Banca Transilvania S.A.
LEI CODE: 549300RG3H390KEL8896

CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

Prepared in accordance with the
International Financial Reporting Standards as adopted by the European Union

For the year ended 31 December 2022

Banca Transilvania S.A.

CONTENTS

Consolidated and Separate Statement of Profit or Loss

For the year ended 31 December

		Group		Bank	
	Notes	**2022**	**2021**	**2022**	**2021**
		RON thousand	***RON thousand***	***RON thousand***	***RON thousand***
Interest income calculated using the effective interest method		5,769,630	3,570,594	5,136,663	3,236,110
Other interest like income		262,146	125,159	30,203	11,668
Interest expense calculated using the effective interest method		(1,602,950)	(552,281)	(1,502,270)	(501,261)
Other interest like expense		(2,167)	(1,353)	(6,356)	(6,681)
Net interest income	8	**4,426,659**	**3,142,119**	**3,658,240**	**2,739,836**
Fee and commission income		1,781,324	1,432,875	1,526,826	1,219,845
Fee and commission expense		(613,492)	(471,518)	(528,369)	(413,569)
Net fee and commission income	9	**1,167,832**	**961,357**	**998,457**	**806,276**
Net trading income	10	686,070	528,682	597,139	461,286
Net loss (-)/gain from financial assets measured at fair value through other items of comprehensive income	11	(121,638)	179,023	(126,119)	178,960
Net gain / loss (-) from financial assets which are required to be measured at fair value through profit or loss	12	(17,252)	38,409	(13,842)	64,488
Contribution to the Bank Deposit Guarantee Fund and to the Resolution Fund	13	(153,684)	(90,000)	(143,513)	(82,022)
Other operating income	14	291,969	174,447	389,627	179,354
Operating income		**6,279,956**	**4,934,037**	**5,359,989**	**4,348,178**
Impairment or reversal of impairment on financial assets not measured at fair value through profit or loss	15(a)	(553,162)	(385,844)	(320,081)	(354,630)
(Other) Provisions and reversal of provisions	15(b)	58,007	129,228	42,060	119,803
Personnel expenses	16	(1,655,533)	(1,328,277)	(1,385,160)	(1,159,065)
Depreciation and amortization		(392,996)	(357,831)	(350,902)	(340,579)
Other operating expenses	17	(935,219)	(695,892)	(925,226)	(591,339)
Operating expenses		**(3,478,903)**	**(2,638,616)**	**(2,939,309)**	**(2,325,810)**
Bargain gain		-	7,377	-	-
Profit before income tax		**2,801,053**	**2,302,798**	**2,420,680**	**2,022,368**
Income tax expense (-)	18	(312,636)	(278,265)	(242,681)	(239,664)
Net profit for the year		**2,488,417**	**2,024,533**	**2,177,999**	**1,782,704**
Net Profit of the Group attributable to:					
Equity holders of the Bank		2,404,376	1,983,335	-	-
Non-controlling interests		84,041	41,198	-	-
Net Profit for the year		**2,488,417**	**2,024,533**	**2,177,999**	**1,782,704**

Consolidated and Separate Statement of Other Comprehensive Income

For the year ended 31 December

	Notes	Group		Bank	
		2022	**2021**	**2022**	**2021**
		RON thousand	***RON thousand***	***RON thousand***	***RON thousand***
Net Profit for the year		**2,488,417**	**2,024,533**	**2,177,999**	**1,782,704**
Items that will not be reclassified as profit or loss, net of tax		**23,000**	**41,704**	**16,897**	**7,800**
Increase from property and equipment and intangible assets revaluation		21,527	48,626	14,876	10,047
Other elements of comprehensive income		4,652	(685)	4,401	(639)
Tax related to items that will not be reclassified to profit or loss		(3,179)	(6,237)	(2,380)	(1,608)
Items which are or may be reclassified to profit or loss		**(2,751,752)**	**(1,522,430)**	**(2,731,981)**	**(1,523,693)**
Fair value reserve (financial assets measured at fair value through other items of comprehensive income), of which:		**(3,254,670)**	**(1,815,411)**	**(3,254,846)**	**(1,826,342)**
Net gain / loss (-) from disposal of financial assets measured at fair value through other items of comprehensive income, transferred to profit or loss account		121,638	(179,023)	126,119	(178,960)
Fair value changes of financial assets measured at fair value through other items of comprehensive income		(3,376,308)	(1,636,388)	(3,380,965)	(1,647,382)
Translation of financial information of foreign operations to presentation currency		(23,717)	**(10,000)**	**5**	**(557)**
Income tax on items which are or may be reclassified to profit or loss		**526,635**	**302,981**	**522,860**	**303,206**
Total comprehensive income for the period		**(240,335)**	**543,807**	**(537,085)**	**266,811**
Total comprehensive income attributable to:					
Equity holders of the Bank		(324,376)	502,609	-	-
Non-controlling interest		84,041	41,198	-	-
Total comprehensive income for the period		**(240,335)**	**543,807**	**(537,085)**	**266,811**
Basic earnings per share		0.3402	0.2806	-	-
Diluted earnings per share		0.3402	0.2806	-	-

The financial statements were approved by the Board of Directors on March 09, 2023 and were signed on its behalf by:

Horia CIORCILĂ
Chairman

George CĂLINESCU
Deputy CEO

Consolidated and Separate Statement of Financial Position

At 31 December		**Group**		**Bank**	
	Note	**2022**	**2021**	**2022**	**2021**
Assets		***RON thousand***	***RON thousand***	***RON thousand***	***RON thousand***
Cash and curent accounts with Central Banks	19	14,540,717	18,320,913	12,645,157	16,763,625
Derivatives	43	218,443	80,927	218,443	79,842
Financial assets held for trading	21	321,370	338,450	30,693	31,207
Non-trading financial assets mandatorily at fair value through profit or loss	21	1,106,041	1,108,316	1,474,595	1,465,497
Financial assets measured at fair value through other items of comprehensive income	24	43,485,732	41,193,373	43,124,154	40,853,784
- of which pledged securities (repo agreements)		1,833,170	6,526,812	1,833,170	6,526,812
Financial assets at amortized cost - of which:		74,714,992	67,562,066	72,995,600	63,090,715
- Placements with banks and public institutions	20	5,567,332	10,394,297	6,634,858	9,612,690
- Loans and advances to customers	22	65,200,920	54,629,754	63,449,954	52,238,523
- Debt instruments	24	2,059,712	1,483,111	975,159	355,331
- Other financial assets	30	1,887,028	1,054,904	1,935,629	884,171
Finance lease receivables	23	2,812,597	1,488,031	-	-
Investments in subsidiaries	25	-	-	708,412	735,486
Investment in associates		3,737	4,459	-	-
Property and equipment and investment property	26	1,174,446	1,064,215	731,037	652,581
Intangible assets	27	506,238	406,244	429,960	334,783
Goodwill	27	154,363	22,424	-	-
Right-of-use assets	28	487,957	492,021	696,798	706,647
Current tax receivables		14,947	-	26,627	-
Deferred tax assets	29	791,605	257,885	747,800	227,724
Other non-financial assets	31	177,610	161,866	130,953	120,142
Total assets		**140,510,795**	**132,501,190**	**133,960,229**	**125,062,033**

Banca Transilvania S.A.

Consolidated and Separate Statement of Financial Position

At 31 December	Notes	Group		Bank	
		2022	**2021**	**2022**	**2021**
Liabilities		***RON thousand***	***RON thousand***	***RON thousand***	***RON thousand***
Derivatives	43	41,695	39,179	41,695	38,689
Deposits from banks	32	1,678,082	1,024,259	1,631,542	952,453
Deposits from customers	33	119,731,729	108,021,629	116,503,842	102,698,085
Loans from banks and other financial institutions	34	4,840,928	7,929,500	3,562,483	7,457,843
Subordinated liabilities	35	1,748,260	1,762,484	1,718,909	1,706,234
Lease liabilities	28	492,956	498,597	663,680	716,569
Other financial liabilities	37	1,764,364	1,826,081	1,315,969	1,440,467
Current tax liability		-	68,357	-	62,076
Provisions for other risks and loan commitments	36	500,546	538,460	431,296	493,006
Other non-financial liabilities	38	215,374	194,087	132,636	143,486
Total liabilities excluding financial liabilities to holders of fund units		**131,013,934**	**121,902,633**	**126,002,052**	**115,708,908**
Financial liabilities to holders of fund units		25,328	34,423	-	-
Total liabilities		**131,039,262**	**121,937,056**	**126,002,052**	**115,708,908**
Equity					
Share capital	39	7,163,083	6,397,971	7,163,083	6,397,971
Treasury shares		(64,750)	(15,287)	(49,463)	-
Share premiums		31,235	31,235	28,614	28,614
Retained earnings		4,457,854	3,736,875	3,558,320	3,051,409
Revaluation reserves from tangible assets		70,355	73,292	35,678	42,234
Reserves on financial assets measured at fair value through other items of comprehensive income		(3,728,492)	(996,697)	(3,736,653)	(1,004,667)
Other reserves		989,581	864,893	958,598	837,564
Total equity attributable to equity holders of the Bank		**8,918,866**	**10,092,282**	**7,958,177**	**9,353,125**
Non-controlling interest		**552,667**	471,852	-	-
Total equity		**9,471,533**	**10,564,134**	**7,958,177**	**9,353,125**
Total liabilities and equity		**140,510,795**	**132,501,190**	**133,960,229**	**125,062,033**

The financial statements were approved by the Board of Directors on March 09, 2023 and were signed on its behalf by:

Horia CIORCILĂ
Chairman

George CĂLINESCU
Deputy CEO

Consolidated Statement of Changes in Equity

For the year ended 31 December

Group

In RON thousand	Note	Share capital	Treasury shares	Share premiums	Revaluation reserves	Reserves from financial assets measured at fair value through other items of comprehensive income	Other reserves	Retained earnings	Total attributable to the equity holders of the Bank	Non-controlling interest	Total
		Attributable to the equity holders of the Bank									
Balance as at 01 January 2022		**6,397,971**	**(15,287)**	**31,235**	**73,292**	**(996,697)**	**864,893**	**3,736,875**	**10,092,282**	**471,852**	**10,564,134**
Profit for the year		-	-	-	-	-	-	2,404,376	2,404,376	84,041	2,488,417
Losses from fair value changes of financial assets measured at fair value through other items of comprehensive income, net of deferred tax		-	-	-	-	(2,731,795)	-	-	(2,731,795)	-	(2,731,795)
Revaluation of property and equipment, intangible assets, net of tax		-	-	-	18,348	-	-	-	18,348	-	18,348
Retained earnings from revaluation reserves		-	-	-	(21,066)	-	-	21,066	**-**	-	**-**
Distribution to statutory reserves		-	-	-	-	-	124,688	(124,688)	**-**	-	**-**
Foreign currency translation of foreign operations		-	-	-	(219)	-	-	(19,738)	**(19,957)**	-	**(19,957)**
Other items of comprehensive income, net of tax		-	-	-	-	-	-	4,652	**4,652**	-	**4,652**
Total comprehensive income for the period		-	-	-	**(2,937)**	**(2,731,795)**	**124,688**	**2,285,668**	**(324,376)**	**84,041**	**(240,335)**
Contributions of/distributions to the shareholders											
Increase in share capital through the conversion of retained earnings	39	765,112	-	-	-	-	-	(765,112)	**-**	-	**-**
Acquisition of treasury shares		-	(150,297)	-	-	-	-	-	**(150,297)**	-	**(150,297)**
Payments of treasury shares		-	100,834	-	-	-	-	(102,910)	**(2,076)**	-	**(2,076)**
Dividends distributed to shareholders		-	-	-	-	-	-	(800,000)	**(800,000)**	-	**(800,000)**
SOP 2021 Scheme		-	-	-	-	-	-	95,142	**95,142**	-	**95,142**
Transfer of retained earnings to liabilities to holders of fund units		-	-	-	-	-	-	8,125	**8,125**	-	**8,125**
Other items		-	-	-	-	-	-	66	**66**	(3,226)	**(3,160)**
Total contributions of/distributions to the shareholders		**765,112**	**(49,463)**	**-**	**-**	**-**	**-**	**(1,564,689)**	**(849,040)**	**(3,226)**	**(852,266)**
Balance at 31 December 2022		**7,163,083**	**(64,750)**	**31,235**	**70,355**	**(3,728,492)**	**989,581**	**4,457,854**	**8,918,866**	**552,667**	**9,471,533**

The explanatory notes to the financial statements from page 11 to page 180 are an integral part of these financial statements

