,954)

Bank

in RON thousands	Loans and advances	Debt securities	Other on- and off-balance-sheet positions	Loan commitments	Total
			31.12.2022		
Gross exposure	**57,717,429**	**25,113,603**	**8,390,435**	**15,453,710**	**106,675,177**
thereof gross forborne exposure	1,820,168	-	-	94,231	1,914,399
Performing exposure	**56,165,429**	**25,113,603**	**8,280,429**	**15,425,408**	**104,984,869**
thereof performing forborne exposure	1,126,556	-	-	75,729	1,202,285
Credit loss allowances for performing exposure	**(1,545,913)**	**(26,861)**	**(52,517)**	**(272,127)**	**(1,897,418)**
thereof credit loss allowances for performing forborne exposure	(79,051)	-	-	(5,477)	(84,528)
Non-performing exposure	**1,552,000**	**-**	**110,006**	**28,302**	**1,690,308**
thereof non-performing forborne exposure	693,613	-	-	18,502	712,115
Credit loss allowances for non-performing exposure	**(1,155,333)**	**-**	**(64,076)**	**(18,784)**	**(1,238,193)**
thereof credit loss allowances for non-performing forborne	(432,661)	-	-	(14,944)	(447,605)

26. Credit risk *(continued)*

Bank

in RON thousands	Loans and advances	Debt securities	Other on- and off-balance-sheet positions	Loan commitments	Total
			31.12.2021		
Gross exposure	**51,309,485**	**23,301,166**	**7,243,275**	**12,132,475**	**93,986,401**
thereof gross forborne exposure	1,535,094	-	-	128,403	1,663,497
Performing exposure	**49,412,532**	**23,301,166**	**7,030,052**	**12,061,366**	**91,805,116**
thereof performing forborne exposure	513,888	-	-	106,472	620,360
Credit loss allowances for performing exposure	**(1,207,336)**	**(23,131)**	**(40,245)**	**(160,974)**	**(1,431,686)**
thereof credit loss allowances for performing forborne exposure	(81,535)	-	-	(3,511)	(85,046)
Non-performing exposure	**1,896,953**	**-**	**213,223**	**71,109**	**2,181,285**
thereof non-performing forborne exposure	1,021,205	-	-	21,931	1,043,136
Credit loss allowances for non-performing exposure	**(1,459,505)**	**-**	**(157,215)**	**(62,468)**	**(1,679,188)**
thereof credit loss allowances for non-performing forborne	(723,831)	-	-	(17,512)	(741,343)

This section provides a comprehensive picture of the credit quality of the banks' assets per financial instrument. Total forborne exposure increased by RON 230,751 thousand in case of Group, respectively by RON 250,902 thousand in case of Bank, noticeable in loans and advances and loan commitments.

Types of forbearance exposure

Group

in RON thousands	Gross forborne exposure	Modification in terms and conditions	Refinancing	Gross forborne exposure	Modification in terms and conditions	Refinancing
		31.12.2022			31.12.2021	
Loans and advances	1,856,785	1,855,906	879	1,599,150	1,596,637	2,513
Loan commitments	94,231	82,719	11,512	128,403	116,887	11,516
Total	**1,951,016**	**1,938,625**	**12,391**	**1,727,553**	**1,713,524**	**14,029**

Bank

in RON thousands	Gross forborne exposure	Modification in terms and conditions	Refinancing	Gross forborne exposure	Modification in terms and conditions	Refinancing
		31.12.2022			31.12.2021	
Loans and advances	1,820,168	1,819,289	879	1,535,094	1,532,581	2,513
Loan commitments	94,231	82,719	11,512	128,403	116,887	11,516
Total	**1,914,399**	**1,902,008**	**12,391**	**1,663,497**	**1,649,468**	**14,029**

Loans and advances figures include finance lease receivables and trade and other receivables.

Non-performing credit risk exposure and credit loss allowances

For the definition of credit risk exposure classified as non-performing, please refer to the description of risk categories in the subsection 'Internal rating system'. Credit risk provisions include specific and collective allowances and provisions for guarantees.

Credit loss allowances (all stages combined) covered 187.31% (2021: 144.89%) in case of Group and 189.75% (2021: 147.25%) in case of BCR of the reported non-performing on-balance and off-balance credit risk exposure as of 31 December 2022. For the portion of the non-performing credit risk exposure that is not covered by allowances, Group assumes there are sufficient levels of collateral and expected other recoveries.

Non-performing exposure reached RON 1,763,319 thousands as of December 2022 (2021: RON 2,264,972 thousands) in case of BCR Group and RON 1,690,308 thousands (2021: RON 2,181,285 thousands) in case of Bank, as a result of good performance in workout exceeding the regular level of new defaults.

The following tables show the coverage of the non-performing credit risk exposure by credit loss allowances (without taking into consideration the collateral) as of 31 December 2022 and 31 December 2021.

26. Credit risk *(continued)*

The non-performing exposure ratio (NPE ratio) is calculated as the non-performing credit risk exposure divided by total credit risk exposure while the NPE coverage ratio (excl. collateral) is calculated according to Group's internal definition by dividing total loss allowances by non-performing credit risk exposure. Collateral or other recoveries are not taken into account.

Non-performing credit risk exposure by business segment and coverage by credit loss allowances and collateral

Group

in RON thousands	Non-performing		Credit risk exposure		Credit loss allowances	Collateral for NPE		NPE ratio		NPE coverage (excl. collateral)	NPE collateralization ratio	
	Total	AC and FVOCI	Total	AC and FVOCI	AC and FVOCI	Total	AC and FVOCI	Total	AC and FVOCI	AC and FVOCI	Total	AC and FVOCI
						31.12.2022						
Retail	1,057,229	1,057,167	32,353,866	32,329,844	(2,001,927)	311,701	311,701	3.27%	3.27%	189.37%	29.48%	29.48%
Corporates	700,609	609,336	46,398,094	39,754,005	(1,084,236)	281,408	281,408	1.51%	1.53%	177.94%	40.17%	46.18%
Group Markets	70	70	3,382,640	1,870,318	(6,889)	-	-	0.00%	0.00%	9841.43%	0.00%	0.00%
Asset/Liability Management and Local Corporate Center	5,411	5,411	25,698,175	25,652,444	(38,761)	-	-	0.02%	0.02%	716.34%	0.00%	0.00%
Total	**1,763,319**	**1,671,984**	**107,832,775**	**99,606,611**	**(3,131,813)**	**593,109**	**593,109**	**1.64%**	**1.68%**	**187.31%**	**33.64%**	**35.47%**

Group

in RON thousands	Non-performing		Credit risk exposure		Credit loss allowances	Collateral for NPE		NPE ratio		NPE coverage (excl. collateral)	NPE collateralization ratio	
	Total	AC and FVOCI	Total	AC and FVOCI	AC and FVOCI	Total	AC and FVOCI	Total	AC and FVOCI	AC and FVOCI	Total	AC and FVOCI
						31.12.2021						
Retail	1,083,920	1,083,900	30,590,116	30,574,491	(1,599,014)	326,488	326,488	3.54%	3.55%	147.52%	30.12%	30.12%
Corporates	1,102,108	910,129	36,100,938	31,561,552	(1,295,558)	372,153	372,153	3.05%	2.88%	142.35%	33.77%	40.89%
Group Markets	200	200	4,216,785	1,803,359	(2,615)	-	-	0.00%	0.01%	1307.50%	0.00%	0.00%
Asset/Liability Management and Local Corporate Center	78,744	77,842	23,762,477	23,697,065	(105,068)	-	-	0.33%	0.33%	134.98%	0.00%	0.00%
Total	**2,264,972**	**2,072,071**	**94,670,316**	**87,636,467**	**(3,002,255)**	**698,641**	**698,641**	**2.39%**	**2.36%**	**144.89%**	**30.85%**	**33.72%**

Bank

in RON thousands	Non-performing		Credit risk exposure		Credit loss allowances	Collateral for NPE		NPE ratio		NPE coverage (excl. collateral)	NPE collateralization ratio	
	Total	AC and FVOCI	Total	AC and FVOCI	AC and FVOCI	Total	AC and FVOCI	Total	AC and FVOCI	AC and FVOCI	Total	AC and FVOCI
						31.12.2022						
Retail	1,039,543	1,039,480	32,200,933	32,176,909	(1,983,879)	310,585	310,585	3.23%	3.23%	190.85%	29.88%	29.88%
Corporates	575,815	484,541	42,078,880	35,434,793	(924,574)	224,555	224,555	1.37%	1.37%	190.81%	39.00%	46.34%
Group Markets	90	90	3,416,929	1,894,681	(6,924)	-	-	0.00%	0.00%	7693.33%	0.00%	0.00%
Asset/Liability Management and Local Corporate Center	74,860	74,860	28,978,435	28,932,704	(118,625)	-	-	0.26%	0.26%	158.46%	0.00%	0.00%
Total	**1,690,308**	**1,598,971**	**106,675,177**	**98,439,087**	**(3,034,002)**	**535,140**	**535,140**	**1.58%**	**1.62%**	**189.75%**	**31.66%**	**33.47%**

Bank

in RON thousands	Non-performing		Credit risk exposure		Credit loss allowances	Collateral for NPE		NPE ratio		NPE coverage (excl. collateral)	NPE collateralization ratio	
	Total	AC and FVOCI	Total	AC and FVOCI	AC and FVOCI	Total	AC and FVOCI	Total	AC and FVOCI	AC and FVOCI	Total	AC and FVOCI
						31.12.2021						
Retail	1,056,407	1,056,387	30,352,273	30,336,647	(1,569,815)	324,833	324,833	3.48%	3.48%	148.60%	30.75%	30.75%
Corporates	1,045,905	853,926	32,787,573	28,248,188	(1,235,087)	307,831	307,831	3.19%	3.02%	144.64%	29.43%	36.05%
Group Markets	200	200	4,229,071	1,810,513	(2,637)	-	-	0.00%	0.01%	1318.50%	0.00%	0.00%
Asset/Liability Management and Local Corporate Center	78,773	77,872	26,617,484	26,552,071	(120,372)	-	-	0.30%	0.29%	154.58%	0.00%	0.00%
Total	**2,181,285**	**1,988,385**	**93,986,401**	**86,947,419**	**(2,927,911)**	**632,664**	**632,664**	**2.32%**	**2.29%**	**147.25%**	**29.00%**	**31.82%**

The tables on the following pages present the structure of the customer loan book, excluding loans to central banks and credit institutions broken down by different categories. Loans and advances to customers comprise:

- loans and advances to customers at FVPL;
- loans and advances to customers at AC;
- finance lease receivables;
- trade and other receivables.

Loans and advances to customers by geographical operating segment and currency

Group

in RON thousands	EUR	RON	USD	Other	Total
			31.12.2022		
CEE, of which	**17,328,449**	**40,580,644**	**196,125**	**27**	**58,105,245**
Romania	17,328,449	40,580,644	196,125	27	58,105,245
Total	**17,328,449**	**40,580,644**	**196,125**	**27**	**58,105,245**

Group

in RON thousands	EUR	RON	USD	Other	Total
			31.12.2021		
CEE, of which	**14,903,499**	**35,289,921**	**350,181**	**35**	**50,543,636**
Romania	14,903,499	35,289,921	350,181	35	50,543,636
Total	**14,903,499**	**35,289,921**	**350,181**	**35**	**50,543,636**

26. Credit risk *(continued)*

Bank

in RON thousands	EUR	RON	USD	Other	Total
			31.12.2022		
CEE, of which	**16,599,133**	**40,736,699**	**155,860**	**27**	**57,491,719**
Romania	16,599,133	40,736,699	155,860	27	57,491,719
Total	**16,599,133**	**40,736,699**	**155,860**	**27**	**57,491,719**

Bank

in RON thousands	EUR	RON	USD	Other	Total
			31.12.2021		
CEE, of which	**14,562,776**	**34,927,867**	**321,272**	**35**	**49,811,950**
Romania	14,562,776	34,927,867	321,272	35	49,811,950
Total	**14,562,776**	**34,927,867**	**321,272**	**35**	**49,811,950**

Loans and advances to customers by business segment and risk category

Group

in RON thousands	Low risk	Management attention	Substandard	Non-performing	Total
			31.12.2022		
Retail	24,521,466	3,145,679	1,289,209	1,051,496	30,007,850
Corporates	18,526,731	6,704,474	697,500	560,131	26,488,836
Group Markets	1,300,522	13,006	181	70	1,313,779
Asset/Liability Management and Local Corporate Center	229,443	1,692	58,234	5,411	294,780
Total	**44,578,162**	**9,864,851**	**2,045,124**	**1,617,108**	**58,105,245**

Group

in RON thousands	Low risk	Management attention	Substandard	Non-performing	Total
			31.12.2021		
Retail	25,383,670	1,254,855	806,745	1,078,564	28,523,834
Corporates	15,822,830	4,496,260	639,068	894,736	21,852,894
Group Markets	30,783	1,334	236	200	32,553
Asset/Liability Management and Local Corporate Center	81,496	46,905	27	5,927	134,355
Total	**41,318,779**	**5,799,354**	**1,446,076**	**1,979,427**	**50,543,636**

Bank

in RON thousands	Low risk	Management attention	Substandard	Non-performing	Total
			31.12.2022		
Retail	24,492,237	3,142,941	1,289,144	1,033,809	29,958,131
Corporates	15,632,299	6,350,032	668,299	443,260	23,093,890
Group Markets	1,300,522	13,006	181	70	1,313,779
Asset/Liability Management and Local Corporate Center	2,943,125	116,633	58,238	7,923	3,125,919
Total	**44,368,183**	**9,622,612**	**2,015,862**	**1,485,062**	**57,491,719**

Bank

in RON thousands	Low risk	Management attention	Substandard	Non-performing	Total
			31.12.2021		
Retail	25,255,708	1,252,427	806,403	1,051,050	28,365,588
Corporates	13,222,143	4,242,948	606,227	767,830	18,839,148
Group Markets	30,783	1,334	236	200	32,553
Asset/Liability Management and Local Corporate Center	2,166,494	402,213	27	5,927	2,574,661
Total	**40,675,128**	**5,898,922**	**1,412,893**	**1,825,007**	**49,811,950**

26. Credit risk *(continued)*

In the following tables, the non-performing loans and advances to customers divided by segments are contrasted with allowances for customer loans (all allowances for loans and advances to customers within the scope of IFRS 9) and the collateral for non-performing loans (NPL). The NPL ratio, the NPL coverage ratio (excluding collateral), and the NPL collateralisation ratio are also included.

The NPL ratio of loans and advances to customers is calculated by dividing the gross carrying amount of non-performing loans and advances to customers by the total gross carrying amount of loans and advances to customers. Consequently, it differs from the NPE ratio in section "Credit risk exposure'. Collaterals for non-performing loans mainly consist of real estates.

The NPL coverage ratio (excluding collateral) is calculated according to Group's internal definition by dividing total loss allowances (calculated for both performing and non-performing loans and advances to customers) by the gross carrying amount of the non-performing loans and advances to customers. Collateral or other recoveries are not taken into account.

Non-performing loans and advances to customers by business segment and coverage by loan loss allowances and collateral

Group

in RON thousands	Non-performing		Gross customer loans		Loan loss allowances	Collateral for NPL		NPL ratio		NPL coverage (exc collateral)	NPL collateralisation ratio	
	Total	AC	Total	AC	AC	Total	AC	Total	AC	AC	Total	AC
						31.12.2022						
Retail	1,051,496	1,051,496	30,007,851	30,007,851	(1,943,893)	310,504	310,504	3.50%	3.50%	184.87%	29.53%	29.53%
Corporates	560,131	560,131	26,488,835	26,488,835	(814,948)	263,596	263,596	2.11%	2.11%	145.49%	47.06%	47.06%
Group Markets	70	70	1,313,779	1,313,779	(6,392)	-	-	0.01%	0.01%	9122.72%	0.00%	0.00%
Asset/Liability Management and Local Corporate Center	5,411	5,411	294,779	294,780	(11,475)	-	-	1.84%	1.84%	212.08%	0.00%	0.00%
Total	**1,617,108**	**1,617,108**	**58,105,244**	**58,105,245**	**(2,776,708)**	**574,100**	**574,100**	**2.78%**	**2.78%**	**171.71%**	**35.50%**	**35.50%**

Group

in RON thousands	Non-performing		Gross customer loans		Loan loss allowances	Collateral for NPL		NPL ratio		NPL coverage (exc collateral)	NPL collateralisation ratio	
	Total	AC	Total	AC	AC	Total	AC	Total	AC	AC	Total	AC
						31.12.2021						
Retail	1,078,563	1,078,563	28,523,832	28,523,832	(1,567,165)	326,019	326,019	3.78%	3.78%	145.30%	30.23%	30.23%
Corporates	894,736	894,736	21,852,893	21,852,893	(1,158,851)	354,352	354,352	4.09%	4.09%	129.52%	39.60%	39.60%
Group Markets	200	200	32,553	32,553	(45)	-	-	0.62%	0.62%	22.46%	0.00%	0.00%
Asset/Liability Management and Local Corporate Center	5,927	5,927	134,355	134,355	(9,725)	-	-	4.41%	4.41%	164.07%	0.00%	0.00%
Total	**1,979,426**	**1,979,426**	**50,543,633**	**50,543,633**	**(2,735,786)**	**680,371**	**680,371**	**3.92%**	**3.92%**	**138.21%**	**34.37%**	**34.37%**

Bank

in RON thousands	Non-performing		Gross customer loans		Loan loss allowances	Collateral for NPL		NPL ratio		NPL coverage (exc collateral)	NPL collateralisation ratio	
	Total	AC	Total	AC	AC	Total	AC	Total	AC	AC	Total	AC
						31.12.2022						
Retail	1,033,809	1,033,809	29,958,132	29,958,132	(1,925,926)	309,388	309,388	3.45%	3.45%	186.29%	29.93%	29.93%
Corporates	443,260	443,260	23,093,891	23,093,891	(681,500)	206,744	206,744	1.92%	1.92%	153.75%	46.64%	46.64%
Group Markets	70	70	1,313,779	1,313,779	(6,392)	-	-	0.01%	0.01%	9122.70%	0.00%	0.00%
Asset/Liability Management and Local Corporate Center	7,923	7,923	3,125,918	3,125,917	(18,416)	-	-	0.25%	0.25%	232.45%	0.00%	0.00%
Total	**1,485,062**	**1,485,062**	**57,491,720**	**57,491,719**	**(2,632,234)**	**516,132**	**516,132**	**2.58%**	**2.58%**	**177.25%**	**34.75%**	**34.75%**

Bank

in RON thousands	Non-performing		Gross customer loans		Loan loss allowances	Collateral for NPL		NPL ratio		NPL coverage (exc collateral)	NPL collateralisation ratio	
	Total	AC	Total	AC	AC	Total	AC	Total	AC	AC	Total	AC
						31.12.2021						
Retail	1,051,050	1,051,050	28,365,590	28,365,590	(1,538,040)	324,364	324,364	3.71%	3.71%	146.33%	30.86%	30.86%
Corporates	767,830	767,830	18,839,147	18,839,147	(1,034,636)	290,030	290,030	4.08%	4.08%	134.75%	37.77%	37.77%
Group Markets	200	200	32,553	32,553	(45)	-	-	0.62%	0.62%	22.46%	0.00%	0.00%
Asset/Liability Management and Local Corporate Center	5,927	5,927	2,574,662	2,574,662	(18,844)	-	-	0.23%	0.23%	317.93%	0.00%	0.00%
Total	**1,825,007**	**1,825,007**	**49,811,952**	**49,811,952**	**(2,591,565)**	**614,394**	**614,394**	**3.66%**	**3.66%**	**142.00%**	**33.67%**	**33.67%**

26. Credit risk *(continued)*

Loans and advances to customers at AC and coverage by loan loss allowances by business segment and IFRS 9 treatment

Group

in RON thousands	Loans to customers				Loan loss allowances				Stage 2 coverage ratio	Stage 3 coverage ratio	POCI coverage ratio
	Stage 1	Stage 2	Stage 3	POCI	Stage 1	Stage 2	Stage 3	POCI			
					31.12.2022						
Retail	21,891,690	6,939,151	993,244	183,766	(118,577)	(965,360)	(814,598)	(45,358)	13.91%	82.01%	24.68%
Corporates	20,071,678	5,838,485	493,047	85,626	(144,627)	(348,277)	(319,841)	(2,203)	5.97%	64.87%	2.57%
Group Markets	1,224,865	88,844	70	-	(797)	(5,585)	(9)	-	6.29%	12.86%	0.00%
Asset/Liability Management and Local Corporate Center	228,223	61,145	5,411	-	(1,230)	(4,772)	(5,474)	-	7.80%	101.16%	0.00%
Total	**43,416,456**	**12,927,625**	**1,491,772**	**269,392**	**(265,231)**	**(1,323,994)**	**(1,139,922)**	**(47,561)**	**10.24%**	**76.41%**	**17.65%**

Group

in RON thousands	Loans to customers				Loan loss allowances				Stage 2 coverage ratio	Stage 3 coverage ratio	POCI coverage ratio
	Stage 1	Stage 2	Stage 3	POCI	Stage 1	Stage 2	Stage 3	POCI			
					31.12.2021						
Retail	21,787,546	5,512,431	1,011,262	212,595	(117,214)	(590,210)	(806,566)	(53,175)	10.71%	79.76%	25.01%
Corporates	17,065,463	3,876,888	850,319	60,224	(147,403)	(384,420)	(613,759)	(13,269)	9.92%	72.18%	22.03%
Group Markets	27,531	4,822	200	-	(22)	(8)	(15)	-	0.17%	7.50%	0.00%
Asset/Liability Management and Local Corporate Center	80,335	48,093	5,927	-	(262)	(3,327)	(6,136)	-	6.92%	103.53%	0.00%
Total	**38,960,875**	**9,442,234**	**1,867,708**	**272,819**	**(264,901)**	**(977,965)**	**(1,426,476)**	**(66,444)**	**10.36%**	**76.38%**	**24.35%**

Bank

in RON thousands	Loans to customers				Loan loss allowances				Stage 2 coverage ratio	Stage 3 coverage ratio	POCI coverage ratio
	Stage 1	Stage 2	Stage 3	POCI	Stage 1	Stage 2	Stage 3	POCI			
					31.12.2022						
Retail	21,865,392	6,933,415	975,557	183,766	(118,429)	(965,115)	(797,024)	(45,358)	13.92%	81.70%	24.68%
Corporates	17,130,075	5,502,014	376,176	85,626	(98,058)	(336,610)	(244,629)	(2,203)	6.12%	65.03%	2.57%
Group Markets	1,224,865	88,844	70	-	(797)	(5,585)	(9)	-	6.29%	12.86%	0.00%
Asset/Liability Management and Local Corporate Center	3,028,694	89,302	7,923	-	(5,368)	(5,064)	(7,985)	-	5.67%	100.78%	0.00%
Total	**43,249,026**	**12,613,575**	**1,359,726**	**269,392**	**(222,652)**	**(1,312,374)**	**(1,049,647)**	**(47,561)**	**10.40%**	**77.20%**	**17.65%**

Bank

in RON thousands	Loans to customers				Loan loss allowances				Stage 2 coverage ratio	Stage 3 coverage ratio	POCI coverage ratio
	Stage 1	Stage 2	Stage 3	POCI	Stage 1	Stage 2	Stage 3	POCI			
					31.12.2021						
Retail	21,688,215	5,481,065	983,749	212,559	(116,600)	(588,111)	(780,154)	(53,175)	10.73%	79.30%	25.02%
Corporates	14,476,567	3,578,944	723,413	60,224	(108,152)	(368,907)	(544,309)	(13,269)	10.31%	75.24%	22.03%
Group Markets	27,531	4,822	200	-	(22)	(8)	(15)	-	0.17%	7.50%	0.00%
Asset/Liability Management and Local Corporate Center	2,398,204	170,530	5,927	-	(6,775)	(5,934)	(6,135)	-	3.48%	103.51%	0.00%
Total	**38,590,517**	**9,235,361**	**1,713,289**	**272,783**	**(231,549)**	**(962,960)**	**(1,330,613)**	**(66,444)**	**10.43%**	**77.66%**	**24.36%**

27. Market risk

Definition and overview

Market risk is the risk of loss that may arise due to adverse changes in market prices and to the parameters derived therefrom. These market value changes might appear in the profit and loss account or in the statement of comprehensive income. Market risk is divided into interest rate risk, currency risk, equity risk and commodity risk. This concerns both trading and banking book positions.

Methods and instruments employed

Potential losses from the trading book that may arise from market movements are assessed using the value at risk ('VaR'). The calculation is done according to the method of historic simulation with a one-sided confidence level of 99%, a holding period of one day and a simulation period of two years. The VaR describes what level of losses may be expected as a maximum at a defined probability – the confidence level – within a certain holding period of the positions under historically observed market conditions.

On the one hand, the confidence level is limited to 99%, and on the other hand, the model takes into account only those market scenarios observed in each case within the simulation period of two years and calculates the VaR for the current position of the bank on this basis. In order to investigate any extreme market situations beyond this, stress tests are conducted. These events include mainly market movements of low probability.

The Trading Book VaR model was approved by the Financial Market Authority ('FMA') as an internal market risk model to determine the own funds requirements of the trading book of Erste Group pursuant to the Austrian Banking Act.

For internal Pillar 2 capital purposes the VaR confidence level is scaled to 99.92% and the holding period is extended to one year.

27. Market risk *(continued)*

Methods and instruments of risk mitigation

Market risks are controlled in the trading book by setting several layers of limits. The overall limit on the basis of VaR for the trading book is allocated by the management board within the Risk Appetite Framework while taking into account the risk-bearing capacity and projected earnings. All market risk activities of the trading book are assigned risk limits that are consistent in their entirety with the VaR overall limit. The VaR limit is assigned in a top-down procedure to the individual trading units.

This is done down to the level of the individual trading groups or departments. Limit compliance is verified on a daily basis by the Market and Liquidity Risk unit. On demand limit reports can also be triggered by individual traders or chief traders on an ad hoc basis

As an inherent part of its business, BCR is exposed to interest rate risk arising from the characteristics of assets, liabilities and off balance sheet items as well as arising from the expected development of the balance sheet and banking activity.

BCR has four methods which are used to measure interest rate risk in the banking book:

- Economic value measures (MVoE, EVE) to assess the market value change under certain scenarios;
- Value at Risk based measures used for economic capital allocation under Pillar 2;
- Earnings at risk measure (NII sensitivity) to assess the impact on operating income of certain scenarios on BCR level. This also comprises valuation impacts on other comprehensive income (OCI);
- Sensitivity measures (BP01,CR01) to assess the market value sensitivity of certain portfolios.

BCR has in place strategies, policies and practices to manage interest rate risks in accordance with the risk tolerance. All internal and regulatory limits are monitored and reported to senior management.

The strategic steering of interest rate risk exposure is future oriented and based on the forecasted movements of the market variables (primarily interest rates) and business developments over a given – typically medium to long term - planning horizon.

Exchange rate risk

Risk from open foreign exchange positions is the risk related to exchange rates that derives from the mismatch between assets and liabilities, or from currency-related financial derivatives. These risks might originate from customer-related operations or proprietary trading and are monitored and managed on a daily basis.

Principles of managing foreign exchange risk

The FX Risk shows the sensitivity of BCR's open FX position to FX rate fluctuations. For both Banking Book and Trading Book, the FX position in BCR is monitored and reported on a daily basis. An internal limit was established for the net open position as a percentage from own funds.

The FX risk from trading book portfolio is also monitored on a daily basis through the VaR FX component total VaR by the Market and Liquidity Risk unit.

27. Market risk *(continued)*

Analysis of market risk

The following table shows the sensitivities amounts for open FX positions as of 31 December 2022 calculated based on the alternative standardized approach in line with the Regulation (EU) 876/2019.

Sensitivities BCR Bank (RON ths) 31.12.2022

Currency	Long	Short	Net
AED	384	-	384
AUD	-	(14)	(14)
BAM	1	-	1
BGN	855	-	855
CAD	537	-	537
CHF	491	-	491
CNY	25	-	25
CZK	-	(105)	(105)
DKK	48	-	48
DZD	-	(1)	(1)
EUR	-	(2,176)	(2,176)
GBP	1,134	-	1,134
HRK	-	-	-
HUF	-	(307)	(307)
INR	-	-	-
JOD	-	(45)	(45)
JPY	740	-	740
MDL	559	-	559
MXN	-	-	-
NOK	110	-	110
NZD	62	-	62
PLN	320	-	320
RON	-	-	-
RSD	5	-	5
RUB	-	-	-
SEK	722	-	722
TRY	12	-	12
UAH	518	-	518
USD	2,649	-	2,649
ZAR	16	-	16
Total	**9,188**	**(2,648)**	**6,540**

Sensitivities BCR Bank (RON ths) 31.12.2021

Currency	Long	Short	Net
AED	398	-	398
AUD	845	-	845
BAM	1	-	1
BGN	380	-	380
CAD	111	-	111
CHF	1,246	-	1,246
CNY	25	-	25
CZK	945	-	945
DKK	423	-	423
DZD	-	(88)	(88)
EUR	-	(6,166)	(6,166)
GBP	989	-	989
HRK	26	-	26
HUF	1,392	-	1,392
INR	-	-	-
JOD	-	(25)	(25)
JPY	517	-	517
MDL	879	-	879
MXN	-	-	-
NOK	226	-	226
NZD	62	-	62
PLN	1,050	-	1,050
RON	-	-	-
RSD	5	-	5
RUB	25	-	25
SEK	743	-	743
TND	-	(2)	(2)
TRY	1	-	1
UAH	-	-	-
USD	-	(660)	(660)
ZAR	14	-	14
Total	**10,303**	**(6,941)**	**3,362**

Value at Risk of trading book

The following tables show the VaR amounts as of 31 December 2022 and 31 December 2021 using equally weighted market data and with a holding period of one year. The confidence level is 99.92%.

Bank

in RON thousands	FX position	Fixed Income	Money Market	Equity	Total Trading Book
As at 31 December 2022	2,644	135	16,376	-	14,981
As at 31 December 2021	191	10,981	16,435	-	18,479

Interest rate risk of banking book

Interest rate risk is the risk of an adverse change in the fair value of financial instruments caused by a movement in market interest rates. This type of risk arises when mismatches exist between assets and liabilities, including derivatives, in respect of their maturities or of the timing of interest rate adjustments.

27. Market risk *(continued)*

In order to identify interest rate risk, all financial instruments, including transactions not recognized on the balance sheet, are grouped into maturity bands based on their remaining terms to maturity or terms to an interest rate adjustment (re-pricing). Positions without a fixed maturity (e.g. demand deposits) are included on the basis of modelled deposit rates that are determined by means of statistical methods.

The following tables list the open positions held by BCR by currency and re-pricing as of 31 December 2022 and 31 December 2021. Positive values indicate a surplus of asset items, while negative values represent a surplus on the liability side.

Bank — 31.12.2022

in RON thousands		RON		EUR		Other currencies	
Maturity band	Weighting factors	Net position	Weighted position	Net position	Weighted position	Net position	Weighted position
≤ 1 m	0.08%	7,781,023	6,225	3,505,110	2,804	(37,199)	(30)
> 1 m, ≤ 3 m	0.32%	(5,599,120)	(17,917)	3,679,807	11,775	(558,563)	(1,787)
> 3 m, ≤ 6 m	0.72%	2,120,448	15,267	(1,673,708)	(12,051)	(556,339)	(4,006)
> 6 m, ≤ 12 m	1.43%	(2,103,252)	(30,076)	(4,542,480)	(64,957)	(965,585)	(13,808)
> 1 y, ≤ 2 y	2.77%	3,133,927	86,810	1,022,083	28,312	(141,614)	(3,923)
> 2 y, ≤ 3 y	4.49%	3,522,438	158,157	720,412	32,347	(134,495)	(6,039)
> 3 y, ≤ 4 y	6.14%	1,842,673	113,140	(158,986)	(9,762)	(134,587)	(8,264)
> 4 y, ≤ 5 y	7.71%	(5,278,953)	(407,007)	(3,310,258)	(255,221)	(712,979)	(54,971)
> 5 y, ≤ 7 y	10.15%	98,083	9,955	1,525,620	154,850	-	-
> 7 y, ≤ 10 y	13.26%	2,291,330	303,830	586,054	77,711	-	-
> 10 y, ≤ 15 y	17.84%	367,348	65,535	513,906	91,681	-	-
> 15 y, ≤ 20 y	22.43%	(53)	(12)	(37,726)	(8,462)	-	-
> 20 y	26.03%	(15,077)	(3,925)	516	134	(6,095)	(1,587)
Total		**-**	**299,982**	**-**	**49,161**	**-**	**(94,415)**

Bank — 31.12.2021

in RON thousands		RON		EUR		Other currencies	
Maturity band	Weighting factors	Net position	Weighted position	Net position	Weighted position	Net position	Weighted position
≤ 1 m	0.08%	3,401,896	2,722	2,976,823	2,381	1,061,607	849
> 1 m, ≤ 3 m	0.32%	(2,831,921)	(9,062)	3,425,228	10,961	(504,020)	(1,613)
> 3 m, ≤ 6 m	0.72%	(93,437)	(673)	(1,885,807)	(13,578)	(510,708)	(3,677)
> 6 m, ≤ 12 m	1.43%	(1,678,711)	(24,006)	(6,103,052)	(87,274)	(910,439)	(13,019)
> 1 y, ≤ 2 y	2.77%	4,220,720	116,914	1,698,925	47,060	(117,389)	(3,252)
> 2 y, ≤ 3 y	4.49%	2,550,679	114,525	621,479	27,904	(105,162)	(4,722)
> 3 y, ≤ 4 y	6.14%	2,374,008	145,764	244,546	15,015	(105,225)	(6,461)
> 4 y, ≤ 5 y	7.71%	(7,065,352)	(544,739)	(2,788,402)	(214,986)	(567,162)	(43,728)
> 5 y, ≤ 7 y	10.15%	433,366	43,987	495,436	50,287	(237)	(24)
> 7 y, ≤ 10 y	13.26%	2,288,478	303,452	728,829	96,643	-	-
> 10 y, ≤ 15 y	17.84%	295,665	52,747	763,231	136,160	-	-
> 15 y, ≤ 20 y	22.43%	(36)	(8)	(28,886)	(6,479)	-	-
> 20 y	26.03%	(15,230)	(3,964)	(10,831)	(2,819)	(5,748)	(1,496)
Total			**197,659**		**61,275**		**(77,143)**

The weighting factors are the regulatory factors from the standardized approach for interest rate risk for banking book of Regulation 5/2013, where the assumed shocks are of 200 basis points. The potential impact of the parallel shift of the interest rates in the market value of equity (MVoE) under this approach is illustrated in the tables below. The regulatory and internal limit for this impact as a percentage from own funds is 20%, while the warning level is 15%.