Consolidated Statement of Changes in Equity *(continued)*

For the year ended 31 December

Group		Attributable to the equity holders of the Bank									
In RON thousand	**Notes**	**Share capital**	**Treasury shares**	**Share premiums**	**Revaluation reserves**	**Reserves from financial assets measured at fair value through other items of comprehensive income**	**Other reserves**	**Retained earnings**	**Total attributable to the equity holders of the Bank**	**Non-controlling interest**	**Total**
Balance as at 01 January 2021		**5,824,201**	**(15,287)**	**31,235**	**45,625**	**517,335**	**759,715**	**2,858,479**	**10,021,303**	**393,055**	**10,414,358**
Profit for the year		-	-	-	-	-	-	1,983,335	1,983,335	41,198	**2,024,533**
Losses from fair value changes of financial assets measured at fair value through other items of comprehensive income, net of deferred tax		-	-	-	-	(1,514,032)	-	-	(1,514,032)	-	**(1,514,032)**
Revaluation of property and equipment, net of tax		-	-	-	42,389	-	-	-	42,389	-	**42,389**
Retained earnings from revaluation reserves		-	-	-	(14,722)	-	-	14,722	-	-	**-**
Distribution to statutory reserves		-	-	-	-	-	105,178	(105,178)	-	-	**-**
Foreign currency translation of foreign operations		-	-	-	-	-	-	(8,398)	(8,398)	-	**(8,398)**
Other items of comprehensive income, net of tax		-	-	-	-	-	-	(685)	(685)	-	**(685)**
Total comprehensive income for the period		**-**	**-**	**-**	**27,667**	**(1,514,032)**	**105,178**	**1,883,796**	**502,609**	**41,198**	**543,807**
Contributions of/distributions to the shareholders											
Increase in share capital through the conversion of retained earnings	39	573,770	-	-	-	-	-	(573,770)	-	-	-
Acquisition of treasury shares	39	-	(61,658)	-	-	-	-	-	(61,658)	-	**(61,658)**
Payments of treasury shares		-	61,658	-	-	-	-	-	61,658	-	**61,658**
Dividends distributed to shareholders		-	-	-	-	-	-	(500,000)	(500,000)	-	**(500,000)**
SOP 2020 Scheme		-	-	-	-	-	-	63,445	63,445	-	**63,445**
Transfer of retained earnings to liabilities to holders of fund units		-	-	-	-	-	-	1,709	1,709	-	**1,709**
Other items		-	-	-	-	-	-	3,216	3,216	37,599	**40,815**
Total contributions of/distributions to the shareholders		**573,770**	**-**	**-**	**-**	**-**	**-**	**(1,005,400)**	**(431,630)**	**37,599**	**(394,031)**
Balance at 31 December 2021		**6,397,971**	**(15,287)**	**31,235**	**73,292**	**(996,697)**	**864,893**	**3,736,875**	**10,092,282**	**471,852**	**10,564,134**

Banca Transilvania S.A.

Separate Statement of Changes in Equity

For the year ended 31 December

Bank		Attributable to the equity holders of the Bank							
In RON thousand	**Notes**	**Share capital**	**Treasury shares**	**Share premiums**	**Revaluation reserves**	**Reserves from financial assets measured at fair value through other items of comprehensive income**	**Other reserves**	**Retained earnings**	**Total**
Balance as at January 1, 2022		**6,397,971**	**-**	**28,614**	**42,234**	**(1,004,667)**	**837,564**	**3,051,409**	**9,353,125**
Profit for the year		-	-	-	-	-	-	2,177,999	**2,177,999**
Losses from fair value changes of financial assets measured at fair value through other items of comprehensive income, net of deferred tax		-	-	-	-	(2,731,986)	-	-	(2,731,986
Revaluation of property and equipment, intangible assets, net of tax		-	-	-	12,496	-	-	-	12,496
Retained earnings from revaluation reserves		-	-	-	(19,052)	-	-	19,052	-
Distribution to statutory reserves		-	-	-	-	-	121,034	(121,034)	**-**
Other items of comprehensive income, net of tax		-	-	-	-	-	-	4,406	**4,406**
Statement of comprehensive income for the period		**-**	**-**	**-**	**(6,556)**	**(2,731,986)**	**121,034**	**2,080,423**	**(537,085)**
Contributions of/distributions to the shareholders									
Increase in share capital through the conversion of retained earnings	39	765,112	-	-	-	-	-	(765,112)	**-**
Acquisition of treasury shares		**-**	(150,297)	-	**-**	**-**	**-**	-	**(150,297)**
Payments of treasury shares to the employees		**-**	100,834	-	**-**	**-**	**-**	(102,910)	**(2,076)**
Dividends distributed to shareholders		**-**	-	-	**-**	**-**	**-**	(800,000)	**(800,000)**
SOP 2021 Scheme		**-**	-	-	**-**	**-**	**-**	94,510	**94,510**
Other items		**-**	-	-	**-**	**-**	**-**	-	**-**
Total contributions of/distributions to the shareholders		**765,112**	**(49,463)**	**-**	**-**	**-**	**-**	**(1,573,512)**	**(857,863)**
Balance at 31 December 2022		**7,163,083**	**(49,463)**	**28,614**	**35,678**	**(3,736,653),**	**958,598**	**3,558,320**	**7,958,177**

Banca Transilvania S.A.

Separate Statement of Changes in Equity *(continued)*

For the year ended 31 December

Bank

In RON thousand	Notes	Share capital	Treasury shares	Share premiums	Revaluation reserves	Reserves from financial assets measured at fair value through other items of comprehensive income	Other reserves	Retained earnings	Total
		Attributable to the equity holders of the Bank							
Balance as at January 1, 2021		**5,824,201**	**-**	**28,614**	**48,517**	**518,558**	**736,446**	**2,366,533**	**9,522,869**
Profit for the year		-	-	-	-	-	-	1,782,704	**1,782,704**
Losses from fair value changes of financial assets measured at fair value through other items of comprehensive income, net of deferred tax		-	-	-	-	(1,523,225)	-	-	**(1,523,225)**
Revaluation of property and equipment, net of income tax		-	-	-	8,439	-	-	-	**8,439**
Retained earnings from revaluation reserves		-	-	-	(14,722)	-	-	14,722	-
Distribution to statutory reserves		-	-	-	-	-	101,118	(101,118)	-
Other items of comprehensive income, net of tax		-	-	-	-	-	-	(1,107)	**(1,107)**
Statement of comprehensive income for the period		**-**	**-**	**-**	**(6,283)**	**(1,523,225)**	**101,118**	**1,695,201**	**266,811**
Contributions of/distributions to the shareholders									
Increase in share capital through the conversion of retained earnings	39	573,770	-	-	-	-	-	(573,770)	-
Acquisition of treasury shares		-	(61,658)	-	-	-	-	-	**(61,658)**
Payments of treasury shares to the employees		-	61,658	-	-	-	-	-	**61,658**
Dividends distributed to shareholders		-	-	-	-	-	-	(500,000)	**(500,000)**
SOP 2020 Scheme		-	-	-	-	-	-	63,445	**63,445**
Other items		-	-	-	-	-	-	-	-
Total contributions of/distributions to the shareholders		**573,770**	**-**	-	-	-	-	**(1,010,325)**	**(436,555)**
Balance at 31 December 2021		**6,397,971**	**-**	**28,614**	**42,234**	**(1,004,667)**	**837,564**	**3,051,409**	**9,353,125**

Consolidated and Separate Statement of Cash Flows

For the year ended 31 December

		Group		Bank	
In RON thousand	**Note**	**2022**	**2021**	**2022**	**2021**
Cash-flow from operating activities					
Profit for the year		**2,488,417**	**2,024,533**	**2,177,999**	**1,782,704**
Adjustments for:					
Depreciation and amortization	26,27, 28	392,996	357,831	350,902	340,579
Impairment allowance, expected losses and write-offs of financial assets, provisions for other risks and loan commitments		713,779	554,764	486,859	522,064
Adjustment of financial assets at fair value through profit or loss		17,252	(38,409)	13,842	(64,488)
Income tax expense	18	312,636	278,265	242,681	239,664
Interest income	8	(6,031,776)	(3,695,753)	(5,166,866)	(3,247,778)
Interest expense	8	1,605,117	553,634	1,508,626	507,942
Other adjustments		732,985	(583,656)	72,117	(295,621)
Net profit adjusted with non-monetary elements		**231,406**	**(548,791)**	**(313,840)**	**(214,934)**
Changes in operating assets and liabilities(*)					
Change in financial assets at amortized cost and placements with banks		(526,369)	517,432	(3,060,649)	1,121,609
Change in loans and advances to customers		(11,158,763)	(14,315,591)	(11,600,432)	(12,425,595)
Change in finance lease receivables		(1,318,265)	(251,991)	-	-
Change in financial assets at fair value through profit or loss		(14,977)	15,807	(22,940)	(51,336)
Change in financial assets held for trading and measured at fair value through profit or loss - derivatives		(137,516)	(58,837)	(138,601)	(57,752)
Change in equity instruments		(7,516)	20,824	514	(13,635)
Changes in debt instruments		24,596	(12,802)	-	-
Change in other financial assets		(808,577)	(178,497)	(1,041,226)	(108,195)
Change in other assets		(76,488)	(54,260)	(78,142)	(61,966)
Change in deposits from customers		11,435,219	17,117,458	13,523,038	14,449,467
Change in deposits from banks		648,927	705,175	673,760	640,501
Change in financial liabilities held-for-trading		2,516	4,361	3,006	3,872
Change in repo operations		(4,683,166)	6,416,160	(4,683,166)	6,416,160
Change in other financial liabilities		(121,720)	636,575	(182,931)	497,909
Change in other liabilities		21,287	107,729	(10,864)	83,278
Income tax (paid)/recovered		(332,891)	(213,079)	(26,029)	(180,793)
Interest received		4,713,394	2,887,284	3,911,387	2,475,000
Interest paid		(1,192,131)	(425,771)	(1,118,807)	(477,673)
Net cash-flow from operating activities		**(3,301,034)**	**12,369,186**	**(4,403,922)**	**12,095,917**

Consolidated and Separate Statement of Cash Flows
For the year ended 31 December

In RON thousand	Notes	Group 2022	Group 2021	Bank 2022	Bank 2021
Cash-flow used in investment activities					
Acquisition of financial assets measured at fair value through other items of comprehensive income		(12,131,322)	(29,200,861)	(11,932,842)	(28,870,381)
Sale/redemption of financial assets measured at fair value through other items of comprehensive income		6,716,802	17,118,712	6,712,862	17,091,639
Acquisitions of property and equipment		(209,080)	(202,665)	(160,200)	(150,211)
Acquisitions of intangible assets		(178,077)	(158,719)	(170,884)	(149,740)
Proceeds from disposal of property and equipment and intangible assets		4,531	2,709	12,086	2,049
Acquisition of subsidiaries net of cash acquired through business combinations	45	(267,347)	328,893	(338,597)	(225,000)
Proceeds from sale of equity investments		(16,964)	-	188,105	-
Dividends collected	14	5,489	3,243	8,719	33,808
Interest received		1,189,997	1,191,145	1,009,855	1,188,116
Net cash-flow used in investment activities		**(4,885,971)**	**(10,917,543)**	**(4,670,896)**	**(11,079,720)**
Cash-flow from financing activities					
Gross proceeds from loans from banks and other financial institutions	44	1,739,558	81,502	1,010,144	-
Gross payments from loans from banks and other financial institutions	44	(874,049)	(368,333)	(218,290)	(152,045)
Gross payments from subordinated loans from banks and other financial institutions	44	(24,700)	-	-	-
Repayment of the principal portion of the lease liabilities		(147,641)	(138,319)	(208,488)	(151,727)
Dividend payments		(801,623)	(496,614)	(801,623)	(496,614)
Payments for treasury shares		(150,297)	(61,658)	(150,297)	(61,658)
Interest paid		(122,799)	(89,991)	(93,749)	(76,801)
Net cash-flow from / (used in) financing activities		**(381,551)**	**(1,073,413)**	**(462,303)**	**(938,845)**

In RON thousand	Note	Group 2022	Group 2021	Bank 2022	Bank 2021
Cash and cash equivalents at January 1		**27,027,852**	**26,649,622**	**24,880,094**	**24,802,742**
The impact of exchange rate variations on cash and cash equivalents		2,441	35,906	(1,962)	30,654
Net increase/decrease (-) in cash and cash equivalents		(8,570,997)	342,324	(9,535,159)	46,698
Cash and cash equivalents as at December 31	19	**18,459,296**	**27,027,852**	**15,342,973**	**24,880,094**

Notes to the consolidated and separate financial statements

1. Reporting entity

Banca Transilvania S.A.