Group

in RON thousands			31.12.2022
Own Funds			**9,851,919**
The Potential Decrease in the Market Value of Equity	in absolute value	RON	307,766
		EUR	74,817
		Other currencies	93,686
		Total	**476,269**
	% of Own Funds		4.83%

Group

in RON thousands			31.12.2021
Own Funds			8,469,402
The Potential Decrease in the Market Value of Equity	in absolute value	RON	212,766
		EUR	74,760
		Other currencies	76,523
		Total	364,049
	% of Own Funds		4.30%

27. Market risk *(continued)*

			Bank
in RON thousands			31.12.2022
Own Funds			9,678,849
The Potential Decrease in the Market Value of Equity	in absolute value	RON	299,982
		EUR	49,161
		Other currencies	94,415
		Total	443,558
	% of Own Funds		4.58%

			Bank
in RON thousands			31.12.2021
Own Funds			8,248,243
The Potential Decrease in the Market Value of Equity	in absolute value	RON	197,659
		EUR	61,276
		Other currencies	77,143
		Total	336,078
	% of Own Funds		4.07%

The following table shows the changes in NII (Net Interest Income) for BCR Bank for a 1 year period and the impact on fair value reserve (equity) due to an instantaneous parallel shift of the yield curves with ±1%, ±2%.

		Bank
RON thousands		31.12.2022
Shift	Sensitivity of Net Interest Income	Sensitivity of Fair Value reserve (Equity)
2%	275,703	(350,867)
1%	77,337	(178,777)
-1%	(216,742)	185,847
-2%	(428,874)	379,175

		Bank
RON thousands		31.12.2021
Shift	Sensitivity of Net Interest Income	Sensitivity of AFS reserve (equity)
2%	348,174	(290,143)
1%	153,422	(147,511)
-1%	(174,587)	152,624
-2%	(364,112)	310,609

28. Liquidity risk

Definition and overview

The liquidity risk is defined in the Group in line with the principles set out by the Basel Committee on Banking Supervision and the local regulator (National Bank of Romania). Accordingly, a distinction is made between market liquidity risk, which is the risk that the Group entities cannot easily offset or close a position at the market price because of inadequate market depth or market disruption, and funding liquidity risk, which is the risk that the banks in the Group will not be able to meet efficiently both expected and unexpected current and future cash flow and collateral needs without affecting either daily operations or the financial condition of the Group members.

Funding liquidity risk is further divided into insolvency risk and structural liquidity risk. The former is the short-term risk that current or future payment obligations cannot be met in full and on time in an economically justified manner, while structural liquidity risk is the long-term risk of losses due to a change in the Group's own refinancing cost or spread.

Liquidity strategy

The Liquidity Strategy was defined in accordance with the Group's risk appetite and it was compliant with internal and regulatory limits. The Liquidity Strategy contains developments, rules and targets including (but not limited to) regulatory requirements (e.g. LCR, NSFR), liquidity buffer, funding plan and maturity profile of issued debt and secured and unsecured interbank funding.

Methods and instruments employed

Short-term insolvency risk is monitored by calculating the survival period for each significant currency and total portfolio in the case of the Bank.

This analysis determines the maximum period during which the entity can survive a severe combined market and idiosyncratic crisis while relying on its pool of liquid assets. The chosen worst-case scenario simulates very limited money market and capital market access and at the same time significant client deposit outflow.

Furthermore, the simulation assumes increased drawdown on guarantees and loan commitments dependent on the type of the customer.

The Bank monitors the Liquidity Coverage Ratio ('LCR') and Net Stable Funding Ratio ('NSFR') according to CRR at both entity and group level and has included the metrics in its internal Risk Appetite Statement.

28. Liquidity risk *(continued)*

Additionally, the traditional liquidity gaps (depicting the going concern maturity mismatches) of the subsidiaries and the group as a whole are reported and monitored regularly. Funding concentration risk is continuously analysed in respect to counterparties. The Group's fund transfer pricing (FTP) system has also proven to be an efficient tool for structural liquidity risk management.

Methods and instruments of risk mitigation

Short-term liquidity risk is managed by limits resulting from the survival period model, internal stress testing and by internal LCR targets at both entity and group level. Limit breaches are reported to the Asset Liability Committee (ALCO). Another important instrument for managing the liquidity risk within the Group and in relation to its subsidiaries is the FTP system. As the process of planning funding needs provides important information for liquidity management, a detailed overview of funding needs is prepared on a quarterly basis for the planning horizon across the Group.

The Contingency Funding Plan of the Group ensures the necessary coordination of all parties involved in the liquidity management process in case of crisis and is reviewed on a regular basis. The contingency funding plans of the subsidiaries are coordinated as part of the plan for the Group.

Analysis of liquidity risk

Financial assets

Maturities of contractual undiscounted cash flows from financial assets as of 31 December 2022 and 31 December 2021 respectively for the Group were as follows:

Group

In RON thousands	Carrying amounts	Contractual cash flows	< 1 month	1-3 months	3-6 months	6-12 months	1-5 years	> 5 years
As of 31 December 2022								
Non-derivative assets	**92,951,410**	**122,485,840**	**26,157,874**	**2,105,916**	**4,863,979**	**9,750,783**	**41,488,249**	**38,119,039**
Cash and cash balances	15,224,576	15,224,576	15,224,576	-	-	-	-	-
Debt securities	24,896,343	29,072,176	76,843	206,816	2,212,690	4,070,101	15,217,225	7,288,501
Loans and advances to banks	148,343	3,117,396	3,034,330	83,066	-	-	-	-
Loans and advances to customers	52,682,148	75,071,692	7,822,125	1,816,034	2,651,289	5,680,682	26,271,024	30,830,538
Derivatives	**177,213**	**5,470,408**	**4,461,458**	**384,878**	**220,606**	**263,094**	**99,440**	**40,932**

Group

In RON thousands	Carrying amounts	Contractual cash flows	< 1 month	1-3 months	3-6 months	6-12 months	1-5 years	> 5 years
As of 31 December 2021								
Non-derivative assets	**84,246,278**	**101,734,133**	**20,793,754**	**3,781,125**	**2,327,637**	**6,891,586**	**37,103,079**	**30,836,952**
Cash and cash balances	13,317,439	13,317,439	13,317,439	-	-	-	-	-
Debt securities	23,436,060	27,647,868	574,742	2,123,424	379,368	2,729,620	15,245,606	6,595,108
Loans and advances to banks	1,362,312	1,690,309	1,670,173	20,136	-	-	-	-
Loans and advances to customers	46,130,466	59,078,517	5,231,400	1,637,565	1,948,269	4,161,966	21,857,473	24,241,844
Derivatives	**23,994**	**5,076,987**	**3,450,908**	**359,001**	**796,630**	**452,192**	**17,951**	**305**

The financial assets as of 31 December 2022 and 31 December 2021 respectively for the Bank, were as follows:

Bank

In RON thousands	Carrying amounts	Contractual cash flows	< 1 month	1-3 months	3-6 months	6-12 months	1-5 years	> 5 years
As of 31 December 2022								
Non-derivative assets	**94,169,727**	**121,295,859**	**26,040,447**	**1,875,713**	**4,495,123**	**8,977,149**	**41,868,052**	**38,039,375**
Cash and cash balances	15,224,262	15,224,262	15,224,262	-	-	-	-	-
Debt securities	24,813,499	28,897,003	33,212	180,580	2,152,756	4,024,729	15,217,225	7,288,501
Loans and advances to banks	156,699	3,081,677	2,989,825	83,066	-	6	8,780	-
Loans and advances to customers	53,975,267	74,092,917	7,793,148	1,612,067	2,342,367	4,952,414	26,642,047	30,750,874
Derivatives	**177,679**	**5,603,988**	**4,535,669**	**444,247**	**220,606**	**263,094**	**99,440**	**40,932**

28. Liquidity risk *(continued)*

Bank

In RON thousands	Carrying amounts	Contractual cash flows	< 1 month	1-3 months	3-6 months	6-12 months	1-5 years	> 5 years
As of 31 December 2021								
Non-derivative assets	**84,287,167**	**100,165,639**	**20,294,496**	**3,573,548**	**2,084,631**	**6,319,066**	**37,185,758**	**30,708,140**
Cash and cash balances	13,069,516	13,069,516	13,069,516	-	-	-	-	-
Debt securities	23,217,857	27,480,408	516,377	2,079,380	314,318	2,729,620	15,245,605	6,595,108
Loans and advances to banks	1,362,004	1,593,438	1,573,302	20,136	-	-	-	-
Loans and advances to customers	46,637,791	58,022,277	5,135,301	1,474,032	1,770,313	3,589,446	21,940,153	24,113,032
Derivatives	**23,994**	**5,126,468**	**3,500,389**	**359,001**	**796,630**	**452,192**	**17,951**	**305**

Financial liabilities

Maturities of contractual undiscounted cash flows from financial liabilities as of 31 December 2022 and 31 December 2021 for the Group, were as follows:

Group

in thousands RON	Carrying amounts	Contractual cash flows	< 1 month	1-3 months	3-6 months	6-12 months	1-5 years	> 5 years
As of 31 December 2022								
Non-derivative liabilities	**83,092,337**	**85,544,593**	**56,771,725**	**10,900,280**	**3,636,056**	**4,655,507**	**5,383,828**	**4,197,197**
Deposits by banks	2,079,394	2,170,133	1,446,828	85,904	51,276	111,989	362,350	111,786
Customer deposits	75,588,537	76,676,118	55,318,500	10,779,963	3,482,045	4,418,574	2,394,319	282,717
Debt securities in issue	5,424,406	6,698,342	6,397	34,413	102,735	124,944	2,627,159	3,802,694
Contingent liabilities	**15,770,533**	**15,770,533**	**15,770,533**	**-**	**-**	**-**	**-**	**-**
Financial guarantees	4,364	4,364	4,364	-	-	-	-	-
Irrevocable commitments	15,766,169	15,766,169	15,766,169	-	-	-	-	-
Derivatives	**163,579**	**5,453,045**	**4,463,603**	**372,200**	**226,980**	**250,391**	**98,941**	**40,930**

Group

in thousands RON	Carrying amounts	Contractual cash flows	< 1 month	1-3 months	3-6 months	6-12 months	1-5 years	> 5 years
As of 31 December 2021								
Non-derivative liabilities	**76,923,261**	**77,838,137**	**54,837,221**	**8,170,647**	**4,356,938**	**4,366,554**	**3,448,711**	**2,658,066**
Deposits by banks	1,206,657	1,040,484	438,765	55,096	63,250	108,972	265,020	109,381
Customer deposits	72,479,519	72,719,318	54,398,456	8,102,612	3,748,952	4,164,602	2,055,771	248,925
Debt securities in issue	2,733,120	3,559,660	-	-	39,000	92,980	1,127,920	2,299,760
Subordinated liabilities	503,964	518,675	-	12,939	505,736	-	-	-
Contingent liabilities	**10,970,017**	**10,970,017**	**10,970,017**	**-**	**-**	**-**	**-**	**-**
Financial guarantees	24,669	24,669	24,669	-	-	-	-	-
Irrevocable commitments	10,945,348	10,945,348	10,945,348	-	-	-	-	-
Derivatives	**22,343**	**5,069,344**	**3,452,041**	**356,252**	**779,759**	**463,088**	**17,882**	**322**

Compared to 2021, the volume of deposits (customers and banks) for the Group as of 31 December 2022 increased from RON 73,686,176 thousands to RON 77,667,931 thousands.

28. Liquidity risk *(continued)*

Maturities of contractual undiscounted cash flows from financial liabilities as of 31 December 2022 and 31 December 2021 respectively for the Bank were as follows:

Bank

in thousands RON	Carrying amounts	Contractual cash flows	< 1 month	1-3 months	3-6 months	6-12 months	1-5 years	> 5 years
As of 31 December 2022								
Non-derivative liabilities	**83.348.684**	**85.014.532**	**56.931.990**	**10.819.677**	**3.541.518**	**4.484.758**	**5.047.936**	**4.188.653**
Deposits by banks	2.315.225	2.356.444	2.102.513	20.030	-	19.505	102.610	111.786
Customer deposits	75.609.053	75.959.746	54.823.080	10.765.234	3.438.783	4.340.309	2.318.167	274.173
Debt securities in issue	5.424.406	6.698.342	6.397	34.413	102.735	124.944	2.627.159	3.802.694
Contingent liabilities	**15.628.832**	**15.628.832**	**15.628.832**	**-**	**-**	**-**	**-**	**-**
Financial guarantees	4.364	4.364	4.364	-	-	-	-	-
Irrevocable commitments	15.624.468	15.624.468	15.624.468	-	-	-	-	-
Derivatives	**163.579**	**5.453.045**	**4.463.603**	**372.200**	**226.980**	**250.391**	**98.941**	**40.930**

Bank

in thousands RON	Carrying amounts	Contractual cash flows	< 1 month	1-3 months	3-6 months	6-12 months	1-5 years	> 5 years
As of 31 December 2021								
Non-derivative liabilities	**76,774,803**	**77,693,761**	**55,238,598**	**8,113,832**	**4,278,265**	**4,229,755**	**3,182,943**	**2,650,368**
Deposits by banks	1,816,208	1,862,402	1,578,758	19,967	18,168	34,957	101,171	109,381
Customer deposits	71,721,511	71,753,024	53,659,840	8,080,926	3,715,361	4,101,818	1,953,852	241,227
Debt securities in issue	2,733,120	3,559,660	-	-	39,000	92,980	1,127,920	2,299,760
Subordinated liabilities	503,964	518,675	-	12,939	505,736	-	-	-
Contingent liabilities	**10,852,975**	**10,852,975**	**10,852,975**	**-**	**-**	**-**	**-**	**-**
Financial guarantees	9,650	9,650	9,650	-	-	-	-	-
Irrevocable commitments	10,843,324	10,843,324	10,843,324	-	-	-	-	-
Derivatives	**22,359**	**5,118,909**	**3,501,606**	**356,252**	**779,759**	**463,088**	**17,882**	**322**

Compared to 2021, the volume of deposits (customers and banks) for the Bank as of 31 December 2022 increased from RON 73,537,719 thousands to RON 77,924,278 thousands.
As of year-end 2022, the currency composition of the deposits consisted of approximately 67.00% RON (66.22% as of year-end 2021), 28.04% EUR (29.35% as of year-end 2021), 4.50% USD (3.92% as of year-end 2021) and the rest 0.45% in other currencies.

Non-current assets and other investments

29. Property, equipment and investment properties

Property and equipment

Property and equipment is measured at cost excluding the costs of day-to-day servicing, less accumulated depreciation and accumulated impairment in value. Changes in the expected useful life are accounted for by changing the amortization period or method, as appropriate, and treated as changes in accounting estimates.

Depreciation is calculated using the straight-line method to write down the cost of property and equipment to their residual values over their estimated useful lives. Land is not depreciated. The estimated useful lives are as follows:

- Buildings 30 to 50 years (mainly 50 years)
- Office equipment 3 to 10 years
- Other furniture and equipment 3 to 10 years

Depreciation is recognised in the statement of profit or loss in the line item 'Depreciation and amortisation' and impairment in the line item 'Other operating result'.
An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is recognized in 'Other operating result' in the statement of profit or loss in the year the asset is derecognized.

Investment properties

Investment property is property (land and buildings or part of a building or both) held for the purpose of earning rental income or for capital appreciation or both. In the case of partial own use, the property is classified as investment property only if the owner-occupied portion is less than 50% and separation between investment and owner occupied property is possible.

Investments in land and buildings under construction, where the future use is expected to be the same as for investment property, are treated as investment property.

An investment property is measured initially at its cost taking into account any expenditure directly attributable to the purchase (e.g. fees paid to the estate agent, notarial fees, property transfer taxes and fees).

After initial recognition an investment property is measured at cost (cost model) in accordance with IAS 16. Following that, an investment property is carried at its cost less any accumulated depreciation and any accumulated impairment losses. Investment property is presented in the statement of financial position in the line item 'Investment properties'.

Investment properties are derecognized when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in the profit or loss in the period of derecognition.

Rental income is recognised in the statement of profit or loss in the line item 'Rental income from investment properties and other operating leases'. Depreciation is presented in the statement of income in the line item 'Depreciation and amortisation' using the straight-line method over an estimated useful life. Any impairment losses, as well as their reversals, are recognised under the line item 'Other operating result'.

Impairment

The Group assesses at each reporting date or more frequently if events or changes in circumstances indicate that the carrying value may be impaired, whether there is an indication that a non-financial asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount.

Where the carrying amount of an asset (or cash-generating unit) exceeds its recoverable amount, the asset (or cash-generating unit) is considered impaired and is written down to its recoverable amount.

The Bank performed an analysis aiming at identifying cash generating units and concluded that its branches does not generate independent cash flows and, therefore, the impairment assessment for assets classified under IAS 16 should be made at the level of cash-generating unit (CGU) represented by the Bank as a whole.

29. Property, equipment and investment properties *(continued)*

In order to determine the impairment of assets classified under IAS 16 "Property, plant and equipment", the Bank compares the recoverable amount of the Bank as a whole (higher of the Bank fair value less costs to sell and its value in use), from which the net book value of the assets which are not subject to impairment test are deducted, with the net book value of these tangible assets.

For assets classified under IAS 40 (which includes both rented buildings and vacant buildings), the impairment was assessed based on their fair value as established by an external valuation report.

						Group
	Property and equipment - Acquisition and production costs					
in RON thousands	**Land and buildings**	**Office and equipment / other fixed assets**	**IT assets (hardware)**	**Movable other property**	**Total property and equipment**	**Investment properties**
Balance as of 01.01.2021	**379,461**	**469,040**	**258,117**	**180,209**	**1,286,827**	**358,016**
Additions in current year (+)	16,722	40,787	26,926	218,969	303,404	1,000
Disposals and write off (-)	(50,579)	(57,614)	(26,730)	(96,348)	(231,271)	(26,801)
Reclassification between classes of tangible assets	16	(33)	67	-	50	(3)
Reclassification in assets held for sale	40,598	21,256	-	127,586	189,440	-
Currency translation (+/-)	37	372	370	-	779	-
Balance as of 31.12.2021	**386,255**	**473,808**	**258,750**	**430,416**	**1,549,229**	**332,212**
Balance as of 01.01.2022	**386,255**	**473,808**	**258,750**	**430,416**	**1,549,229**	**332,212**
Additions in current year (+)	33,174	42,185	63,583	4,563	143,505	602
Disposals and write off (-)	(29,689)	(72,433)	(94,590)	(149,861)	(346,573)	(26,911)
Reclassification between classes of tangible assets	(13,644)	1,596	(2,834)	-	(14,882)	13,663
Reclassification in assets held for sale	(39,035)	(10,265)	(5,625)	-	(54,925)	-
Currency translation (+/-)	5	41	43	-	89	-
Balance as of 31.12.2022	**337,066**	**434,932**	**219,327**	**285,118**	**1,276,443**	**319,566**

						Group
	Property and equipment - Accumulated depreciation					
in RON thousands	**Land and buildings**	**Office and equipment / other fixed assets**	**IT assets (hardware)**	**Movable other property**	**Total property and equipment**	**Investment properties**
Balance as of 01.01.2021	**(157,364)**	**(322,676)**	**(206,474)**	**(135,338)**	**(821,852)**	**(186,156)**
Amortisation and depreciation (-)	(13,344)	(26,839)	(18,313)	(5,059)	(63,555)	(5,632)
Disposals (+)	25,486	57,807	27,059	55	110,407	7,702
Impairment (-)	(19,954)	(2,671)	(29)	(99,823)	(122,477)	(3,501)
Reversal of impairment (+)	3,023	-	-	352	3,375	5,598
Currency translation (+/-)	(11)	(299)	(340)	-	(650)	-
Balance as of 31.12.2021	**(162,164)**	**(294,678)**	**(198,097)**	**(239,813)**	**(894,752)**	**(181,989)**
Balance as of 01.01.2022	**(162,164)**	**(294,678)**	**(198,097)**	**(239,813)**	**(894,752)**	**(181,989)**
Amortisation and depreciation (-)	(15,146)	(29,742)	(19,484)	(37,330)	(101,702)	(5,292)
Disposals (+)	11,951	62,769	94,377	119,205	288,302	14,866
Impairment (-)	(7,976)	(3,911)	(93)	(2,172)	(14,152)	(3,055)
Reversal of impairment (+)	1,335	-	-	214	1,549	4,772
Reclassification between classes of tangible assets (+/-)	325	(725)	748	(2)	346	(325)
Reclassification in assets held for sale	16,540	4,746	4,902	-	26,188	-
Currency translation (+/-)	4	89	68	-	161	-
Balance as of 31.12.2022	**(155,131)**	**(261,452)**	**(117,579)**	**(159,898)**	**(694,060)**	**(171,023)**

						Group
	Property and equipment net					
in RON thousands	**Land and buildings**	**Office and equipment / other fixed assets**	**IT assets (hardware)**	**Movable other property**	**Total property and equipment**	**Investment properties**
Balance as of 31.12.2021	**224,091**	**179,130**	**60,653**	**190,603**	**654,477**	**150,223**
Balance as of 31.12.2022	**181,935**	**173,480**	**101,748**	**125,220**	**582,383**	**148,543**

29. Property, equipment and investment properties *(continued)*

Rights of use property, equipment and investment properties

Group

Right of use property and equipment - Acquisition costs						
in RON thousands	Land and buildings	Office and equipment / other fixed assets	IT assets (hardware)	Movable other property	Total property and equipment	Investment properties
Balance as of 01.01.2021	**503,032**	**-**	**-**	**1,492**	**504,524**	**-**
Additions in current year (+)	87,655	851	-	52,044	**140,550**	-
Disposals (+)	(45,128)	-	-	(308)	**(45,436)**	-
Currency translation (+/-)	418	-	-	-	418	-
Balance as of 31.12.2021	**545,977**	**851**	**-**	**53,228**	**600,056**	**-**
Balance as of 01.01.2022	**545,977**	**851**	**-**	**53,228**	**600,056**	**-**
Additions in current year (+)	100,114	228	-	22,663	**123,005**	-
Disposals and write off (-)	(29,390)	-	-	4,523	**(24,867)**	-
Reclassification in assets held for sale	(6,337)	-	-	-	**(6,337)**	-
Currency translation (+/-)	(91)	-	-	-	(91)	-
Balance as of 31.12.2022	**610,273**	**1,079**	**-**	**80,414**	**691,766**	**-**

Group

Right of use Property and equipment - Accumulated depreciation						
in RON thousands	Land and buildings	Office and equipment / other fixed assets	IT assets (hardware)	Movable other property	Total property and equipment	Investment properties
Balance as of 01.01.2021	**(104,447)**	**-**	**-**	**(1,309)**	**(105,756)**	**-**
Amortisation and depreciation (-)	(69,047)	(41)	-	(6)	(69,094)	-
Disposals (+)	14,968	-	-	190	15,158	-
Currency translation (+/-)	(235)	-	-	-	(235)	-
Balance as of 31.12.2021	**(158,761)**	**(41)**	**-**	**(1,125)**	**(159,927)**	**-**
Balance as of 01.01.2022	**(158,761)**	**(41)**	**-**	**(1,125)**	**(159,927)**	**-**
Amortisation and depreciation (-)	(72,152)	(174)	-	(6,277)	(78,603)	-
Disposals (+)	4,601	-	-	(4,286)	315	-
Impairment (-)	(11,855)	-	-	-	(11,855)	-
Reclassification in assets held for sale	5,159	-	-	-	5,159	-
Currency translation (+/-)	(31)	-	-	-	(31)	-
Balance as of 31.12.2022	**(233,039)**	**(215)**	**-**	**(11,688)**	**(244,942)**	**-**

Group

Right of use Property and equipment net						
in RON thousands	Land and buildings	Office and equipment / other fixed assets	IT assets (hardware)	Movable other property	Total property and equipment	Investment properties
Balance as of 01.01.2022	**387,216**	**810**	**-**	**52,103**	**440,129**	**-**
Balance as of 31.12.2022	**377,234**	**864**	**-**	**68,726**	**446,824**	**-**

Group

Total Property and equipment net						
in RON thousands	Land and buildings	Office and equipment / other fixed assets	IT assets (hardware)	Movable other property	Total property and equipment	Investment properties
Balance as of 01.01.2022	**611,307**	**179,940**	**60,653**	**242,706**	**1,094,606**	**150,223**
Balance as of 31.12.2022	**559,169**	**174,344**	**101,748**	**193,946**	**1,029,207**	**148,543**

29. Property, equipment and investment properties *(continued)*

Bank

in RON thousands	Property and equipment - Acquisition and production costs					
	Land and buildings	Office and equipment / other fixed assets	IT assets (hardware)	Movable other property	Total property and equipment	Investment properties
Balance as of 01.01.2021	**375,798**	**436,599**	**248,123**	**-**	**1,060,520**	**358,016**
Additions in current year (+)	16,717	40,780	25,571	-	**83,068**	1,000
Disposals and write off (-)	(47,464)	(57,193)	(26,535)	-	**(131,192)**	(26,801)
Reclassification between classes of intangible assets (+/-)	16	(25)	58	-	**49**	(3)
Reclassification in assets held for sale	40,598	-	-	-	**40,598**	-
Balance as of 31.12.2021	**385,665**	**420,161**	**247,217**	**-**	**1,053,043**	**332,212**
Balance as of 01.01.2022	**385,665**	**420,161**	**247,217**	**-**	**1,053,043**	**332,212**
Additions in current year (+)	33,174	41,559	61,517	-	**136,250**	603
Disposals and write off (-)	(29,689)	(55,104)	(94,262)	-	**(179,055)**	(26,911)
Reclassification between classes of intangible assets (+/-)	(13,644)	893	(2,131)	-	**(14,882)**	13,663
Reclassification in assets held for sale	(38,448)	(3,884)	-	-	**(42,332)**	-
Balance as of 31.12.2022	**337,058**	**403,625**	**212,341**	**-**	**953,024**	**319,567**

Bank

in RON thousands	Property and equipment - Accumulated depreciation					
	Land and buildings	Office and equipment / other fixed assets	IT assets (hardware)	Movable other property	Total property and equipment	Investment properties
Balance as of 01.01.2021	**(154,452)**	**(292,328)**	**(197,344)**	**-**	**(644,124)**	**(186,156)**
Amortisation and depreciation (-)	(13,333)	(26,122)	(17,444)	-	(56,899)	(5,632)
Disposals (+)	22,717	56,819	26,524	-	106,060	7,702
Impairment (-)	(19,953)	(2,671)	(29)	-	(22,653)	(3,501)
Reversal of impairment (+)	3,023	-	-	-	3,023	5,598
Balance as of 31.12.2021	**(161,998)**	**(264,302)**	**(188,293)**	**-**	**(614,593)**	**(181,989)**
Balance as of 01.01.2022	**(161,998)**	**(264,302)**	**(188,293)**	**-**	**(614,593)**	**(181,989)**
Amortisation and depreciation (-)	(15,133)	(28,974)	(18,469)	-	(62,576)	(5,293)
Disposals (+)	11,951	55,255	94,245	-	161,451	14,866
Impairment (-)	(7,972)	(3,911)	(93)	-	(11,976)	(3,055)
Reversal of impairment (+)	1,335	-	-	-	1,335	4,772
Reclassification between classes of tangible assets (+/-)	325	21	-	-	346	(325)
Reclassification in assets held for sale	16,362	-	-	-	16,362	-
Balance as of 31.12.2022	**(155,130)**	**(241,911)**	**(112,610)**	**-**	**(509,651)**	**(171,024)**

Bank

in RON thousands	Property and equipment net					
	Land and buildings	Office and equipment / other fixed assets	IT assets (hardware)	Movable other property	Total property and equipment	Investment properties
Balance as of 31.12.2021	**223,667**	**155,859**	**58,924**	**-**	**438,450**	**150,223**
Balance as of 31.12.2022	**181,928**	**161,714**	**99,731**	**-**	**443,373**	**148,543**

29. Property, equipment and investment properties *(continued)*

Bank

Right of use property and equipment - Acquisition costs

in RON thousands	Land and buildings	Office and equipment / other fixed assets	IT assets (hardware)	Movable other property	Total property and equipment	Investment properties
Balance as of 01.01.2021	**485,110**	**-**	**-**	**3,849**	**488,959**	**-**
Additions in current year (+)	86,728	851	-	2,852	**90,431**	-
Disposals and write off (-)	(42,235)	-	-	(907)	**(43,142)**	-
Balance as of 31.12.2021	**529,603**	**851**	**-**	**5,794**	**536,248**	**-**
Balance as of 01.01.2022	**529,603**	**851**	**-**	**5,794**	**536,248**	**-**
Additions in current year (+)	99,232	228	-	3,196	**102,656**	-
Disposals and write off (-)	(28,512)	-	-	(47)	**(28,559)**	-
Balance as of 31.12.2022	**600,323**	**1,079**	**-**	**8,943**	**610,345**	**-**

Bank

Right of use Property and equipment - Accumulated depreciation

in RON thousands	Land and buildings	Office and equipment / other fixed assets	IT assets (hardware)	Movable other property	Total property and equipment	Investment properties
Balance as of 01.01.2021	**(100,470)**	**-**	**-**	**(1,880)**	**(102,350)**	**-**
Amortisation and depreciation (-)	(65,764)	(41)	-	(2,132)	(67,937)	-
Disposals (+)	14,963	-	-	804	15,767	-
Balance as of 31.12.2021	**(151,271)**	**(41)**	**-**	**(3,208)**	**(154,520)**	**-**
Balance as of 01.01.2022	**(151,271)**	**(41)**	**-**	**(3,208)**	**(154,520)**	**-**
Amortisation and depreciation (-)	(68,641)	(174)	-	(1,867)	(70,682)	-
Disposals (+)	4,138	-	-	-	4,138	-
Impairment (-)	(11,857)	-	-	-	(11,857)	-
Balance as of 31.12.2022	**(227,631)**	**(215)**	**-**	**(5,075)**	**(232,921)**	**-**

Bank

Right of use Property and equipment net

in RON thousands	Land and buildings	Office and equipment / other fixed assets	IT assets (hardware)	Movable other property	Total property and equipment	Investment properties
Balance as of 31.12.2021	**378,332**	**810**	**-**	**2,586**	**381,728**	**-**
Balance as of 31.12.2022	**372,692**	**864**	**-**	**3,868**	**377,424**	**-**

Bank

Total Property and equipment net

in RON thousands	Land and buildings	Office and equipment / other fixed assets	IT assets (hardware)	Movable other property	Total property and equipment	Investment properties
Balance as of 31.12.2021	**601,999**	**156,669**	**58,924**	**2,586**	**820,178**	**150,223**
Balance as of 31.12.2022	**554,620**	**162,578**	**99,731**	**3,868**	**820,797**	**148,543**

There are no fixed assets pledged as collateral as at 31 December 2022 and 31 December 2021.

The total cost of the Group's tangible fixed assets in use and fully amortized at the end of 2022 was RON 257,580 thousands (2021: RON 359,736 thousands). The total cost of the Bank's tangible fixed assets in use and fully amortized at the end of 2022 was RON 256,203 thousands (2021: RON 352,462 thousands).

The investment properties are measured at cost. As at 31 December 2022, the fair value is RON 161,158 thousands (2021: RON 162,090 thousands). Fair values are determined based on an annual evaluation performed by an accredited external independent valuator. Please refer to note 30 for fair value disclosure.

Assets under construction are in amount of RON 116,652 thousands (2021: RON 99,204 thousands) for the Bank.

Assets subject to operating lease:

	Group		Bank	
in RON thousands	**31.12.2022**	**31.12.2021**	**31.12.2022**	**31.12.2021**
Land and buildings	9,902	9,902	9,902	9,902
Investment properties	20,157	20,157	20,157	20,157
Movable other property	183,478	247,287	-	-
Total	**213,538**	**277,347**	**30,060**	**30,060**

30. Fair values of non-financial assets

The following table shows fair values and fair value hierarchy of non-financial instruments at the year-end 2022 and 2021:

				2022	Group
in RON thousands	Carrying amount	Fair value	Quoted market prices in active markets Level 1	Marked to model based on observable market data Level 2	Marked to model based on non-observable inputs Level 3
Assets whose Fair Value is disclosed in the notes					
Investment property	148,543	161,158	-	-	161,158
Assets whose Fair Value is presented in the Balance sheet					
Assets held for sale (IFRS 5)	749,318	749,630	-	-	749,630

				2021	Group
in RON thousands	Carrying amount	Fair value	Quoted market prices in active markets Level 1	Marked to model based on observable market data Level 2	Marked to model based on non-observable inputs Level 3
Assets whose Fair Value is disclosed in the notes					
Investment property	150,223	162,090	-	-	162,090
Assets whose Fair Value is presented in the Balance sheet					
Assets held for sale (IFRS 5)	227,730	231,367	-	-	231,367

				2022	Bank
in RON thousands	Carrying amount	Fair value	Quoted market prices in active markets Level 1	Marked to model based on observable market data Level 2	Marked to model based on non-observable inputs Level 3
Assets whose Fair Value is disclosed in the notes					
Investment property	148,543	161,158	-	-	161,158
Assets whose Fair Value is presented in the Balance sheet					
Assets held for sale (IFRS 5)	51,499	51,811	-	-	51,811

				2021	Bank
in RON thousands	Carrying amount	Fair value	Quoted market prices in active markets Level 1	Marked to model based on observable market data Level 2	Marked to model based on non-observable inputs Level 3
Assets whose Fair Value is disclosed in the notes					
Investment property	150,223	162,090	-	-	162,090
Assets whose Fair Value is presented in the Balance sheet					
Assets held for sale (IFRS 5)	9,153	9,639	-	-	9,639

The fair values of non-financial assets are determined by experts with recognized and relevant professional qualification.