Banca Transilvania S.A. (the "Parent company", "The Bank") is a joint-stock company incorporated in Romania. The Bank started its activity as a banking institution in 1993 and is licensed by the National Bank of Romania ("BNR", the "Central Bank") to conduct banking activities. The Bank started its activity in 1994 and its main operations involve banking services for legal entities and individuals.

Banca Transilvania Group (the "Group") includes the Parent company and its subsidiaries, based in Romania and in the Republic of Moldova. The consolidated and separate financial statements as at 31 December 2022 comprise the Parent company and its subsidiaries (hereinafter referred to as the "Group").

The Group's fields of activity are: banking through Banca Transilvania S.A., Victoriabank S.A. and Idea Bank S.A., leasing and consumer finance mainly through BT Leasing Transilvania IFN S.A., Idea Leasing IFN S.A., BT Direct IFN S.A., BT Microfinanţare IFN S.A., BT Leasing MD S.R.L. and Ţiriac Leasing IFN S.A., asset management through BT Asset Management S.A.I. S.A. brokerage and investments through BT Capital Partners S.A, and pension funds management BT Pensii S.A. Additionally, the Bank also has control over two investment funds it consolidates and is associated in Sinteza S.A. with a holding percentage of 31.09%.

The Bank carries out its banking activity through its head office located in Cluj-Napoca and 42 branches, 454 agencies, 6 work units, 8 healthcare division units, 2 private banking agencies in Romania, 1 branch in Italy and 1 regional office located in Bucharest (2021: 47 branches, 443 agencies, 6 work units, 8 healthcare division units, 2 private banking agencies in Romania and 1 branch in Italy and 1 regional office located in Bucharest).

The Group's number of active employees as at 31 December 2022 was 11,256 (2021: 10,800 employees).

The Bank's number of active employees as at 31 December 2022 was 9,109 (2021: 8,651 employees).

The registered address of the Bank is 30-36 Calea Dorobanţilor, Cluj-Napoca, Romania.

The ownership structure of the Bank is presented below:

	2022	**2021**
NN Group (*)	10.11%	10.29%
The European Bank for Reconstruction and Development ("EBRD")	6.87%	6.87%
Romanian individuals	22.20%	21.23%
Romanian companies	43.11%	41.41%
Foreign individuals	1.05%	0.98%
Foreign companies	16.66%	19.22%
Total	**100%**	**100%**

(*) NN Group N.V. and the pension funds managed by NN Pensii SAFPAP S.A. and NN Asigurări de Viaţă S.A.

The Bank's shares are listed on the Bucharest Stock Exchange and are traded under the symbol TLV.

1. Reporting entity *(continued)*

The Group's subsidiaries are represented by the following entities:

Subsidiary	Field of activity	Percentage of direct and indirect stake 2022	Percentage of direct and indirect stake 2021
Victoriabank S.A.	Financial and banking activities and investments subject to license	44.63%	44.63%
BT Capital Partners S.A.	Investments	99.59%	99.59%
BT Leasing Transilvania IFN S.A.	leasing	100%	100%
BT Investments S.R.L.	Investments	100%	100%
BT Direct IFN S.A.	consumer loans	100%	100%
BT Building S.R.L.	Investments	100%	100%
BT Asset Management SAI S.A.	Asset management	100%	100%
BT Solution Agent de Asigurare S.R.L.	Insurance broker	99.95%	99.95%
BT Asiom Agent de Asigurare S.R.L.	Insurance broker	99.95%	99.95%
BT Safe Agent de Asigurare S.R.L.	Insurance broker	99.99%	99.99%
BT Intermedieri Agent de Asigurare S.R.L.	Insurance broker	99.99%	99.99%
BT Leasing MD S.R.L.	Leasing	100%	100%
BT Microfinanţare IFN S.A.	Consumer loans	100%	100%
Improvement Credit Collection S.R.L.	Activities of collection agents and Credit reporting bureaus	100%	100%
VB Investment Holding B.V.	Activities of holdings	61.81%	61.81%
Timesafe S.R.L.	Activities of software to order	-	51.12%
BT Pensii S.A.	Activities of pension funds (except those in the public social security system)	100%	100%
Idea Bank S.A.	Financial and banking activities	100%	100%
Idea Investments S.A.	Management consultancy activities	-	100%
Idea Leasing IFN S.A.	Financial leasing	100%	100%
Idea Broker de Asigurare S.R.L.	Activities of insurance agents and brokers	100%	100%
Code Crafters by BT	Custom software development activities	100%	-
Ţiriac Leasing IFN S.A.	Financial leasing	100%	-

BT Leasing Transilvania IFN S.A.

BT Leasing Transilvania IFN S.A. operates through its head office located in Cluj-Napoca, 1 agency and 22 work units (2021: 1 agency and 21 work units) throughout the country. The company is authorized by the National Bank of Romania to provide leases for various types of vehicles, technical and other types of equipment.
The number of active employees as at 31 December 2022 was 135 (2021: 127 employees).
The registered address of BT Leasing Transilvania IFN S.A. is 74-76 Constantin Brâncuşi Street, 1st floor, Cluj-Napoca, Romania.

1. Reporting entity *(continued)*

BT Asset Management SAI S.A.

BT Asset Management SAI S.A. is an investment management company, member of Banca Transilvania Financial Group, authorized by the National Securities Commission (currently the Financial Supervisory Authority, also named „ASF”) through the decision No. 903/29.03.2005, ASF Public Register No. PJR05SAIR/120016 dated 29.03.2005.

BT Asset Management SAI S.A. manages both open and closed investment funds. As at 31 December 2022, BT Asset Management SAI S.A. managed 17 investment funds, of which: 14 open funds and 3 closed funds.

BT Asset Management SAI S.A. offers a full range of investment products, from fixed income funds, mixed funds and index funds, to equity and one real estates funds. The access to the capital market is provided to customers through investments in Romania, as well as in the EU countries (mainly Austria); placements can be made in lei, euro, american dollars and pounds.
The number of active employees as at 31 December 2022 was 37 (2021: 34 employees). The company's registered address is in Cluj-Napoca, 22 Emil Racoviţă Street, 1st floor + garret, Cluj county, Romania.

BT Capital Partners S.A.

At the beginning of 2016, BT Securities – the brokerage company of Banca Transilvania Financial Group – became BT Capital Partners S.A., after taking over the investment banking activity of Capital Partners, the most important independent consulting Romanian company in the field of M&A and Corporate Finance, BT Capital Partners is also an exclusive member in Romania of Oaklins, the world's most important alliance of M&A professionals.

In its new formula, BT Capital Partners S.A. offers consulting services for raising funds via the capital market, consultancy on mergers and acquisitions, brokerage services, structuring of complex financing schemes, market research and strategic advisory.

At 31 December 2022 the company counted 59 active employees (2021: 58 employees). The company undertakes its activity through its headquarters located in Cluj-Napoca, 74-76 Constantin Brâncuşi Street, ground floor, Cluj county, Romania, and through 8 work units.

BT Direct IFN S.A.

BT Direct IFN S.A. it is authorized by the National Bank of Romania to carry out lending operations to individuals through credit cards as well as through consumer loans, having as object of activity the financing of natural persons.

BT Direct IFN S.A. and ERB Retail Services IFN S.A. have become the same company starting with August 1, 2019. Following the merger by absorption of BT Direct IFN S.A., ERB Retail Services IFN S.A. has become part of the Group keeping the name BT Direct IFN S.A..
As at 31 December 2022, the company has a registered office for the purpose of payroll taxes in Bucharest and another 107 offices in the locations of the main partners (2021: 95 offices).

The number of active employees at 31 December 2022 was 179 (2021: 171 employees). The company operates through its head office located in Cluj-Napoca, 74-76 Constantin Brâncuşi Street, 3rd floor, Cluj county, Romania.

1. Reporting entity *(continued)*

BT Microfinanţare IFN S.A.

BT Microfinanţare IFN S.A. is a non-banking financial institution authorized by the National Bank of Romania established in 2016. The company's object of activity is financing small businesses. The company's registered address is Bucharest, 43 Bucureşti – Ploieşti Street.

The number of active employees as at 31 December 2022 was 205 (2021: 184 employees).
In 2022, BT Microfinanţare IFN S.A. financed around 6,500 micro-enterprises (2021: 5,229 micro-enterprises) (loans for the support and development of current activities, procurement loans, loans for supplier payments, investment loans for existent and/or new work units, loans for the acquisition of machinery/equipment etc.). The outstanding balance for loans at the end of 2022 was RON 780.7 million (2021: RON 628.3 million).

B.C. „VICTORIABANK" S.A.

B.C. „VICTORIABANK" S.A. was founded on 22 December 1989, being the first commercial bank in the Republic of Moldova to be registered with the Central Bank of USSR on 22 February 1990, being reorganized on 26 August 1991 into a joint-stock company (joint-stock commercial bank).

On 29 November 2002, Victoriabank S.A. was re-registered as a commercial bank, open joint-stock company, and its shares were registered and listed on the Moldova Stock Exchange.

Victoriabank S.A. is authorized to carry out banking activities pursuant to its license issued by the National Bank of Moldova.

Victoriabank S.A. carries out its activity through its headquarter located in Chişinău, 31 August 1989 Street No 141, and through 30 branches and 41 agencies throughout the Republic of Moldova (2021: 30 branches and 45 agencies).

The number of active employees as at 31 December 2022 was 1,097 (2021: 1,048 employees).

The share capital of B.C. „Victoriabank" S.A. consists of MDL 250,000,910, divided into 25,000,091 class I nominal ordinary shares, with voting rights, at a face value of MDL 10/share. The nominal ordinary shares issued by Victoriabank S.A. (ISIN: MD14VCTB1004) are admitted to trading on the regulated market at the Moldova Stock Exchange.

IDEA Bank S.A.

IDEA Bank S.A. was founded in 1998, and during 2021, was bought by Banca Transilvania, a Romanian credit institution, which, starting with 29 October 2021 became the sole shareholder (direct and indirect) of this entity.

Currently, IDEA Bank S.A. runs banking and financial services operations with individuals and legal entities. These include: current accounts, raise deposits, loan lending, financing for current activities, medium and long term financing, letters of guarantee and documentary credits, internal and external payment services, foreign exchange operations, deposits services.

The Bank operates through its headquarter located in Bucharest, and through 33 branches and agencies and also 3 work units, located in Bucharest and other cities in Romania (2021: 33 branches and agencies and 3 work units).

Its headquarter is situated on Dimitrie Pompeiu Boulevard, No.5-7, 6th floor, Sector 2, Bucharest, Romania. As at 31 December 2022 the Bank had 140 employees (2021: 383 employees).

1. Reporting entity *(continued)*

IDEA Leasing IFN S.A.
IDEA Leasing IFN S.A. ("Idea Leasing") is a Romanian entity founded in 2000. The main activitity of Idea Leasing represents crediting based on contract - CAEN code 6491 and mostly financial leasing for legal entities, having under the lease agreements vehicles and equipments. The headquarter of Idea Leasing is located on 19-21 București-Ploiești Street, 2nd floor, Sector 1, Bucharest, Romania. As of 31 December 2022, Idea Leasing had 120 employees (2021: 118 employees).

2. Basis of preparation

a) Statement of compliance

The consolidated and separate financial statements of the Group and of the Bank have been prepared in accordance with the International Financial Reporting Standards ("IFRS") as endorsed by the European Union and with the National Bank of Romania's Order no. 27/2010 for the approval of the accounting regulations in acordance with IFRS, with subsequent changes („NBR Order no. 27/2010"), effective as at the Group's and Bank's annual reporting date, 31 December 2022.

b) Basis of measurement

The consolidated and separate financial statements were prepared on historical cost basis, except for the financial instruments recognized at fair value through profit or loss, the financial instruments at fair value through other items of comprehensive income and the revaluation of property and equipment and investment property.

c) Functional and presentation currency – "RON"

The items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The functional currency of the entities within the Group is the Romanian leu "RON", "EUR" and the Moldovan leu "MDL". The separate and consolidated financial statements are presented in Romanian lei "RON", rounded to the nearest thousand.

d) Use of estimates and judgements

The preparation of the consolidated and separate financial statements in accordance with the IFRS as endorsed by the European Union implies that the management uses estimations and judgements that affect the application of accounting policies, as well as the reported value of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical data and various other factors that are believed to be relevant under the given circumstances. The result of which forms the basis of the judgements used in assessing the carrying value of the assets and liabilities for which no other evaluation sources are available. Actual results may differ from these estimates. The estimates and assumptions are reviewed on an ongoing basis.
The review of the accounting estimates is recognized in the period in which the estimate is reviewed, if the review affects only that period, or in the period of the review and future periods if the review affects both current and future periods.
The Group and the Bank make estimates and assumptions that affect the amounts of assets and liabilities reported within the next financial year. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are considered to be reasonable under the given circumstances.
Information about estimates used in the application of the accounting policies which have a significant impact on the consolidated and separate financial statements, as well as the estimates involving a significant degree of uncertainty, are described in Note 5.