					2022	Group
in RON thousands	Fair value	Valuation technique	Inputs used	Range of inputs (weighted average)	Reasonable change	Sensitivity of fair value measurement
Investment property	161,158	Market value	Market value	Comparable market data	10%	16,116
Assets held for sale (IFRS 5)	749,630	Market value	Market value	Comparable market data	10%	74,963
Total recurring fair value measurements at Level 3	**910,788**					**91,079**

					2021	Group
in RON thousands	Fair value	Valuation technique	Inputs used	Range of inputs (weighted average)	Reasonable change	Sensitivity of fair value measurement
Investment property	162,090	Market value	Market value	Comparable market data	10%	16,209
Assets held for sale (IFRS 5)	231,367	Market value	Market value	Comparable market data	10%	23,137
Total recurring fair value measurements at Level 3	**393,457**					**39,346**

30. Fair values of non-financial assets *(continued)*

in RON thousands	Fair value	Valuation technique	Inputs used	Range of inputs (weighted average)	Reasonable change	Sensitivity of fair value measurement
					2022	Bank
Investment property	161,158	Market value	Market value	Comparable market data	10%	16,116
Assets held for sale (IFRS 5)	51,811	Market value	Market value	Comparable market data	10%	5,181
Total recurring fair value measurements at Level 3	**212,969**					**21,297**

in RON thousands	Fair value	Valuation technique	Inputs used	Range of inputs (weighted average)	Reasonable change	Sensitivity of fair value measurement
					2021	Bank
Investment property	162,090	Market value	Market value	Comparable market data	10%	16,209
Assets held for sale (IFRS 5)	9,639	Market value	Market value	Comparable market data	10%	964
Total recurring fair value measurements at Level 3	**171,729**					**17,173**

For non-financial assets owned by Group, the valuations are carried out mainly using the comparative and investment methods. Assessment is made on the basis of a comparison and analysis of appropriate comparable investment and rental transactions, together with evidence of demand within the vicinity of the relevant property. The characteristics of such similar transactions are then applied to the asset, taking into account size, location, terms, covenant and other material factors. Such measurements are presented in Level 3 of the fair value hierarchy.

31. Intangible assets

Intangible assets include the value of computer software and licenses. Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses.

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortized over the useful economic life. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at each financial year-end.

Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortization period or method, as appropriate, and treated as changes in accounting estimates.

Amortization is calculated using the straight-line method to write down the cost of intangible assets to their residual values over their estimated useful lives as follows:

- Computer software and licenses 3-7 years
- Licences are amortized on the duration of the utilization.

31. Intangible assets *(continued)*

Group

in RON thousands	Intangible assets - Acquisition and production costs			
	Software acquired	Self-developed software within the Group	Others (licenses, patents)	Total
Balance as of 01.01.2021	**771,549**	**163,825**	**236,481**	**1,171,855**
Additions in current year (+)	49,362	33,279	8,823	91,464
Disposals and write off (-)	(27,334)	(5)	(11,922)	(39,261)
Reclassification between classes of intangible assets (+/-)	20,889	(19,821)	(1,115)	(47)
Currency translation (+/-)	421	-	-	421
Balance as of 31.12.2021	**814,887**	**177,278**	**232,267**	**1,224,432**
Balance as of 01.01.2022	**814,887**	**177,278**	**232,267**	**1,224,432**
Additions in current year (+)	57,262	39,033	8,834	105,129
Disposals and write off (-)	(8,436)	(41)	(41,178)	(49,655)
Reclassification between classes of intangible assets (+/-)	19,999	(18,300)	(481)	1,218
Reclassification into assets held for sale (-)	(7,167)	-	-	(7,167)
Currency translation (+/-)	48	-	-	48
Balance as of 31.12.2022	**876,593**	**197,970**	**199,442**	**1,274,005**

Group

in RON thousands	Intangible assets - Accumulated amortisation			
	Software acquired	Self-developed software within the Group	Others (licenses, patents)	Total
Balance as of 01.01.2021	**(504,971)**	**(97,698)**	**(220,286)**	**(822,955)**
Amortisation and depreciation (-)	(55,702)	(11,288)	(10,161)	(77,151)
Disposals and write off (+)	25,836	5	11,922	37,763
Impairment (-)	(31)	(5)	(16)	(52)
Currency translation (+/-)	(363)	-	-	(363)
Balance as of 31.12.2021	**(535,231)**	**(108,986)**	**(218,541)**	**(862,758)**
Balance as of 01.01.2022	**(535,231)**	**(108,986)**	**(218,541)**	**(862,758)**
Amortisation and depreciation (-)	(55,689)	(9,110)	(6,693)	(71,492)
Disposals and write off (+)	7,757	41	41,178	48,976
Impairment (-)	(68)	(41)	-	(109)
Reclassification between classes of intangible assets (+/-)	(21)	-	-	(21)
Reclassification into assets held for sale (-)	6,151	-	-	6,151
Currency translation (+/-)	95	-	-	95
Balance as of 31.12.2022	**(577,006)**	**(118,096)**	**(184,056)**	**(879,158)**

Group

in RON thousands	Net intangible assets			
	Software acquired	Self-developed software within the Group	Others (licenses, patents)	Total
Balance as of 31.12.2021	**279,656**	**68,292**	**13,726**	**361,674**
Balance as of 31.12.2022	**299,587**	**79,874**	**15,386**	**394,847**

Bank

in RON thousands	Intangible assets - Acquisition and production costs			
	Software acquired	Self-developed software within the Group	Others (licenses, patents)	Total
Balance as of 01.01.2021	**732,049**	**163,825**	**236,121**	**1,131,995**
Additions in current year (+)	42,300	33,279	8,823	**84,402**
Disposals and write off (-)	(24,398)	(5)	(11,923)	**(36,326)**
Reclassification between classes of intangible assets (+/-)	20,889	(19,821)	(1,115)	**(47)**
Balance as of 31.12.2021	**770,840**	**177,278**	**231,906**	**1,180,024**
Balance as of 01.01.2022	**770,840**	**177,278**	**231,906**	**1,180,024**
Additions in current year (+)	47,255	39,033	8,831	**95,119**
Disposals and write off (-)	(7,757)	(41)	(41,178)	**(48,976)**
Reclassification between classes of intangible assets (+/-)	19,999	(18,300)	(481)	**1,218**
Balance as of 31.12.2022	**830,337**	**197,970**	**199,078**	**1,227,385**

31. Intangible assets *(continued)*

				Bank
	Intangible assets - Accumulated amortisation			
in RON thousands	**Software acquired**	**Self-developed software within the Group**	**Others (licenses, patents)**	**Total**
Balance as of 01.01.2021	**(474,709)**	**(97,698)**	**(219,926)**	**(792,333)**
Amortisation and depreciation (-)	(53,449)	(11,288)	(10,161)	**(74,898)**
Disposals and write off (+)	24,399	5	11,923	**36,327**
Impairment (-)	(31)	(5)	(16)	**(52)**
Balance as of 31.12.2021	**(503,790)**	**(108,986)**	**(218,180)**	**(830,956)**
Balance as of 01.01.2022	**(503,790)**	**(108,986)**	**(218,180)**	**(830,956)**
Amortisation and depreciation (-)	(52,235)	(9,110)	(6,690)	**(68,035)**
Disposals and write off (+)	7,757	41	41,178	**48,976**
Impairment (-)	(68)	(41)	-	**(109)**
Reclassification between classes of intangible assets (+/-)	(21)	-	-	**(21)**
Balance as of 31.12.2022	**(548,357)**	**(118,096)**	**(183,692)**	**(850,145)**

				Bank
	Net intangible assets			
in RON thousands	**Software acquired**	**Self-developed software within the Group**	**Others (licenses, patents)**	**Total**
Balance as of 31.12.2021	**267,050**	**68,292**	**13,726**	**349,068**
Balance as of 31.12.2022	**281,980**	**79,874**	**15,386**	**377,240**

The reclassification refers to the presentation of the licenses in a different category with distinct features from software (the amortization period is equal to the usage right period).

The total cost of the Group's intangible fixed assets in use and fully amortized at the end of 2022 was RON 368,310 thousands (2021: RON 400,176 thousands). The total cost of the Bank's intangible fixed assets in use and fully amortized at the end of 2022 was RON 353,528 thousands (2021: RON 384,474 thousands).

Assets under construction are in amount of RON 80,599 thousands (2021: RON 43,219 thousands) for the Group and the Bank and represent various software developments.

32. Other assets

	Group		Bank	
in RON thousands	**31.12.2022**	**31.12.2021**	**31.12.2022**	**31.12.2021**
Accrued income	48,836	47,697	35,187	27,653
Inventories (i)	40,689	56,491	32,962	47,608
Sundry assets (ii)	149,588	164,225	69,348	88,469
Other assets	**239,113**	**268,413**	**137,497**	**163,730**
Subsidiaries (iii)	-	-	500,943	518,464
Total Investments in subsidiaries and other assets	**239,113**	**268,413**	**638,440**	**682,194**

(i) Under this position the major part is represented by 'Repossessed Assets', which amounts to net of RON 32,962 thousands (2021: RON 47,607 thousands), for the Bank and RON 7,727 thousands (2021: RON 8,883 thousands) for subsidiaries. During 2022, a part of the repossessed assets was sold. The selling price in amount of RON 19,408 thousands (2021: RON 32,809 thousands) was booked as other operating income and the NBV in amount of RON 15,407 thousands (2021: RON 20,838 thousands) was recorded as other operating expenses.

After termination of operating leases, the car fleets are included in this position in accordance with principal activity of Fleet Management.

(ii) The deviation versus December 2021 is mainly explained by lower gold stock following clients' order, variation of advances to suppliers for BCR Leasing and recoverable VAT;

(iii) The Bank's investments in subsidiaries and other companies are in amount of RON 500,943 thousands (2021: RON 518,464 thousands). In December 2022, BCR Chisinau subsidiary was classified as asset held for sale and disposal group, as described in Note 38.

32. Other assets *(continued)*

Fiduciary assets

Assets held in a fiduciary capacity are not reported in the financial statements, as they are not the assets of the Group.

33. 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.

Leases where the Group is a lessor

A finance lease is a lease that transfers substantially all the risks and rewards incidental to ownership of an asset. In the case of a finance lease, the lessor reports a receivable from the lessee under the line item 'Finance lease receivables'. The receivable is equal to the present value of the contractually agreed payments taking into account any residual value. Interest income on the receivable is reported in the statement of profit or loss in the line item 'Other similar income' under 'Net interest income'.

In the case of operating leases, which are leases other than finance leases, the leased asset is reported by the lessor in 'Property and equipment' or in 'Investment properties' and is depreciated in accordance with the principles applicable to the assets involved.

Finance leases

The Group acts as a lessor under finance leases through the subsidiary BCR Leasing IFN SA, mainly on motor vehicles and equipment. The leases are mainly denominated in EUR and typically run for a period of between 1-7 years, with transfer of ownership of the leased asset at the end of the lease term. Interest is charged over the period of the lease based on fixed and variable (almost the entire portfolio is linked to EURIBOR+interest rates).

The receivables are secured by the underlying assets and by other collateral.

For finance lease receivables included in this item, the reconciliation of the gross investment in leases to the present value of outstanding lease payments is as follows:

	Group		Bank	
	31.12.2022	31.12.2021	31.12.2022	31.12.2021
Total amount of outstanding lease payments receivables	1,958,157	1,586,292	11,209	15,371
Gross investment	**1,958,157**	**1,586,292**	**11,209**	**15,371**
Total amount of related unearned finance income from lease agreements	(142,513)	(84,261)	(284)	(507)
Net investment	**1,815,644**	**1,502,031**	**10,925**	**14,864**
Present value of outstanding lease payments	**1,815,644**	**1,502,031**	**10,925**	**14,864**

The residual maturity analysis of gross investment in leases and present values of outstanding lease payments under non-cancellable leases is as follows:

	Gross investment		Present value of outstanding lease payments	
Group	31.12.2022	31.12.2021	31.12.2022	31.12.2021
< 1 year	690,014	573,999	622,684	534,191
1-2 years	538,268	434,077	497,079	409,700
2-3 years	376,705	304,364	354,631	291,498
3-4 years	237,210	180,633	227,903	175,188
4-5 years	98,305	78,040	96,083	76,554
> 5 years	17,655	15,180	17,264	14,900
Total	**1,958,157**	**1,586,293**	**1,815,644**	**1,502,031**

33. Leases *(continued)*

	Gross investment		Present value of outstanding lease payments	
Bank	**31.12.2022**	**31.12.2021**	**31.12.2022**	**31.12.2021**
< 1 year	4,437	4,194	4,334	4,062
1-2 years	4,889	4,625	4,776	4,480
2-3 years	1,262	4,698	1,222	4,551
3-4 years	565	1,239	540	1,189
4-5 years	56	561	53	530
> 5 years	-	54	-	52
Total	**11,209**	**15,371**	**10,925**	**14,864**

Finance lease receivables

31.12.2022 Group

in RON thousands	Gross carrying amount					Credit loss allowances					Carrying amount
	Stage 1	Stage 2	Stage 3	POCI	Total	Stage 1	Stage 2	Stage 3	POCI	Total	
General governments	518	-	-	-	**518**	(12)	-	-	-	**(12)**	**506**
Other financial corporations	18,302	1,394	58	-	**19,754**	(307)	(38)	(20)	-	**(365)**	**19,389**
Non-financial corporations	1,568,654	119,428	63,971	-	**1,752,053**	(22,783)	(5,383)	(37,883)	-	**(66,049)**	**1,686,004**
Households	35,591	5,097	88	-	**40,776**	(377)	(894)	(41)	-	**(1,312)**	**39,464**
Total	**1,623,065**	**125,919**	**64,117**	**-**	**1,813,101**	**(23,479)**	**(6,315)**	**(37,944)**	**-**	**(67,738)**	**1,745,363**

31.12.2021 Group

in RON thousands	Gross carrying amount					Credit loss allowances					Carrying amount
	Stage 1	Stage 2	Stage 3	POCI	Total	Stage 1	Stage 2	Stage 3	POCI	Total	
General governments	611	417	-	-	**1,028**	(42)	(3)	-	-	**(45)**	**983**
Other financial corporations	15,018	2,788	33	-	**17,839**	(254)	(119)	(11)	-	**(384)**	**17,455**
Non-financial corporations	1,245,102	133,474	66,537	-	**1,445,113**	(18,237)	(6,616)	(30,310)	-	**(55,163)**	**1,389,950**
Households	26,323	11,573	155	-	**38,051**	(276)	(880)	(52)	-	**(1,208)**	**36,843**
Total	**1,287,054**	**148,252**	**66,725**	**-**	**1,502,031**	**(18,809)**	**(7,618)**	**(30,373)**	**-**	**(56,800)**	**1,445,231**

31.12.2022 Bank

in RON thousands	Gross carrying amount					Credit loss allowances					Carrying amount
	Stage 1	Stage 2	Stage 3	POCI	Total	Stage 1	Stage 2	Stage 3	POCI	Total	
Credit institutions	-	-	2,512	-	**2,512**	-	-	(2,512)	-	**(2,512)**	**-**
Other financial corporations	7,137	772	-	-	**7,909**	(5)	(2)	-	-	**(7)**	**7,902**
Non-financial corporations	190	315	-	-	**505**	(1)	(1)	-	-	**(2)**	**503**
Total	**7,327**	**1,087**	**2,512**	**-**	**10,926**	**(6)**	**(3)**	**(2,512)**	**-**	**(2,521)**	**8,405**

31.12.2021 Bank

in RON thousands	Gross carrying amount					Credit loss allowances					Carrying amount
	Stage 1	Stage 2	Stage 3	POCI	Total	Stage 1	Stage 2	Stage 3	POCI	Total	
Credit institutions	-	-	3,609	-	**3,609**	-	-	(3,609)	-	**(3,609)**	**-**
Other financial corporations	9,716	1,088	-	-	**10,804**	(12)	(3)	-	-	**(15)**	**10,789**
Non-financial corporations	-	451	-	-	**451**	-	-	-	-	**-**	**451**
Total	**9,716**	**1,539**	**3,609**	**-**	**14,864**	**(12)**	**(3)**	**(3,609)**	**-**	**(3,624)**	**11,240**

The year-end total gross carrying amount of finance lease receivables that were initially recognized (purchased) during the reporting period and not fully derecognized by 31 December 2022 amounts to RON 923,063 thousands at Group level (2021: RON 603,928 thousands). The GCA of finance lease receivables that were held on 1 January 2022 and fully derecognized during the reporting period amounts to RON 55,488 thousands at Group level (2021: RON 34,700 thousands).

33. Leases *(continued)*

Operating leases

Under operating leases, BCR Group lease both real estate and movable property to other parties.

Minimum lease receivable from non-cancellable operating leases, from the view of BCR Group and Bank as lessor, were as follows:

	Group		Bank	
in RON thousands	31.12.2022	31.12.2021	31.12.2022	31.12.2021
< 1 year	116,706	141,046	4,433	4,011
1-2 years	55,900	108,576	3,535	2,838
2-3 years	33,156	66,349	2,448	2,665
3-4 years	12,499	32,978	1,913	1,567
4-5 years	3,000	6,616	520	964
> 5 years	509	532	509	532
Total	**221,770**	**356,097**	**13,358**	**12,577**

Leases where the Group is a lessee

Under IFRS 16, a lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases (less than 12 months) and leases of low-value items.

Lease term is considered as the non-cancellable period for which a lessee has the right to use an underlying asset together with both periods covered by an option to extend the lease if the lessee is reasonably certain to exercise that option and periods covered by an option to terminate the lease if the lessee is reasonably certain not to exercise that option.

In determining the lease term and assessing the length of the non-cancellable period of a lease, the Bank uses the contractual terms of the lease. The lease is no longer enforceable when the lessee and the lessor each has the right to terminate the lease without permission from the other party with no more than an insignificant penalty.

If only the lessor has the right to terminate a lease, the non-cancellable period includes the option to terminate the lease.

Any optional rights to extend or to terminate the lease beyond the non-cancellable period must be enforceable by considering the broader economics of the contract, and not only contractual termination payments. If the assessment leads to the result that lessee's right to extend or to terminate the lease are enforceable and the lessee is reasonably certain to exercise his rights beyond the non-cancellable period, those optional periods have to be considered in the assessment of the lease term.

The right-of-use asset is initially measured at cost. The cost comprises the amount of the initial measurement of the lease liability and also includes other elements such as initial direct costs incurred by the lessee. Subsequently, the right-of-use asset is depreciated to the earlier of the end of its useful life or the end of the lease term. The Group uses the straight-line method of depreciation. The right-of-use assets are presented in the statement of financial position as part of 'Property and equipment' or, if they are subleased to third parties, as part of 'Investment properties'.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if the rate cannot be readily determined, the lessee's incremental borrowing rate. Lease payments comprise fixed lease payments that depend on an index or a rate, amounts expected to be payable under a residual value guarantee. Additionally, the exercise price under a purchase option and lease payments in an optional renewal period are considered if the lessee is reasonably certain to exercise the options.

Subsequently, the carrying amount of the lease liability is increased by interest accrued using the applicable discount rate, reduced by lease payments made and remeasured to reflect any reassessment or lease modification. In the statement of financial position the lease liabilities are presented in the line item 'Lease liabilities'.

33. Leases *(continued)*

Undiscounted maturity analysis of lease liability, from the view of the Group and Bank as lessee, were as follows:

	Group		Bank	
in RON thousands	**31.12.2022**	**31.12.2021**	**31.12.2022**	**31.12.2021**
< 1 year	80,239	75,076	79,236	74,993
1-5 years	314,152	318,851	313,120	319,069
> 5 years	90,657	87,618	90,657	87,618
Total	**485,048**	**481,545**	**483,013**	**481,680**

During 2022, interest expenses on lease liabilities were recognised in the amount of RON 9,401 thousand (2021: RON 8,899 thousands) at Group level and RON 9,169 thousand (2021: RON 8,813 thousands) for the Bank. Expenses relating to leases of low value items for which the recognition exemption is applied and relating to short term leases for which the recognition exemption is applied were in amount of RON 12,747 thousand (2021: RON 14,684 thousand) at Group level and RON 12,217 thousand (2021: RON 14,170 thousand) for the Bank.

Other liabilities and provisions

34. Other liabilities

	Group		Bank	
in RON thousands	**31.12.2022**	**31.12.2021**	**31.12.2022**	**31.12.2021**
Payables related to employee cost	244,310	191,225	230,547	176,653
Taxes payable other than on income	14,842	59,203	12,949	58,423
Sundry creditors	94,946	77,673	47,851	43,764
Deferred income	62,813	51,983	62,093	51,574
Other liabilities(i)	393,038	3,894	4,085	3,075
Total	**809,949**	**383,978**	**357,525**	**333,489**

(i) Other liabilities include RON 389,919 thousands related to budgetary obligation of BPL as described in Note 36.

35. Provisions

Provisions are recognized when the Bank and Group has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

In the Statement of financial position, provisions are reported under the line item 'Provisions'. They include mainly credit risk loss provisions (particularly for financial guarantees and loan commitments) as well as provisions for litigations and restructuring. Expenses or income related to provisions for loan commitments and financial guarantees are reported in the statement of income under the line item 'Net impairment loss on financial instruments'.

Expenses or income related to other provisions are reported in the statement of income under the line item 'Other operating result'.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

In accordance with the provisions of IAS 37, BCR Group does not recognize on-balance the contingent liabilities because they are, either:

- possible obligations depending on whether some uncertain future event occurs, or
- present obligations but payment is not probable or the amount cannot be measured reliably.

Contingent assets which are defined as possible assets that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity. The Bank does not recognize on-balance contingent assets until the inflow of economic benefits becomes virtually certain.

Contingent liabilities as well as contingent assets are monitored and revalued on a continuous basis in order to ensure that all subsequent to initial recognition developments have been considered and a provision will be recognized, if the case.

35. Provisions *(continued)*

	Group		Bank	
in RON thousands	**31.12.2022**	**31.12.2021**	**31.12.2022**	**31.12.2021**
Long-term employee provisions	60,012	49,278	60,012	49,228
Pending legal issues	422,730	690,676	407,084	665,923
Loan commitments given	289,465	217,423	290,911	223,441
Provisions for commitments given in Stage 1	38,805	47,056	38,298	48,217
Provisions for commitments given in Stage 2	231,653	107,717	233,586	112,574
Provisions for commitments given - Defaulted	19,007	62,650	19,027	62,650
Provisions for commitments given in Stage 3	11,293	62,135	11,313	62,135
Provisions for commitments given - POCI	7,714	515	7,714	515
Financial Guarantees given	14,882	14,549	14,882	14,497
Provisions for financial guarantees in Stage 1	7	83	7	34
Provisions for financial guarantees in Stage 2	-	240	-	237
Provisions for financial guarantees - Defaulted	14,875	14,226	14,875	14,226
Provisions for financial guarantees in Stage 3	14,875	14,226	14,875	14,226
Other provisions (i)	213,418	822,005	112,642	196,165
Provisions	**1,000,507**	**1,793,931**	**885,531**	**1,149,254**

(i) the decrease in other provisions for Bank is due to provision for off balance exposures triggered by decrease of off balance exposures for some individual significant clients; additionally for the Group, decrease in other provision is related to BPL case as described in Note 36; in this line is also included the provision booked in relation with reclassification of BCR Chisinau as asset held for sale and disposal group as presented in Note 44.

Long term employee provisions

The Bank's net obligation in respect of long-term service benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods. On the basis of the Collective Labour Agreement, the Bank has a contractual obligation to make a one-off payment of up to four gross monthly salaries to retiring employees on the date of retiring. The defined benefit obligations are calculated by a qualified actuary taking into account the estimated salary at the date of retirement and the number of years served by each individual.

Movement in long term employee provisions

	Group		Bank	
in RON thousands	**31.12.2022**	**31.12.2021**	**31.12.2022**	**31.12.2021**
Opening defined benefit obligation	49,278	60,030	49,228	59,980
Interest cost	2,596	1,893	2,596	1,893
Current service cost	4,053	5,316	4,053	5,316
Past service cost	(3,373)	(4,288)	(3,373)	(4,288)
Benefits paid	(2,599)	(1,620)	(2,549)	(1,620)
Actuarial (gains)/loss on obligations	10,104	(11,734)	10,104	(11,734)
effect of experience adjustments	7,086	2,208	7,086	2,208
effect of demopraphic assumptions	3,018	(13,942)	3,018	(13,942)
Settlements gain	(47)	(319)	(47)	(319)
Total	**60,012**	**49,278**	**60,012**	**49,228**

The principal assumptions used in determining the defined benefit obligation of the Group's plan are shown below:

	2022	**2021**
	%	%
Discount rate	7.55%	5.40%
Future salary increases	5.60%	3.00%
Mortality rates	ROM-Anul2013	ROM-Anul2013
Disability rates	ETTL-PAGLER	ETTL-PAGLER

35. Provisions *(continued)*

The following table presents a sensitivity analysis for each significant actuarial assumptions showing how the defined benefit obligation would have been affected by changes in the relevant actuarial assumptions that were reasonably possible at the balance sheet.

	Group		Bank	
Sensitivity analysis	**2022**	**2021**	**2022**	**2021**
Sensivity - Discount rate +/- %	0.50%	0.50%	0.50%	0.50%
Impact on DBO: Discount rate decrease -	3,199	2,731	3,199	2,731
Impact on DBO: Discount rate increase +	(2,958)	(2,518)	(2,958)	(2,518)
Sensivity - Salary increase rate +/- %	0.50%	0.50%	0.50%	0.50%
Impact on DBO: Salary decrease rate -	(3,024)	(2,637)	(3,024)	(2,587)
Impact on DBO: Salary increase rate +	3,248	2,733	3,248	2,783

The remaining average duration of the defined benefit obligation at the end of the reporting period is 13.99 years (2021:14.45 years).

The expected service cost for 2023 is RON 5,202 thousands for the Bank (2022: RON 4,053 thousands).

According to the collective labour agreement, employees are entitled to one lump sum payment on the date of normal age retirement, of up to 4 gross monthly salaries (the Bank), depending on seniority.

This is a defined benefit plan that defines an amount of benefit that an employee is entitled to receive on the date of normal age retirement, dependent on one or more factors such as age, years of service and salary. A full actuarial valuation by a qualified independent actuary is carried out every year.

The plan liability is measured on an actuarial basis using the projected unit credit method. The defined benefit plan liability is discounted using rates equivalent to the market yields at the balance sheet date of government bonds that are denominated in the currency in which benefits will be paid and that have a maturity approximating to the terms of the related liability. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are recognized in the statement of changes in equity.

Provisions for allegedly abusive clauses

Starting with the enactment of Government Emergency Ordinance no.50/2010 on loan agreements for private individuals, as subsequently modified ('Ordinance 50'), the Bank was involved in consumer litigations with certain financial implications.

However, clients have continued to take court actions against the Bank on the grounds of Law no.193/2000 on unfair terms in contracts with consumers, as subsequently modified, that transposes into national law the Directive no. 1993/13/EC on unfair terms in consumer contracts.

Apart from individual litigations (clients taking court actions against the Bank on the grounds of Law no.193/2000 on unfair terms in contracts with consumers) BCR faced also a number of litigations with ANPC (National Authority for Consumers Protection), having as grounds the interpretations over Law 193/2000 featuring potential cross portfolio contamination effects. According to the amendments brought to Law 193 in 2013, whenever the National Consumer Protection Agency or a consumer association asks the court to qualify a clause as abusive, should the judge consider it so, that clause has to be removed from all the ongoing contracts.

By applying the principles of IAS 37, the Bank has recognized collectively assessed provisions for its probable obligation to reimburse the customers counterparty in contracts with allegedly abusive clauses similar to those subject to the litigations opened by ANPC..

The amount of the provision is reviewed semi-annually by the Bank in order to take account of the new court resolutions for litigations with clients for contracts which contain allegedly abusive clauses (of ANPC type or not) and changes in the relevant legislation.

As at December 2022, the Group recorded provisions for allegedly unfair terms included in contracts which are not yet subject to an individual litigation in total amount of RON 309.35 mil (December 2021: RON 530.29 mil).

The decrease recorded compared to the previous year was mainly due to the fact that part of the relevant loans have been closed through full reimbursement and the related provisions have been released .

Apart from the above-mentioned provision, the Group established a provision for all pending cases having as object individual clients claims regarding allegedly abusive clauses.

For individual claims, the Group has established a lower provision of RON 36.8 mil (December 2021: RON 83.5 mil) due to the decrease in the number of open cases.

The provisions are calculated for the portfolios at risk based on expected values, using statistical methods, separately for active loans, closed loans and loans sold for which the Bank has retained continuing involvement (described in Note 23 Transfers of financial assets). The key parameters used are the following: the potential abusive amount, the show up rate (percentage of clients that would open litigation) and the loss probability.

35. Provisions *(continued)*

Sensitivity analysis

Collective Provision for allegedly abusive amounts on active and closed loans	Group		Bank	
in RON thousands	31.12.2022	31.12.2021	31.12.2022	31.12.2021
1. Show up parameter deviation only				
+10% deviation	30.935	52.527	30.829	52.523
-10% deviation	(30.935)	(52.527)	(30.829)	(52.523)
2. Win-loss parameter deviation only (for interest)				
-10% deviation	(30.935)	(52.527)	(30.829)	(52.523)

Show-up rate of 90% is used in order to estimate the number of individual future litigations probable to be initiated by clients with active loans as at the date of the assessment, considering it is more likely than not that individual claims will be raised by the debtors having lending contracts with allegedly abusive clauses.

Loss ratio represents the probability that a dispute in court is lost, from Win/Loss estimated outcomes of litigations as per a legal expert evaluation.

Movement in provisions (other than long term employee provisions)

2022 Group

in RON thousands	Opening balance	Additions, includ. increases in exist. provisions (+)	Amounts used (-)	Unused amounts reversed during the period (-)	Changes in discounted amount	Exchange-rate and other changes (+/-)	Closing balance
Pending legal issues	690,676	42,164	(3,141)	(306,918)	-	(51)	422,730
Other provisions	822,005	313,509	(713,494)	(212,155)	-	3,553	213,418
Total provisions less long-term employee provisions	**1,512,681**	**355,673**	**(716,635)**	**(519,073)**	**-**	**3,502**	**636,148**

2021 Group

in RON thousands	Opening balance	Additions, includ. increases in exist. provisions (+)	Amounts used (-)	Unused amounts reversed during the period (-)	Changes in discounted amount	Exchange-rate and other changes (+/-)	Closing balance
Pending legal issues	673.100	115.805	(4.680)	(95.386)	-	1.837	690.676
Other provisions	962.043	212.393	(141.501)	(215.408)	-	4.478	822.005
Total provisions less long-term employee provisions	**1.635.143**	**328.198**	**(146.181)**	**(310.794)**	**-**	**6.315**	**1.512.681**

2022 Bank

in RON thousands	Opening balance	Additions, includ. increases in exist. provisions (+)	Amounts used (-)	Unused amounts reversed during the period (-)	Changes in discounted amount	Exchange-rate and other changes (+/-)	Closing balance
Pending legal issues	665.923	40.504	-	(299.292)	-	(51)	407.084
Other provisions	196.165	210.732	(102.604)	(195.225)	-	3.574	112.642
Total provisions less long-term employee provisions	**862.088**	**251.236**	**(102.604)**	**(494.517)**	**-**	**3.523**	**519.726**

2021 Bank

in RON thousands	Opening balance	Additions, includ. increases in exist. provisions (+)	Amounts used (-)	Unused amounts reversed during the period (-)	Changes in discounted amount	Exchange-rate and other changes (+/-)	Closing balance
Pending legal issues	645.940	109.282	-	(91.136)	-	1.837	665.923
Other provisions	272.358	209.731	(121.695)	(168.707)	-	4.478	196.165
Total provisions less long-term employee provisions	**918.298**	**319.013**	**(121.695)**	**(259.843)**	**-**	**6.315**	**862.088**

Usage of 'Other provisions' is mainly due to BpL case, as described in Note 36 Litigation and contingent liabilities.

35. Provisions *(continued)*

Loans commitments and financial guarantees

In the ordinary course of business, the Group gives financial guarantees, consisting of letters of credit, guarantees and acceptances. Financial guarantees are initially recognized in the financial statements at fair value, in 'Other liabilities', being the premium received. Subsequent to initial recognition, the Group financial guarantees are measured at the higher of the amount of the loss allowance determined as expected credit loss under IFRS 9 and the amount initially recognized less any cumulative amortization recognized in line with IFRS 15.

Any increase in the liability relating to financial guarantees is taken to the statement of comprehensive income in 'Net impairment loss from financial instruments' and in the statement of financial position in 'Provisions'. The premium received is recognized in the statement of comprehensive income in 'Net fees and commission income' on a straight line basis over the life of the guarantee.

Litigations

36. Litigations and contingent liabilities

Undrawn loan commitments

Undrawn loan commitments represent contractual commitments to grant loans and revolving credits. Commitments generally have fixed expiry dates or other termination clauses. Since commitments may expire without being drawn upon, the total contract amounts do not necessarily represent future cash requirements.

At the same time, the potential credit loss is less than the total unused commitments since most commitments to extend credit are contingent until the customers maintain specific standards. The Group monitors the maturity of credit commitments as longer-term commitments generally have a greater degree of credit risk than shorter-term commitments.

In the case of irrevocable commitments, the Bank undertakes to make available to the client, at any time during the contract period, the amount mentioned in the contract.

Legal claims

As of 31 December 2022, the Bank was involved in the normal course of its business in a number of 1,731 litigations as defendant (31 December 2021: 2,016).

In the opinion of management, after taking appropriate legal advice, the outcome of these legal claims will not give rise to any significant loss beyond the amount provided at 31 December 2022.

The audit mission of the Romanian Court of Accounts – BCR Banca pentru Locuinte SA (BpL)

In 2015, the Romanian Court of Accounts (hereinafter referred to as 'the CoA') conducted a control at the BpL. Following the mission, the CoA claims that several deficiencies were identified, the vast majority grounded on a different interpretation of the applicable legal provisions. On 15 December 2015, the CoA issued the Decision no. 17 ("Decision 17"), maintaining all the claims included in their initial report and requested BpL to establish exactly the amount of the prejudice. On 23 December 2015, BpL appealed the Decision no. 17 of the CoA, appeal that was rejected by the Commission for Solving Claims of the CoA through Decision No 2/29 February 2016, maintaining as such the Decision 17.

Court of Appeal pronounced its resolution on March 1st 2017 and decided in favor of BpL for 5 out of 8 claims. Both BpL and CoA filed second appeal against this decision and, on June 21, 2019 High Court of Cassation and Justice ("HCCJ") decided as follows:

- Both second appeals were admitted and the decision of the first court was annulled; as a consequence, the HCCJ re-judged the request of BpL and annulled only two measures, maintaining 6 of them;
- The maintained measures relate to the incorrect calculation of state premium by BpL.

BpL received on 18th of July 2019, the motivation of HCCJ decision.

From 17 to 31 August 2021, CoA carried out a follow-up audit at BpL on the implementation of the measures ordered to BpL by Decision 17.

36. Litigations and contingent liabilities *(continued)*

Following this control mission, the CCR confirmed:

- The fulfilment of the following measures: I, and II: II.1 (the opening fees related to the savings contracts were legally incorrectly included in the calculation basis of the state premium), II. 3 (the contractual interest related to the undue state premium granted and collected in the clients' savings accounts, not returned to the Ministry of Development, Public Works and Administration ("MDPWA") together with the undue state premium) and II.4 ("Other fees" were included in the basis of calculation of the state premium or were deducted (collected) from the amounts representing the state premium received by clients);
- Partial fulfilment of measures: II.2 (no supporting documents were requested for the use of state premiums (collected) for housing purposes from clients who terminated savings contracts after the minimum savings period of 5 years), II.5 (minors assessed by the JRC as ineligible clients, clients under 18 years of age at the date of signing the contract, who have benefited from the subsidy/state premium) and II.6 (elderly persons assessed by the CoA as ineligible clients, clients over 65 years of age at the date of signing the contract, who have benefited from the subsidy/state premium).

On 21 January 2022, BpL also fully implemented measures II.2, II.5 and II.6, evaluated by the CCR as partially implemented, by paying the state premiums related to these measures, considered as damage, in the amount of 432,699 thousand lei.

Thus, following the payment made on 21 January 2022, BpL has fully complied with the measures ordered by Decision 17 of the CCR, and upheld by the HCCJ Decision of 21 June 2019, but continues to take legal action at European level against these decisions of the Romanian State.

BpL has also initiated legal actions in order to benefit from the cancellation of the accessory obligations, following the payment on 21 January 2022 of the principal obligation, according to the special provisions of GEO no. 69/2020, actions described below:

- On January 28, 2022, BpL submitted to MDPWA the request for discharge for the accessory budgetary obligations related to the above-mentioned principal obligations, in the amount of 388,919 thousand lei. In accordance with the applicable legal provisions (GEO 69/2020) in case the main budgetary obligation is paid in full and certain specific legal criteria are met, the debtor will benefit from the cancellation of accessory obligations;
- On February 23, 2022, in accordance with the provisions of GEO 69/2020, ANAF - General Directorate for the Administration of Large Taxpayers, granted the cancellation of the tax accessories in the amount of 40,467 thousand lei, related to the withholding tax ("WHT") calculated and paid by BpL on January 25, 2022, tax associated with state premiums granted to customers and subsequently considered undue, as well as the related contractual interest (related to measures II.2, II.5 and II.6 of Decision 17);
- On 18 March 2022, BpL received a letter from MDPWA, stating that the Ministry has initiated the steps to determine how to apply the provisions of GEO 69/2020 in the case of housing banks, regarding the amounts representing accessory budgetary obligations, related to the undue state premiums representing the main budgetary obligation.

On 22 July 2022, BpL received from MDPWA a reply to the Bank's addresses of 28 January 2022 and 8 March 2022, by which BpL formulated, within the legal deadline, the request for cancellation of the accessory budgetary obligations, based on the provisions of Chapter II, Articles IX, XIII, XV, referring to Article XVIII of GEO 69/2020.

In this response, MDPWA rejected BpL's request because, in its interpretation, the main budgetary claim represented by undue state premiums was not certain, liquid and payable, so that the main budgetary claim for which the cancellation of the accessory claims is requested would not meet the conditions set out in GEO 69/2020. According to the assessment made by BpL's legal advisors, there is no legal basis for MDPWA to reject BpL's request for amnesty.

Considering the refusal of MDPWA to grant amnesty on the basis of GEO 69/2020 as unjustified, BpL took legal action to obtain the cancellation of the accessories.

On 5 December 2022: MDPWA communicated to BpL the decision ("MDPWA Decision") to pay the accessory obligations, which were set in the amount of 388,919 thousand lei. According to the MDPWA Decision, BpL has the obligation to pay this amount within 30 days of receipt of the MDPWA Decision, i.e. by 5 January 2023. Failure to pay the amount within the deadline is likely to lead to the initiation of enforcement by ANAF - General Division for the Administration of Large Taxpayers.

BpL filed an appeal to the MDPWA against the MDPWA Decision and submitted to the Bucharest Court of Appeal a formal application requesting the court to suspend the execution of the MDLPA Decision for the payment of the accessory budgetary obligations - calculated for the amount representing undue state premiums, which was paid to MDPWA by BpL. The Bucharest Court of Appeal rejected BpL's request for suspension of execution. BpL has appealed against this first instance decision, which will be judged by the High Court of Cassation and Justice.

36. Litigations and contingent liabilities *(continued)*

According to IFRS, an entity has a present obligation to transfer an economic resource when that obligation is legally enforceable, and the entity clearly does not have the ability to avoid the transfer.

Therefore, the value of the tax obligation, communicated by the MDPWA Decision in the amount of 388,919 thousand lei was reflected in the accounting records of BpL as a definite liability.

This fact caused a negative impact in the "Statement of profit or loss" in the amount of 232,718 thousand lei (difference between the amount communicated by MDPWA by the mentioned decision and the amount of 156,201 thousand lei previously recognized as a provision).

As of the date of these financial statements, the disputes with the State, regarding the above-mentioned ancillary budgetary obligations are ongoing.

BFP Litigation

On 23 December 2016, the BFP has received a request made by City Hall Bucharest to International Court of Arbitration of the International Chamber of Commerce, consisting of amounts due under the joint venture contract for the period from 2001 to 2013.

In November 2019, The International Court of Arbitration rejected the request of City Hall. Against this decision, the claimant filed an action for annulment which was rejected on October 12, 2020. Against this decision the claimant filed second appeal. The High Court of Justice suspended the judgement of the case until the final solution of the Constitutional Court on exception of non-constitutionality invoked by City Hall.

Up to the date of publishing these financial statements, there were no other significant updates related to the cases presented in the financial statements for the year ended - December 2022.

Tax related litigation

Transfer Pricing and related withholding tax

During the period May 9th, 2016 – June 9th, 2017, BCR was subject to a tax audit regarding Corporate Income Tax (CIT) and VAT for the period January 1st, 2012 – December 31st, 2015. One of the main aspects verified by the Romanian Tax authorities were the intragroup transactions performed by BCR with its related parties during the analysed period, with focus on the financial transactions.

Based on the tax audit performed, the Romanian tax authorities adjusted the taxable base of CIT with RON 636,390,561 for the entire audited period 2012 – 2015, an adjustment which generated an additional CIT of RON 101,822,490, which was subsequently paid by the Bank.

During the period April 10th, 2019 – April 22nd, 2019, BCR was subject to a partial tax audit in respect of withholding tax (WHT) due for the income obtained by non-residents from Romania for the period January 1st, 2014 – December 31st, 2015.

On May 15th, 2019, BCR received the tax audit report and the tax decision whereby the Romanian tax authorities established an additional amount of RON 43,070,398, representing WHT on income obtained by non-residents from Romania, in relation to interest of RON 226,119,588 paid by BCR to Erste, that was considered by the Romanian tax authorities as being above the market prices (the related interest expenses recorded by BCR were subject to transfer pricing adjustments made by the Romanian tax authorities during the aforementioned tax audit closed in 2017).

Following the assessment of additional WHT of RON 43,070,398, the Bank also received a tax decision for additional late payment interest and penalties in total amount of RON 23,903,244. The Bank has paid all the additional tax liabilities within the legal deadline and challenged (initially within the administrative procedure, and subsequently, in court) the tax decisions within the established legal deadlines.

The litigations initiated by the Bank following the results of the tax audits mentioned above are still in progress, no decision being rendered on the merits neither in the national suits nor in the EUAC proceedings.

The Bank paid during 2022 an amount of RON 100.3mn representing additional CIT and WHT assessed in relation with the financial transactions between BCR and EGB from the period 2016 – 2022, by applying the RTA's approach as shown in the previous audit. The Bank also applied for fiscal amnesty for the period which is qualifying, in accordance with the special legislation in force (GEO 69/2020) and it was obtained. However, after final resolution on the tax litigations, the Bank will perform favourable adjustments if the case will be won by the Bank.

36. Litigations and contingent liabilities *(continued)*

Impairment of shares held in subsidiaries

In 2017, during the tax audit performed by the tax authorities, the Management of the Bank requested deductibility of the expenses generated by the impairment of shares in subsidiaries booked for the period 2012 – 2015, considering the provisions of the Tax Code applicable for these periods. Despite all the arguments put forward by the Bank, the tax authorities considered that the expenses incurred by the Bank during the audited period related to the impairment of its shares held in subsidiaries are not deductible.

In 2017, the Bank challenged in court the Romanian Tax Authority's resolution on this topic, legal proceedings being ongoing as of March 2023.

According to the external consultants and lawyers' opinion and based on the available information and analysis, the Bank's Management appreciates that there are more likely than not chances for a favourable solution against the Romanian tax authorities.

Based on specialists' opinion mentioned above and the provisions of IAS 12 - Income Taxes, the Bank recognized in 2017 an asset of the nature of the income tax, in relation to the expenses with the impairment of shares in subsidiaries booked for the period 2012 – 2015.

The aforementioned asset was subject to successive independent evaluations in the period that followed and although, currently, there is still considerable uncertainty as to the timing of the final resolution in the Court, the likelihood of a favourable outcome for the Bank did not change and, therefore, it was maintained for the year end 2022.

Capital instruments, equity and reserves

37. Total equity

The statutory share capital of the Bank as at 31 December 2022 is represented by 16,253,416,254 ordinary shares (equal voting rights) of RON 0.10 each (31 December 2021: 16,253,416,254 ordinary shares of RON 0.10 each). The shareholders of the Bank are as follows:

	2022		2021	
	Number of shares	Percentage holding (%)	Number of shares	Percentage holding (%)
Erste Group Bank AG	16,235,389,444	99.8891%	16,235,046,977	99.8870%
Societatea de Investitii Financiare ("SIF") „Banat Crisana"	1	0.0000%	1	0.0000%
Societatea de Investitii Financiare ("SIF") „Muntenia"	1	0.0000%	1	0.0000%
SC Actinvest SA	226,802	0.0014%	226,802	0.0014%
FDI Certinvest Dinamic	13,699	0.0001%	13,699	0.0001%
BCR Leasing SA	109	0.0000%	109	0.0000%
Individuals	17,786,198	0.1094%	18,128,665	0.1115%
Total	**16,253,416,254**	**100.0000%**	**16,253,416,254**	**100.0000%**

The effect of hyperinflation on the share capital of the Bank is presented below:

in RON thousands	2022	2021
Share capital before the effect of hyperinflation	1,625,342	1,625,342
IAS 29 hyperinflation adjustment recorded in prior years (i.e. until 31 December 2003)	1,327,223	1,327,223
Share capital	**2,952,565**	**2,952,565**

Additional equity instruments

BCR issued Additional Tier 1 notes (AT1 bonds) in September 2022, with a volume of EUR 150m. AT1 bonds are unsecured and subordinated bonds, they are perpetual and can be cancelled only by the issuer at predetermined dates. AT1 bonds include discretionary non-cumulative coupon payments, which allows them to be classified as equity under IFRS.

If common equity tier 1 ratio of BCR Group or BCR falls below 7.00% (i.e. a trigger event occurs) the principal amount will be written down on a temporary basis. The issuer may, at its sole discretion, write up the amount (fully or partially) provided a positive profit has been recorded and the trigger event no longer exists.

37. Total equity *(continued)*

Other reserve

The legal reserves require the transfer in a reserve fund of 5% of the net profit of the Bank up to minimum 20% of the Bank's share capital.

The reserve representing the fund for the general banking risks was allocated from the pre-tax accounting profit of the Bank starting with financial year 2004 until the end of financial year 2006 calculated as 1% of the banking risk assets.

The general reserve for credit risk was allocated from the pre-tax accounting profit of the Bank until the end of financial year 2003 until it reached the level 2% from the balance of the loans granted.

In the statement of financial position, the share premiums are presented in the line 'Other reserves' together with the above reserves.

Scope of consolidation

38. Subsidiaries

A subsidiary is an entity controlled by another entity. All entities directly or indirectly controlled by Banca Comercială Română SA are consolidated in the Group financial statements on the basis of their annual accounts as of year-end. The financial statements of the subsidiaries are prepared for the same reporting year as for the Bank, using consistent accounting policies.

The Bank measures investments in subsidiaries at cost.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of income and consolidated statement of comprehensive income from the date of acquisition or up to the date of disposal.

All intra-group balances, transactions, income and expenses and profits and losses resulting from intra-group transactions are eliminated in full as well as unrealised gains and losses and dividends are eliminated. Subsidiaries are fully consolidated from the date on which control is transferred to the Bank until the date when control is lost. Control is achieved when the Group 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 to direct the relevant activities of the investee. Relevant activities are those which most significantly affect the variable returns of an entity.

Non-controlling interests represent those portions of total comprehensive income and net assets that are not attributable directly or indirectly to the owners of Banca Comercială Română SA. Non-controlling interests are presented separately in the consolidated Statement of profit or loss and other comprehensive income ('Statement of income') and within equity on the consolidated balance sheet. Acquisitions of non-controlling interests as well as disposals of non-controlling interests that do not lead to a change of control are accounted for as equity transactions, whereby the difference between the consideration transferred and the share in the carrying amount of the net assets acquired is recognised as equity.

The Bank has the following entities consolidated in the financial statements of the Group as at 31 December 2022 and 31 December 2021:

	Company's name	Country of incorporation	Nature of the business	Shareholding		Gross Book Value	Net Book Value	Impaiment
				2022	2021			
1	BCR Chisinau SA	Moldova	Banking	100.00%	100.00%	200,064	44,579	155,485
2	BCR Leasing IFN SA	Romania	Financial leasing	99.97%	99.97%	389,493	360,301	29,192
3	BCR Pensii, Societate de Administrare a Fondurilor de Pensii Private SA	Romania	Pension Fund	99.99%	99.99%	269,820	138,742	131,078
4	BCR Banca pentru Locuinte SA	Romania	Banking	99.99%	99.99%	948,578	-	948,578
5	Suport Colect SRL	Romania	Workout	99.99%	99.99%	983,047	-	983,047
6	BCR Payments Services SRL	Romania	Payments transactions	99.99%	99.99%	1,900	1,900	-
7	BCR Fleet Management SRL (i)	Romania	Operational leasing	99.97%	99.97%	-	-	-
	Total					**2,792,902**	**545,522**	**2,247,380**

(i) Company held indirectly by BCR through BCR Leasing SA.

38. Subsidiaries *(continued)*

Impairment of subsidiaries

The Bank reviews its holdings in subsidiaries at each reporting date and whenever a trigger of impairment has appeared, in order to assess whether there is objective evidence that the investment in the subsidiary is impaired. If there is such evidence, the Bank calculates the amount of impairment as the difference between the recoverable amount of the subsidiary and its carrying value (higher of fair value less costs to sell and value in use), then, recognizes the loss under Other Operating Result in the statement of profit or loss.

Based on business specifics, specific valuation methods are applied for each subsidiary, such as Dividend Discount Model, Discounted Cash Flows model. The calculation of Fair Value and Value in Use for subsidiaries is most sensitive to discount rates and financial projections (budgets) used.

The movement in Subsidiaries' net book value is presented below:

in RON thousands	Bank
Balance as of 01.01.2021	**448,521**
Impairment of subsidiaries	69,943
Balance as of 31.12.2021	**518,464**
Balance as of 01.01.2022	**518,464**
Contribution to increase in share capital	167,500
Reclassification to Assets held for sale (net book value)	(44,578)
Impairment of subsidiaries	(140,443)
Balance as of 31.12.2022	**500,943**

At 31 December 2022, the allocation of impairment for investments in subsidiaries was in amount of RON (140,443) thousand, consisting of RON 127,703 thousand impairment release for BCR Leasing, RON (108,749) thousand impairment allocation for BCR Pensii, RON 8,104 thousand impairment release for BCR Chisinau and RON (167,500) thousand impairment allocation for BCR Banca pentru Locuinte. The reversals were determined by the above budget results during the year and positive expectations over next years business developments. BCR Chisinau subsidiary was reclassified as asset held for sale and disposal group.

The release of impairment for BCR Leasing is mainly due to increase of new business targets driven by improved operational processes, translated in better estimated operating income, thus a higher recoverable amount versus last year.
The allocation of impairment for BCR Pensii is related to high inflation rate and increased financial volatility which led to lower investment performance resulting in a reduced average monthly commission applicable for Pillar 2 nets assets.

The existing impairment booked at the Bank level for Subsidiaries is presented below:

in RON thousands	2022	2021
Suport Colect SRL	(983,047)	(983,047)
BCR Banca pentru Locuinte SA	(948,578)	(781,078)
BCR Chisinau SA	(155,485)	(163,589)
BCR Fond de Pensii	(131,078)	(22,329)
BCR Leasing IFN SA	(29,192)	(156,895)
Total	**(2,247,380)**	**(2,106,938)**

The recoverable amount of the subsidiaries has been determined as the higher of fair value (FV) less costs of sale and value in use (ViU), generally using long term financial projections. In accordance with IAS 36 par 50, the ViU was calculated on a pre-tax basis (before corporate taxes).

Based on current business specifics, specific valuation methods were applied for each company such as income approach and other.

The calculation of FV and ViU for subsidiaries is most sensitive to discount rates and financial projections (budgets) used.

Discount rates

The discount rates used were determined based on specific parameters (e.g. risk free rate, market risk premium, country risk premium, BETA rates, inflation spread) estimated for commercial banking industry and other financial services based on industry research.

The projected inflation rates are based on published industry research (median values of three sources of research).

38. Subsidiaries *(continued)*

Cost of equity (CoE) / Weighted average cost of capital (WACC)	Value in use 2022	Value in use 2021
Local subsidiaries	13.53%	12.40%
Foreign subsidiaries	19.00%	19.00%

Financial Projections

The financial projections are based on financial budgets, covering a five–year period.

For companies operating in a tight regulatory environment regarding capital adequacy (i.e. banks and leasing companies), the distributions resulting from the financial projections were adjusted in order to take into account the maximum capital distributions allowed in order to keep the targeted solvency position.

Sensitivity to changes in assumptions at Bank's level for all subsidiaries

in RON thousands	2022	2021
Impact in the Statement of Comprehensive Income: income/ (expense)		
Cost of equity/ Weighted average cost of capital increases by 10%	(42,115)	(34,495)
Cost of equity/ Weighted average cost of capital decreases by 10%	51,277	40,162
Net cash-flows increase by 10%	49,904	50,754
Net cash flows decrease by 10%	(49,904)	(46,140)

BCR Chisinau

During 2022, the Management Board of BCR approved the launch of the sale process of BCR Chisinau. Consequently, in December 2022, based on the assessment that all IFRS 5 criteria have been fulfilled, the investment in BCR Chisinau was classified as held for sale and measured at the lower of its carrying amount and fair value less costs to sell.

BCR Banca pentru Locuinte

From January to December 2022, BpL's activity was focused on the management of savings and loan contracts in the housing portfolio.

BpL's expectations are continuation of savings activities, continue investing in liquid and low-risk assets, to streamline and automate current activities in order to meet operational needs, acting in accordance with accounting and legal requirements and regulations in force and concentration of the activity on the granting of loans on the basis of a savings-credit agreement (Bauspar loans).

Also, in 2022, in line with BpL's business strategy, the portfolio of performing loans "Fixed for Home" with a total nominal value of 75 million lei was sold to Banca Comerciala Romana at a sale price of 73 million lei and the portfolio of non-performing loans "Fixed for Home" with a total nominal value of 2.7 million lei was sold to other companies at a total sale price of 1 million lei.

In accordance with IAS 1 "Presentation of Financial Statements", paragraph 25, BpL's management has assessed its ability to continue as a going concern for the foreseeable future taking into account all available information about the future, which is at least but not limited to twelve months from the end of the reporting period.

Taking into account: the available information on its prudential indicators (both those calculated for 31 December 2022 and those forecasted for a horizon of at least 12 months), BpL's profitability, the increase in share capital in the amount of 167,500 thousand lei (by issuing new shares, the capital being paid up on 27 December 2022 by BCR's majority shareholder), the Bank's management considers that there is no other alternative than to continue the current activity.

In this respect, the prudential indicators (solvency ratio, liquidity coverage ratio, net stable funding ratio) calculated after the capital increase and the recognition of a full obligation to MDPWA, show full compliance with the regulatory thresholds imposed by the NBR. The Bank also has other sources of income in addition to lending, obtaining interest income from investments in liquid and low-risk assets.

BCR, as majority shareholder, has so far demonstrated its commitment to the continued support of BpL by increasing the share capital and financing BpL through a loan that has been extended in 2022 for another year, with a final maturity of 2 August 2023.

38. Subsidiaries *(continued)*

Also, at the date of approval of these financial statements, management and/or shareholders have not expressed a formal intention to liquidate or wind up the Bank. Throughout this period, the Bank continued to operate by granting new Bauspar loans to existing customers who met the necessary legal and contractual conditions and accepted new deposits from existing customers in their deposit accounts.

Thus, BpL's management assessed as appropriate the application of the going concern basis in the preparation of the financial statements for December 31, 2022, in order for BpL to be able to meet its obligations in the near future.

BCR Fleet Management

In December 2021, the Management Board of BCR decided to declassify BCR Fleet Management from asset held for sale as the criteria for classification under IFRS 5 was no longer met. On the declassification date, the asset was recognized at the lower of i) its carrying amount prior to the asset or disposal group being classified as held for sale, adjusted for any depreciation, amortisation or revaluation that would have been recognized if the asset or disposal group had not been classified as held for sale and ii) its recoverable amount at the date of the decision not to sell.

The difference between the recalculated value of the asset and its existing carrying amount was presented in the same income statement caption used to present any gain or loss recognized on classification as held for sale (OOR).

As at December 2021, the Management Board of BCR Fleet Management has evaluated the overall situation of the company and concluded that the appropriate approach is to prepare its financial statements for 2021 on a gone concern basis because it intends to cease concluding new lease contract and consequently to wind down the remaining portfolio.

As at December 2022, the Management Board of BCR Fleet Management has evaluated the overall situation of the company and concluded that the appropriate approach is to maintain the same approach as in the previous year and to prepare its financial statements for 2022 on a gone concern basis because it the largest part of its portfolio was sold and the rest of it is subject to a run down strategy. For remaining assets impairment test was performed at December 31st 2022.

Suport Colect SRL

The Management evaluated the overall situation of the company and concluded that the most appropriate approach is to adopt the gone concern basis in preparing the financial statements as of 31.12.2022.

The main arguments taken into consideration are as follows:

- the entity has no new business for some time and has no intention to acquire any, the only activity relates to receivables acquired in the past (i.e., "cease trading" condition in IAS 10.14 is fulfilled).
- there is an obvious intention of the management to liquidate the company in the future proved by the approved budgets which no longer considered the company from 2024 onwards (IAS 1.25).

39. Investments in joint ventures and associates

Investments in associates and joint ventures are accounted for using the equity method. Under the equity method, an interest in an associate or joint venture is recognised on the consolidated balance sheet at cost plus post-acquisition changes in the Group's share of the net assets of the entity. The Group's share of the associate's or joint venture's result is recognised in the consolidated statement of income in line item Net result from equity method investments. The line item contains the result from associates and joint ventures recorded by applying the equity method (measured as the investor's share of profit or loss in the associates and joint ventures). However, impairment losses, reversal of impairment losses and realised gains and losses on investments in associates or joint ventures accounted for using the equity method are reported under the line item 'Other operating result'.

Associates are entities over which the Bank exercises significant influence ('associates'). IAS 28 'Investments in Associates and Joint Ventures' defines significant influence as the power to participate in the financial and operating policy decisions of the investee without having control or joint control of those policies. Furthermore, IAS 28 indicates that if an entity holds, directly or indirectly 20% or more of the voting power of the investee, it is presumed that the entity has significant influence unless it can be clearly demonstrated that this is not the case.

In the case of BCR Group, all equity method investments are direct or indirect investments in associates and joint ventures over which the Group exercises significant influence or joint control stemming from voting power greater than 20% up to 50%.

39. Investments in joint ventures and associates *(continued)*

The Bank has a 33.33% interest in Fondul de Garantare a Creditului Rural, an unlisted financial institution whose main role is to facilitate the companies from the agriculture industry to obtain loans from the banks, 49% of BCR Social Finance IFN SA whose main role is to provide loans to customers, aquired in 2019.

Joint ventures are joint arrangements over which BCR Group exercises control jointly with one or more other venturers, with the venturers having rights to the net assets of the arrangement, rather than to the assets and liabilities relating to the arrangement.

On 30 September 2020, the Bank entered with other investors into a transaction involving the share capital increase of CIT One S.R.L. ('CIT One'), pursuant to which the other investors become shareholders in CIT One, with equal shareholding of 33.33%, maintaining the same activity, cash processing and transportation.

The Bank's interest in these three companies is accounted for using the equity method in the consolidated financial statements. There are no quoted market price for these investments.

in RON thousands	2022	2021
Financial institutions	29,582	28,799
Non-financial	13,754	13,310
Total	**43,336**	**42,109**

The table below shows the aggregated financial information of at equity measured entities:

	Fondul de Garantare a Creditului Rural		BCR Social Finance IFN		CIT One	
in RON thousands	**2022**	**2021**	**2022**	**2021**	**2022**	**2021**
Total assets	1,008,826	785,604	174,210	148,011	121,420	101,662
Total liabilities	950,420	728,262	153,566	128,241	80,155	61,728
Total equity	**58,406**	**57,342**	**20,644**	**19,770**	**41,265**	**39,934**
Proportional of the Group's ownership	33.33%	33.33%	49.00%	49.00%	33.33%	33.33%
Carying amount of the investment	**19,467**	**19,112**	**10,116**	**9,687**	**13,754**	**13,310**
in RON thousands						
Income	14,446	13,438	30,056	25,393	215,639	162,619
Expenses	(13,260)	(12,384)	(28,986)	(24,109)	(214,228)	(155,343)
Income tax expenses	(132)	(24)	(192)	(57)	(786)	217
Profit/loss	**1,054**	**1,030**	**878**	**1,227**	**625**	**7,493**
Proportional of the Group's ownership	33.33%	33.33%	49.00%	49.00%	33.33%	33.33%
Group's share of profit for the year	**351**	**343**	**430**	**601**	**208**	**2,496**

Other disclosure matters

40. Segment reporting

An operating segment is a component of the Group:

- that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the Group);
- whose operating results are regularly reviewed by the Group's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance; and
- for which discrete financial information is available.

An operating segment may engage in business activities for which it has yet to earn revenues, for example, start-up operations may be operating segments before earning revenues.

40. Segment reporting *(continued)*

The segment reporting format is determined to be business segments as the Group's risks and rates of return are affected predominantly by differences in the products and services produced. The operating businesses are organized and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets.

Each segment is assessed both from Statement of financial position and Statement of profit or loss perspective, specific KPI's being yearly set and correlated with bank strategy (e.g. new volumes, operating result etc)

For management purposes, the Bank and the Group is organized into the following business segments:

A. Retail

The Group provides individuals and micro clients with a range of financial products and services, including lending (consumer loans, vehicles purchase, personal needs, mortgages, overdrafts, credit cards facilities and funds transfer facilities), savings and deposit taking business, payment services and securities business.

B. Corporate

Within corporate banking, the Group provides corporations, real estate and large corporate clients with a range of financial products and services, including lending and deposit taking, providing cash management, foreign commercial business, leasing, investments advices, financial planning, securities business, project and structured finance transactions, syndicated loans and asset backed transactions. Principal activity is of granting loans, other credit facilities, deposits, and current accounts for corporate and institutional customers, investment banking services and financial products and services provided by the leasing, insurance, brokerage, asset management, real estate services and financial consultancy services operations of the Group.

The main Corporate segments are:

a. SME, comprising:

- companies with yearly turnover between EUR 1 mn - EUR 50 mn and a consolidated turnover < EUR 500 mn;
- companies part of a domestic group with at least one company with individual yearly turnover between EUR 1 mn - EUR 50 mn;
- companies part of an international group with at least one company with individual yearly turnover between EUR 1 mn - EUR 500 mn;
- companies with real estate financing for which total project value (including land acquisition, excluding VAT) is less than EUR 8 mn;
- companies having individual / consolidated turnover below EUR 1 mn.

b. Public Sector (PS):

Public Sector comprises Public sector, Public corporations clients and Non Profit sector.

Public sector includes the following institutions:

- central ministries and state funded funds and agencies;
- non-profit entities established by or under control of central government entities, state funded organizations, state universities or R&D institutions;
- regional governments and organizations funded by them;
- state capitals including city halls, regional capitals and other municipals and organizations funded by them. Exceptions: elementary and primary schools, high schools, kindergartens, small hospitals and libraries, which are segmented as Micro;
- public health and social insurance companies.

Public Corporations include:

- all non-financial state companies and corporations with more than 50% share of state or regional governments or municipals excluding stock exchange listed companies and State-Owned Companies acting in Energy & Utilities industry with turnover > 50 mn EUR.

Non-profit Sector includes the following private non-profit companies:

- central authorities of churches (archbishops, bishops, patriarchs, etc.);
- country-wide labour unions;
- political parties;
- social Banking Customers who have social impact.

40. Segment reporting *(continued)*

c. Local Large Corporates (LLC)

- Companies/groups with a yearly individual turnover above EUR 50 mn;
- Clients with operations in core markets where the Erste Group operates or in extended core markets;
- Companies that meet the above-described criteria regarding the turnover with real estate financing for which total Real Estate project value (including land acquisition, excluding VAT) is less than EUR 8 mn;
- Financial sponsors (e.g. Private Equity Funds). The participations (in case of majority stake) of the financial sponsors will be grouped together with the financial sponsor;
- International groups that have their headquarters outside the expanded ERSTE target market (the target market where Erste is present plus Poland, Germany and Spain) with a consolidated annual turnover of over EUR 50 million are segmented by LLC only in which Erste Group has a relationship with its headquarters

d. Commercial Real Estate (CRE)

- companies that request financing of real estate projects with total project value > EUR 8 mn (including land acquisition, excluding VAT);
- investors in RE for the purpose of generating income from the rental of individual properties or portfolios of properties;
- developers of individual properties or portfolios of properties for the purpose of generating capital gains through sale;
- asset management services - Assets/SPVs held (on balance) by an Erste Group entity in order to generate income from rental activities (third party tenants);
- own property development – property developments done by an Erste Group entity in scope of this policy for the purpose of generating capital gains through sale or income from rental;
- clients using construction/technical advisory services of Erste Group International (EGI).

Other corporate includes activities related to investment banking services and financial products and services.

Other banking segments:

C. ALM & Local Corporate Center:

- **Balance sheet management** - principally providing assets and liabilities management, funding and derivative transactions, investments and issuance of bonds operations;
- **Local Corporate Center** - unallocated items, items which do not belong to business lines and Free Capital.

D. Group Markets:

a. Trading (GMT): principally providing money market and treasury operations, syndicated loans and structured financing transactions, foreign currency and derivative transactions, financial instruments trading.

b. Financial institutions (GMFI): companies that provide financial services for their clients or members and act as professional and active participant on financial markets for the purpose of proprietary trading or on behalf of their clients (banks, central banks, investment banks, investments funds, brokerages, insurance companies, pension funds, credit unions).

The business segment reporting format is the Group's basis of segment reporting. Transactions between business segments are conducted at arm's length.

Segment assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items mainly comprise property and equipment, intangible assets, other assets and other liabilities and taxation.

The mapping of individual accounts by main line items of income and expenses, respectively assets and liabilities and equity, for purposes of segment reporting is done on an internal management approach, rather than an external financial reporting approach.