3. Significant accounting policies

The significant accounting policies set out below have been applied consistently by the Bank and the Group's entities throughout all the periods presented in these consolidated and separate financial statements.

a) Basis for consolidation

According to IFRS 10, control means that an investor has: 1) power over the investee; 2) exposure, or rights to variable returns from its involvement within the investee; 3) the ability to use its power over the investee to affect the amount of the investor's returns. The list of the Group's subsidiaries is presented in Note 1.

(i) Business Combinations

A business combination is accounted using the acquisition method at the date when the control is acquired, except for the cases when the combination involves entities or parties under common control or the acquired entity is a subsidiary of an investment entity.

Each identifiable asset and acquired asset and assumed liability is evaluated at fair value at the acquisition date. The non-controlling interests in the acquired entity, which represent current ownership interest and entitle the holder to a proportional share of the entity's net assets in the event of liquidation, are measured either at fair value or proportionally with the acquired ownership interest in the entity's net identifiable assets. Non-controlling interests that are not current ownership interests are measured at fair value.

Goodwill is measured by deducting the identifiable net assets acquired from the aggregate of the consideration transferred, any non-controlling interests in the acquired entity and the fair value at the acquisition date of the equity participation in the acquired entity previously held by the acquiring entity. If the acquirer obtains a gain from a bargain purchase, this gain is recognized in the profit or loss after the management reassesses whether all the assets were acquired and all liabilities and contingent liabilities were assumed based on appropriate measurement.

The consideration transferred in a business combination is measured at the fair value of the assets transferred by the acquirer, the liabilities incurred or assumed and the equity instruments issued, but excludes the costs related to intermediation, advisory, legal, accounting, valuation and other professional or consulting services, general administrative costs that are recognized in the profit or loss.

(ii) Subsidiaries

The Group's subsidiaries are the entities under the Group's direct and indirect management. The management of an entity is reflected by the Group's capacity to exercise its authority in order to influence any variable return to which the Group is exposed based on its involvement in the entity. The factors that the Group must consider when deciding to include an entity in the consolidation are the following:

- the purpose and relevant activity of the entity;
- the entity's relevant activities and the manner in which they are determined;
- whether the Group's rights ensure its capacity to manage the entity's relevant activities;
- whether the Group is exposed or entitled to variable returns;
- whether the Group can use its capacity in order to influence returns.

If voting rights are relevant, the Group is considered to be in control if it holds, directly or indirectly, more than half of the voting rights of an entity, except when there is proof that another investor has the capacity of control over the relevant activities. Potential voting rights considered as substantial are also taken into account when determining the control of the entity. Moreover, the Group controls an entity even if it does not hold the majority of the voting rights, but however has the effective capacity to control the entity's relevant activities.

3. Significant accounting policies *(continued)*

a) Basis of consolidation *(continued)*

(ii) Subsidiaries(continued)

This situation may occur when the dimension and dispersion of the shareholders' participations give authority to the Group to control the activities subject to investment. The subsidiaries are included in the consolidation starting from the date when the control is transferred to the Group.

The Group revaluates on an ongoing basis the control over the entities subject to investment, at least upon each quarterly reporting date. Therefore, any structural modification leading to the change of one or several control parameters is subject to revaluation. Such modification may include the change of the decision-making rights, changes in the contractual terms, financial or capital structure modifications, modifications caused by an event anticipated upon the initial documentation.

(iii) Non-controlling interest

The Group presents the non-controlling interest in its consolidated financial position within equity, separated from the equity of the parent company's shareholders. The non-controlling interest is measured proportionally with the percentage held in the net assets of the subsidiary. Changes in ownership interest which do not result in the loss of parent control of the subsidiary, are reflected as equity transactions.

(iv) Loss of control

If the parent loses the control of a subsidiary, it derecognizes the assets (including goodwill), the liabilities and the book value of any non-controlling interest at the date such control is lost. Any gain or loss arising from the loss of control is recognized in the profit or loss account.

Upon the loss of control over a subsidiary, the Group: a) derecognizes the assets (including the attributable goodwill) and liabilities of the subsidiary at their book value, b) derecognizes the book value of any non-controlling interests held in the former subsidiary, c) recognizes the consideration received at fair value, as well as any distribution of the subsidiary's shares, d) recognizes any investment in the former subsidiary at fair value and e) recognizes any difference resulting from the above elements as gain or loss in the income statement. Any amounts recognized in the previous periods as other items of comprehensive income in relation to the respective subsidiary, shall be either reclassified in the consolidated statement of profit or loss or transferred to retained earnings, if required by other IFRS standards.

(v) Investments in associates

An associate is an entity over which the Group exercises significant influence in terms of financial and operating policy decision making, but without controlling the entity. Significant influence is when the Group holds between 20% and 50% of the voting rights. The existence and impact of the potential rights that are currently enforceable or convertible are also taken into consideration in order to determine whether the Group exercises significant influence. Other factors taken into consideration in order to determine whether the Group exercises significant influence are the representation in the Board of Directors and the inter-company relevant transactions. The existence of such factors may require the application of the equity method of accounting for a certain investment, even if the Group's investment in voting shares is lower than 20%. Investments in associates are booked according to the equity method. The share of the Group resulting from the association is adjusted in order to be in line with the Group's accounting policies and is booked in the consolidated statement of profit or loss as net investment income (loss) according to the equity method. The Group's share in the profits or losses of the related parties resulting from inter-company sales is removed from the consolidation basis.

3. Significant accounting policies *(continued)*

a) Basis of consolidation *(continued)*

(v) Investments in associates (continued)

In accordance with the equity method, the Group's investments in associates and jointly controlled entities are initially booked at cost, including any costs directly connected with transactions, and are subsequently increased (or decreased) to reflect both the proportional share of the Group after the acquisition and the net income (or loss) of the related entity or of the jointly controlled entity, as well as other direct changes in the shareholders' equity of the related entity or of the jointly controlled entity. The goodwill generated by the acquisition of a related entity or of a jointly controlled entity is included in the investment book value. Since goodwill is not reported separately, it is not tested for impairment. In fact, the whole investment accounted based on the equity method is tested for impairment upon each balance sheet preparation.

At the date when the Group ceases to have significant influence on the associates or the jointly controlled entity. The Group shall determine the profit or loss from the assignment of the investment based on the equity method, which shall be equal to the difference between: 1) the fair value of retained interest and any proceeds from disposing of a part of interest in the associate and 2) the carrying amount of the investemnts.

(vi) Management of investment funds

The Group manages and administrates assets invested in fund units on behalf of investors. The financial statements of these entities are not included in the consolidated financial statements, except when the Group controls the entity by holding authority, exposure or rights over variable incomes based on its participation of more than 50% in the open investment fund units. In line with the Group's strategy to develop open investment funds and to attract new investors, the Group removes from the consolidation basis the open funds managed by BT Asset Management SAI S.A., if the percentage of fund unit holdings decreases below 40% during two financial years.
As concerns the closed funds managed by BT Asset Management SAI S.A.. The Group removes from the consolidation basis the holdings for which there is no significant influence of more than 20%.
If the Group holds units in open or closed investment funds managed by an investment management company which is not included in the consolidation, the funds shall not be consolidated because the Group does not have the authority and decision-making power regarding the relevant activities of such entity.

(vii) Transactions eliminated from consolidation

Intra-group settlements and transactions, as well as any unrealized gains resulted from the intra-group transactions have been fully eliminated in the preparation of the consolidated financial statements. Unrealized gains resulted from transactions with equity accounted investees are eliminated in correlation with the investment in the related entity. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

(viii) Presentation of the legal merger through absorption in the financial statements

The Group applies the common control scope exclusion in IFRS 3 requirements "Business combination" by analogy to the accounting for common control transaction in separate financial statements to record the merger by absorption operations in the separate financial statement of the absorbing entity. The separate financial statements of the absorbing entity after merger are a continuation of the consolidated financial statements prepared starting with the date of acquisition of the absorbed entity.

3. Significant accounting policies *(continued)*

a) Basis of consolidation *(continued)*

(viii) Presentation of the legal merger through absorption in the financial statements (continued)

The profit or loss and other comprehensive income of the absorbing entity includes the revenues and expenses as they were booked by the absorbed entity at individual level, for the period between the date of gaining the control and the merger date.

Due to the lack of specific requirements in the IFRS related to legal mergers through absorption, the Bank decided to present the book value of the acquired identifiable assets and undertaken liabilities in the separate financial statements at the legal merger date, after their initial recognition at fair value at the date when the control was acquired.

b) Foreign currency transactions

(i) Foreign currency transactions

Transactions in foreign currency are recorded in RON at the official exchange rate at the date of the transaction. The exchange rate differences resulting from such transactions denominated in foreign currency are reflected in the statement of profit or loss at the transaction date and using the exchange rate valid at the respective date.

Monetary assets and liabilities denominated in foreign currencies at the date of the consolidated and separate statement of financial position are translated to the functional currency at the exchange rate valid at that date.

FX differences are recognized in profit or loss.
Non-monetary assets and liabilities that are measured in terms of historical cost in foreign currency are translated in the functional currency by using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to the functional currency at the exchange rate valid at the date when the fair value is determined.

(ii) Translation of foreign currency operations

The result and financial position of operations denominated in a currency different from the functional and presentation currency of the Group are translated into the presentation currency as follows:

- the assets and liabilities of this entity, both monetary and non-monetary, were translated at the closing rate at date of the consolidated and separate statement of financial position;
- income and expense items of these operations were translated at the average exchange rate of the period, as an estimate of the exchange rates at the dates of the transactions; and
- all resulting exchange differences have been recognized as OCI until the disposal of the investment.

The exchange rates for the major foreign currencies were:

Currency	31 December 2022	31 December 2021	Variation %
Euro (“EUR”)	1: LEU 4.9474	1:RON 4.9481	-0.01%
United States Dollar (“USD”)	1: LEU 4.6346	1: RON 4.3707	6.04%

3. Significant accounting policies *(continued)*

c) Interest income and expenses

Recognition of interest income and expenses

Interest income and expense are recorded for all loans and debt instruments, other than those at FVTPL, on an accrual basis using the effective interest method. This method defers, as part of interest income or expense, all fees paid or received between the parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

Fees integral to the effective interest rate include origination fees received or paid by the entity relating to the creation or acquisition of a financial asset or issuance of a financial liability, for example fees for evaluating creditworthiness, evaluating and recording guarantees or collateral, negotiating the terms of the instrument and for processing transaction documents. Commitment fees received by the Group to originate loans at market interest rates are integral to the effective interest rate if it is probable that the Group will enter into a specific lending arrangement and does not expect to sell the resulting loan shortly after origination.

The Group does not designate loan commitments as financial liabilities at FVTPL.

For financial assets that are originated or purchased credit-impaired, the effective interest rate is the rate that discounts the expected cash flows (including the initial expected credit losses) to the fair value on initial recognition (normally represented by the purchase price). As a result, the effective interest is credit-adjusted. Interest income is calculated by applying the effective interest rate to the gross carrying amount of financial assets, except for (i) financial assets that have become credit impaired (Stage 3), for which interest revenue is calculated by applying the effective interest rate to their amortised cost, net of the expected credit loss provision, and (ii) financial assets that are purchased or originated credit impaired, for which the original credit adjusted effective interest rate is applied to the amortised cost.

d) Fee and commission income

Fee and commission income represent commissions that are not an integral part of the effective interest rate of a financial instrument and that are accounted for in accordance with IFRS 15. Such income includes fee income in the banking units (*transactional fees,* such as: commissions for transactions at ATMs, commissions for payments, for issuing the account statement, commissions for the collection/encashment of dividends, commissions for currency exchanges*; brokerage and execution fees, syndication fees* etc.), fee income from capital markets (*advisory fees, investment activities fees, brokerage and execution fees, custodial fees*), fee income in wealth management.