In order to split the Group results on business lines the following subsidiaries are allocated entirely on Retail segment: BCR Pensii SAFPP, Banca pentru Locuinte, Suport Colect and some of the consolidation adjustments; BCR Leasing and BCR Chisinau are allocated on Corporate. Intragroup eliminations and the rest of the consolidation adjustments are allocated on Corporate Center.

40. Segment reporting *(continued)*

In geographical segmentation Erste Group shows BCR entirely under geographical area Romania. Furthermore, the only business done outside Romania is performed by BCR Chisinau, but the contribution to Balance Sheet and P&L is not material. There is no other geographical steering information used by BCR management.

Throughout the following tables related to Segment Reporting, the net trading result includes the following positions presented in the statement of income:

- Net trading result;
- Result from financial assets and liabilities designated at fair value through profit or loss;
- Foreign currency translation.

in RON thousands				2022	Group
	Group	Retail	Corporates	ALM & Local Corporate Center	GM
Net interest income	2,948,748	1,850,229	913,525	142,375	42,619
Net fee and commission income	944,240	629,681	280,086	(18,020)	52,493
Dividend income	3,804	-	59	3,745	-
Net trading result	607,866	177,339	161,561	(231)	269,197
Gains/(losses) from non-trading financial instruments mandatorily measured at fair value through profit or loss	22,235	2,807	-	19,916	(488)
Net result from equity method investments	990	-	-	990	-
Rental income from investment properties and other operating leases	87,579	-	85,232	2,347	-
General Administrative expenses	(1,880,039)	(1,426,345)	(389,616)	(27,216)	(36,862)
Other gains/(losses) from derecognition of financial instruments not measured at fair value through profit or loss	31	-	-	31	-
Net impairment loss on financial instruments	(393,777)	(431,862)	48,805	(6,552)	(4,168)
Other operating result	(183,795)	26,571	10,169	(217,706)	(2,829)
Pre-tax result from continuing operations	**2,157,882**	**828,420**	**1,109,821**	**(100,321)**	**319,962**
Taxes on income	(411,963)	(165,811)	(176,575)	(18,383)	(51,194)
Net result for the period	**1,745,919**	**662,609**	**933,246**	**(118,704)**	**268,768**
Net result attributable to non-controlling interests	13	-	-	13	-
Net result attributable to owners of the parent	**1,745,906**	**662,609**	**933,246**	**(118,717)**	**268,768**
Operating income	4,615,462	2,660,056	1,440,463	151,122	363,821
Operating expenses	(1,880,039)	(1,426,345)	(389,616)	(27,216)	(36,862)
Operating result	**2,735,423**	**1,233,711**	**1,050,847**	**123,906**	**326,959**
Cost income ratio	40.73%	53.62%	27.05%	18.01%	10.13%

* All intercompany eliminations are included in the Local Corporate Center

in RON thousands				2021	Group
	Group	Retail	Corporates	ALM & Local Corporate Center	GM
Net interest income	2,422,069	1,460,802	646,050	318,175	(2,958)
Net fee and commission income	867,922	609,413	224,845	(7,966)	41,630
Dividend income	3,210	2,045	64	1,086	15
Net trading result	380,854	134,315	118,768	(3,707)	131,478
Gains/(losses) from non-trading financial instruments mandatorily measured at fair value through profit or loss	2,642	(2,825)	4,873	594	-
Net result from equity method investments	3,441	-	-	3,441	-
Rental income from investment properties and other operating leases	111,568	-	108,340	3,228	-
General Administrative expenses	(1,671,640)	(1,312,521)	(309,031)	(23,133)	(26,955)
Other gains/(losses) from derecognition of financial instruments not measured at fair value through profit or loss	(31)	-	-	(40)	9
Net impairment loss on financial instruments	(228,362)	(145,665)	(84,874)	264	1,913
Other operating result	(161,277)	26,466	(121,030)	(59,378)	(7,335)
Levies on banking activities	-	-	-	-	-
Pre-tax result from continuing operations	**1,730,396**	**772,030**	**588,005**	**232,564**	**137,797**
Net profit of the year	**1,730,396**	**772,030**	**588,005**	**232,564**	**137,797**
Taxes on income	(320,618)	(117,141)	(100,264)	(81,165)	(22,048)
Net result for the period	**1,409,778**	**654,889**	**487,741**	**151,399**	**115,749**
Net result attributable to non-controlling interests	7	-	-	7	-
Net result attributable to owners of the parent	**1,409,771**	**654,889**	**487,741**	**151,392**	**115,749**
Operating income	3,791,706	2,203,750	1,102,940	314,851	170,165
Operating expenses	(1,671,640)	(1,312,521)	(309,031)	(23,133)	(26,955)
Operating result	**2,120,066**	**891,229**	**793,909**	**291,718**	**143,210**
Cost income ratio	44.09%	59.56%	28.02%	7.35%	15.84%

* All intercompany eliminations are included in the Local Corporate Center

BCR

40. Segment reporting *(continued)*

in RON thousands				2022	Group
	Group	Retail	Corporates	ALM & Local Corporate Center	GM
Assets					
Cash and cash equivalents	15,224,576	4,317,629	370,467	10,536,480	-
Financial assets held for trading	177,242	-	-	6,803	170,439
Derivatives	177,213	-	-	6,803	170,410
Other financial assets held for trading	29	-	-	-	29
Non-trading financial assets mandatorily at fair value through profit or loss	67,179	29,880	247	37,052	-
Equity instruments	50,851	29,880	247	20,724	-
Debt securities	16,328	-	-	16,328	-
Financial assets at fair value through other comprehensive income	9,664,296	-	66,286	9,598,010	-
Debt securities	9,664,296	-	66,286	9,598,010	-
Financial assets at amortised cost	68,046,211	28,985,824	23,957,398	13,870,123	1,232,866
Debt securities	15,215,719	82,844	227,908	14,904,967	-
Loans and advances to banks	148,344	850,846	6,231	(797,853)	89,120
Loans and advances to customers	52,682,148	28,052,134	23,723,259	(236,991)	1,143,746
Finance lease receivables	1,745,363	-	1,811,175	(65,812)	-
Property and equipment	1,029,207	4,603	210,588	814,016	-
Investment property	148,543	-	-	148,543	-
Intangible assets	394,847	5,136	13,245	376,466	-
Investments in joint ventures and associates	43,336	-	900	42,436	-
Current tax assets	222,026	2,862	4,550	214,614	-
Deferred tax assets	197,778	1	13,387	184,390	-
Assets held for sale and disposal group	749,318	-	-	749,318	-
Trade and other receivables	901,025	10,031	502,077	300,235	88,682
Other assets	239,113	55,033	91,285	92,477	318
Total assets	**98,850,060**	**33,410,999**	**27,041,605**	**36,905,151**	**1,492,305**
Liabilities and Equity					
Financial liabilities held for trading	163,579	-	-	11,731	151,848
Derivatives	163,579	-	-	11,731	151,848
Financial liabilities measured at amortised cost	84,713,627	43,956,537	32,304,669	3,703,055	4,749,366
Deposits from banks	1,431,205	66,976	3,354,322	(3,218,646)	1,228,553
Borrowings and financing lines	648,189	-	-	648,189	-
Deposits from customers	75,588,537	43,753,607	28,847,438	(443,812)	3,431,304
Debt securities issued	5,424,406	-	-	5,424,406	-
Subordinated loans	-	-	-	-	-
Other financial liabilities	1,621,290	135,954	102,909	1,292,918	89,509
Lease liabilities	444,486	-	-	444,486	-
Provisions	1,000,507	437,485	345,703	214,527	2,792
Current tax liabilities	75,162	144	9,463	65,555	-
Deferred tax liabilities	19,443	-	-	19,443	-
Liabilities associated with assets held for sale and disposal group	568,508	-	-	568,508	-
Other liabilities	809,949	406,444	88,540	311,992	2,973
Total equity	**11,054,799**	**2,907,030**	**3,146,020**	**4,876,320**	**125,429**
Total liabilities and equity	**98,850,060**	**47,707,640**	**35,894,395**	**10,215,617**	**5,032,408**

* All intercompany eliminations are included in the Local Corporate Center

40. Segment reporting *(continued)*

in RON thousands				2021	Group
	Group	Retail	Corporates	ALM & Local Corporate Center	GM
Assets					
Cash and cash equivalents	13,317,439	5,904,231	344,143	6,965,408	103,657
Financial assets held for trading	1,704,540	-	11	1,067	1,703,462
Derivatives	23,994	-	11	1,067	22,916
Other financial assets held for trading	1,680,546	-	-	-	1,680,546
Non-trading financial assets mandatorily at fair value through profit or loss	65,753	27,061	251	38,441	-
Equity instruments	35,121	27,061	251	7,809	-
Debt securities	30,632	-	-	30,632	-
Financial assets at fair value through other comprehensive income	7,834,955	-	35,056	7,799,899	-
Debt securities	7,834,955	-	35,056	7,799,899	-
Financial assets at amortised cost	62,702,857	28,344,647	19,094,969	14,816,912	446,329
Debt securities	15,570,473	77,807	302,457	15,190,209	-
Loans and advances to banks	1,362,313	1,320,967	1,754	(386,142)	425,734
Loans and advances to customers	45,770,071	26,945,873	18,790,758	12,845	20,595
Finance lease receivables	1,445,231	-	1,487,913	(42,682)	-
Property and equipment	1,094,606	6,573	276,760	811,273	-
Investment property	150,223	-	-	150,223	-
Intangible assets	361,674	4,313	8,223	349,138	-
Investments in joint ventures and associates	42,109	-	900	41,209	-
Current tax assets	185,406	2,553	697	182,156	-
Deferred tax assets	200,946	1	9,452	191,493	-
Assets held for sale and disposal group	227,730	-	218,576	9,154	-
Trade and other receivables	653,237	11,238	475,013	111,523	55,463
Other assets	268,413	70,966	76,840	120,322	285
Total assets	**90,255,119**	**34,371,583**	**22,028,804**	**31,545,536**	**2,309,196**
Liabilities and Equity					
Financial liabilities held for trading	22,343	-	-	2,132	20,211
Derivatives	22,343	-	-	2,132	20,211
Financial liabilities measured at amortised cost	77,835,634	46,390,975	27,159,971	1,524,385	2,760,303
Deposits from banks	430,383	68,917	3,061,045	(3,118,897)	419,318
Borrowings and financing lines	849,192	-	-	849,192	-
Deposits from customers	72,458,416	46,184,614	24,019,334	(16,263)	2,270,731
Debt securities issued	2,733,120	-	-	2,733,120	-
Subordinated loans	503,964	-	-	503,964	-
Other financial liabilities	860,559	137,444	79,592	573,269	70,254
Lease liabilities	435,710	-	-	435,710	-
Provisions	1,793,931	1,201,254	386,124	205,409	1,144
Current tax liabilities	48,764	636	3,012	45,116	-
Deferred tax liabilities	14,317	-	-	14,317	-
Other liabilities	383,978	12,841	70,958	298,030	2,149
Total equity	**9,720,442**	**2,654,560**	**2,600,993**	**4,314,511**	**150,378**
Total liabilities and equity	**90,255,119**	**50,260,266**	**30,221,058**	**6,839,610**	**2,934,185**

* All intercompany eliminations are included in the Local Corporate Center

40. Segment reporting *(continued)*

in RON thousands				2022	Bank
	Bank	Retail	Corporates	ALM & Local Corporate Center	GM
Net interest income	2,767,309	1,817,494	776,049	131,147	42,619
Net fee and commission income	897,686	599,039	260,999	(14,845)	52,493
Dividend income	26,808	-	-	26,808	-
Net trading result	583,446	177,359	137,825	(935)	269,197
Gains/(losses) from non-trading financial instruments mandatorily measured at fair value through profit or loss	22,235	2,807	-	19,916	(488)
Rental income from investment properties and other operating leases	5,063	-	-	5,063	-
General Administrative expenses	(1,747,562)	(1,388,918)	(285,357)	(36,425)	(36,862)
Other gains/(losses) from derecognition of financial instruments not measured at fair value through profit or loss	31	-	-	31	-
Net impairment loss on financial instruments	(349,430)	(446,124)	93,339	7,523	(4,168)
Other operating result	14,978	243,722	14,588	(240,503)	(2,829)
Pre-tax result from continuing operations	**2,220,564**	**1,005,379**	**997,443**	**(102,220)**	**319,962**
Taxes on income	(390,548)	(160,861)	(159,591)	(18,902)	(51,194)
Net result for the period	**1,830,016**	**844,518**	**837,852**	**(121,122)**	**268,768**
Net result attributable to non-controlling interests	-	-	-	-	-
Net result attributable to owners of the parent	**1,830,016**	**844,518**	**837,852**	**(121,122)**	**268,768**
Operating income	4,302,547	2,596,699	1,174,873	167,154	363,821
Operating expenses	(1,747,562)	(1,388,918)	(285,357)	(36,425)	(36,862)
Operating result	**2,554,985**	**1,207,781**	**889,516**	**130,729**	**326,959**
Cost income ratio	40.62%	53.49%	24.29%	21.79%	10.13%

in RON thousands				2021	Bank
	Bank	Retail	Corporates	ALM & Local Corporate Center	GM
Net interest income	2,305,635	1,447,434	552,762	308,397	(2,958)
Net fee and commission income	805,904	558,215	211,492	(5,433)	41,630
Dividend income	4,303	2,045	-	2,243	15
Net trading result	375,008	134,404	112,811	(3,685)	131,478
Gains/(losses) from non-trading financial instruments mandatorily measured at fair value through profit or loss	2,642	(2,825)	4,873	594	-
Rental income from investment properties and other operating leases	5,953	-	-	5,953	-
General Administrative expenses	(1,587,631)	(1,275,880)	(252,450)	(32,346)	(26,955)
Other gains/(losses) from derecognition of financial instruments not measured at fair value through profit or loss	(31)	-	-	(40)	9
Net impairment loss on financial instruments	(201,659)	(161,356)	(46,170)	3,954	1,913
Other operating result	(29,637)	(10,170)	(25,524)	13,392	(7,335)
Pre-tax result from continuing operations	**1,680,487**	**691,867**	**557,794**	**293,029**	**137,797**
Taxes on income	(302,570)	(110,699)	(89,247)	(80,576)	(22,048)
Net result for the period	**1,377,917**	**581,168**	**468,547**	**212,453**	**115,749**
Operating income	3,499,445	2,139,273	881,938	308,069	170,165
Operating expenses	(1,587,631)	(1,275,880)	(252,450)	(32,346)	(26,955)
Operating result	**1,911,814**	**863,393**	**629,488**	**275,723**	**143,210**
Cost income ratio	45.37%	59.64%	28.62%	10.50%	15.84%

40. Segment reporting *(continued)*

in RON thousands				2022	Bank
	Bank	Retail	Corporates	ALM & Local Corporate Center	GM
Assets					
Cash and cash equivalents	15,224,262	4,279,053	-	10,945,209	-
Financial assets held for trading	177,708	-	-	7,269	170,439
Derivatives	177,679	-	-	7,269	170,410
Other financial assets held for trading	29	-	-	-	29
Non-trading financial assets mandatorily at fair value through profit or loss	67,179	29,880	-	37,299	-
Equity instruments	50,851	29,880	-	20,971	-
Debt securities	16,328	-	-	16,328	-
Financial assets at fair value through other comprehensive income	9,664,296	-	5,051	9,659,245	-
Debt securities	9,664,296	-	5,051	9,659,245	-
Financial assets at amortised cost	69,264,841	28,025,738	22,094,991	17,911,246	1,232,866
thereof pledged as collateral	1,121,147	-	-	1,121,147	-
Debt securities	15,132,875	-	155,854	14,977,021	-
Loans and advances to banks	156,699	-	-	67,579	89,120
Loans and advances to customers	53,975,267	28,025,738	21,939,137	2,866,646	1,143,746
Finance lease receivables	8,405	-	-	8,405	-
Property and equipment	820,797	-	-	820,797	-
Investment property	148,543	-	-	148,543	-
Intangible assets	377,240	-	-	377,240	-
Investments in joint ventures and associates	33,470	-	-	33,470	-
Current tax assets	219,164	-	-	219,164	-
Deferred tax assets	184,550	-	-	184,550	-
Assets held for sale and disposal group	51,499	-	-	51,499	-
Trade and other receivables	875,813	6,466	473,189	307,476	88,682
Investments in subsidiaries	500,943	-	-	500,943	-
Other assets	137,497	27,609	277	109,293	318
Total assets	**97,756,207**	**32,368,746**	**22,573,508**	**41,321,648**	**1,492,305**
Liabilities and Equity					
Financial liabilities held for trading	163,579	-	-	11,731	151,848
Derivatives	163,579	-	-	11,731	151,848
Financial liabilities measured at amortised cost	84,930,411	43,672,753	28,396,779	8,111,513	4,749,366
Deposits from banks	2,125,964	34	228	897,149	1,228,553
Borrowings and financing lines	189,261	-	-	189,261	-
Deposits from customers	75,609,053	43,538,680	28,333,832	305,237	3,431,304
Debt securities issued	5,424,406	-	-	5,424,406	-
Other financial liabilities	1,581,727	134,039	62,719	1,295,460	89,509
Lease liabilities	442,538	-	-	442,538	-
Provisions	885,531	422,557	340,661	119,521	2,792
Current tax liabilities	70,202	-	-	70,202	-
Other liabilities	357,525	2,637	31,108	320,807	2,973
Total equity	**10,906,421**	**2,692,236**	**2,728,744**	**5,360,012**	**125,429**
Total liabilities and equity	**97,756,207**	**46,790,183**	**31,497,292**	**14,436,324**	**5,032,408**

40. Segment reporting *(continued)*

in RON thousands				2021	Bank
	Bank	Retail	Corporates	ALM & Local Corporate Center	GM
Assets					
Cash and cash equivalents	13.069.516	5.877.196	-	7.088.663	103.657
Financial assets held for trading	1.704.540	-	-	1.077	1.703.463
Derivatives	23.994	-	-	1.077	22.917
Other financial assets held for trading	1.680.546	-	-	-	1.680.546
Non-trading financial assets mandatorily at fair value through profit or loss	65.502	27.061	-	38.441	-
thereof pledged as collateral	-	-	-	-	-
Equity instruments	34.870	27.061	-	7.809	-
Debt securities	30.632	-	-	30.632	-
Financial assets at fair value through other comprehensive income	7.805.091	-	5.192	7.799.899	-
Debt securities	7.805.091	-	5.192	7.799.899	-
Financial assets at amortised cost	63.381.929	26.820.803	17.542.786	18.572.011	446.329
thereof pledged as collateral	1.425.072	-	-	1.425.072	-
Debt securities	15.382.134	-	191.925	15.190.209	-
Loans and advances to banks	1.362.004	-	-	936.270	425.734
Loans and advances to customers	46.637.791	26.820.803	17.350.861	2.445.532	20.595
Finance lease receivables	11.240	-	-	11.240	-
Property and equipment	820.178	-	-	820.178	-
Investment property	150.223	-	-	150.223	-
Intangible assets	349.068	-	-	349.068	-
Investments in joint ventures and associates	33.470	-	-	33.470	-
Current tax assets	182.155	-	-	182.155	-
Deferred tax assets	194.629	-	-	194.629	-
Assets held for sale and disposal group	9.153	-	-	9.153	-
Trade and other receivables	631.610	6.751	453.691	115.705	55.463
Investments in subsidiaries	518.464	-	-	518.464	-
Other assets	163.730	27.616	255	135.574	285
Total assets	**89.090.498**	**32.759.427**	**18.001.924**	**36.019.950**	**2.309.197**
Liabilities and Equity					
Financial liabilities held for trading	22.359	-	-	2.148	20.211
Derivatives	22.359	-	-	2.148	20.211
Financial liabilities measured at amortised cost	77.617.727	45.809.771	23.562.299	5.485.354	2.760.303
Deposits from banks	1.569.445	576	211	1.149.340	419.318
Borrowings and financing lines	246.763	-	-	246.763	-
Deposits from customers	71.721.511	45.673.131	23.499.898	277.751	2.270.731
Debt securities issued	2.733.120	-	-	2.733.120	-
Subordinated loans	503.964	-	-	503.964	-
Other financial liabilities	842.924	136.064	62.190	574.416	70.254
Lease liabilities	435.710	-	-	435.710	-
Fair value changes of the hedged items in portfolio hedge of interest rat	-	-	-	-	-
Provisions	1.149.254	556.765	379.894	211.451	1.144
Current tax liabilities	45.104	-	-	45.104	-
Other liabilities	333.489	2.138	27.465	301.737	2.149
Total equity	**9.486.855**	**2.423.713**	**2.212.274**	**4.700.490**	**150.378**
Total liabilities and equity	**89.090.498**	**48.792.387**	**26.181.932**	**11.181.994**	**2.934.185**

41. Return on assets and turnover information

Return on assets (net profit for the year divided by average total assets) was:

	Group		Bank	
	31.12.2022	31.12.2021	31.12.2022	31.12.2021
Return on assets	**1.87%**	**1.66%**	**1.99%**	**1.66%**

The return on assets is calculated based on monthly average total assets.

The Bank applies the stipulations of NBR Regulation 5/2013 regarding prudential requirements for credit institutions.

The consolidated turnover for the financial exercise ended 31 December 2022 amounts to RON 6,275,249 thousands and is calculated and presented in compliance with Article 644 of the above mentioned regulation.

42. Related-party transactions and principal shareholders

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form.

The nature of the related party relationships for those related parties with whom the Group entered into significant transactions or had significant balances outstanding at 31 December 2022 and 2021 are detailed below. Transactions were entered into with related parties during the course of business at market rates.

Principal shareholders

All transactions were carried out at market conditions.

Transactions with management

The Group entered into a number of banking transactions with the management in the normal course of business.

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group. This includes the members of the Supervisory Board, Executive Committee and executive management.

Remuneration paid related to key management personnel is presented in note 6.

Transactions with subsidiaries

The Bank holds investments in subsidiaries with whom it entered into a number of banking transactions in the normal course of business. These transactions were carried out on commercial terms and conditions and at market rates.

Transactions with other related parties

The Group considers the following additional related parties: entities in which the Group owns participations, entities in which the parent or other controlling entities either have control or have participations, companies in which key management personnel have direct or indirect interests, and close family members of key management personnel.

Terms and conditions

In relation to related parties, the accounts have the following characteristics:

Current accounts were opened between September 2006 and December 2022 and the interest rate is 0%.

Loans and advances accounts were opened between September 2005 and December 2022, maturing between April 2023 and July 2047. The interest rates for corporate are between 1.16% - 8.31% depending on maturity and currency of loan. For retail interest rates are between 4.08-10.49% for fixed interest and between 3.26-10.91% variable interest for loans. Credit cards interest rates are 11.85%-28% fixed interest and 10.17-22.43% variable interest.

Term deposits were opened between July 2007 and December 2022, maturing between January 2023 and September 2034, and the interest rate is fixed between 0.01%-7.00% depending on the currency and maturity of the deposit.

Loans commitments, financial guarantees and other commitments given includes revocable and irrevocable letters of guarantee, undrawn commitments for loans and credit cards granted in RON, EUR or USD.

Loan commitments, financial guarantees and other commitments received include letters of guarantee received from parent company.

42. Related-party transactions and principal shareholders *(continued)*

The following transactions were carried out with related parties:

Balances and off-balace exposures with related parties — Group

in RON thousands	2022 Parent	2022 Associates	2022 Key management personnel	2022 Other related parties	2021 Parent	2021 Associates	2021 Key management personnel	2021 Other related parties
Total assets	**273,282**	**85,525**	**6,596**	**96,980**	**1,053,413**	**64,453**	**5,886**	**89,377**
Cash and cash equivalents	43,850	-	-	1,322	131,690	-	-	-
Derivative financial instruments	146,637	-	-	-	4,844	-	-	-
Financial assets at fair value through other comprehensive income					-	-	-	-
Equity investments	-	33,470	-	28,473	-	33,470	-	25,461
Loans and advances	-	50,437	6,276	46,183	876,363	29,853	5,881	47,867
Loans and advances with credit institutions	-	-	-	-	876,363	-	-	-
Loans and advances with customers	-	50,437	6,276	46,183	-	29,853	5,881	47,867
Finance lease receivables	-	770	320	2,297	-	1,085	-	2,542
Trade and other receivables	82,795	837	-	3,177	40,516	-	5	4,294
Other assets	-	11	-	15,529	-	44	-	9,214
Total liabilities	**1,728,091**	**14,588**	**6,949**	**216,781**	**999,394**	**9,271**	**9,224**	**354,523**
Financial liabilities measured at amortised cost	1,576,576	14,563	6,862	171,276	977,610	9,255	9,224	251,935
Deposits by banks	117,037	-	-	2,497	38,109	-	-	2,349
Deposits by customers	-	14,563	6,862	168,779	-	9,255	9,224	249,586
Borrowings and financing lines	216,437	-	-	-	418,746	-	-	-
Subordinated loans	-	-	-	-	503,964	-	-	-
Debt securities issued	1,243,102	-	-	-	16,792	-	-	-
Lease liabilities	6,424	-	-	-	-	-	-	-
Other liabilities	145,091	25	87	45,505	21,784	16	-	102,588
Loans commitments, financial guarantees and other commitments given -Irrevocable [notional amount]	**17,464**	**14,842**	**-**	**54,457**	**54,992**	**14,844**	**-**	**14,314**
Loans commitments, financial guarantees and other commitments given -Revocabile [notional amount]	**25,558**	**72,348**	**433**	**194,034**	**41,517**	**91,055**	**367**	**327,534**
Loan commitments, financial guarantees and other commitments received	**247,370**	**-**	**-**	**-**	**247,405**	**-**	**-**	**-**
Derivatives [notional amount]	**5,546,068**	**-**	**-**	**-**	**5,030,776**	**-**	**-**	**-**

Related parties: expenses and income generated by transactions with related parties — Group

in RON thousands	2022 Parent	2022 Associates	2022 Key management personnel	2022 Other related parties	2021 Parent	2021 Associates	2021 Key management personnel	2021 Other related parties
Interest income	30,242	2,515	219	2,507	4,755	1,915	209	1,505
Interest expenses	(39,910)	(30)	(71)	(4,205)	(53,235)	(159)	(18)	(899)
Dividend income	-	-	-	2,386	-	871	-	2,060
Fee and commission income	3,478	365	44	75,272	2,268	211	37	90,185
Fee and commission expenses	(6,370)	-	-	(1,778)	(7,484)	-	-	(1,079)
Net impairment loss on financial instruments	(3,047)	168	165	(291)	(230)	18	(205)	(210)
Net trading results income/(expense)	288,522	1	92	9,453	61,257	5	128	3,407
Other operating income	4	975	447	3,954	-	1,555	42	2,380
Other operating expense	-	(12)	(56)	(66,941)	-	(23)	(130)	(94,912)
Profit before tax income/(expense)	**272,919**	**3,982**	**840**	**20,357**	**7,332**	**4,395**	**64**	**2,437**

42. Related-party transactions and principal shareholders *(continued)*

Balances and off-balace exposures with related parties — Bank

in RON thousands	2022 Parent	2022 Subsidiaries	2022 Associates	2022 Key management personnel	2022 Other related parties	2021 Parent	2021 Subsidiaries	2021 Associates	2021 Key management personnel	2021 Other related parties
Total assets	**253,739**	**3,400,607**	**85,525**	**6,276**	**80,136**	**961,344**	**2,954,077**	**64,453**	**5,886**	**80,148**
Cash and cash equivalents	24,307	71	-	-	-	39,621	-	-	-	-
Derivative financial instruments	146,637	466	-	-	-	4,844	-	-	-	-
Equity investments*	-	545,522	33,470	-	28,473	-	518,465	33,470	-	25,461
Loans and advances	-	**2,847,261**	**50,437**	**6,276**	**46,183**	**876,363**	**2,424,337**	**29,853**	**5,881**	**47,853**
Loans and advances with credit institutions	-	28,404	-	-	-	876,363	763	-	-	-
Loans and advances with customers	-	2,818,857	50,437	6,276	46,183	-	2,423,574	29,853	5,881	47,853
Finance lease receivables	-	5,338	770	-	2,297	-	7,613	1,085	-	2,542
Trade and other receivables	82,795	4	837	-	3,177	40,516	5	-	5	4,292
Right of use assets	-	-	-	-	-	-	2,435	-	-	-
Other assets	-	1,945	11	-	6	-	1,222	44	-	1
Total liabilities	**1,677,248**	**930,896**	**14,588**	**6,862**	**210,396**	**752,186**	**1,451,790**	**9,271**	**9,224**	**335,569**
Financial liabilities measured at amortised cost	1,525,733	930,891	14,563	6,862	171,276	730,402	1,448,699	9,255	9,224	251,935
Deposits by banks	114,349	694,758	-	-	2,497	21,193	1,163,882	-	-	2,349
Deposits by customers	-	236,133	14,563	6,862	168,779	-	284,801	9,255	9,224	249,586
Borrowings and financing lines	168,282	-	-	-	-	188,453	-	-	-	-
Subordinated loans	-	-	-	-	-	503,964	-	-	-	-
Debt securities issued	1,243,102	-	-	-	-	16,792	16	-	-	-
Lease liabilities	6,424	-	-	-	-	-	2,713	-	-	-
Other liabilities	145,091	5	25	-	39,120	21,784	378	16	-	83,634
Loans commitments, financial guarantees and other commitments given - Irrevocable [notional amount]	**17,464**	**79,194**	**14,842**	**-**	**54,457**	**54,992**	**83,725**	**14,844**	**-**	**14,314**
Loans commitments, financial guarantees and other commitments given - Revocabile [notional amount]	**25,558**	**306,513**	**72,348**	**433**	**194,034**	**41,517**	**342,330**	**91,055**	**367**	**327,534**
Loan commitments, financial guarantees and other commitments received	**247,370**	**-**	**-**	**-**	**-**	**247,405**	**-**	**-**	**-**	**-**
Derivatives [notional amount]	**5,546,068**	**133,580**	**-**	**-**	**-**	**5,030,776**	**49,481**	**-**	**-**	**-**
Accumulated impairment	**-**	**69,449**	**-**	**-**	**-**	**-**	**71,945**	**-**	**-**	**-**

Related parties: expenses and income generated by transactions with related parties — Bank

in RON thousands	2022 Parent	2022 Subsidiaries	2022 Associates	2022 Key management personnel	2022 Other related parties	2021 Parent	2021 Subsidiaries	2021 Associates	2021 Key management personnel	2021 Other related parties
Interest income	30,134	52,979	2,515	219	2,403	4,755	32,938	1,915	209	1,357
Interest expenses	(37,833)	(40,425)	(30)	(71)	(4,205)	(48,753)	(19,074)	(159)	(18)	(899)
Dividend income	-	23,063	-	-	2,386	-	722	871	-	2,060
Fee and commission income	3,477	607	365	44	71,404	2,265	646	211	37	88,650
Fee and commission expenses	(4,374)	(6)	-	-	(1,777)	(3,987)	(4)	-	-	(1,079)
Impairment of subsidiaries	-	(139,736)	-	-	-	-	69,943	-	-	-
Net impairment loss on financial instruments	(3,047)	4,896	168	165	(291)	(230)	(2,066)	18	(205)	(210)
Net trading results income/(expense)	288,522	(23)	1	92	9,453	61,257	(346)	5	128	3,407
Other operating income	4	4,563	445	-	1,248	-	3,978	949	-	398
Other operating expense	-	(199)	(12)	9	(55,626)	-	(74)	(23)	(130)	(94,819)
Profit before tax income/(expense)	**276,883**	**(94,281)**	**3,452**	**458**	**24,995**	**15,307**	**86,663**	**3,788**	**22**	**(1,136)**

* Includes participation in assets held for sale

43. Audit fees and tax consultancy fees

The following table contains audit fees and other consulting fees charged by the auditors in the financial years 2022 and 2021:

	Group		Bank	
in RON thousands	**31.12.2022**	**31.12.2021**	**31.12.2022**	**31.12.2021**
Fees for the audit of the financial statements	3,097	2,330	2,413	1,677
Other services involving the issuance of a report	1,925	2,378	1,585	2,024
Total	**5,022**	**4,708**	**3,998**	**3,701**

44. Assets held for sale and liabilities associated with assets held for sale

Non-current assets and disposal groups held for sale

Non-current assets are classified as held for sale if they can be sold in their present condition and the sale is highly probable within 12 months of classification as held for sale. If assets are to be sold as part of a group that may also contain liabilities (e.g. a subsidiary) they are referred to as disposal group held for sale.

The assessment on whether the sale is highly probable takes into account the following aspects:

- the appropriate level of management is committed to a plan to sale;
- an active programme to locate a buyer and complete the sale has already begun;
- the asset must be actively marketed at a price that is reasonable compared to its current fair value;
- the sale should be expected to be recorded as completed within one year from the date of classification;
- the actions required to complete the plan should indicate that it is not likely that there will be significant changes made to the plan or that the plan will be withdrawn.

Assets classified as held for sale and assets belonging to disposal groups held for sale are reported under the balance sheet line item 'Assets held for sale and disposal group'. Liabilities belonging to the disposal groups held for sale are presented on the balance sheet under the line item 'Liabilities associated with assets held for sale and disposal group'.

Non-current assets and disposal groups that are classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell.

In 2022 entity Banca Comerciala Romana Chisinau S.A. met the criteria for the classification as a disposal group held for sale. It consists of assets held for sale in the amount of RON 753.8 million and liabilities associated with assets held for sale in the amount of RON 568.5 million. The fair value lest costs to sell was lower than the net carrying amount of the disposal group. The difference in the amount of RON 111 million was first allocated to non-financial assets in scope of IFRS 5 measurement requirements and resulted in an impairment loss of RON 11.4 million and the remaining amount of RON 99.6 million was recognised as a provision.

In 2022 BCR Fleet Management has concluded the partial portfolio sale to a third party under the form of a Business Transfer Agreement having in scope all the passenger cars and light commercial vehicles in BCR Fleet Management portfolio (approx. 4,000 assets with net book value of RON 190,958 thousands). The gain realised from transaction was RON 4,654 thousands.