The commissions and expenses obtained from the services provided over a certain period of time are recognized in that period as the services are provided. Commissions and expenses obtained for the completion of a specific service or significant event are recognized upon completion of the service or when the event occurs, for example, upon completion of the transaction to which it refers.

The obligation to perform the service (and the recognition of income) can be fulfilled at a given moment or over time. For each identified performance obligation, the Group establishes at the beginning of the contract whether it fulfills the performance obligation in time or at a given moment and whether the consideration is fixed or variable, including whether the consideration is limited, for example, by external factors that cannot be influenced by to the Group.

3. Significant accounting policies *(continued)*

d) Fee and commission income *(continued)*

The group records income and expenses from commissions in profit or loss:

• either in time, because the performance obligation is satisfied in time, and the client simultaneously receives and consumes the benefits offered by the performance by the Group, as the Group fulfills the obligations (being one of the 3 criteria that must be met for a performance obligation to be satisfied in time). These include, for example, commissions for transactions with clients when the services are provided continuously, settlement commissions for financial instruments, custody commissions, consulting fees;

• or at the time when the service is provided, in cases where a performance obligation is not fulfilled in time. These include, for example, distribution commissions received and some consulting fees.

e) Net trading income

Net trading income represents the difference between the gain and loss related to financial assets held-for trading, foreign exchange transactions, derivatives and foreign exchange position revaluation.

f) Net loss/gain related to financial assets measured at fair value through other items of comprehensive income

The net loss/gain related to financial assets measured at fair value through other items of comprehensive income comprises the gain and loss from the sale of financial assets measured at fair value through other items of comprehensive income. Net gain and loss from the sale of financial assets measured at fair value through other items of comprehensive income are recognized in the income statement at the moment of their sale. They represent the difference between the obtained price and the amortized cost of the financial assets measured at fair value through other items of comprehensive income.

g) Net loss/gain from financial assets which are required to be measured at fair value through profit or loss

The net loss/ gain from financial assets which are required to be measured at fair value through profit or loss includes the gain and loss both from the revaluation at fair value and the sale of financial assets which are required to be measured at fair value through profit or loss.

h) Dividend income

Dividend income is recognized in profit or loss at the date when the right to receive such income is established and it is probable that the dividends will be collected. Dividends are reflected as a component of other operating income.

For some of the Bank's subsidiaries, the only profit available for distribution is the profit for the year recorded in the Romanian statutory accounts, which differs from the profit in these consolidated and separate financial statements prepared in accordance with IFRS, as endorsed by European Union, due to the differences between the applicable Romanian Accounting Standards and IFRS, as endorsed by the European Union.

3. Significant accounting policies *(continued)*

i) Contribution to the Bank Deposit Guarantee Fund and to the Resolution Fund

The retail deposits and certain legal entity deposits, including SME deposits, are guaranteed up to EUR 100,000 in Romania and MDL 50,000 in the Republic of Moldova) by the Bank Deposit Guarantee Fund (the "FGDB") according to the regulations in force (Law 311/2015 regarding the deposit guarantee scheme and the Deposit Guarantee Fund in Romania and the law regarding the deposit guarantee within the banking system no.575-XV from December 2003 23, in the Republic of Moldova).

The Romanian credit institutions are obliged to pay an annual contribution to the Deposit Guarantee Fund ("FGBD-Fondul de Garantare a Depozitelor Bancare"), in order to guarantee the clients' deposits in case of the credit institution's insolvency, as well as an annual contribution to the Resolution Fund ("Fondul de Rezolutie").

It is mandatory for the banks in the Republic of Moldova to contribute an annual fee to FGDB, through quarterly payments which are calculated based on the value of the pledged deposits and the risk grade for each bank, and also an annual fee to the Resolution Fund.

The Group and the Bank applied IFRIC 21 "Levies" to determine when the obligation to be recognized. As this contribution to the FGDB corresponds to a tax therefore it needs to be fully recognized as an expense at the time the obligating event occurs.

j) Lease assets and liabilities

Group applies IFRS 16 provisions to all leases, including leases of right-of-use assets in a sublease, except for:

a) leases to explore for or use minerals, oil, natural gas and similar non-regenerative resources;
b) leases of biological assets within the scope of IAS 41 Agriculture held by a lessee;
c) service concession arrangements within the scope of IFRIC 12 Service Concession Arrangements;
d) licenses of intellectual property granted by a lessor within the scope of IFRS 15 Revenue from Contracts with Customers; and
e) rights held by a lessee under licensing agreements within the scope of IAS 38 Intangible Assets for such items as motion picture films, video recordings, plays, manuscripts, patents and copyrights.

The Group presents in this financial statements, lease assets and liabilities for the following types of transactions:

a) as a lessee:
- Lease of properties used for financial activities;
- Lease of land;
- Lease of vehicles;
- Lease of other low-value items.

b) as a lessor:
- Finance lease of vehicles and equipment;
- Finance lease of real estate.

Identification of a lease contract

A contract is, or contains a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Group reassess whether a contract is, or contains, a lease only if the terms and conditions of the contract are changed.

3. Significant accounting policies *(continued)*

j) Lease assets and liabilities *(continued)*

To assess whether a contract conveys the right to control the use of an identified asset for a period of time, the Group shall assess whether, throughout the period of use, the customer has both of the following:
(a) the right to obtain substantially all of the economic benefits from use of the identified asset and
(b) the right to direct the use of the identified asset.

a) <u>The Group as a lessee</u>

As per IFRS 16 provisions, a lessee no longer differentiates between finance leases and operating leases and is required to recognise a right-of-use asset and a lease liability at the initial recognition of the contract.

Right of use – initial measurement

The right-of-use asset shall comprise:
(a) the amount of the initial measurement of the lease liability;
(b) any lease payments made at or before the commencement date, less any lease incentives received;
(c) any initial direct costs incurred by the lessee; and
(d) an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories.

Lease liability – initial measurement

Represents the present value of the lease payments that are not paid at commencement date. The lease payments shall be discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the lessee shall use the lessee's incremental borrowing rate. The lease payments included in the measurement of the lease liability comprise the following payments for the right to use the underlying asset during the lease term that are not paid at the commencement date:
(a) fixed payments, less any lease incentives receivable;
(b) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
(c) amounts expected to be payable by the lessee under residual value guarantees;
(d) the exercise price of a purchase option if the lessee is reasonably certain to exercise that option (assessed considering all the relevant factors); and
(e) payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

Subsequent measurement - Right-of-use asset

The Group shall measure the right-of-use asset at cost, less any accumulated depreciation and any accumulated impairment losses, and adjusted for any remeasurement of the lease liability due to lease contract. If the lease transfers ownership of the underlying asset to the Group as a lessee by the end of the lease term or if the cost of the right-of-use asset reflects that the Group will exercise a purchase option, the Group shall depreciate the right-of-use asset from the commencement date to the end of the useful life of the underlying asset. Otherwise, the Group shall depreciate the right-of-use asset from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

3. Significant accounting policies *(continued)*

j) Lease assets and liabilities *(continued)*

a) ***The Group as a lessee (continued)***

Subsequent measurement - Lease liability

The Group measures the lease liability by:
a) increasing the carrying amount to reflect interest on the lease liability;
b) reducing the carrying amount to reflect the lease payments made; and
c) remeasuring the carrying amount to reflect any reassessment or lease modifications.

After the commencement date, the Group remeasures the lease liability to reflect changes to the lease payments. The Group recognizes the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. However, if the carrying amount of the right-of-use asset is reduced to zero and there is a further reduction in the measurement of the lease liability, it recognizes any remaining amount of the remeasurement in the statement of profit or loss.

b) ***The Group as a lessor***

Initial measurement

At the commencement date, the Group, as a lessor, recognizes assets held under a finance lease in its statement of financial position and presents them as a receivable at an amount equal to the net investment in the lease. The lessor uses the interest rate implicit in the lease to measure the net investment in the lease.
The interest rate implicit in the lease is defined in such a way that the initial direct costs are included automatically in the net investment in the lease.
The lease payments included in the measurement of the net investment in the lease comprise the following payments for the right to use the underlying asset during the lease term that are not received at the commencement date:

- fixed payments less any lease incentives payable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- any residual value guarantees provided to the lessor by the lessee, a party related to the lessee or a third party unrelated to the lessor that is financially capable of discharging the obligations under the guarantee;
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option;
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

Subsequent measurement

The Group recognizes finance income over the lease term, based on a pattern reflecting a constant periodic rate of return on the lessor's net investment in the lease.
The Group aims to allocate finance income over the lease term on a systematic and rational basis and shall apply the lease payments relating to the period against the gross investment in the lease to reduce both the principal and the unearned finance income.
The Group applies the derecognition and impairment requirements in IFRS 9 to the net investment in the lease. It reviews regularly estimated unguaranteed residual values used in computing the gross investment in the lease. If there has been a reduction in the estimated unguaranteed residual value, the Group reviews the income allocation over the lease term and recognizes immediately any reduction in respect of amounts accrued.

3. Significant accounting policies *(continued)*

k) Income tax expense

Income tax for the year includes the current tax and the deferred tax. The income tax is recognized in the result for the year or in the shareholders' equity, if the tax is related to shareholders' equity items.
Current tax is the tax payable with respect to the profit for the period, determined based on the percentages applied at the date of the consolidated and separate statement of financial position and all the adjustments related to the previous periods. The adjustments which influence the fiscal base of the current tax are: non-deductible expenses, non-taxable income, similar expense/ income items and other tax deductions.

Deferred tax is determined based on the balance sheet liability method for the temporary differences between the fiscal base for the calculation of the tax on assets and liabilities and their accounting value used for reporting under the consolidated and separate financial statements.
Deferred tax is not recognized for the following temporary differences: initial recognition of goodwill, initial recognition of assets and liabilities resulting from transactions which are not business combinations and do not affect the accounting or tax profit and differences resulting from investments in subsidiaries, provided that they are not reversed in the near future and the moment of reversal is being controlled by the entity.
The temporary differences may arise in a business combination, so that an entity may recognize any resulting deferred tax assets or liabilities as identifiable assets and liabilities at the acquisition date. The temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination affects neither accounting not taxable profit or loss.

According to the local tax regulations, the fiscal loss of the entity that ceases to exist further to a legal merger through absorption can be acquired and recovered by the absorbing entity. The annual fiscal loss starting 2009, established through the tax statement shall be recovered from the taxable income of the next 7 consecutive years.
To report the unutilized fiscal losses, the deferred tax claims are recognized only to the extent to which it is probable to obtain taxable profit in the future after compensation with the tax loss from the previous years and with the recoverable tax on profit. Deferred tax claims are diminished to the extent to which the related tax benefits are unlikely to be achieved.
For the Bank and its local entities the tax rate used to calculate the current and deferred tax position at December 31, 2022 is 16% (2021: 16%). For Victoriabank S.A. and BT Leasing Moldova S.R.L. the tax rate used at December 31, 2022 is 12% (2021: 12%).

l) Financial assets

The Group and the Bank classify the financial assets based on the cash flow characteristics of each instrument and the business model within which an asset is held. A business model reflects how the Group and the Bank manage the financial assets in order to achieve its business objectives. There are three types of business models:

"Hold to collect" business model:

This business model refers to financial assets that are classified in order to collect cash flows (for example: loans, government securities, bonds held outside the trading portfolio). If these assets pass the SPPI test, they are measured at amortized cost and included in the periodical calculation of expected credit losses.

3. Significant accounting policies *(continued)*

l) Financial assets *(continued)*

There is no requirement that the assets classified in this category should be held until their maturity; sales are acceptable; if they are infrequent (even if significant in value) or insignificant in value both individually and in aggregate (even if frequent), when the risk profile of such instruments increases and such assets no longer are in line with the Group's and the Bank's investment policy. A higher frequency of sales during a certain period is not necessarily in contradiction with this business model, if the Group and the Bank are able to justify the reasons for such sales and to prove that such sales do not reflect a change in the current business model.

"Hold to collect and sell" business model:

Under this business model, financial assets are held to collect the contractual cash flows, but they may also be sold in order to cover liquidity requirements or to maintain a certain interest return on the portfolio. They are measured at fair value through other items of comprehensive income (reserves) and may include government securities and bonds.

Other business models: are those which do not meet the criteria of the business models mentioned above, for example business models in which the primary objective is realizing cash flows through sale, held for trading business models, business models under which assets are managed on a fair value basis, business models under which financial assets are acquired for sale/trading and measured through profit or loss (tradable securities, tradable shares, etc.). The portfolio is managed based on the market value evolution in respect of the assets concerned and includes frequent sales and purchases for the purpose of maximizing profit.

The Group and the Bank recognize all financial assets and liabilities at the transaction date. The transaction date is the date when the Group and the Bank undertake to buy or to sell an asset.

At initial recognition, a financial asset can be classified as:

a) measured at amortized cost, provided that the following conditions are cumulatively fulfilled:

- the asset is held under a business model in which the primary objective is to collect contractual cash flows;
- the contractual terms of the financial asset generate cash flows at specific dates, representing solely payments of principal and interest.

b) measured at fair value through other comprehensive income are provided that the following conditions are cumulatively fulfilled:

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets;
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

c) measured at fair value through profit or loss, if financial assets do not meet the criteria according to which the contractual cash flows need to be Solely Payments of Principal and Interest (the SPPI test) or if the assets are held for trading (for example derivatives, fund units and certain securities).

Embedded derivatives are no longer separated from the host financial assets, but will be assessed in their entirety together with the non-derivative financial asset, for the purpose of the contractual cash flow characteristics test.

Investments in equity instruments are always measured at fair value through profit or loss, However, provided that such instruments are not held for trading, the Group and Bank management can make an irrevocable election to present changes in fair value in other comprehensive income (except for dividend income which is recognised in profit or loss).

3. Significant accounting policies *(continued)*

l) Financial assets *(continued)*

Therefore, if equity instruments are measured at fair value through other comprehensive income, such instruments will not be classified as monetary items and the accumulated profit or loss, including that resulting from currency exchange, will be transferred to the entity's equity upon the derecognition of such instruments.

If the equity instrument is held for trading, changes in fair value are presented in profit or loss.
The gains and losses from investments in equity instruments measured at fair value through profit or loss are included in the statement of profit or loss under "Net trading income" for held for trading equity instruments.
Investments in equity instruments, representing usually strategic investments which are not planned to be disposed of in the foreseeable future and are not included in the trading portfolio, have been classified as financial assets required to be measured at fair value through other comprehensive income. In this case, the Group and the Bank have irrevocably decided to present fair value changes under comprehensive income, whereas the gains or losses related to the respective instruments will be transferred directly to the Group's equity, without being reclassified (or recycled) to profit or loss.

Government bonds, municipal bonds and other bonds issued by financial and non-financial institutions are measured at fair value through other items of comprehensive income, under the provisions of the SPPI test criteria and the "hold to collect and sell" business model. The Group and the Bank recognize an allowance for expected credit losses related to such assets measured at fair value through other items of comprehensive income. This provision will be recognized under other comprehensive income and does not diminish the book value of the financial asset.

Bonds which meet the SPPI test criteria and the "hold to collect" business model are measured at amortized cost. The Group and the Bank recognize impairment allowances related to financial assets measured at amortized cost.

Fund units held with mutual funds which fail the solely payments of principal and interest ("SPPI") criterion are mandatorily measured at fair value through profit or loss.

In the separate statement of financial position, equity instruments representing investments in subsidiaries continue to be measured at cost, according to IAS 27 - "Separate Financial Statements".

Derivative instruments are measured at fair value through profit or loss.

Impairment requirements under IFRS 9 are based on expected credit losses and imply the timely recognition of expected estimated credit losses.The Group and the Bank assesses on forward-looking basis the expected credit losses ('ECL') associated with its debt instrument assets carried at amortised cost and fair value through other items of the comprehensive income and the exposure from loan commitments and financial guarantee contracts.

In order to measure expected credit losses, the Group and the Bank are grouping their assets into three categories: stage 1 (assets with no increase in credit risk from initial recognition), stage 2 (assets for which significant increase in credit risk from initial recognition has been observed) and stage 3 (credit-impaired – assets that the Group and the Bank are considering to be nonperforming). More details about how the Group and the Bank are grouping their financial assets can be found in Note 4 "Risk management".The determination of expected losses at the reporting date relies on the effective interest rate established upon the initial recognition, except financial assets with variable interest rate, for which the expected credit losses must be determined based on the current effective interest rate. As concerns the purchased or originated financial assets that are credit-impaired, the expected credit losses must be determined based on the credit-adjusted effective interest rate established upon the initial recognition.

3. Significant accounting policies *(continued)*

l) Financial assets *(continued)*

Under IFRS 9, *a financial asset is credit-impaired* when one or more events have occurred and have a significant impact on the expected future cash flows of the respective financial asset.

The proof that a financial asset is credit-impaired includes observable data about the following events:

- significant financial difficulty of the issuer or borrower;
- a breach of contract, such as a default or past-due event;
- the lender, for economic or contractual reasons relating to the borrower's financial difficulty, grants the borrower a concession that would not otherwise be considered;
- it becomes probable that the borrower will enter bankruptcy or other financial reorganization;
- the disappearance of an active market for the financial asset because of financial difficulties; or
- the purchase or origination of a financial asset at a deep discount that reflects incurred credit losses.

A financial asset classified as impaired upon initial recognition will be maintained as such until its derecognition.

The expected credit losses are calculated at each reporting date and they reflects:

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

Some financial instruments include both a loan and an undrawn commitment component and the Group's and the Bank's contractual ability to demand repayment and cancel the undrawn commitment does not limit the Group's and the Bank's exposure to credit losses to the contractual notice period.

For such financial instruments, and only those financial instruments, the Group and the Bank shall measure expected credit losses over the period that the Group and the Bank are exposed to credit risk and expected credit losses would not be mitigated by credit risk management actions, even if that period extends beyond the maximum contractual period. Also, the Group and the Bank recognize a loss allowance for expected credit losses also for financial guarantee accordingly to IFRS9 principles.

Expected credit losses for off-balance exposures are considered and recognised at the time when the Group and the Bank records in their off balance sheet records a commitment with the risk of being converted into a loan. The calculation basis for these losses includes exposures from commitments related to letters of credit, letter of guarantee, uncommitted amount of the loans granted by the Group and the Bank and factoring commitments. The expected credit loss calculation is made according to IFRS 9 and is based on the probability of conversion into credit, the probability of default and loss given default.

3. Significant accounting policies *(continued)*

l) Financial assets *(continued)*

Derecognition policy

Financial assets, or a portion thereof, are derecognised when the contractual rights to receive the cash flows from the assets have expired, or when they have been transferred and

- the Group and the Bank transfer substantially all the risks and rewards of ownership, or
- the Group and the Bank neither transfer nor retain substantially all the risks and rewards of ownership and the Group and the Bank did not retain control.

The Group and the Bank shall directly reduce the gross carrying amount of a financial asset when they have no reasonable expectations of recovering this financial asset in its entirety or a portion thereof. A write-off constitutes a derecognition event (IFRS 9.5.4.4).

Other events that lead to a derecognition are:

- Debt forgiveness or receivable write-off;
- Sale/assignment of receivables to a third party;
- Sale of loan portfolios.

Based on an analysis, the Group and the Bank may decide to derecognize an impaired asset by presenting it off-balance sheet (write-off). These assets will continue to be subject to recovery procedures. The assessment of whether a write-off is necessary and appropriate is based on several factors, including debt service analysis and the existence of collateral or other debt recovery sources.

The Group and the Bank enter into transactions where they retain the contractual rights to receive cash flows from assets but assume a contractual obligation to pay those cash flows to other entities and transfer substantially all of the risks and rewards.

The transactions are accounted for as 'pass through' transfers that result in derecognition if the Group and the Bank:

- Have no obligation to make payments unless they collect equivalent amounts from the assets;
- Are prohibited from selling or pledging the assets; and
- Have an obligation to remit any cash they collect from the assets without material delay.

Collateral (shares and bonds) pledged by the Group and the Bank under standard repurchase agreements and securities lending and borrowing transactions are not derecognised because the Group and the Bank retain substantially all the risks and rewards on the basis of the predetermined repurchase price, and the criteria for derecognition are therefore not met.

The Bank derecognizes a transferred financial asset if it transfers substantially all the risks and rewards of ownership of the financial asset. The criteria set at Group level to evaluate modifications leading to derecognition of financial assets, are developed having in mind that they must reflect modifications that are substantial enough (either quantitatively or qualitatively) to satisfy the derecognition requirements in IFRS 9.3.2.3. On the quantitative side, these criteria refer to a significance threshold of 10% by analogy to the de-recognition trigger set by IFRS 9 for modifications of financial liabilities. On the qualitative side, these criteria refer to contractual modifications that are substantially changing the nature of lender's risks associated with the pre-existing loan contract.

3. Significant accounting policies *(continued)*

m) Financial liabilities

Financial liabilities are classified after the initial measurement at amortized cost, except for derivatives which are measured at fair value through profit or loss. Embedded derivatives are separated from the host contract if the separation criteria mentioned by IFRS 9 are met.
The Group and the Bank do not hold financial liabilities designated at fair value through profit or loss. Financial liabilities cannot be reclassified.

n) Cash and cash equivalents

Cash and cash equivalents include: cash at hand, unrestricted balances held with National Bank of Romania, National Bank of Moldova and National Bank of Italy and highly liquid financial assets with original maturities of less than three months, which are subject to insignificant risk of fair value changes.

Cash and cash equivalents are carried at amortized cost in the consolidated and separate statement of financial position.

o) Tangible assets

(i) Recognition and measurement

Tangible assets are stated at the revalued amount less accumulated depreciation.

Measurement upon initial recognition
The cost of a fixed asset item consists in:

a) the acquisition price, including customs charges and non-refundable acquisition costs, after the deduction of all commercial discounts;
b) any costs directly incurred in order to bring the asset at the adequate location or condition required by the management for proper functioning.

Subsequent measurement

All tangible assets are stated at the revalued amount, less the accumulated depreciation and impairment losses.
The costs of tangible assets under construction are capitalized if the criteria for tangible asset recognition are met, notably: they generate future economic benefits, they can be measured reliably and they lead to the improvement of technical parameters, ensuring an ongoing use of the assets under normal conditions. The costs for maintenance and current repairs are not recognized under assets.

Tangible assets under construction are starting to be depreciated when they are in the location and condition necessary for it to be capable of operating in the manner intended by management. This condition is fulfilled when there is a sign-off for reception and deployment by the asset's users.
The carrying amounts of assets are analyzed during the revaluation process upon the issuance of the statement of financial position. The Group and the Bank shall annually reassess all tangible assets with an external evaluator, who is not an employee of the Group or the Bank.

For revalued assets, if an asset's carrying amount is increased as a result of a revaluation, the increase shall be recognized in other comprehensive income. If an asset's carrying amount is decreased as a result of a revaluation, the decrease shall be recognized in profit or loss, except the case when the decrease shall be recognized in other comprehensive income to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

3. Significant accounting policies *(continued)*

o) Tangible assets *(continued)*

(i) Recognition and measurement (continued)

When an item of property and equipment is revalued, the accumulated depreciation at the revaluation date is recalculated in proportion to the change in the gross carrying amount of the asset, so that the carrying amount of the asset, after revaluation, is equal to its revalued amount.
The revaluation reserve for premises and equipment included in equity is transferred directly to retained earnings when the revaluation surplus is realized on the retirement or disposal of the asset.

(ii) Subsequent costs

The Group and the Bank recognise in the carrying amount of tangible assets the cost of replacing such an item when that cost is incurred or if it is probable that the future economic benefits embodied with the item may be transferred to the Group and to the Bank and the cost of the item can be measured reliably. All other costs are recognized in the income statement as an expense as incurred.

(iii) Depreciation

Depreciation is calculated on a straight-line basis over the estimated useful life of each item of tangible assets. Land is not depreciated.

The estimated useful lives are as follows:

Buildings	50 years
Leasehold improvements (average)	6 years
Computers	4 years
Equipment	2 - 24 years
Furniture	3 - 20 years
Vehicles	4 - 5 years

The leasehold improvements are depreciated over the lease term, which varies between 1 and 15 years. Depreciation methods, useful lives and residual values are reassessed at the reporting date.

p) Investment property

Investment property is property (land, buildings or parts of a building) held by the Group and the Bank to earn rent, for capital appreciation or both, rather than for:

- the use in production, the supply of goods or services or for administrative purposes; or
- the sale in the ordinary course of business.

(i) Recognition and measurement

Investment property is recognized as an asset when:

- it is probable that the future economic benefits that are associated with the investment may flow to the Group and to the Bank;
- the cost of the investment property can be measured reliably.

An investment property is measured initially at cost, including transaction costs. The cost of an investment property includes its purchase price (if purchased) and other directly attributable expenses (e.g. fees for legal services, property transfer taxes and other transaction costs).