45. Split between current and non-current assets and liabilities

Expected remaining maturities of assets and liabilities

				Group
	31.12.2022		31.12.2021	
in RON thousands	Current	Non - current	Current	Non - current
Cash and cash equivalents	15,224,576	-	13,317,439	-
Financial assets held for trading	31,246	145,996	1,692,628	11,912
Derivatives	31,217	145,996	12,082	11,912
Other financial assets held for trading	29	-	1,680,546	-
Non-trading financial assets mandatorily at fair value through profit or loss	-	67,179	-	65,753
Equity instruments	-	50,851	-	35,121
Debt securities	-	16,328	-	30,632
Financial assets at fair value through other comprehensive income	3,983,338	5,680,958	1,533,247	6,301,708
Debt securities	3,983,338	5,680,958	1,533,247	6,301,708
Financial assets at amortised cost	15,192,656	52,853,555	13,509,904	49,192,953
Debt securities	1,467,729	13,747,990	2,327,355	13,243,118
Loans and advances to banks	148,180	164	1,362,149	164
Loans and advances to customers	13,576,747	39,105,401	9,820,400	35,949,671
Finance lease receivables	588,377	1,156,986	501,857	943,374
Property and equipment	-	1,029,207	-	1,094,606
Investment property	-	148,543	-	150,223
Intangible assets	-	394,847	-	361,674
Investments in joint ventures and associates	-	43,336	-	42,109
Current tax assets	222,026	-	185,406	-
Deferred tax assets	-	197,778	-	200,946
Assets held for sale and disposal group	749,318	-	227,730	-
Trade and other receivables	582,092	318,933	381,232	272,005
Other assets	211,277	27,836	236,685	31,728
Total assets	**36,784,906**	**62,065,154**	**31,586,128**	**58,668,991**
Financial liabilities held for trading	20,086	143,493	9,867	12,476
Derivatives	20,086	143,493	9,867	12,476
Financial liabilities measured at amortised cost	58,137,784	26,575,843	72,409,458	5,426,176
Deposits from banks	1,991,577	87,817	1,419,627	363,912
Deposits from customers	54,539,970	21,048,567	70,139,761	2,318,655
Debt securities issued	-	5,424,406	-	2,733,120
Other financial liabilities	1,606,237	15,053	850,070	10,489
Lease liabilities	73,551	370,935	67,956	367,754
Provisions	114,543	885,964	644,743	1,149,188
Current tax liabilities	75,162	-	48,764	-
Deferred tax liabilities	-	19,443	-	14,317
Liabilities associated with assets held for sale and disposal group	568,508	-	-	-
Other liabilities	809,382	567	383,471	507
Total liabilities	**59,799,016**	**27,996,245**	**73,564,259**	**6,970,418**

The amounts over one year related to the derivatives classified in the category ‘held for trading’ are hedging instruments from an economic but not from accounting point of view.

45. Split between current and non-current assets and liabilities *(continued)*

Expected remaining maturities of assets and liabilities

				Bank
	31.12.2022		31.12.2021	
in RON thousands	**Current**	**Non - current**	**Current**	**Non - current**
Cash and cash equivalents	15,224,262	-	13,069,516	-
Financial assets held for trading	31,712	145,996	1,692,628	11,912
Derivatives	31,683	145,996	12,082	11,912
Other financial assets held for trading	29	-	1,680,546	-
Non-trading financial assets mandatorily at fair value through profit or loss	-	67,179	-	65,502
Equity instruments	-	50,851	-	34,870
Debt securities	-	16,328	-	30,632
Financial assets at fair value through other comprehensive income	3,983,339	5,680,957	1,503,383	6,301,708
Debt securities	3,983,339	5,680,957	1,503,383	6,301,708
Financial assets at amortised cost	15,365,982	53,898,859	13,557,810	49,824,119
Debt securities	1,462,151	13,670,724	2,199,402	13,182,732
Loans and advances to banks	156,535	164	1,361,840	164
Loans and advances to customers	13,747,296	40,227,971	9,996,568	36,641,223
Finance lease receivables	3,226	5,179	2,978	8,262
Property and equipment	-	820,797	-	820,178
Investment property	-	148,543	-	150,223
Intangible assets	-	377,240	-	349,068
Investments in joint ventures and associates	-	33,470	-	33,470
Current tax assets	219,164	-	182,155	-
Deferred tax assets	-	184,550	-	194,629
Assets held for sale and disposal group	6,920	44,579	9,153	-
Trade and other receivables	556,880	318,933	361,944	269,666
Investments in subsidiaries		500,943	-	518,464
Other assets	137,497	-	163,730	-
Total assets	**35,528,982**	**62,227,225**	**30,543,297**	**58,547,201**
Financial liabilities held for trading	20,086	143,493	9,883	12,476
Derivatives	20,086	143,493	9,883	12,476
Financial liabilities measured at amortised cost	58,257,225	26,673,186	72,461,775	5,155,952
Deposits from banks	2,130,065	185,160	2,132,820	187,352
Deposits from customers	54,560,486	21,048,567	69,496,520	2,224,991
Debt securities issued	-	5,424,406	-	2,733,120
Other financial liabilities	1,566,674	15,053	832,435	10,489
Lease liabilities	72,597	369,940	67,835	367,875
Provisions	-	885,531	-	1,149,254
Current tax liabilities	70,202	-	45,104	-
Other liabilities	357,526	-	333,489	-
Total liabilities	**58,777,636**	**28,072,150**	**72,918,086**	**6,685,557**

The amounts over one year related to the derivatives classified in the category 'held for trading' are hedging instruments from an economic, but not from accounting point of view.

46. Country by country reporting

			Group	31.12.2022
Country	**Operating income**	**Pre-tax result from continuing operations**	**Taxes on income**	**Taxes paid**
Romania	4,549,953	2,120,625	(407,384)	(339,924)
Moldova	65,509	37,257	(4,579)	(4,481)
Total	**4,615,462**	**2,157,882**	**(411,963)**	**(344,405)**

			Group	31.12.2021
Country	**Operating income**	**Pre-tax result from continuing operations**	**Taxes on income**	**Taxes paid**
Romania	3,764,939	1,729,785	(320,504)	(199,512)
Moldova	26,767	611	(114)	(314)
Total	**3,791,706**	**1,730,396**	**(320,618)**	**(199,826)**

47. Interest Rate Benchmark Reform

On 31 December 2021 publication of the CHF, GBP, JPY LIBOR rates for all tenors and USD LIBOR rates for 1-week and 2-month tenors was ceased. Remaining USD LIBOR rates representing the more liquid tenors (overnight, 1-month, 3-month, 6-month, 12month) will be ceased on 30 June 2023.

New alternative reference rates (ARR) are licensed and systems were ready for new ARR-linked business starting with January 2022. From the 4 LIBOR currencies, BCR has variable business linked to USD LIBOR. Starting 2022, new variable loans and deposits are linked to SOFR and SOFR average, a compound average based on the Secured Overnight Financing Rate (SOFR). CME Term SOFR will be offered for loans in 2023.

Regarding the accounting treatment of the interest rates replacement a practical expedient has been provided by the Interest Rate Benchmark Reform – Phase 2 amendments of IFRS 9 issued in August 2020. It requires that changes in the rates resulting from the interest rate benchmark reform are reflected by adjusting the effective interest rate of the instruments. No immediate gain or loss is recognized. This expedient is only applicable to changes that are required by interest rate benchmark reform, i.e. and only if:

- the change is necessary as a direct consequence of interest rate benchmark reform; and
- the new basis for determining the contractual cash flows is economically equivalent to the previous basis (including a fixed spread necessary to compensate for the basis difference between the LIBOR rates and the ARR rates).

Volume of financial instruments held on 31 December 2022 which are already referenced to the new ARRs

in RON million	Financial assets Carrying amount	Financial liabilities Carrying amount	Derivatives Notional amount
USD LIBOR	50.5	9.4	0

Volume of LIBOR-linked financial instruments held on 31 December 2022 which are yet to transition to the new ARRs

in RON million	Financial assets Carrying amount	Financial liabilities Carrying amount	Derivatives Notional amount
USD LIBOR	108.1	80.7	0

There are no volumes of financial instruments already referenced to the new ARRs or LIBOR-linked in transition held at 31 December 2022 for currencies: GBP, JPY or CHF.

48. Events after the balance sheet date

No subsequent events occurred after the balance sheet date.

AUTHORISED PERSON,
First name and name
Signature

Executive Vice-President,

Elke Meier

AUTHORISED PERSON,
First name and name
Signature

Director Accounting Division,

Gina Badea

Banca Comercială Română S. A.
No. CEO Office: 4 / 24.03.2023
Supervisory Board

Banca Comercială Română S.A.

Consolidated and Separate Administrators' Report (The Group and the Parent Bank)

LEI Code: 549300ORLU6LN5YD8X90

31 December 2022

Administrators' report
Consolidated and Separate for the year ended 31 December 2022

Contents of the Administrators' report

1. Macroeconomic developments

Economic growth stood at 5% y/y in 1Q22-3Q22. Household consumption was a top driver, with a contribution of 3.7pp to the annual growth rate during the first nine months of 2022, followed by gross fixed capital formation (1.8pp) and government consumption (0.3pp). Net exports contributed negatively to growth (-0.8pp) as imports rose faster than exports. The growth composition changed throughout 2022, and household consumption lost speed in 3Q22 in annual terms, while gross fixed capital formation accelerated visibly. The GDP deflator was 15.5% in January-September 2022, with significant pressure on producer prices in industry (40.8%) and agriculture (36.5%).

In 2022, Romania received EU funds worth EUR 10.6bn (3.7% of GDP), including inflows from the Multiannual Financial Framework and the Next Generation EU. European money had a key role in cushioning the fallout from the war in Ukraine and supporting economic growth.

The inflation rate rose to 16.4% y/y in December 2022, the highest in almost 20 years, on higher food and energy prices worldwide. Core inflation jumped to 14.7% y/y in December on strong increases in prices for a wide variety of food items, suggesting that inflationary pressures are broad-based. Food inflation accelerated to 22.1% y/y in December, prices for non-food items increased by 15.0% y/y, while services inflation was 9.8% y/y.

The NBR hiked the key rate by a cumulative 500bp throughout 2022 to 6.75% in front of the skyrocketing inflation rate and positive output gap. The Lombard rate, the relevant monetary policy instrument under tight liquidity management, reached 7.75% at the end of 2022, and the deposit rate was raised to 5.75%. The tightening pace was gradually reduced to 50bp in November from 100bp in July and 75bp at the MPC meetings in August and October. Once the peak in inflation was in sight and peer central banks in the CEE region signalled the end of their interest rate hikes, the NBR slowed down monetary tightening. The 3M ROBOR climbed to 8.21% at the end of October, from 3.02% at the beginning of the year on the back of the NBR's monetary tightening and persistent liquidity deficit of the banking sector vs. the central bank. Higher market liquidity beginning with November due to year-end spending by the Ministry of Finance led to a decline of 3M ROBOR towards 7.60% at the end of December.

The current account deficit widened to EUR 27.1bn in November 2022 on a 12-month rolling basis, from EUR 17.5bn in December 2021. The trade deficit for goods ballooned amidst a steep rise in import prices for energy products. The price increase accounted for nearly 2/3 of the nominal growth in the trade deficit for goods, while higher volumes explained the remaining 1/3 of the deterioration of the trade deficit. The FDI coverage of the current account gap was 37% in November 2022 vs. 50% in December 2021 against the backdrop of an increase in annualized FDI to EUR 10.0bn in November.

The cash budget deficit was 5.68% of GDP in 2022 vs. 6.73% of GDP in 2021. Budget revenues advanced by 21.2%, while government expenditures were slower at 17.7%. The ratio between rigid public expenditures (wages + social payments) and cyclical revenues (fiscal revenues + social insurance contributions) improved to 78.8% in 2022 vs. 82.6% in 2021.

The labour market was rather strong in 2022. The average unemployment rate was 5.5% in January-November 2022, little changed from 5.6% in 2021. The number of employees in the economy reached an all-time high in the second half of the year, boosted by strong hirings in IT services, hotels and restaurants, and professional and technical services. Net nominal wages increased by 13.6% y/y in November 2022, with a significantly faster growth rate in the private sector (16.5% y/y) vs. the public segment (4.0%). The annual growth rate of real wages became negative in 2Q22 and remained so in the next quarters, in a sign that elevated inflation bit into household disposable income.

The leu depreciated by 0.2% on average in nominal terms in 2022 vs. 2021, well below the historical norm of almost 2% per year. The NBR Governor repeatedly said that the central bank could not afford a weaker leu due to the fast pass-through inflationary effect and the role of a stable currency in anchoring consumer expectations.

Important events since end-2022

The NBR increased the key rate by 25bp to 7% in January 2023 and dropped the phrase about maintaining "firm control over money market liquidity" from the press release after the MPC meeting in the context of persistent liquidity surplus in the money market. The Lombard rate reached 8% and the deposit rate was raised to 6%. The inflation rate is seen as decreasing in 2023 by the central bank, reaching single-digit levels already in 3Q23.

In February 2023, the NBR kept the monetary policy unchanged at 7% and updated its inflation forecast to 7% y/y in December 2023 and 4.2% y/y in December 2024.

2. General presentation

Banca Comercială Română ("BCR" or "Bank") was established in 1990, when it took over the commercial operations of the National Bank of Romania.

The Group provides day-to-day banking services and other financial services to governmental institutions, corporate and individual clients operating in Romania and abroad. These services include: accounts opening, domestic and international payments, foreign exchange transactions, working capital finance, medium and long term facilities, retail loans, finance micro and small enterprises, bank guarantees, letters of credit and through subsidiaries also leasing, brokerage, financial consultancy services and asset management.

Products & Services

BCR serves the following groups of clients:

Private Individuals: BCR supports its customers to fulfil their aspirations, insuring their current and future financial well-being and provides support for accessing the full digital flow of its products. BCR offers a full range of services and products, from real estate financing (mortgages), personal loans, personal accounts (including packages for entrepreneurs, students, NGOs and Foundations), debit and credit cards, investment and savings products, consultancy and sale of treasury products and financial market access to private customers. The George digital platform is always available for its customers on their mobile phone, tablets or laptops. The Bank's customers have full control over their financing, anytime and anywhere.

Small and Medium Enterprises as well as large companies: proper financing is essential for the sound development of a business. BCR is dedicated to finding ways to navigate together with customers, through the current challenges. As a leader in many banking areas, BCR plays a key role for the commercial companies' segment by offering customized products, specialized programs and advice to micro-enterprises, small and medium-sized businesses as well as for large commercial companies.

Municipal authorities, public and non-profit sector: thanks to the long and solid relationship with municipal authorities, as well as with the public and non-profit sector, BCR became the first choice for dedicated financial solutions (including special funding for infrastructure projects at national, regional and local level).

Network

BCR provides a full range of financial products and services, through a network of 20 commercial business centres and 14 mobile offices dedicated to companies and 321 retail units located in most cities across the country with over 10,000 inhabitants.

BCR is one of the most important banks in Romania regarding bank transactions, as BCR clients have access to an extended national ATM and multifunctional terminal network, over 1,700 units, and complete banking services via Internet banking, Mobile banking, Phone-banking and E-commerce.

Bank and subsidiaries

During 2022, Banca Comercială Română Group ("BCR Group" or "the Group") comprised the parent Bank, Banca Comercială Română S.A. and its subsidiaries, presented in the following table:

Company's name	Country of incorporation	Nature of the business	Shareholding		Gross Book Value	Net Book Value	Impaiment
			2022	2021			
BCR Chisinau SA (i)	Moldova	Banking	100.00%	100.00%	200,064	44,579	155,485
BCR Leasing IFN SA	Romania	Financial leasing	99.97%	99.97%	389,493	360,301	29,192
BCR Pensii, Societate de Administrare a Fondurilor de Pensii Private SA	Romania	Pension Fund	99.99%	99.99%	269,820	138,742	131,078
BCR Banca pentru Locuinte SA	Romania	Banking	99.99%	99.99%	948,578	-	948,578
Suport Colect SRL	Romania	Workout	99.99%	99.99%	983,047	-	983,047
BCR Payments Services SRL	Romania	Payments transactions	99.99%	99.99%	1,900	1,900	-
BCR Fleet Management SRL (ii)	Romania	Operational leasing	99.97%	99.97%	-	-	-

(i) Company held as available for sale;

(ii) Company held indirectly by BCR through BCR Leasing SA.

Investments in other companies, except subsidiaries, associates and joint ventures are in total amount of RON 50,851 thousands (2021: RON 34,870 thousands) as presented in the statement of financial position as Equity Instruments.

3. 2022 financial and commercial highlights

The BCR impact in the economy

In **retail banking business**, BCR generated total new loans to individuals and micro businesses of RON 9,5 billion in 2022, on the back of mortgage sales increasing by 20.7% yoy. Stock of mortgage in local currency increased by 10.6% yoy, while the stock of unsecured consumer loans (including credit cards and overdrafts) increased by 5.7% yoy as of 31 December 2022.

In **corporate banking business**, BCR (bank standalone) approved new corporate loans of RON 15.6 billion in 2022, up by 65% yoy, of which a third are aimed for investments. The advance of 25.5% yoy in the stock of corporate financing was driven by significant increases in all customer segments.

The total BCR Leasing financing portfolio granted to customers increased by 32% compared to 2021, to over RON 1.95 billion, offering support for entrepreneurs in different activity domains.

The Group follows an accelerated digitalization strategy. In the **intelligent banking platform George there are** 2.14 million users, up to 22% as compared to 2021. 62% of all BCR products (current account opening, mortgage and personal loans, savings account, deposits, insurance and investment products) are granted on a 100% digital flow.

BCR Group performance in 2022

BCR Group achieved a **net profit of RON 1,745.9 million (EUR 354 million) in 2022**, up by 23.8% against RON 1,409.8 million (EUR 286.5 million) in 2021, driven by improved operating result underpinned by continued strong loan growth.

Operating result improved by 29% to **RON 2,735.5 million (EUR 554.7 million)** in 2022 from RON 2,120.1 million (EUR 430.8 million) in 2021, on the back of improved operating income, partly offset by higher operating expenses.

Net interest income increased by 21.7% to **RON 2,948.7 million (EUR 597.9 million)** in 2022, from RON 2,422.1 million (EUR 492.2 million) in 2021, driven by higher business volumes coupled with higher market rates.

Net fee and commission income increased by 8.8% to **RON 944.2 million (EUR 191.5 million)** in 2022, from RON 867.9 million (EUR 176.4 million) in 2021, driven by higher transactional business as well as higher fee income from lending and brokerage.

Net trading result increased by 64.3%, to **RON 630.1 million (EUR 127.8 million)** in 2022, from RON 383.5 million (EUR 77.9 million) in 2021, on higher trading activity.

Operating income increased by 21.7%, to **RON 4,615.5 million (EUR 935.9 million)** in 2022, from RON 3,791.7 million (EUR 770.5 million) in 2021, driven by all major income components.

General administrative expenses reached RON 1,880 million (EUR 381.2 million) in 2022, up by 12.5% in comparison to RON 1,671.6 million (EUR 339.7 million) in 2021, mainly due to higher contribution to deposit insurance fund in 2022 as well as higher personnel and other administrative expenses generated by the inflationary environment.

As such, **cost-income ratio improved to 40.7% in 2022**, versus 44.1% in 2021.

Risk costs and Asset Quality

Impairment result from financial instruments recorded a provision allocation of RON 393.8 million (EUR 79.8 million) in 2022, as compared to an allocation of RON 228.4 million (EUR 46.4 million) in 2021. This result has been mainly triggered by allocations of portfolio provisions reflecting the bank's prudential approach given the current operating and geopolitical context. This translated into updated macroeconomic scenarios, re-estimated risk parameters and additional stricter rules for credit risk classification under IFRS 9.

NPL ratio stood at 2.8% as of December 2022, significantly lower than 3.9% recorded as of December 2021. This evolution is reflecting the low NPL formation, a good trend of recoveries in both retail and corporate segments and also the increase in loans to customers. At the same time, the NPL provisioning coverage was 171.7% as of December 2022.

Foreign exchange rates used for conversion of figures into EURO are the ones provided by the European Central Bank. The income statement is converted using the average exchange rate for 2022 of 4.9318 RON/EUR (2021 of 4.9210 RON/EUR) The balance sheets are converted using the closing exchange rates 4.9495 RON/EUR at 31 December 2022 (31 December 2021: 4.949 RON/EUR) . All the percentage changes refer to RON figures.

3. 2021 financial and commercial highlights *(continued)*

Capital position and funding

Solvency ratio for BCR Bank standalone, according to the capital requirements regulations (CRR) stood at 22.1% as of December 2022, well above the regulatory requirements of the National Bank of Romania. Furthermore, the Tier 1+2 capital ratio of 20.8% (BCR Group) as of December 2022 is clearly reflecting BCR's strong capital and funding positions.

Minimum requirement for eligible liabilities ("MREL") target transition is on track. A mix of funding instruments was considered solely for meeting regulatory requirements (both capital & MREL). Issuance strategy is to cover the MREL shortfall as much as possible using external bonds (Senior Non preferred and Senior Preferred) and only use intra-group instruments (AT1 and T2) to cover the remaining shortfall as a fallback plan. Higher concentration of issuances in the first half of 2023 is mainly due to IRB planned implementation.

Net loans and advances to customers increased by 15.6% to RON 55,328.5 million (EUR 11,178.6 million) as of 31 December 2022 from RON 47,868.5 million (EUR 9,672.4 million) as of 31 December 2021, supported by increases in both retail loans (+4.1% ytd to RON 28,062.2 million) and corporate loans (+25.5% ytd to RON 26,036.5 million).

Deposits from customers increased by 4.3% to RON 75,588.5 million (EUR 15,271.9 million) as of 31 December 2022 from RON 72,458.4 million (EUR 14,641.0 million) as of 31 December 2021, due to decline in retail deposits (-5.3% ytd to RON 43,753.6 million) counterbalanced by the increase in corporate deposits (+20.1% ytd to RON 28,847.4million).

4. Outlook for BCR's activity in 2023

4.1. 2023 expected macroeconomic development

Real GDP growth is expected at 2.7% in 2023 on the back of strong capital expenditure in the public sector financed by EU funds. 2023 could be a top year in terms of EU funds absorption, with inflows of structural, cohesion, agricultural and Next Generation EU funds likely to peak at around 5.0% of GDP. The growth of households' consumption could moderate on lagged effects of negative real wage growth.

Inflation rate is projected by NBR to ease to 7% y/y in 2023 due to falling prices for energy and agricultural commodities on global markets. The extension of the energy support scheme by the Romanian government for households should also help the disinflation process.

Unemployment rate could rise marginally in 2023.

4.2. Balance Sheet developments

Loan production continues to be the key growth driver for the total assets, BCR Group expecting in 2023 a mid-single digit growth in net loans, sustained by digital lending initiatives and state programs.

Retail portfolio projected to still increase roughly by mid-single digit. Growth ambitions of micro segment supported by new digital products, governmental programs and focus on ESG and EU funds to attract investments. **Corporate lending** remains on an upward trend supported by new business and government programs, with all segments posting positive developments.

On the **liabilities side**, BCR will continue to capitalize on its very strong customer deposit base and with focus on digitalization, both Retail and Corporate deposits maintaining their positive evolution.

Net loan-to-deposit ratio to increase to about 77% from 73% as of end-2022.

4.3. Statement of profit or loss

Operating income to remain the main driver with double-digit growth in 2023 mainly on the back of **net interest income** due to market rates environment and solid loan volume growth, especially in corporate segment and **net fee and commission income** driven by higher number of clients and bank's focus on products. Less favorable development in **net trading result** (mainly due to changes in funding plan structure) offset by net interest income and fees income gains.

Operating expense up in 2023 considering the achievement of the entire income target and an improved CIR to 40.2%.

Risk cost ratio is estimated at approx. 70bps for 2023, given the geopolitical instability and the forward-looking macroeconomic risks. Normalized risk cost starting 2024.

Based on the above-mentioned expected performance, BCR Group is aiming to deliver a double-digit Return on Equity by the end of budget year.

5. Statement of financial position of the Group and of the BCR

5.1. Statement of compliance

As of 31 December 2022, BCR prepared separate and consolidated financial statements in compliance with the Accounting Law no. 82/1991, with its subsequent amendments and supplements and with the National Bank of Romania Order no. 27/2010 for approval of Accounting Regulations compliant with International Financial Reporting Standards applicable to credit institutions.

Order no. 27/2010 of the National Bank of Romania further specifies that the separate and consolidated financial statements of credit institutions must be prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union.

Consequently, the separate and consolidated financial statements of BCR Group for the year ended 31 December 2022 were prepared in accordance with IFRS, observing also the specific group accounting policies of Erste Group to which BCR Group belongs.

5.2. Statement of financial position - assets

Total assets of the Bank as at 31 December 2022 amounted to RON 97,756,207 thousand, increasing by 9.7% compared to 31 December 2021 (RON 89,090,498 thousand). At BCR Group level, the total assets increased by 9.5% from RON 90,255,119 thousand as at 31 December 2021 to RON 98,850,060 thousand as at 31 December 2022.

	Group			Bank		
in RON thousands	31.12.2022	31.12.2021	Variance %	31.12.2022	31.12.2021	Variance %
Assets						
Cash and cash equivalents	15,224,576	13,317,439	14.3%	15,224,262	13,069,516	16.5%
Financial assets held for trading	177,242	1,704,540	-89.6%	177,708	1,704,540	-89.6%
Derivatives	177,213	23,994	638.6%	177,679	23,994	640.5%
Other financial assets held for trading	29	1,680,546	-100.0%	29	1,680,546	-100.0%
Non-trading financial assets mandatorily at fair value through profit or loss	67,179	65,753	2.2%	67,179	65,502	2.6%
Equity instruments	50,851	35,121	44.8%	50,851	34,870	45.8%
Debt securities	16,328	30,632	-46.7%	16,328	30,632	-46.7%
Financial assets at fair value through other comprehensive income	9,664,296	7,834,955	23.3%	9,664,296	7,805,091	23.8%
Debt securities	9,664,296	7,834,955	23.3%	9,664,296	7,805,091	23.8%
Financial assets at amortised cost	68,046,211	62,702,857	8.5%	69,264,841	63,381,929	9.3%
thereof pledged as collateral	386,866	210,331	83.9%	1,121,147	1,425,072	-21.3%
Debt securities	15,215,719	15,570,473	-2.3%	15,132,875	15,382,134	-1.6%
Loans and advances to banks	148,344	1,362,313	-89.1%	156,699	1,362,004	-88.5%
Loans and advances to customers	52,682,148	45,770,071	15.1%	53,975,267	46,637,791	15.7%
Finance lease receivables	1,745,363	1,445,231	20.8%	8,405	11,240	-25.2%
Property and equipment	1,029,207	1,094,606	-6.0%	820,797	820,178	0.1%
Investment property	148,543	150,223	-1.1%	148,543	150,223	-1.1%
Intangible assets	394,847	361,674	9.2%	377,240	349,068	8.1%
Investments in joint ventures and associates	43,336	42,109	2.9%	33,470	33,470	0.0%
Current tax assets	222,026	185,406	19.8%	219,164	182,155	20.3%
Deferred tax assets	197,778	200,946	-1.6%	184,550	194,629	-5.2%
Assets held for sale and disposal group	749,318	227,730	229.0%	51,499	9,153	462.6%
Trade and other receivables	901,025	653,237	37.9%	875,813	631,610	38.7%
Investments in subsidiaries	-	-	-	500,943	518,464	-3.4%
Other assets	239,113	268,413	-10.9%	137,497	163,730	-16.0%
Total assets	**98,850,060**	**90,255,119**	**9.5%**	**97,756,207**	**89,090,498**	**9.7%**

5.3. Statement of financial position – liabilities and equity

in RON thousands	Group			Bank		
Liabilities and Equity	**31.12.2022**	**31.12.2021**	**Variance %**	**31.12.2022**	**31.12.2021**	**Variance %**
Liabilities and Equity	163,579	22,343	632.1%	163,579	22,359	631.6%
Derivatives	163,579	22,343	632.1%	163,579	22,359	631.6%
Financial liabilities measured at amortised cost	84,713,627	77,835,634	8.8%	84,930,411	77,617,727	9.4%
Deposits from banks	1,431,205	430,383	232.5%	2,125,964	1,569,445	35.5%
Borrowings and financing lines	648,189	849,192	-23.7%	189,261	246,763	-23.3%
Deposits from customers	75,588,537	72,458,416	4.3%	75,609,053	71,721,511	5.4%
Debt securities issued	5,424,406	2,733,120	98.5%	5,424,406	2,733,120	98.5%
Subordinated loans	-	503,964	-100.0%	-	503,964	-100.0%
Other financial liabilities	1,621,290	860,559	88.4%	1,581,727	842,924	87.6%
Lease liabilities	444,486	435,710	2.0%	442,538	435,710	1.6%
Provisions	1,000,507	1,793,931	-44.2%	885,531	1,149,254	-22.9%
Current tax liabilities	75,162	48,764	54.1%	70,202	45,104	55.6%
Deferred tax liabilities	19,443	14,317	35.8%	-	-	-
Liabilities associated with assets held for sale and disposal group	568,508	-	-	-	-	-
Other liabilities	809,949	383,978	110.9%	357,525	333,489	7.2%
Total equity	**11,054,799**	**9,720,442**	**13.7%**	**10,906,421**	**9,486,855**	**15.0%**
Attributable to non-controlling interest	63	50	26.0%	-	-	-
Attributable to owners of the parent	11,054,736	9,720,392	13.7%	10,906,421	9,486,855	15.0%
Share capital	2,952,565	2,952,565	0.0%	2,952,565	2,952,565	0.0%
Additional equity instruments	741,555	-	-	741,555	-	-
Retained earnings	5,904,001	5,143,334	14.8%	5,745,545	4,900,768	17.2%
Other reserves	1,456,615	1,624,493	-10.3%	1,466,756	1,633,522	-10.2%
Total liabilities and equity	**98,850,060**	**90,255,119**	**9.5%**	**97,756,207**	**89,090,498**	**9.7%**

6. Statement of profit or loss of the Group and of the BCR

	Group			Bank		
in RON thousands	**31.12.2022**	**31.12.2021**	**Variance %**	**31.12.2022**	**31.12.2021**	**Variance %**
Net interest income (1)	**2,948,748**	**2,422,069**	**21.7%**	**2,767,309**	**2,305,635**	**20.0%**
Interest income	3,977,510	2,695,293	47.6%	3,888,023	2,631,663	47.7%
Other similar income	76,989	65,960	16.7%	2,682	3,299	-18.7%
Interest expense	(1,085,570)	(320,385)	238.8%	(1,103,445)	(310,614)	255.2%
Other similar expense	(20,181)	(18,799)	7.4%	(19,951)	(18,713)	6.6%
Net fee and commission income (2)	**944,240**	**867,922**	**8.8%**	**897,686**	**805,904**	**11.4%**
Fee and commission income	1,190,732	1,093,800	8.9%	1,133,301	1,020,813	11.0%
Fee and commission expense	(246,492)	(225,878)	9.1%	(235,615)	(214,909)	9.6%
Dividend income (3)	3,804	3,210	18.5%	26,808	4,303	523.0%
Net trading result (4)	595,841	386,284	54.2%	579,217	377,933	53.3%
Gains/(losses) from non-trading financial instruments mandatorily measured at fair value through profit or loss (5)	22,235	2,642	741.6%	22,235	2,642	741.6%
Foreign currency translation (6)	12,025	(5,430)	-321.5%	4,229	(2,925)	-244.6%
Net result from equity method investments (7)	990	3,441	-71.2%	-	-	-
Rental income from investment properties and other operating leases (8)	87,579	111,568	-21.5%	5,063	5,953	-15.0%
Personnel expenses (9)	(895,947)	(799,008)	12.1%	(828,548)	(737,025)	12.4%
Other administrative expenses (10)	(727,003)	(657,200)	10.6%	(712,428)	(645,240)	10.4%
Depreciation and amortisation (11)	(257,089)	(215,432)	19.3%	(206,586)	(205,366)	0.6%
Operating Income (1+2+3+4+5+6+7+8)	**4,615,462**	**3,791,706**	**21.7%**	**4,302,547**	**3,499,445**	**22.9%**
Operating Expense (9+10+11)	**(1,880,039)**	**(1,671,640)**	**12.5%**	**(1,747,562)**	**(1,587,631)**	**10.1%**
Operating Result	**2,735,423**	**2,120,066**	**29.0%**	**2,554,985**	**1,911,814**	**33.6%**
Other gains/(losses) from derecognition of financial instruments not measured at fair value through profit or loss	31	(31)	-200.0%	31	(31)	-200.0%
Net impairment loss on financial instruments	(393,777)	(228,362)	72.4%	(349,430)	(201,659)	73.3%
Other operating result, out of which	**(183,795)**	**(161,277)**	**14.0%**	**14,978**	**(29,637)**	**-150.5%**
Other income	130,077	226,959	-42.7%	75,562	206,375	-63.4%
Other expense	(313,872)	(388,236)	-19.2%	(60,584)	(236,012)	-74.3%
Net profit of the year	**2,157,882**	**1,730,396**	**24.7%**	**2,220,564**	**1,680,487**	**32.1%**
Taxes on income	(411,963)	(320,618)	28.5%	(390,548)	(302,570)	29.1%
Net result for the period	**1,745,919**	**1,409,778**	**23.8%**	**1,830,016**	**1,377,917**	**32.8%**
Net result attributable to non-controlling interests	13	7	85.7%	-	-	-
Net result attributable to owners of the parent	**1,745,906**	**1,409,771**	**23.8%**	**1,830,016**	**1,377,917**	**32.8%**

7. Equity accounts and profit distribution

7.1. Equity accounts as at 31 December 2022

The Bank's equity as at December 31st 2022, amounts to RON 10,906,421 thousands and is detailed below:

	Bank
in RON thousands	
Share capital[1]	1,625,342
Adjustment of the capital – hyperinflation	1,327,223
Share premium	395,483
Additional equity instruments (AT1)	741,555
Other reserves	1,243,074
Legal statutory reserves	569,355
General reserve regarding credit risk set up from profit before tax	162,935
Reserve on general banking risks	267,673
Other reserves	243,111
Other comprehensive income	(171,801)
Retained earnings	3,915,529
Net profit for the period	1,830,016
Total amount of the Bank's equity	**10,906,421**

[1] The share capital represents the subscribed and paid-up share capital at nominal value, consisting of 16,253,416,254 ordinary shares (equal voting rights) with each nominal value of RON 0.1 / share. The Bank and the Group does not hold redeemed own shares.