(ii) Subsequent measurement

The accounting policy for the subsequent measurement of the investment properties of the Group and the Bank is based on the fair value model. This policy is applied consistently for all the investment properties held by the Group and the Bank.

3. Significant accounting policies *(continued)*

p) Investment property (continued)

(ii) Subsequent measurement (continued)

When the Group and the Bank, as lessees use the fair value model to measure an investment property that is held as a right-of-use asset, they shall measure the right-of-use asset, and not the underlying property, at fair value.
Gains or losses from the change in the fair value of the investment properties are recognized in profit or loss in the period in which they arise.
The fair value of the investment properties reflects the market conditions at the reporting date.

(iii) Transfers

Transfers to or from investment property are made when, and only when, there is a change in use of the asse. For the transfer of an investment property, measured at fair value, to tangible assets, the property's deemed cost for subsequent accounting is its fair value at the date of the change in use.

An investment property is derecognized on disposal or when it is permanently withdrawn from use and no future benefits are expected from its disposal.

The gain or loss on the retirement or disposal of an investment property is recognized in profit or loss in the period of the retirement or disposal.

(iv) Disposals

Derecognition of an investment property will be triggered by a change in use or by sale or disposal or when it is permanently withdrawn from use and has no future economic value. When an investment property is disposed of, it is eliminated from the statement of financial position, while the gain or loss on the retirement or disposal of an investment property is recognized in the statement of profit or loss in the period the disposal is related to. The gain or loss arising on disposal is determined as the difference between any disposal proceeds and the carrying amount.

q) Intangible assets

Upon their initial recognition, intangible assets are measured at cost.

The cost elements of intangible assets under construction are capitalized if criteria for intangible asset recognition is being met: future economic benefits associated with the item will flow to the entity, cost of the item can be reliably measured, the result will increase the future performance rate and the asset is separately identifiable within an economic activity. Maintenance costs and technical support are recognized in profit or loss as these are being incurred. Intangible assets in progress are recognized as intangible assets at the moment of reception and deployment.

(i) Goodwill and negative goodwill

Goodwill and negative goodwill arise on the acquisition of a new subsidiary by means of business combination. Goodwill represents the difference between the cost of acquisition and the net fair value of the acquired identifiable assets and assumed liabilities and contingent liabilities.

Subsequent measurement

Goodwill is measured at cost, less accumulated impairment losses. Negative goodwill is immediately recognized in profit or loss (bargain gain), after reanalyzing the manner of identification and fair valuation of the assets, liabilities and identifiable contingent liabilities at the acquisition date.

3. Significant accounting policies *(continued)*

q) Intangible assets *(continued)*

(ii) Software

Costs associated with the development and maintenance of software programs are recognized as an expense when incurred.

Costs that are directly associated with the production of identifiable and unique software products controlled by the Group and the Bank, and that will generate future economic benefits for a period exceeding one year, are recognized as intangible assets.
Subsequent expenditure on software assets is capitalized only if it increases the future performance of such assets, beyond initial specifications and lifespan. All other expenditure is reflected as an expense as incurred.

Amortization is recognized in the income statement on a straight-line basis over the estimated useful life of the intangible asset. The estimated useful lives of intangible assets are reviewed at the reporting date and range between 1 and 5 years. The useful life of intangible assets derived from contractual rights should not exceed the validity period of such contractual rights, but it may be shorter depending on the estimated period of use of such assets by the entity.

Intangible assets in progress are not amortized before they are put into service.

Subsequent measurement

Upon their initial recognition, intangible assets are measured at cost. After the initial recognition, intangible assets are carried at the acquisition amount less any subsequent accumulated amortization and any subsequent accumulated impairment losses.

At the end of each reporting period it has to be assessed whether there is an indication that an intangible asset may be impaired.

If an indication exists finite life intangibles are tested for impairment. Irrespective of whether there is an indication of impairment, intangible assets with an indefinite useful life, such as goodwill acquired in a business combination and an intangible asset not yet available for use is are tested annually for impairment.

For software, the software is assessed as impaired when the remaining utility of the software is permanently diminished below its book value.

r) Fixed assets held-for-sale

An asset is considered as a fixed asset held-for-sale if the following conditions are met: the asset value is recovered through sale and not by its continuous use, the asset must be available for immediate sale and the sale of the asset must be likely to happen, the probability of sale is justified by means of a sales plan at the level of the Group's and the Bank's management and by the active involvement of the Group and the Bank in identifying a buyer.

If the asset is reclassified from tangible assets according to IAS 16, the period between the date of reclassification and the date of sale should not exceed 12 months; the valuation of the asset classified as available-for-sale shall consider the lower value between the book value and the fair value, minus the sales-related costs.

3. Significant accounting policies *(continued)*

s) Impairment of non-financial assets

An impairment loss is recognized if the carrying amount of the asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable group generating cash flows and largely independent from other assets and groups.
Impairment losses recognized in respect of cash-generating units are allocated to reduce the carrying amount of any goodwill allocated to the respective cash-generating unit (group of units) and then to reduce the carrying amount of any other assets in the unit on a pro rata basis.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value, less the cost of sale of such asset or unit. In assessing the value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments and the risks specific to the asset.

In respect of other non-financial assets, impairment losses are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss in other non-financial assets than goodwill is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss on assets is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

t) Deposits from customers

Customer deposits are initially measured at fair value, minus incremental direct transaction costs, and are subsequently measured at amortized cost by using the effective interest method.

u) Issued bonds, loans from banks and financial institutions

Borrowings such as loans from banks and other financial institutions and issued bonds are initially recognized at fair value, notably as proceeds resulting from such instruments (fair value of consideration received), net of transaction costs incurred. Issued bonds and loans from banks and other financial institutions are subsequently carried at amortized cost. The Group and the Bank classify these instruments as financial liabilities or equity instruments in accordance with the contractual terms of the instrument.

v) Provisions

Provisions for other risks are recognized in the consolidated and separate statement of financial position when the Group and the Bank acquire an obligation as a result of a past event and it is probable that an outflow of economic resources may be required in the future to settle the obligation, such obligation being measured reliably.
The provisions' value is determined by discounting the expected future cash flows at a pre-tax rate that reflects current market conditions and the risks specific to the respective liability.
This category includes mainly provisions for employees benefits (as described in section 3x), for litigations in which the Bank is involved estimated based on the loss probability for the Bank and provisions for abusive clauses of credit contracts (as described in section 5c).

w) Financial guarantees

Financial guarantees are contracts that require the Group and the Bank to make specific payments to reimburse the holder of the guarantee for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument. Financial guarantee liabilities are initially recognized at their fair value, and the initial fair value is amortized over the lifespan of the financial guarantee. The guarantee liability is subsequently carried at the higher of the amortized amount and the value of the expected credit loss determined in accordance with IFRS 9.

3. Significant accounting policies *(continued)*

x) Employee benefits

(i) Short-term benefits

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

(ii) Defined contribution plan

In the normal course of business, the Bank and its subsidiaries make payments to the Romanian or Republic of Moldova public pension funds on behalf of their employees for retirement, healthcare and unemployment allowances.

All the employees of the Bank and its subsidiaries are members and are also legally obliged to make specific contributions (included in the social security contributions) to the Romanian public pension plan (a State defined contribution plan). All relevant contributions to the Romanian public pension plan are recognized as an expense in the income statement as incurred. The Bank and its subsidiaries do not have any further obligations.

(iii) Other benefits

The Bank and its subsidiaries from Romania are enrolled in an optional pension scheme Pillar III, within an established limit, for the employees eligible at the payment date, in accordance with the applicable Romanian legal provisions. The Bank and its subsidiaries, pursuant to the collective employment agreement, must pay the equivalent of three gross monthly salaries to the employees, upon retirement. The debt related to this benefit scheme is calculated on an actuarial basis, considering the salary estimated at the retirement date and the number of activity years of each individual employee.

The fixed and variable remuneration may also be granted by means of a stock option plan, in the form of shares. The variable component of the total remuneration represents the remuneration that can be granted by the Bank in addition to the fixed remuneration, on condition that certain performance ratios are achieved. The variable remuneration may be granted either in cash or in the Bank's shares (TLV). In the case of the identified staff, in the establishment of the annual variable remuneration, one shall aim at limiting excessive risk-taking. A substantial part of the variable component of the total remuneration, in all cases at least 40%, is deferred for a period at least 3 years in the Remuneration Report and is correlated with the activity nature, the risks and the responsibilities of the respective staff.

Based on the decision of the shareholders, the Board of Directors of the Bank decides in respect of the number of shares included in the employee loyalty plan. The fair value upon the vesting date of share-based awards - stock options – to employees is recognized as personnel expenses, with a corresponding increase in equity, over the period in which the employees become unconditionally entitled to the awards.

The amount recognized as an expense is adjusted to reflect the value of awards for which the related services and non-market related performance conditions are expected to be fulfilled, so that the amount ultimately recognized as an expense is based on the actual compensation for the services and performance conditions which are not related to the market at the vesting date.

3. Significant accounting policies *(continued)*

y) Segment reporting

An operational segment is a component of the Group and of the Bank:

- that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses related to transactions with other components of the same entity);
- whose operating results are reviewed regularly by the entity's decision maker in order to make decisions about resources to be allocated to the segment and to assess its performance;
- for which discrete financial information is available.

The Group's and the Bank's format for segment reporting is presented in note 6.

z) Earnings per share

The Group and the Bank presents basic and diluted earnings per share ("EPS") for its ordinary shares, Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Bank by the weighted average number of ordinary shares outstanding during the period.

Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted-average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, which comprise convertible bonds and share options granted to employees.

aa) Treasury shares

Repurchased own equity instruments (treasury shares) are deducted from shareholders' equity. No gain or loss is recognized in the income statement from the purchase, sale, re-issue or cancellation of the Bank's own equity instruments.

ab) Implementation of new or reviewed standards and interpretations

The following new standards, as well as updates to existing standards, came into force for annual periods beginning after January 1, 2022 and have not been applied earlier.

Amendment to IAS 16 Property, Plant and Equipment – Proceeds before Intended Use (Effective for annual periods beginning on or after 1 January 2022 Early application is permitted)

The amendments to IAS 16 require that the proceeds from selling items produced while bringing an item of property, plant and equipment to the location and condition necessary for it to be capable of operating in the manner intended must be recognised, together with the cost of those items, in profit or loss and that the entity must measure the cost of those items applying the measurement requirements of IAS 2.

The amendments must be applied retrospectively, but only to items of property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments. The cumulative effect of initially applying the amendments will be recognised as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the beginning of that earliest period presented (if necessary).

3. Significant accounting policies *(continued)*

ab) Implementation of new or reviewed standards and interpretations *(continued)*

Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets. Onerous Contracts – Cost of Fulfilling a Contract. (Effective for annual periods beginning on or after 1 January 2022 Early application is permitted)

In determining costs of fulfilling a contract, the amendments require an entity to include all costs that relate directly to a contract. The amendament clarifies that the cost of fulfilling a contract comprises both: the incremental costs of fulfilling that contract and an allocation of other costs that relate directly to fulfilling contracts.

An entity shall apply those amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments (the date of initial application). The entity shall not restate comparative information. Instead, the entity shall recognise the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings or other component of equity, as appropriate, at the date of initial application.

Annual Improvements to IFRS Standards 2018-2020. (Effective for annual periods beginning on or after 1 January 2022 Early application is permitted)

ac) New or amended standards and interpretations that are effective as of annual period or after 1 January 2023

Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2 Making Materiality Judgments. (Effective for annual periods beginning on or after 1 January 2023 Early application is permitted)

The amendments to IAS 1 require companies to disclose their material accounting policy information rather than significant accounting policies. The Group does not expect that the amendments, when initially applied, could have a material impact on its financial statements.

Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors. (Effective for annual periods beginning on or after 1 January 2023 Early application is permitted)

The amendments introduced a definition of 'accounting estimates' and included other amendments to IAS 8 clarifying how to distinguish changes in accounting policies from changes in estimates. The distinction is important as changes in accounting policies are generally applied retrospectively while changes in estimates are accounted for in the period in which the change occurs.

The Group does not expect that the amendments, when initially applied, could have a material impact on its financial statements.

Amendments to IAS 1 Presentation of Financial Statements Non-Current Liabilities with Covenants (Effective for annual periods beginning on or after 1 January 2024 and shall be applied retrospectively. Early application is permitted. Specific transition requirements apply for companies that have early-adopted the previously issued but not yet effective 2020 amendments.)