Erste Bank is the direct parent of the Bank and holds 99.8891% of share capital at 31st December 2022.

7.2. Profit distribution

The net profit of the Bank for the financial year ended 31 December 2022, amounting to RON 1,830,015,908 will be distributed according to the law and General Meeting of Shareholders' decision.

The proposal for the distribution of profit is in accordance with: art. 29 para. 1 of the Accounting Law no. 82/1991, republished as subsequently amended and supplemented, para. 67 of the Law no. 31/1990, republished as subsequently amended and supplemented and para. 27 of BCR Charter. The Supervisory Board proposes to the General Meeting of Shareholders the distribution of 2022 net profit as follows:

in RON	Bank
Other Reserves[1]	73,547,564
Dividend distribution out of which:[2]	1,189,510,340
- ordinary dividends	1,145,561,239
- AT1 dividends[3]	43,949,102
Result reported[4]	566,958,004
Total	**1,830,015,908**

[1] The amount of RON 73,547,564 represents the reinvested accounting profit of BCR which was exempt from applying corporate income tax, in accordance with the provisions of the Fiscal Code in force and which should be allocated to „Other Reserves".

[2] The amount of RON 1,189,510,340 represents the gross amount of ordinary dividends and dividends related to AT1 instruments issued by BCR in September 2022 recorded in other AT1 capital items.

[3] The AT1 dividends will be booked as payable in EUR on the date of approval of their distribution by the GMS and will be paid according to contract on 29 May 2023. Their value, established according to the terms and conditions of the AT1 notes, is EUR 8,940,740. The RON equivalent mentioned above has been calculated at the exchange rate valid on 9 March 2023 of 1 EUR = 4.9156 RON. The final value of these will be lower or higher depending on the evolution of the EUR - RON exchange rate up to the date of registration of the payment obligation in EUR. The FX difference will have impact on the Retained earnings – item 4.

[4] The retained earnings totaling RON 566,958,004 will be used in accordance with the Bank's business strategy.

7.3. Own funds elements

Pursuant to Regulation 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No. 648/2012, Chapter II "Basic Tier 1 Own Funds", Article 26, paragraph 1, the main own funds items other than share capital instruments are: retained earnings, other items of accumulated comprehensive income, other reserves and funds for general banking risks. Eligible own funds items are included net of potential obligations (foreseeable dividends, taxation effects). In case of reinvested accounting profit, the amount included in own funds will be net of any potential tax charge at the moment of its calculation. The taxation effect will be maintained until the full amortization (useful life expiry) of assets for which fiscal facility was calculated. These items are considered Own Funds Common Equity Tier 1 only if they are available to the Bank for unrestricted and immediate use in order to cover risks or losses as soon as they appear.

8. Subsidiaries business performance overview and predictions

8.1. BCR Chisinau SA

BCR Chisinau is a universal bank, subsidiary of BCR with strategic focus on corporate clients, their employees and partners.

In 2022, BCR Chisinau recorded an increase in its loan portfolio of 9.4%, compared to 2021. The major share of the bank's loan portfolio is still held by the SME segment with 54.1%, and its increase in 2022 constituted 8.3%. The Retail segment registered a positive trend as well, growing by 7.2% compared to the end of 2021. The majority of this increase comes from guaranteed loans granted to natural persons approx. 5.9%. Clients' trust in the bank was the main factor that led to the growth of the loan portfolio in the current conditions.

During 2022, BCR Chisinau continued to increase the quality of remote services provided to its clients by improving the interface and user experience of the Mobile Banking application, including the implementation of cards reissuing requests from the application. There was increased the degree of security for online card transactions, by including the possibility of authorizing payments within the CVVkey application. In order to maximally cover the needs of customers related to the existence of a wider network of ATMs, BCR Chisinau cardholders were offered 5 free withdrawals from any ATM in the Republic of Moldova. Additionally, to increase the degree of maintaining and attracting client deposits, fixed rate deposits were launched, including through the 24 Banking application.

The share of Non-performing loans decreased in 2022 to 2.6% from 3% in 2021 (the NPLs are concentrated in a limited number of loans of a single client and mostly provisioned). As a core part of its risk management strategy, BCR Chisinau maintained a prudential approach by increasing its provisions, calculated in accordance with International Financial Reporting Standards (IFRS) and in accordance with the requirements applied in BCR Group. In this context, the coverage rate on non-performing loans has increased from 131.1% in 2021 to 173.3% in 2022.

BCR Chisinau registered a net profit in 2022 of MDL 131 mn (RON 32.7 mn) driven by the increase in its operating result (in 2021: MDL 2.1 mn or RON 0.5 mn).

The strategic pillars for 2022 remained unchanged, these being based on diversification, increasing revenues from operational activity, increasing the level of automation, continuous alignment with the requirements of the local regulator and group policies.

During 2022, the Management Board of BCR approved the launch of the sale process of BCR Chisinau. Consequently, in December 2022, based on the assessment that all IFRS 5 criteria have been fulfilled, the investment in BCR Chisinau was classified as held for sale and measured at the lower of its carrying amount and fair value less costs to sell.

8.2. BCR Leasing IFN SA

BCR Leasing provides financial leasing products, such as leasing for cars, light and heavy commercial vehicles and industrial equipment.

In 2022, BCR Leasing focused on improving operational efficiency by adjusting processes and workflows, while continuing its strategy to increase sales volumes. The total assets of BCR Leasing increased by 22% compared to the previous year, reaching RON 3.5 billion based on new sales volumes of EUR 375.7 mn, as well as the quality of the existing portfolio. The share of non-performing exposures remained at a low level of 3.23% (4.13% in 2021), reflecting the efforts to improve the quality of the portfolio, as well as the quality of new sales.

The operating result increased by 9% compared to the previous year (RON 88 mn in 2022 vs. RON 81 mn in 2021), mainly due to the increase in net interest income by 15% (RON 100 mn in 2022 vs. RON 86 mn in 2021). In 2022, the cost/income ratio increased from 29.7% in 2021 to 31.2%, reflecting the company's ability to adapt in a difficult macroeconomic context.

The sales volume continued to be stimulated by both sales channels, the Bank and the partnerships with dealers / importers.

In 2023, BCR Leasing will continue its development on key pillars for a sustainable growth within current market context, such as processes improvement with the purpose to increase the customers' satisfaction, speeding up the digitalization of the company' business model and continue to invest in identifying new market opportunities.

8.3. BCR Pensii, Societate de Administrare a Fondurilor de Pensii Private ("SAFPP") SA

BCR Pensii SAFPP is a company that performs its activity on the private pensions market in Romania, including mandatory (Pillar II) and voluntary private pensions (Pillar III).

At the end of 2022, according to the statistics published on website of Financial Supervisory Authority, the mandatory private pension Fund managed by BCR Pensii has a market share of 9.35%, managing the assets of 744,439 subscribers.

In terms of total number of subscribers for voluntary pensions funds, the **voluntary private pensions Fund** BCR Plus managed by BCR Pensii SAFPP has a market share of 23.21% corresponding to a number of 145,413 participants, for the same date (31.12.2022).

Net profit in 2022 of BCR Pensii SAFPP is in amount of RON 14.4 mn.

8. Subsidiaries business performance overview and predictions *(continued)*

The strategy of the subsidiary is to promote its two funds towards an increased number of eligible prospects and to promote the benefits of the supplementary pension as a long-term saving product. Regarding the sales strategy for Pillar III, it is based on improving the quality of the portfolio by ensuring quality sales through constant sales management actions and continuing the actions of reactivating the payments for suspended contributions.

8.4. BCR Banca pentru Locuinte SA

The activity of BCR Banca pentru Locuinte SA mainly consists of lending and savings portfolios management .

BCR Banca pentru Locuinte SA's total portfolio (savings-credit contracts) as of 31 December 2022 is 28,313 (number of contracts) (44,031 as at 31st of December 2021) and customers have realized savings in amount of RON 0.18 billion compared with RON 0.45 billion RON as of 31st December 2021. The activity of selling new lending-saving contracts ("ECDL contracts") has been suspended in February 2016.

In 2022, the Bank was not granting any new housing loan (Bauspar). During 2021, the Bank granted new loans in total value of RON 0.24 mn.

The financial result of 2022 is loss in amount of RON 213 mn RON.

The update regarding the audit mission of the Romanian Court of Accounts at BpL is presented in the Financial Statements – Note 36 Litigations and contingent liabilities.

In preparing the financial statements for the financial year ended December 31, 2022, the BpL's management considered is appropriate to apply the going concern approach. For further details, please refer to Consolidated and Separate financial statements, Note 38 – Subsidiaries.

8.5. Suport Colect SRL

In 2022, Suport Colect continued performing its core business activity represented by the collection of the loans receivables portfolio owned, including cash collections from receivables, or through properties obtained as debt to asset swaps, either amiable or in enforcement or sale of receivables.

In 2022, the Company reported under IFRS standalone a net profit amount of RON 16.7 mn (2021: RON 13.6 mn) mainly due to positive effect obtained from collection activity on the portfolio of loan receivables and to the litigation's provisions release.

The Management evaluated the overall situation of the company and concluded that the most appropriate approach is to adopt the gone concern basis in preparing the financial statements as of 31.12.2022.

8.6. BCR Fleet Management SRL

BCR Fleet Management started its operations in 2012, providing operational leasing and fleet management services for corporate clients with large fleets. BCR Fleet Management developed partnerships with the most important passenger cars and commercial vehicles dealers and importers in Romania, being able to provide its services for almost any passenger car or commercial vehicles.

During the last 10 years, BCR Fleet Management has become an important player in the operational leasing market with a total fleet of over 5,000 vehicles and total asset size of RON 213 mn at the end of 2022, showing a decrease of 57% compared to last year. BCR Fleet Management's clients are mostly multinational corporations or large Romanian companies, as well as public sector organizations.

The operating income of the company reached RON 73mn, decreased by 9% mainly influenced by the decrease in rental income from 95 mn RON in 2021 to 81 mn RON in 2022 and the increase of net trading results form -7mn RON in 2021 to 0.5 mn RON in 2022.

In 2022, BCRFM has concluded the portfolio sale to Arval Service Lease SA under the form of a Business Transfer Agreement having in scope all the passenger cars and light commercial vehicles in BCRFM's portfolio (approx. 4,000 assets in total). The rest of the portfolio, not transferred to Arval, will be ran down in accordance with the Group's Strategy.

As at December 2022, the Management Board of BCR Fleet Management has evaluated the overall situation of the company and concluded that the appropriate approach is to maintain the same approach as in the previous year and to prepare its financial statements for 2022 on a gone concern basis because the largest part of its portfolio was sold and the rest of it is subject to a run down strategy.

8. Subsidiaries business performance overview and predictions *(continued)*

8.7. BCR Payments Services SRL

BCR Payments Services SRL is a subsidiary of the BCR Group, founded in 2011, following the outsourcing of payment processing which were made until then integrated into the same unit BCR Sibiu Processing Centre of the Banking Operations Division. The company is responsible for centralized processing of payment transactions in local and foreign currency, debt instruments in local currency and foreign currency, accounts opening and maintenance.

BCR Payments Services serves all local units of BCR, Operations Division, and other BCR divisions, on the base of the outsourcing contract signed between the two parties. During 2022, 2.5 mn transactions were processed and the company's net profit at 31 December 2022 amounted RON 1,239 thousand under IFRS standalone.

In 2023, BCR Payments Services SRL will focus on extending the range of services provided as well as further improvement of internal efficiency.

9. The Bank's and Group risk profile

9.1. Overview

Risk management processes ensures that the bank's risk profile remains in line with the risk strategy. The development of specific risk profile (i.e. retail credit, corporate credit, operational risk, etc.) is reported through dedicated risk reports in a more granular way and supports risk decision making of the dedicated risk functions. These reports also include specific monitoring metrics that provide an early warning signal for adverse developments of portfolio quality (client, segment, countries and industries) or risk drivers. In instances where certain risk portfolios or events are identified as potentially in distress, these are closely monitored by the dedicated risk functions to manage the risk impact and to develop effective strategies to minimize potential losses. These processes facilitate early risk detection and reaction.

The overall risk profile for the Group, as well as the individual risk profiles are implemented through the Group Risk Strategy and are subject to an annual comprehensive review process. A quarterly assessment of the risk profiles checks if there are changes in respect of the risk materiality or if new risks occurred in the Bank's activity.

Given Group business strategy, the key risks for the Group are credit risk, market risk (including interest rate risk in the banking book), liquidity and funding risk and operational risk. All material risks are covered by the Group's control and risk management framework. This entails a set of different tools and governance to ensure adequate oversight of the overall risk profile and sound execution of the risk strategy, including appropriate monitoring and escalation of issues that could materially impact the risk profile of the Group.

Based on the Group Risk Strategy and the Group overall and individual risk profiles, the Group subsidiaries, including the Bank, set up their local risk profile. Also, the Group's capital management framework serves to ensure that the Group and its subsidiaries are capitalized in line with the risk profile, regulatory requirements and economic capital requirements.

As part of its risk strategy, the Group analyses its actual risk profile and determines a target risk profile based on its strategic goals. The target risk profile is a result of the risk assessment process in combination with the boundaries set by the business strategy and the risk appetite framework. In terms of governance, full oversight of the risk profile and a sound execution of the risk strategy is ensured including appropriate monitoring and escalation of issues that could materially impact the risk profile of the Group.

9.2. Proportionality Principles

The proportionality principle is a crucial and integral part of the Group's overall risk framework and strategy. The proportionality principle is applied for the core components of the Group ICAAP framework (Risk Materiality Assessment/Risk taxonomy, Risk-bearing Capacity Calculation, Risk Appetite & Risk Profile, Stress testing, Risk Concentration Analysis, and Recovery Plan).

The Group level risk management principles, concepts and processes are generally designed, developed and implemented to address over-arching organizational needs across both group and local entities/subsidiaries reflecting a high degree of granularity and detail.

However, subsequent implementation and application at Group subsidiaries require an approach that takes differences in business structures, size, complexity and relevance into account. This will ensure a meaningful, suitable and adequate application across the Group in line with local needs and capabilities while still fulfilling overall Group level requirements and standards.

The evaluation of proportionality criteria is reviewed on an annual basis and included in the Risk Strategy. In addition, a reassessment might be carried out outside the annual review cycle if changed business parameters indicate a need for a respective reclassification.

9. The Bank's and group risk profile *(continued)*

9.3. Risk Profile

Starting from the volume and nature of the Bank's activity as part of the Group, the risk profile of the Group is driven by the Bank risk profile. Thus, the Risk Profile for Group follows in general the same directions as the Bank, both regarding to overall risk profile and individual risks profiles based on the following considerations:

- the volume and nature of the Bank activity as part of Group;
- the categorization of the Bank as a full subsidiary based on the Proportionality Principles.

9.4. Individual risk profiles for the key risk types

9.4.1. Credit Risk

Credit risk is defined as the current or prospective risk to earnings and capital arising from a borrower's failure to meet the terms of any contract with the credit institution or its failure to perform as agreed.

In respect of the credit risk profile, in order to lower the risk profile for this risk in 2022, the Bank has targeted the following strategic directions:

- any relaxing of the lending standards which can affect the Credit Risk profile of the Bank have to be benchmarked against the targeted risk profile and operative limits, supporting metrics and in the end against the Risk Appetite Statement;
- an integrated risk management framework where risk appetite is cascaded down to the highest granular level in terms of concentration policy, lending acceptance criteria and business strategy;
- the Group continued to refine, update, monitor and redevelop its statistically validated scorings, rating models, risk parameters and tools;
- the Group continued to manage the industry concentrations and to align the portfolio composition with the business strategy; perform periodical stress tests/sensitivity analysis related to the impact of credit risk on the Bank and Group.

9.4.2. Concentration risk

The Bank concentration risk framework outlines the standards needed to identify, measure, monitor, and mitigate concentration risks, which implementation is essential to ensure the long-term viability of any financial institution, especially in the case of stressed economic conditions.

In respect of concentration risk management, the Bank has implemented a wide framework of limits which are specific, measurable, frequency-based, reportable, and based on forward looking assumptions in order to facilitate effective monitoring and reporting.

The limit framework includes material risk concentrations at the bank-wide, business line and legal entity levels (e.g. counterparty, industry, region, product) aiming to ensure that the Bank operates within its defined Risk Appetite and they are effective in controlling Risk Tolerance. Dimensions included in the limit framework comprise: industry limits, geographic regions, corporate unsecured loans, corporate and Retail product limits, FX retail limits, as well as concentration risk limits on individual counterparties depending on the ratings (maximum/operational lending limits), market and liquidity risk limits and operational key risk indicators.

9.4.3. Residual risk

This is the risk that the recognized credit risk mitigation techniques (e.g. collateral) employed by the Bank will be less effective than expected.

Collateral and credit enhancement are evaluated pursuant to internally defined rules. Depending on rating grade, purpose and tenor, risk bearing products are protected against losses by stipulating adequate collateral that is fully and indisputably legally enforceable and sufficiently documented for the Bank. Nevertheless, collateral and credit enhancement can never substitute repayment capability.

9.4.4. FX induced credit risk

FX induced credit risk is a risk associated with foreign currency lending to un-hedged borrowers, which arises due to exchange rate fluctuations of the respective foreign currency.

Foreign currency loans are defined as loans that are at least partially receivable in other currencies than the legal tender of the country in which the borrower is domiciled. Un-hedged borrowers mean borrowers without a natural or financial hedge which are exposed to a currency mismatch between the loan currency and the hedge currency. Natural hedges include in particular cases where borrowers receive income in foreign currency (e.g. remittances/export receipts), while financial hedges normally presume there is a contract with a financial institution.

The Bank has in place limits for new retail FX loans (calculated as share of EUR denominated new loan volume in total new acquisitions), in order to decrease the overall retail FX exposures and mitigate FX Induced Credit Risk. FX induced Credit Risk is also estimated through capital requirement under Pillar 2 and monitored by the Bank on a quarterly basis.

9. The Bank's and group risk profile *(continued)*

9.4. Individual risk profiles for the key risk types *(continued)*

9.4.5. Market Risk

Market risk is the risk to incur losses corresponding to on-balance and off-balance positions due to adverse market price movements (such as, for example stock prices, interest rates, commodity prices and foreign exchange rates).

Key principles of the Group's market risk management are based on the following pillars:

- identification of market risks – identification of market risks inherent in the investment operations and in new products, and ensuring adequate procedures and controls before these are implemented or undertaken;
- position keeping and Market Data Maintenance – ensuring proper data representation of banking book and trading book positions and also sourcing of appropriate market data for financial instruments and risk factors including data quality checks and cleansing;
- pricing and valuation – maintenance of appropriate instrument pricing framework and valuation process for the calculation of valuation adjustments;
- risk measurement – calculation of risk exposure using sensitivities, value-at-risk, and stress testing;
- validation - on one hand this concerns Value at Risk ("VaR") back-testing while on the other hand parameters and models used must be validated on a regular basis;
- market Conformity of Trading Activity - assuring that trading activities are performed at market conforming prices and rates;
- market Risk Limits - development of a comprehensive limit system, limit allocation and breach reporting;
- market Risk Monitoring and Reporting – timely and accurate reporting of all relevant information.

9.4.6. Liquidity & Funding Risk

Liquidity Risk is the risk that the Bank is unable to meet its payment obligations when they come due or only being able to meet these obligations at excessive cost.

The Group distinguishes between:

- funding liquidity risk (which is the risk that the banks in the group will not be able to meet efficiently both expected and unexpected current and future cash flow and collateral needs without affecting either daily operations or the financial condition of the group members);
- market liquidity risk (which is the risk that the group entities cannot offset or close a position at the market price because of inadequate market depth or market disruption) and
- funding concentration risk (concentration risk arises when funding is sourced from too a small number of clients, or an insufficiently diverse range of market instruments or sectors).

Furthermore, the funding liquidity risk is divided into structural liquidity risk (the long-term risk of losses due to a change in the Bank's own refinancing cost or spread) and insolvency risk (the short-term risk that current or future payment obligations cannot be met in full, on time in an economically justified way).

The Group has an appropriate reporting framework for liquidity and funding risk management which includes the scope, possible manifestations and frequency of these risks, and which also designates the entity responsible for preparing the specific reports.

Additionally, BCR Bank and BCR BpL implemented and delivers to the regulator the Additional Liquidity Monitoring Metrics (ALMM) reports, thus benefiting from a more comprehensive analysis of their financing sources.

The Bank has an adequate set of limits on the values of various liquidity risk indicators, which enable it to closely monitor and control liquidity risk. These limits are also cascaded down to the major entities of the Group (i.e. BCR BpL and BCR Chisinau), which have also implemented the limits and set their own values, based on prior approval from the Bank.

The Bank is also using the Survival Period Analysis ("SPA") as a key tool for measuring liquidity risk; its aim is to assess whether sufficient liquidity can be obtained in order to operate at a level where the Bank can survive for the length of all predefined liquidity crisis scenarios. The analysis is performed per each significant currency (i.e. RON and EUR), and per total currencies.

Another important tool for Bank's funding risk management process is the CFP (Contingency Funding Plan). It provides a useful framework in the event the Bank is unable to fund some or all of its activities in a timely manner, and at a reasonable cost.

9. The Bank's and group risk profile *(continued)*

9.4. Individual risk profiles for the key risk types *(continued)*

With respect to cash flow risks, the Bank is actively managing the intraday liquidity positions, so that it can be able to fulfil at any time the requirements related to payments and settlements, in both normal and crisis conditions.

Thus, BCR has the capacity to:

- measure daily the gross inflows and outflows, to predict as accurately as possible the time of the day when these flows will occur, and to predict any financing deficits that may occur during a day;
- monitor the intraday liquidity positions as compared to the expected activities and available resources (balances, capacity to cover outstanding loans, available collaterals);
- obtain the necessary financing for meeting the intraday liquidity objectives;
- manage the eligible collaterals for obtaining the intraday financing;
- manage the liquidity outflows according to Banks' intraday objectives;
- react quickly when facing unexpected changes in intraday liquidity flows.

The mechanisms used by the Bank in order to calculate the liquidity position are based on the following: prediction of cash-flows impacting the current account during the day, estimation of the possible cash-flow shortages, ability to monitor the intraday liquidity position and the expected liquidity requirements throughout the day.

Potential measures used by the Bank for managing liquidity in order to ensure the intraday availability of funds are: the possibility to access intraday liquidity from NBR via its money market operations and /or facilities, banking book portfolio that can be used as collateral in order to obtain secured funding (bilateral repos with banks), using the available liquidity facility, covering currency mismatch through swaps (either with external counterparties, or with NBR).

9.4.7. Operational Risk

The Group's operational risk is governed by an operational risk management policy, which defines:

- the operational risk management structure, hierarchy and governance model ("three lines of defence model");
- the risk appetite setting the limits of residual operational risk tolerance (OpRisk scaling matrix);
- common standards for managing and documenting operational risk within the Group;
- the framework that ensure OpRisk (OpRisk concentrations) are adequately identified, assessed, documented and managed.

The quantitative measurement methods are based on internal loss experience data, which are collected across Erste Group using a standard methodology and entered into a central data pool. In addition to the quantitative methods, qualitative methods are also used to determine operational risk, such as risk and control self-assessment, outsourcing risk assessments, scenario analysis etc. The Group also reviews certain key indicators periodically to ensure early detection of changes in risk potential that may lead to losses.

To lower the operational risk profile, Bank has undertaken the following measures:

- permanent development and improvement of control environment;
- improvement of operational loss data collection;
- performing periodical stress tests/ sensitivity analysis related to the impact of operational risk on the Bank and Group.

The Bank and its subsidiaries have implemented a wide range of specific ratios for managing operational risk. The monitoring and regular reporting of operational risk indicators (KRI) is enabling the Bank to detect any change in its exposure to operational risk in due time. Also, the Bank is monitoring the evolution of recorded events, as well as through implementing/ solving corrective measures.

9.4.8. Reputational Risk

Reputational risk is defined as the current or prospective risk to earnings and capital arising from adverse perception of the image of the credit institution on the part of customers, counterparties, shareholders, investors or supervisory authorities.

Reputational risk issues arise from transactions with clients or through different business activities. However, due to its nature, these usually materialize through other risk types. The primary responsibility for the identification, escalation and resolution of reputational risk issues resides with business and the relevant risk type owner supports their resolution.

Reputational risk registered improvements based on continuing initiatives / projects, such as the financial education program, strengthening corporate culture, using the risk return decision tool, product approval process.

10. Risk management

10.1. ICAAP framework

The Group has continued to strengthen its ICAAP comprehensive framework. This includes as its fundamental pillar the ICAAP (Internal Capital Adequacy Assessment Process) required under Pillar 2 of the Basel framework.

The ICAAP framework is a holistic steering and management model designed to support the Group in managing its risk portfolios and its risk bearing capacity by ensuring that the Bank has, at all times, an adequate coverage potential which ensures the necessary capital adequacy to sustain its business and risk strategy.

A key component of ICAAP is the assessment of the group's capital adequacy using economic capital measures. In the ICAAP, the Group identifies and measures its risks and ensures that it has sufficient capital in relation to its risk profile. The process also ensures that adequate risk management systems are used and further developed. The relevant components of the framework refer to: risk profile & risk materiality assessment, risk appetite (RAS), risk bearing capacity (RCC), stress testing, limit framework, risk concentration analysis, risk planning and forecasting, recovery and resolution plan.

10.1.1 Risk profile

The risk profile is defined by the Group as the assessment at a given point in time of gross and, where appropriate, net risk exposures (after taking into account risk mitigants), aggregated within and between each relevant risk category, on the basis of current assumptions or anticipatory.

The Group Risk Profile is developed within the Risk Appetite and by evaluating the material risks to which the Bank is exposed. Group ICAAP Report monitors the development of BCR Group Risk Profile compared with the Risk Appetite and Risk Strategy and it is presented to the Management Board and Supervisory Board on a quarterly basis.

10.1.2 Risk appetite (RAS)

The Risk Appetite is defined as the aggregate level and types of risk that the Group is willing to assume within the limits of its risk capacity, according to its business model, in order to achieve its strategic objectives.

RAS represents a strategic statement expressing the maximum level of risks the Group is prepared to accept in order to achieve its business objectives. It consists of a set of core metrics providing quantitative direction for risk steering, as well as qualitative statements in the form of key risk principles that form part of the strategic guidelines for managing risks.

10.1.3 Risk bearing capacity (RCC)

The risk-bearing capacity is defined as the maximum level of risk that the Group may assume, considering the applicable capital requirements, its own risk management and control capabilities, and its regulatory constraints.

The Risk Bearing Capacity calculation defines the capital adequacy required by ICAAP. Within the RCC the Group's risks measured from an internal economic perspective are summed up to provide the basis to determine the Group's Economic Capital. The Economic Capital is then compared to internal capital, as measured by the coverage potential.

The integral forecast, risk appetite limits and the traffic light system support management in its discussions and decision process. The traffic light system embedded in the Group's RCC helps to alert the management in case there is need to decide on, plan and execute actions either to replenish the capital base or to take measures for reducing risk.

10.1.4 Stress testing

Stress testing is a vital component of the Risk Management framework within the Group and is incorporated into the strategic planning process for business activities, capital and liquidity assessment. The assessment of the ability of the Bank to sustain losses in severe but plausible macroeconomic scenarios provides information on the adequacy of the overall business model and supports the planning of emergency and mitigation measures.

Stress testing results and recommendations are incorporated into the process for defining the RAS, subsequent financial projections and budgeting processes, as well as in the calculation of the risk-bearing capacity and the determination of the economic capital adequacy limit.

10.1.5 Risk Planning and Forecasting

The Group has implemented a sound risk planning and forecasting process, which includes both forward- and backward-looking component, focusing on both portfolio and economic environment changes.

10. Risk management (*continued*)

10.1. ICAAP framework (*continued*)

Planning of risk relevant key numbers is also part of the Group ICAAP framework and it assures the adequate reflection of risks within the steering and management process of the Group activity.

10.1.6 Recovery and Resolution Plan

The Bank Recovery Plan Governance represents a framework for the drawing up and the implementation of the recovery plan as a main pillar of strengthening the financial resilience of the Bank and restoring its financial position following a significant deterioration. It identifies a set of recovery measures which could be taken in order to restore the Bank's financial strength and viability when it comes under severe stress.

The Recovery Plan also ensures that proper remediation measures are applied if the Bank starts moving outside of its approved risk appetite in order to recalibrate its risk profile and ensure that can recover on a sustainable basis.

10.2. Monitoring of the Group Risk Profile

Oversight of the overall risk profile at the Group level consists of both strategic and operational oversight.

10.2.1 Strategic oversight

A major part of the strategic oversight plan is determining the Bank's risk appetite. The Risk Appetite Statement (RAS) sets the boundary for a maximum risk the BCR Group is willing to accept in order to pursue its business objectives; this includes a set of core steering metrics with trigger levels providing strategic guidelines for risk management and planning.

The Risk strategy sets strategic risk targets based on the targeted risk profile of the BCR Group and the RAS and provides a balanced risk-return view considering strategic focus & business plans.

Both are regularly monitored and reported in the Bank ICAAP Report including a traffic light overview together with respective measures to address identified deviations from strategic plans or objectives.

10.2.2 Operational oversight

Operational oversight involves the identification, assessment, and prioritization of risks and the application of resources to minimize, control and mitigate the impact of unfortunate events on business. Risk management by risk type ensures that the risk specific profile remains in line with the risk strategy and operative limits support the achievement of strategic targets. The development of the specific risk profile (i.e. retail credit, corporate credit, operational risk, etc.) is reported through dedicated risk reports in a more granular way and supports risk decision making of the dedicated risk functions to ensure the risk profile remains within risk strategy. These reports also include specific monitoring metrics that provide an early warning signal for adverse developments of, e.g., portfolio quality (client, segment, industries etc.) or risk drivers. In instances where certain risk portfolios or events are identified as potentially in distress, these are closely monitored by the dedicated risk functions to manage the risk impact and to develop effective strategies to minimize potential losses. This process facilitates early risk detection and reaction.

11. Statement regarding corporate governance

11.1. Corporate governance framework

The Bank managed in a two-tier system, carries out its activity based on a corporate governance framework which is in line with the legal and regulatory requirements of the Romanian legislative framework, the Erste Group policies, regulations and guidelines, as well as the best international practices in the industry.

The policy regarding corporate governance at Bank level, in compliance with the provisions of the regulatory framework issued by the National Bank of Romania ("NBR"), is based on the principles stating that the overall management structure and especially the supervisory function have the responsibility to establish, assess and periodically and systemically review: how the Bank's activity is organized, the collective and individual competencies and responsibilities, how the implementation and application of the entire set of regulations is monitored, flows and control keys from the perspective of the undertaken mission and vision, targets' achievement as per the business plans, effective risk management.

The policy and the corporate governance principles on which the policy is based are applicable at the Group level, and Bank management body is assuring that at the group level for Bank's subsidiaries there is assured a proper corporate governance framework in order the meet all applicable governance requirements.

Within this framework, the undertaken principles are based on the fact that BCR is part of Erste Group – one of the largest financial services suppliers from Central and Eastern Europe and are aligned with the corporate governance principles applicable at Group level.

11. Statement regarding corporate governance *(continued)*

11.2. General Ordinary and Extraordinary Meeting of Shareholders

From Bank's perspective, corporate governance covers all rules, systems and processes implemented with a view to establish the relation between shareholders, management, clients, employees, suppliers and other parties involved in setting the objectives and the manner to achieve them, for increasing economic performance and, implicitly, the Bank's value. It also highlights the efficiency of the management systems, namely the role of the Supervisory Board and of the Management Board, the responsibilities and remuneration of these structures' members, the fair view and accuracy of the financial statements and the efficiency of control functions.

Details regarding BCR Corporate Governance Report may be found on the following link: https://www.bcr.ro/en/about-us/corporate-governance.

The General Meeting of Shareholders (GMS) is the Bank's highest management and decisional body.

The Ordinary GMS deliberates and decides on:

- discussing, approving or changing the annual financial statements, after analysing the reports of the: Supervisory Board, Management Board and financial auditor, including the reports of Supervisory Board's committees, and setting up the dividends, reserves or other allotments;
- electing and revoking the Supervisory Board members;
- setting up an adequate remuneration for the Supervisory Board members for the current year;
- assessing the activity of Supervisory Board and Management Board's members and discharging them of duty for the previous financial year;
- approving the income and expense budget and, if applicable, the plan of activities for the next financial year;
- approving the pledge, lease or close down of the Bank's units;
- approving the initiation of the legal proceedings against the members of Supervisory Board and the financial auditor and nominating the person empowered to represent the Bank in such legal process;
- appointing and revoking the financial auditor and establishing the minimum duration of the contract concluded with them;
- other matters that are included on the agenda of the meeting and are attributed to the ordinary General Meeting of Shareholders by law.

The Extraordinary GMS deliberates and decides on:

- change in the legal form of the Bank;
- reducing the share capital or its increase, except the case when the increase is decided by the Management Board;
- reconstituting the share capital in order to meet the minimum capital requirements established by law;
- reshaping the Bank main business activity as set forth in Article 9 of the Charter;
- the merger of the Bank with any other company or the Bank splitting up process;
- the liquidation and dissolution of the Bank;
- issuance of bonds;
- conversion of one category of bonds into another category or into shares;
- conversion of shares from one class to another;
- re-organizing, consolidating or provision documents regarding to fixed assets, when the value of transactions exceeds 25 (twenty five) percent of the Bank own funds;
- contracts conclusion by the Management Board's members regarding the acquisition, selling, lease, exchange or pledge of the Bank assets if the value of such assets exceeds 50 % of the Bank's assets book value on the date of concluding such legal agreement, based on the last available annual financial statements;
- purchase by the Bank of its own shares, directly or indirectly, in accordance with the law;
- amending the Bank's Charter;

11. Statement regarding corporate governance *(continued)*

11.2 General and Extraordinary Meeting of Shareholders *(continued)*

- any public offering of shares issued by the Bank or admission thereof to trading on any regulated market/multilateral trading facility;
- any acquisition or alienation by any member/members of the Management Board or of the Supervisory Board in his/her own name of assets from or to the Bank, the value of which exceeds 10% of the net asset value of the Bank;
- other matters that are included on the agenda of the meeting and are assigned to the extraordinary General Meeting of Shareholders by law.

All shareholders may attend the general meetings of shareholders, in person or by means of a representative. Shareholders can be represented at the General Meeting of Shareholders based on a special power of attorney lodged with the Bank by at least 2 (two) working days before the relevant meeting.

11.3. The Supervisory Board (SB)

The SB shall supervise the Management Board in its operational management of the Bank and monitors the compliance of the activities performed by the Management Board pursuant to the Applicable Legislation, the Bank's Charter and the General Meeting of Shareholders decisions.

The Supervisory Board is composed of minimum 5 members and maximum 9 members appointed by the ordinary GSM for a maximum four-year term, from among the candidates nominated by the shareholders or by the SB in office, with the possibility of being re-elected for subsequent four-year mandates.

The main responsibilities include:

- establishes, monitors and regularly assesses (at least yearly) the structure and effectiveness of the governance framework of the Bank and its subsidiaries, including the policies related to it, reviewing (at least yearly) and considering various risks, both internal, as well as external that the Bank and its subsidiaries are exposed to;
- approves and regularly reviews, (at least annually) the general business strategy, the risk strategy and the general risk management policy at Bank's level and at the level of its subsidiaries;
- approves and periodically reviews the internal audit statute and the internal audit plan, as well as the financial audit scope and the frequency of audit engagements;
- approves and assesses (at least yearly) the policy regarding compliance risk and its implementation;
- approves the guidelines for staff policy and the organizational structure of the Bank down to the level of independent entities inclusively and any changes thereof.

During 2022, the following changes in the Supervisory Board membership took place:

- Mrs Iris Bujatti took over the responsibilities and attributions as a Supervisory Board member starting March 4th, 2022;
- Mr Bernhard Spalt resigned from his position of member of the Supervisory Board starting July 1st, 2022;
- On August 26th, the Ordinary General Shareholders Meeting approved the appointment of Mrs Christine Catasta as a member of the Supervisory Board. Mrs Christine Catasta took over the responsibilities after the receipt of NBR authorisation on December 29th, 2022;
- On November 24th, the Supervisory Board approved the appointment of Mr Stefan Dörfler as a Deputy Chairman of the Supervisory Board.

As of 31.12.2022, the members of the Supervisory Board were:

- Manfred Wimmer – Chairman;
- Stefan Dörfler – Deputy Chairman;
- Daniela Camelia Nemoianu – member;
- Hildegard Gacek – member;
- Elisabeth Krainer Senger-Weiss – member;
- Iris Bujatti – member;
- Christine Catasta – member.

11. Statement regarding corporate governance *(continued)*

11.3. The Supervisory Board (SB) (*continued*)

The Supervisory Board may establish committees as necessary and appropriate consisting of at least 3 members of the Supervisory Board, the duties of which will include carrying out analysis and drawing up recommendations for the Supervisory Board in the following main areas: audit, remuneration, nomination and risk.

At December 31st, 2022, the Supervisory Board had the following subordinated committees:

- Audit Committee;
- Risk and Compliance Committee;
- Remuneration Committee;
- Nomination Committee.

11.3.1. Audit Committee

The Audit Committee is a consultancy body, which reviews, reports to, advises and assists the Supervisory Board in carrying out its tasks related to internal control and audit, as well as on the quality and performance of Bank's internal accountants and auditors, the reliability of the Bank's financial information, and the adequacy of the Bank's financial controls and policies.

The Audit Committee is made of 3 members and one additional replacement member elected out of the Supervisory Board members.

Members of the Audit Committee must have basic accounting and financial knowledge and at least one member of the Audit Committee shall have accounting or financial management professional background. The responsibilities, organization, the operation and the procedures of the Audit Committee are established by the Audit Committee Internal Rules.

11.3.2. Risk and Compliance Committee

The Risk and Compliance Committee is a consultancy body which reviews, reports to, advises and assists the Supervisory Board in carrying out tasks related to risk management (strategic risk, legal risks and business continuity and security management), internal control and compliance and issues recommendations within its authority limits. The Risk and Compliance Committee is made of 3 members and one additional replacement member elected out of the Supervisory Board members. The responsibilities, organization, the operation and the procedures of the Risk and Compliance Committee are established in accordance with the Risk and Compliance Committee Internal Rules.

11.3.3. Remuneration Committee

The Remuneration Committee is a consultancy body which reviews, reports to, advises and assists the Supervisory Board in carrying out its powers and responsibilities with respect to the salary policy, and in particular advises and monitors the remuneration, bonuses and benefits of the members of the Management Board.

The Remuneration Committee is made of 3 members and one additional replacement member elected out of the Supervisory Board members.

The responsibilities, the organization, the operation and the procedures of the Remuneration Committee are established in accordance with the Remuneration Committee Internal Rules.

11.3.4. Nomination Committee

The Nomination Committee is a consultancy body, which reviews, reports to, advises and assists the Supervisory Board in carrying out its tasks related to the nomination and assessment of suitability of the members of the Supervisory Board, the Management Board and of key function holders respectively as well as to the Bank's corporate governance framework.

The Nomination Committee is made of 3 members and one additional replacement member elected out of the Supervisory Board members.

The responsibilities, the organization, the operation and the procedures of the Nomination Committee are established in accordance with the Nomination Committee Internal Rules.

11.4. Management Board (MB)

The Management Board ensures the operational management of the Bank and the effective management of the compliance risk.

The Management Board members are authorized to manage the Bank on a daily basis, and they have authority and power to legally represent and bound the Bank, according to the Bank Charter.

11. Statement regarding corporate governance *(continued)*

11.4. Management Board (MB) *(continued)*

The Management Board has 5 members appointed by the Supervisory Board, for mandates of maximum four-year period each, one of them being appointed as President of the Management Board. The remuneration of Management Board members is decided by the Supervisory Board.

The President and the other members of the Management Board have competences and assignments established by law and by the Management Board's Internal Rules. Main responsibilities:

- managing the implementation of Bank's financial targets, strategy and business plan;
- systematically and regularly approving and revising the strategies and policies regarding the risk management;
- approving the strategies and policies related to the internal capital and own funds (covering and proportional to the nature, extension and complexity of the activity conducted by the Bank);
- periodically monitoring and assessing the efficiency of the Bank's activity management framework and practices, mainly the management policies regarding the management framework, and reviewing the management framework in order to reflect any changes in the internal and external factors affecting the Bank;
- approving the explicit plan regarding the capital;
- approving and assessing the Bank risk appetite;
- approving the level of interest, commission, fees, costs and other similar bank changes collected and paid by the Bank in line with the budget approved by the General Meeting of Shareholders;
- approving the internal rules of the committees established by the Management Board.

The Members of the Management Board as of 31.12.2022 were as follows:

1. **Sergiu Cristian Manea** – Executive President, Chairman of the Management Board - mandate valid until 28.02.2026;
2. **Elke Meier** – Executive Vice-President coordinating the Financial functional line, Member of the Management Board - mandate valid until 31.12.2023;
3. **Ilinka Kajgana** – Executive Vice-President, coordinator of the Risk functional line, Member of the Management Board - mandate valid until 31.12.2023;
4. **Dana Luciana Dima** - Executive Vice-President coordinating the Retail & Private Banking functional line, Member of the Management Board - mandate valid until 31.10.2025;
5. **Thomas Kolarik** - Executive Vice-President coordinating the Operations & IT functional line, Member of the Management Board – mandate valid until 31.12.2023.

Management Board members meet the general conditions provided by the law and the special conditions of the Banking Law, National Bank's regulations, and Recruitment and Remuneration Policy of BCR Group management.

Professional experience details of Management Board may be found on the following link: https://www.bcr.ro/en/about-us/bcr-management.

The Management Board may set up committees as it deems necessary and appropriate. Such committee's competencies and authority will be stipulated by the Management Board and responsibilities will be defined by each committee's internal rules.

On 28.06.2022, the Management Board approved the set-up of the Capital Management Committee.

As at 31.12.2022, the Management Board's Committees are:

11.4.1. Asset and Liabilities Committee (ALCO)

ALCO reviews, reports to, and assists the Management Board in carrying responsibilities as regard asset and liabilities structure management, financing strategy, interest rate policy, liquidity policy, pricing for savings products/ lending products/ cards/ introducing/ suspension or removal the products and services. The committee is a body for analysis and decision that issues decisions and recommendations according to the established authority limits.

The ALCO consists of the Management Board members.

The responsibilities, organization, working means and procedures of ALCO are established in accordance with the MB Subcommittees Internal Rules.

11. Statement regarding corporate governance *(continued)*

11.4. Management Board (MB) *(continued)*

11.4.2. Credit Committee

The Credit Committee reviews, reports to, and assists the Management Board in carrying its responsibilities regarding loans granting, changing of terms and conditions for granting, using and/or securing some previously granted loans, concluding agreements, extending their validity periods, issuing letters of guarantee, factoring and other activities, for retail, corporate and workout customers.

The Credit Committee is made of 3 members, namely CRO - Chairman, CFO – deputy Chairman and CEO/Retail & Private Banking VP – member.

The responsibilities, organization, working means and procedures of Credit Committee are established by the MB Subcommittee Internal Rules.

11.4.3. Risk Committee

Risk Committee is subordinated to the Management Board and is responsible for approval and reviewing the aspects regarding the operational risk administration.

The Risk Committee is made of Management Board Members, respective CRO – Chairman, CEO – deputy Chairman and COO - member. The responsibilities, organization, working means and procedures of Risk Committee are established by the MB subcommittees Internal Rules.

11.4.4. Business Information Center Committee

Business Information Center Committee is subordinated to the Management Board and ensures the management of all aspects related to data in BCR, regulatory requirements related to data management and data initiatives and priorities in the BIC Operational Decision Body, takes strategic decisions on related topics.

The Committee comprises of 5 members, namely the CFO – Chairman, COO – Deputy Chairman, CRO, VP Retail & Private Banking and B-1 Business Information Center Division - members. The responsibilities, organization, working means and procedures of Business Information Center Committee are established by the MB subcommittees Internal Rules.

11.4.5. Sustainability Committee

Sustainability Committee is subordinated to the Management Board and ensures in-depth discussions and review of all sustainable related topics coordinated with the Risk functional line.

The Committee comprises of 5 members of the Management Board, namely the CRO – Chairman, CEO – Deputy Chairman, CFO, COO and VP Retail and Private Banking – members. The responsibilities, organization, working means and procedures of the Sustainability Committee are established by the MB subcommittees Internal Rules.

11.4.6. Capital Management Committee

Is subordinated to the Management Board and is an analysis, consultative and decision-making body for all joint alignments, endorsements, decisions as well as confirmations related to capital management relevant topics in BCR Group across all its Divisions, Departments, Staff Units and Subsidiaries.

The new set-up Committee consists of 5 members, namely the CFO – Chairman, CRO – Deputy Chairman, the Executive Managers of Controlling Division, Strategic Risk Management Division and Balance Sheet Management Division. The responsibilities, organization, working means and procedures of Capital Management Committee are established by the MB subcommittees Internal Rules.

11.5. Organization of the internal control system's function

Both supervisory and management functions are responsible for the development and maintenance of a proper internal control system ensuring effective and efficient operations, adequate risk control, prudent business conduct, reliable financial and non-financial information reported at internal and external level, as well as compliance with the on-going laws, regulations and the internal policies and procedures.

The internal control system in BCR Group involves:

a) the existence of a sound internal control framework in place, ensured by:

- clear definition of the role and responsibilities of the management body concerning the internal control;
- identification, assessment and monitoring of significant risks;
- control activities definition, segregation of duties assurance and conflict of interest avoidance;
- a transparent framework for information and communication;

11. Statement regarding corporate governance *(continued)*

11.5. Organization of the internal control system's function *(continued)*

- continuous monitoring of the activities and correcting the deficiencies.

b) the existence of independent control functions in place (the risk management function, compliance function and internal audit function) with direct line of reporting to the management body.

The internal control system is structured on three levels:

- first-level or line controls is designed to ensure that transactions are carried out correctly. Controls are performed by the entities that take the risks and incorporated in specific procedures. The responsibility of this area is allocated to the Business Management;
- second-level of control is the duty of Risk Management Function and Compliance Function;
- third-level controls are performed by Internal Audit Function which assesses and regularly checks the completeness, functionality and adequacy of the internal control system. Internal audit is independent of both first and second-level lines.

12. Social responsibility, diversity & development activities

BCR has implemented a management system of environmental, social responsibility, respect for human rights and fighting corruption and bribery, based on the best practices and the principles published and adopted by institutions such as the European Bank for Reconstruction and Development (EBRD) and International Finance Corporation (IFC).

BCR has an official internal policy aimed at fighting against bribery and corruption. It has implemented regular training and testing for all its employees in order to acknowledge and implement measures against acts of bribery and corruption.

The employees are offered the necessary tools to recognize and report.

In Erste Group, there is an official environmental and sustainability policy which is implemented in all the subsidiaries and there is an annual report on the topic.

BCR diversity and inclusion principles are embedded in the Code of Conduct as well as in BCR Diversity and Inclusion Policy which places emphasis on providing a work environment free of discrimination and harassment and valuing the work and worth of each and every person, regardless of gender, age, marital status, sexual orientation, disability, race, skin colour, religious or political affiliation, ethnic background, nationality, citizenship or any other aspect unrelated to employment.

The non-financial statement is at consolidated level, BCR is the main contributor, therefore certain information are presented at bank level.

12.1. Corporate Social Responsibility

BCR is an active member of the community who intermediates value and brings prosperity in the communities where it works. BCR's strategic directions regarding community involvement are:

- financial literacy for all ages;
- support and promote leaders and role models;
- civic leadership;
- young people empowerment and supporting youth projects;
- education for soft skills and practical competences.

BCR implements the most complex financial literacy program for all target groups (adults, teenagers and youth, kids) whose purpose is to make people aware of the importance of financial literacy and to help them identify the factors that influence their financial decisions.

Money School is a national financial literacy program for each age group whose purpose is to help Romanians to better understand and manage their budget and to make them aware of the factors that influence their financial decisions.

Financial education is a strategic direction of community involvement starting from a very clear need: Romania has one of the lowest levels of financial education within European Union according to studies of the European Commission. Through our education program, Money School, over 600,000 Romanians have been supported, in recent years, to better understand that financial factors influence them and to develop responsible financial behaviour. In 2022, we launched **the Life Lab program**, a pilot educational project, in which 1200 students and 65 teachers are involved, which will be implemented, initially, in only two schools in Romania and through the materials developed and with the help of the teachers involved in the program will bring elements of financial education into the classrooms.

12. Social responsibility, diversity & development activities *(continued)*

12.1. Corporate Social Responsibility *(continued)*

At the same time, we organized **EduFin Fest** - the largest financial education festival in Romania, during which we organized 100 financial education events in 30 counties in which 100 BCR employees and 2500 young people were involved.

www.scoaladebani.ro platform – is a website where people interested in better management of their finances can attend online free courses like "How to be financially responsible" or "Financial Mindfulness" the first and single program of this kind in Romania. In 2022, we launched an online course for responsible consumption.

Money School on Wheels – FLIP truck - is an itinerant financial education exhibition for kids aged 7-14 whose purpose is to teach kids how to manage their money correctly and why it is important to have a financially responsible behaviour. For an hour and a half, kids enter in the "Money World" where they have to pass through 5 steps together with their allies and friends: Games, Interaction and Joy. 30,000 kids have participated to online workshops that took place in 2022.

The book, "**The School of Well-Raised Money**", published in 2019 at Universe Publishing House, is a creative guide to financial education for children. At the School of the Well-Raised Money, the rabbits Muşu and Nuşu, the squirrels Chichi, Richi and Michi, the hedgehog Bobita, the owls Bibina and Georgina teach children aged 7 to 14 how to deal with others and money, how to make a personal budget, but especially how to learn to be good and thoughtful. In 2020, we launched the second volume of the book, with new characters and stories on entrepreneurship and how to get over difficult times and organized online workshops with the writer of the book, "The School of Well Raised Money Competition" had more than 148 schools enrolled.

BCR also focuses on civic leadership by supporting projects that help hundreds of NGO's annually and by empowering its employees to become active members of the community and to contribute to increasing people's level of trust in themselves and in the contribution that they can have in the society.

"Bursa Binelui" is a crowd funding platform focusing on campaigns to encourage and teach NGOs to fundraise using the platform. All donations that are made on the platform go directly to the beneficiaries as BCR covers all transactions costs. "Bursa Binelui" connects NGOs which implement projects in the communities with people who want to support them. Donations on Bursa Binelui platform grow constantly. In 2022, 100 new organizations registered on the platform, 3279 donations and 259,836 RON donated.

In addition to supporting education projects, BCR continues to implement youth projects, the Youth Capital being the most important of these. In 2022, a series of events and activities were organized in Constanta, the city that has the title of Youth Capital.

We encourage young people to get more involved in the communities they belong to. One of the projects through which we inspire young people to do more for their local communities and offer them tools to inspire others, is the Youth Capital of Romania. The **Youth Capital** of Romania is the most ambitious national program for young people, because it emphasizes the development of youth ecosystems in Romanian areas, in general, and the development of urban youth ecosystems, in particular. Within the program, local authorities collaborate with non-governmental organizations. The Romanian Youth Capital program was launched in 2016, and the cities that have been Youth Capitals so far are Timisoara, Bacau, Baia-Mare, Iasi, Constanța. In 2022 Constanța received the title of the Youth Capital of Romania and approximately 5,000 young people were involved in the project.

BCR also continued to support the **Next Lab.Tech project**, the largest robotics competition in Romania. Over 30,000 students between the ages of 8 and 16 were able to enroll in robotics classes on the platform. BCR supported the NEXTLAB platform with 200 robot-aid sessions and 750 robotics kits that students could use to learn how to build and control a robot.

At the same time, we supported rural schools to have access to the **Adservio** educational management platform (144 schools, 20,938 students, over 30,000 parents and 2,000 teachers from disadvantaged areas had free access to the platform by supporting the costs from BCR). We invested in supporting the digital education project for teachers and students - Brio - in which 3,500 students were involved and their level of digital skills was tested.

Another community support project was the support of Ukrainian refugees, an initiative through which BCR supported refugees arriving in Romania, through the Caravana BCR and sponsorships.

We aim, through all our actions, to be an integral part of society, having in our team responsible citizens with solid principles and we aim to mediate and support the development of value in the communities we are part of.

BCR aims to be a model, a source of inspiration and a catalyst for all its stakeholders from this point of view.

Besides initiating or supporting impactful social responsibility programs, our objective is for each BCR employee to become an ambassador of community involvement.

12. Social responsibility, diversity & development activities *(continued)*

12.1. Corporate Social Responsibility *(continued)*

Also, BCR team members are encouraged to be responsible citizens in the communities they belong to. BCR employees benefit from a free day for volunteering, they are supported to propose and implement projects with real social impact and are encouraged to redirect the 3.5% of the income tax to the organizations whose goal is social good.

At the same time, BCR aligns its business strategy with the needs of the community, constantly developing innovative products for our clients, in order to help them realize their dreams and aspirations. Also, BCR is an important factor of economic development, by proactively supporting members of the business community.

12.2. BCR position regarding ESG (Environmental, Social and Governance)

For BCR, the overall journey towards the fulfilment of ESG goals includes addressing climate and environmental risks and fully observing all regulatory framework and recommendations and also goes beyond this, as part of the bank intention to provide value to the social and economical environment. To this end, in 2022 BCR expanded its actions:

- in respect of lending and customer support, especially by the ESG dialogue framework with existing and potential clients;
- also, BCR has been focused on the products development side, and is already offering products which underpin the importance of energy-efficiency solutions and buildings with lower energy consumption;
- on a partnership and commitment level, BCR's efforts are also focused on the decarbonization of the portfolios, where BCR will follow the actions of its's parent company Erste Group Bank AG, which joined the Net-Zero Banking Alliance, which commits the Group to achieve net-zero no later than end of 2050;
- implementing mandatory ESG training to the BCR induction curriculum.

In 2022, BCR further acted on our ambitions to support the transition to a sustainable economy. In addition to the issuance in October 2021 of its first Green Bond, in June 2022, BCR successfully issued a new senior green non-preferred bond issuance of RON 702 million, continuing its strategy towards expanding its financing sources and contributing to the development of the capital market in Romania.The order book was well diversified, as pension funds, asset management firms, insurance companies, credit institutions and IFIs had large interest in the transaction.

Banca Comercială Română:

- admits and accepts the fundamental importance of an integrated approach of the environmental and social factors, as well as of lasting development principles within its financing activity;
- pays adequate attention to its financing processes, securing before making the financing decision, the compliance of the respective projects with the minimal environmental protection, social protection and occupational safety standards applicable in Romania.

BCR does not finance activities which do not meet environmental requirements specified in the Romanian legislation, relevant international conventions and agreements to which Romania adhered expressly. Analysis of environmental issues is part of the lending process and is mandatory for every transaction.

Generally, business operations of financial institutions have impact mainly through the indirect environmental impact of the loan portfolios. Nevertheless, the Bank's ambition is also to reduce its direct ecological footprint. Therefore, in respect of its own operations, the most effective way for the Bank to proceed was by reducing CO2 emissions, by switching to electricity from renewable sources. In 2022, the Bank increased its total share of directly purchased energy to approximately 70% from renewable sources, with the aim in 2023 to increase this share. In 2022, we maintained the 100% of the electricity used in both headquarter buildings in Bucharest came from renewable sources. Both premises hold a LEED Platinum (Leadership in Energy and Environmental Design) certification. In addition, the Bank upgraded old heating and air conditioning systems and installed new sensors for lightening logos on premises used. In 2023, the focus will continue to be on the car fleet strategy and electrification.

For December 2022, the Bank applied the exemption of disclosing any quantitative information required by the Regulation UE 2020/852, as per article 19a from Directive 2013/34/EU, as the details are presented in the consolidated management report of the parent Erste Group Bank AG.

Please refer to: https://www.erstegroup.com/en/investors/reports/nichtfinanzielle_berichte.

12. Social responsibility, diversity & development activities *(continued)*

12.3. Diversity and professional development

Key statistics related to BCR's workforce:

- gender distribution: 75.49% women and 24.51% men;
- average age: 40.30 years;
- level of studies: 87.08% employees with higher education and 12.92% employees with secondary education.

Approximately 34% of the employees are part of a trade union.

Work relations between managers and employees are based on mutual professional respect and good cooperation.

Pursuant to the provisions of the NBR Regulation no 11/2020, amending the NBR Regulation no 5/2013 on the prudential requirements for the credit institutions, as well as the provisions of the Diversity and Inclusion Policy and the Nomination Policy for Management Body, BCR adopted in 2021 quantitative targets related to the representation of women in management positions (management bodies and executive managers).

Setting a target for the representation of the underrepresented gender in BCR management body and preparing a strategy on how to increase the number of the underrepresented gender in the management body are the responsibility of the Nomination Committee.

Human Resources Division in coordination with Erste Group responsible function will support the Nomination Committee in achieving this target through the following actions:

- incorporating the diversity principles in human resources instruments and processes;
- nominating more women into the Group succession pool;
- gender and age-balanced talent pool where all employees who meet clearly defined criteria (applicable to all) can apply in a transparent selection process;
- creating an inclusive work environment (promoting work-life balance, family-friendly policies, intergenerational dialogue);
- giving more visibility to senior female leaders (internally & externally); and
- diversity campaigns, educational programs, awareness raising, etc.

Considering the current gender structure of the management body, namely 3 members of the Management Board and 5 members of the Supervisory Board belonging to the underrepresented gender (the cumulative percentage of women appointed in the management bodies being of 66.67%), we consider that the requirements on the gender diverse governance bodies have been fully met.

12.4. Improvement and professional development

In 2022, there were 16,875 participations in various training sessions and workshops organized in accordance with our annual training plan, of which 37% represents participation in technical training courses.

The total average number of training days was 8.14 days per employee, of which in virtual / face-to-face sessions 5.09 days/employee and 3.05 days/employee in e-learning format. Following our return to the office, more and more sessions were organised in class, but we continued to facilitate virtual sessions by using interactive and engaging techniques.

Our e-learning platform is actively used for on-line education as well as for regular testing sessions, such as: prevention and combating money laundering, information security, market abuse, financial sanctions, transparency and consumer protection, health and safety at work (SSM), compliance, data protection etc. Starting 2022, we added new topics in areas of interest such as investments and sustainable finance.

We continued to use the approximately 500 online courses which we made available to all our employees directly on the platform supplied by the training provider – Skillsoft. Additionally, some 551 colleagues benefited from online courses on various current topics available on the international Udemy for Business platform. The most accessed courses were in these areas: technology (67,4%), business (25,7%), while the rest were dedicated to personal development (6.9%).

Employees from our retail units benefited from specialized programs for development of technical skills and other skills necessary in their daily activity. Thus, they participated in virtual or face-to-face courses focused on customer service, our products and services, as well as in courses designed to improve the client-bank relationship.

Our colleagues in the corporate area attended a customized training and development program built on four main pillars: (1) advisory selling, (2) technical expertise, (3) skills of the future and (4) (self)leadership. In total, there were 1,758 participations in this program.

12. Social responsibility, diversity & development activities *(continued)*

12.4. Improvement and professional development *(continued)*

In 2022, the Bank continued the process of transformation in line with worldwide digitalisation trends and ever-changing customer expectations and, for this purpose, a series of events and workshops were organized on relevant topics such as new ways of working, design thinking and agile methodologies.

The Bank continued to focus on management education by providing managers with various specific courses on management & leadership skills, individual and team coaching sessions, to ensure they are prepared to face the challenges brought about by the hybrid leadership model and thus contribute to overall achievement of strategic objectives.

12.5. Performance Management and Professional Development

The main purpose of Performance Management and Professional Development is to establish, monitor, measure, enhance targets achievement and facilitate the professional development of BCR Staff.

In the Bank, the assessment of the staff professional activity is conducted periodically, evaluated by individual performance evaluation, by measuring the achievement rate of pre-set targets and by assessing the quality level of all staff rendered activities and compliance with the Internal Regulation provisions.

The Performance Management and Professional Development process is continuously supported through Emma PDS application, designed considering the transparency and flexibility needs of the company.

Staff performance evaluation is a key step in the Performance Management and Professional Development process. The feedback as well as the recommendations derived from it are a crucial source of information, both for the manager and the staff. Consequently, it is essential that the evaluation process should be conducted in a transparent way, according to the agreed internal rules and should convey the highest possible objectivity level.

Evaluation is also a process that is very closely linked to other HR tools such as: personal and professional development procedure and remuneration policy. Its results provide the manager a starting point in planning the development as well as in implementing personnel measures (change of position, salary adjustments, improvement action plans etc.).

12.6. Flexible benefits

From the desire to be more flexible, BCR explored creative and friendly solutions to strengthen the spirit of the community within our team.

In order for each of the employees to enjoy a better life, we implement the FLEXIWORK program.

FLEXIWORK is a package of facilities created according to the specific activity of each BCR employee, so that everyone can enjoy a more flexible work schedule.

12.7. Flexible benefits using Benefit Online platform

Through this platform, BCR employees can more easily choose the flexible benefits that suit them best.

12.8. Remuneration Policy

The Remuneration Policy seeks to reward the achievement of both corporate and individual goals by linking success in those areas to the Erste Group and BCR Group strategy among others.

Taking a balanced approach to achieve growth, improve productivity, and maintain a sound and effective risk management, all of which help to build a sustainable business with a strong focus on delivering increased shareholder value.

The Remuneration Policy is revised annually, subject to the independent internal review, in order to be compliant with policies and procedures for remuneration adopted by the Supervisory Board, as well as for the alignment of the remuneration principles under the Erste Group's governance framework.

Fixed and variable components of total remuneration are properly balanced so that the remuneration structure does not favour the interests of the Bank and/ or of the relevant persons to the detriment of the client's interests.

The fixed component represents a sufficiently high proportion of total remuneration.

Variable remuneration is linked to a sustainable and risk adjusted performance as well as performance in excess of that required to fulfil the employee's job description, as part of the terms of employment. Variable remuneration is linked to sustainability and ensures that the payments made do not promote any incentive for excessive risk-taking or miss-selling of products.

12. Social responsibility, diversity & development activities *(continued)*

12.9. Recruitment Policy

The Recruitment, Training and Human Resources Administration Policy sets the general framework, methodology, responsibilities, stages, information flow and necessary documents of the recruitment and selection process for all types of positions within BCR. The Policy also sets forth the base principles guiding the promotion to managerial positions and internal moves processes.

In order to fulfil the professional experience requirements, the candidates should have solid knowledge, both theoretical and practical, about the Bank activity. The incumbents of managerial positions need to have the managerial experience required for both the organizational structure and job profile.

In order to ensure an efficient and constant recruitment and selection process, the following principles shall be taken into consideration:

- selection of the candidates that best match the job profile;
- equal opportunities for all candidates, both internal and external;
- all candidates will be treated equally and non-discriminatory;
- personal data and job application confidentiality is assured;
- promotion of BCR values;
- avoidance of conflict of interest, as outlined within internal documents and legal provisions in force.

The Recruitment, Training and Human Resources Administration Policy is annually revised in order to align internal processes for ensuring the recruitment adaptability to the company needs and the evolution of the labour market. The volume of recruitment activities must be adapted in order to ensure the stability and continuity of the activity, at the same time keeping a balance between external hiring and internal recruitments.

We encourage internal application and mobility of the people in order to keep, develop and retain the talent.

Moreover, in order to increase visibility of BCR's employer brand, we run specific activities of employer branding by using online platforms (e.g. LinkedIn), organizing online career events (BCR Career Festival) and participating to conferences or IT dedicated events (e.g. DevTalks, Dev Con). We run programs for young graduates and students (Learn@BCR - IT Academy, Data Science Academy), as well as partnerships with Universities and student non-government organizations (NGOs). As a result, the quality and number of applications have improved being facilitated the access to specialists, both from banking and IT industry.

Programs and events organized for young graduates aim to promote career opportunities we have in the Bank for young talent, considering the hiring needs for junior and expert positions within different areas of activity.

Moreover, for a good integration to the organizational environment, we organize Induction for all new hires, as well as Onboarding and dedicated training programs customized to the specific activity they will perform in the Bank.

12.10. Organizational Climate

In order to evaluate the organizational climate and the leadership at Bank level, the Human Resources Division provides managers with several feedback instruments, each used once a year.

Thus, we run the Employee Engagement Survey, which measures the level of employee engagement as well as how the employees appreciate the organizational climate. For middle and top management, we use a leadership capabilities assessment questionnaire (LEAD) which gathers feedback from superior, team and internal cooperation partners.

All these climate and leadership surveys are run using a feedback platform. All data resulted by answering questions in the respective surveys and questionnaires are reinforced by open comments and contribute to drafting action plans to enhance the level of employee engagement and improve the leadership capabilities of our managers.

Supervisory Board Chairman,

Manfred Wimmer

Banca Comercială Română S.A.
Company with two-tier management board
159 Calea Plevnei, Business Garden
Bucharest, Building A, 6th Floor,
6th District, Bucharest, post code 060013
www.bcr.ro

contact.center@bcr.ro
InfoBCR: *2227 number available in the Vodafone, Orange, RCS RDS, Telekom networks;
+4021.407.42.00, number available in any network in Romania or abroad

Trade Register Number: J40/90/1991
Registered with the Credit Institution Register: RB-PJR-40-008/18.02.1999

Taxpayer identification number: RO 361757
Share capital: 1,625,341,625.40 lei
SWIFT: RNCB RO BU

STATEMENT

According to the articles 30 and 31 of the Accounting Law no. 82/1991

The "Separate and Consolidated Financial Statements" as at December 31st, 2022 for the Group Banca Comercială Română (the Group) and for the bank individually (Bank) have been prepared in accordance with National Bank of Romania Order no. 27/2010 for the approval of the Accounting Regulations compliant to International Financial Reporting Standards, applicable to credit institutions, as subsequently amended and supplemented.

We, Sergiu Cristian Manea as Executive President and Elke Meier as Executive Vicepresident of Banca Comercială Română SA, undertake the responsibility for the preparation of the Separate and Consolidated Financial Statements as at 31.12.2022 and we confirm the following:

a) The accounting policies applied for the preparation of the separate and consolidated financial statements for the year ended 2022 are in accordance with accounting regulations applicable to credit institutions, correspondingly in accordance with the NBR's Order no. 27/2010;

b) The Annual Separate and Consolidated Financial Statements reflect a true and fair view of the financial position, financial performance and further information related to the activity of the Bank and the Group;

c) Banca Comercială Română SA prepared its Financial Statements and carry on their business on a going concern basis.

Executive President,
Sergiu Cristian Manea

Executive Vicepresident,
Elke Meier