Under existing IAS 1 requirements, companies classify a liability as current when they do not have an unconditional right to defer settlement for at least 12 months after the reporting date. The amendments, as issued in 2020, has removed the requirement for a right to be unconditional and instead requires that a right to defer settlement must exist at the reporting date and have substance (the classification of liabilities is unaffected by management's intentions or expectations about whether the company will exercise its right to defer settlement or will choose to settle early).

3. Significant accounting policies *(continued)*

ac) New or amended standards and interpretations that are effective as of annual period or after 1 January 2023 (*continued*)

Amendments to IAS 1 Presentation of Financial Statements Non-Current Liabilities with Covenants (Effective for annual periods beginning on or after 1 January 2024 and shall be applied retrospectively. Early application is permitted. Specific transition requirements apply for companies that have early-adopted the previously issued but not yet effective 2020 amendments.) *(continued)*

The amendments, as issued in 2022, further clarify that when the right to defer settlement is subject to a company complying with conditions (covenants) specified in a loan arrangement, only covenants with which the company must comply on or before the reporting date affect the classification of a liability as current or non-current. Covenants with which the company must comply after the reporting date do not affect a liability's classification at that date. However, the amendments require companies to disclose information about these future covenants to help users understand the risk that those liabilities could become repayable within 12 months after the reporting date. The amendments also clarify how a company classifies a liability that can be settled in its own shares (e.g. convertible debt).

The Group does not expect that the amendments, when initially applied, could have a material impact on its financial statements.

Amendments to IFRS 10 and IAS 28 Sale or contribution of assets between an investor and its associate or joint venture (Effective date deferred indefinitely. Available for optional adoption in full IFRS financial statements. The European Commission decided to defer the endorsement indefinitely, it is unlikely that it will be endorsed by the EU in the foreseeable future)

The Amendments clarify that in a transaction involving an associate or joint venture, the extent of gain or loss recognition depends on whether the assets sold or contributed constitute a business, such that:

• a full gain or loss is recognised when a transaction between an investor and its associate or joint venture involves the transfer of an asset or assets which constitute a business (whether it is housed in a subsidiary or not), while

• a partial gain or loss is recognised when a transaction between an investor and its associate or joint venture involves assets that do not constitute a business, even if these assets are housed in a subsidiary.

The Group does not expect that the amendments, when initially applied, could have a material impact on its financial statements.

3. Significant accounting policies *(continued)*

ac) New or amended standards and interpretations that are effective as of annual period or after 1 January 2023 (*continued*)

Amendments to IAS 12 Income Taxes Deferred Tax related to Assets and Liabilities arising from a Single Transaction. (Effective for annual periods beginning on or after 1 January 2023. Early application is permitted)

The amendments narrow the scope of the initial recognition exemption (IRE) to exclude transactions that give rise to equal and offsetting temporary differences – e.g. leases and decomissioning liabilities. For leases and decomissioning liabilities, the associated deferred tax assets and liabilities will need to be recognised from the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to retained earnings or other components of equity at that date. For all other transactions, the amendments apply to transactions that occur after the beginning of the earliest period presented.

The entity accounts for deferred tax on leases and decommissioning liabilities applying the 'integrally linked' approach, resulting in a similar outcome to the amendments, except that the deferred tax impacts are presented net in the statement of financial position. Under the amendments, the entity will recognise a separate deferred tax asset and a deferred tax liability. There will be no impact on retained earnings on adoption of the amendments.

Amendments to IFRS 16 Leases, Lease Liability in a Sale and Leaseback (Effective for annual periods beginning on or after 1 January 2024 and shall be applied retrospectively. Early application is permitted)

Amendments to IFRS 16 Leases impact how a seller-lessee accounts for variable lease payments in a sale-and-leaseback transaction. The amendments introduce a new accounting model for variable payments and will require seller-lessees to reassess and potentially restate sale-and-leaseback transactions entered into since 2019.

The amendments confirm the following:

• on initial recognition, the seller-lessee includes variable lease payments when it measures a lease liability arising from a sale-and-leaseback transaction;

• after initial recognition, the seller-lessee applies the general requirements for subsequent accounting of the lease liability such that it recognises no gain or loss relating to the right of use it retains.

A seller-lessee may adopt different approaches that satisfy the new requirements on subsequent measurement. These amendments do not change the accounting for leases other than those arising in a sale and leaseback transaction.

The Group does not expect that the amendments, when initially applied, could have a material impact on its financial statements.

4. Financial risk management

a) *Introduction*

The Group and the Bank have exposures to the following risks derived from the use of financial instruments:

- Credit Risk;
- Liquidity risk;
- Market risk;
- Operational risk;
- Climatic risk.

This note presents information about the Group's and the Bank's exposure to each of the above risks. The Group's and the Bank's objectives, policies and processes for measuring and managing risk. The most important types of financial risk to which the Group and the Bank are exposed: credit risk, liquidity risk and market risk. Market risk includes currency risk, interest rate risk and equity instruments' price risk.
Risk management is part of all decisional and business processes that take place in the Group's and the Bank's activity. The Board of Directors has the responsibility regarding the definition and monitoring of the general risk management framework for the Group and the Bank.

The risk management in Banca Transilvania S.A. is performed at 2 levels: a strategic level represented by the Board of Directors and the Leaders' Committee and an operational level represented by: Assets - Liabilities Committee ("ALCO"), Credit Policy and Approval Committee, Head Office Credit and Risk Committees (loan approval), Credit and Risk Committee of the branches/agencies, Workout Committee ("CRW"), the Bank's Leaders, Executive Directors and risk management structures within the Bank that are responsible for the definition and/or monitoring of risk management policies in their field of expertise. The Board of Directors periodically reviews the activity of these committees.

The Board of Directors monitors the compliance with the Group's and the Bank's risk policies and the adequacy of the general risk management framework in connection with the risks to which the Group and the Bank are exposed to.

The Risk Management Committee advises the Board of Directors regarding the risk appetite and the global strategy regarding the management of the current and future risks and assists the Board of Directors in overseeing the implementation of the strategy by the Leaders' Committee.

The Group's and the Bank's objective in terms of risk management is to integrate the assumed medium-risk appetite in the decision-making process, by promoting a proper alignment between assumed risks, available capital and performance targets, while also considering the tolerance to financial and non-financial risks.
In determining the risk appetite and tolerance, the Group and the Bank take into consideration all the material risks it is exposed to, given its specific activity and being mainly influenced by the credit risk.
Risk management policies and systems are reviewed regularly (mainly annually) with the participation of the Leaders' Committee and the responsible persons from different Departments involved, in order to reflect the changes in the market conditions, the products and services provided.

The crisis simulation program (stress testing) is an integral part of the risk management framework and of the internal risk capital adequacy assessment process.
The Bank reviews the crisis simulation program regularly, at least semi-annually, and assesses its efficiency and adequacy to the defined purposes/objectives.

4. Financial risk management *(continued)*

b) *Credit risk*

The Group's and the Bank's Audit Committees reports to the Board of Directors and are responsible for monitoring compliance with the Bank's risk management procedures.

The Audit Committees is assisted in these functions by the Internal Audit. The Internal Audit department undertakes both regular and ad-hoc reviews of risk management controls and procedures. The results of which are reported to the Audit Committee.

The Board of Directors and the Management of the subsidiaries which constitute the Group have responsibilities regarding significant risk management in correlation with their specific business characteristics and applicable laws and regulations.

(i) Credit risk management

The objective of the Group and of the Bank as concerns the management of credit risk is to ensure a balanced distribution of capital among various business lines, which allows the achievement of comfortable RAROC (Risk-adjusted return on capital) levels considering the proportion of the lending activity in the Bank's assets and its commercial bank profile.

The Group and the Bank are exposed to credit risk through the trading, lending, investment and guarantee issuing activities.

The credit risk arising from trading and investment activities is mitigated by selecting only counterparties with good credit standing and by monitoring their activities and ratings, by using exposure limits and, when necessary, by requesting collaterals.

The Group's and the Bank's primary exposure to credit risk arises from loans and advances to customers.

The amount of credit risk exposure is represented by the carrying amounts of the assets on the separate and consolidated statement of financial position.

The Group and the Bank are exposed to credit risk derived from other financial assets, including derivative instruments and debt investments; the current credit risk exposure in respect of these instruments is equal to the carrying amount of the assets in the consolidated and separate statement of financial position.

In addition, the Group and the Bank are exposed to off balance sheet credit risk from credit and guarantee commitments (see Note 41).

In order to minimize the risk, the Group and the Bank have defined procedures to assess customers before loan granting, to monitor their capacity to reimburse the principal and related interest during the entire loan period and to define exposure limits.

In addition, the Group and the Bank have implemented procedures for monitoring the risks related to the loan portfolio and have defined exposure limits by types of loans, economic sectors, types of collateral, maturity, etc.

The Board of Directors has assigned the responsibility for credit risk management to the Leaders' Committee, Credit Policy and Approval Committee, Head Office Credit and Risk committees (credit approval), Remedy and Workout Committee at HQ level and Credit and Risk Committees in branches/ agencies.

4. Financial risk management *(continued)*

b) *Credit risk (continued)*

(i) Credit risk management (continued)

Moreover, several departments with risk attributions operate within the Bank, reporting to the Head Office Committees with respect to:

- The analysis, assessment and monitoring of specific risks within the lending activity;
- The risk analysis of the loan portfolio/large exposures, with recommendations submitted to the Leaders' Committee/Board of Directors;
- Monitoring the application of internal policies specific to the lending activities;
- Elaborating proposals for the reduction of specific risks, in order to maintain healthy standards in the lending activity;
- Elaborating an efficient credit risk rating process capable of rendering the variable level, nature and determining factors related to credit risk, which could occur in time, so as to ensure in a reasonable manner that all the credit exposures are properly monitored and the ECL-related allowances are properly measured;
- Monitoring the granted loans, in accordance with the client's financial performance, loan type, collateral type and debt service, in accordance with the internal lending policies and procedures;
- The approval and monitoring of ratios related to the establishment/modification of the branches' lending competences, according to specific internal policies;
- The periodic reviews and recommendations to the Leaders' Committee on the risk levels accepted by the Group and the Bank;
- Identifying, monitoring and controlling the credit risk at branch level and subsidiary level;
- The risk analysis with respect to new lending products/changes of loan products, including recommendations to the involved Departments;
- The periodical reporting to the Deputy CEO - Chief Risk Officer, Leaders' Committee, Risk Management Committee and the Board of Directors on the evolution of significant risks (the implications of risk correlation, forecasts etc.);
- Elaborating the methodology for the early identification of credit risks deterioration (early warning system);
- Elaborating processes to be systematically and consistently applied in order to establish proper allowances for the loss in accordance with the applicable accounting regulations in the field of credit risk;
- Establishing and reviewing the back-testing methodology regarding the adequacy of the default probability parameter, the non-repayment status and the provision level related to the Bank's loan portfolio.

Each branch/agency implements at local level the Group's and the Bank's policies and regulations regarding credit risk, having loan approval competences established by the Leaders' Committee.

Each branch/agency is responsible for the quality and performance of its loan portfolio and for monitoring and controlling all credit risks in its portfolios, including those subject to Head Office approval.

The Internal Audit Department and the Internal Control Department carry out periodical reviews of the branches and agencies.

Notes to the consolidated and separate financial statements

4. Financial risk management *(continued)*

b) *Credit risk (continued)*

(ii) Credit risk exposure

Concentrations of credit risk that arise from financial instruments exist for groups of counterparties when they have similar economic characteristics that would cause their ability to meet contractual obligations to be similarly affected by changes in economic or other conditions.

The major concentrations of credit risk arise by individual counterparty and by type of customer in relation to the Group's and the Bank's loans and advances, loan commitments, finance lease and guarantees issued.

The table below contains the on-balance and off-balance sheet exposures (loans and advances to customers and financial lease receivables), split by economic sector concentration:

	Group		Bank	
In RON thousand	**2022**	**2021**	**2022**	**2021**
Retail	41.40%	47.14%	40.92%	46.16%
Trading	12.31%	11.58%	11.60%	10.99%
Production	6.72%	6.98%	6.36%	6.74%
Constructions	4.02%	3.53%	3.42%	3.13%
Agriculture	4.31%	3.32%	4.36%	3.31%
Services	4.32%	4.11%	3.79%	3.79%
Real estate	3.31%	2.76%	3.53%	3.13%
Transportation	4.08%	3.92%	3.05%	3.05%
Others	1.89%	1.91%	1.53%	1.70%
Self-employed	1.47%	1.32%	1.17%	1.07%
Financial institutions	0.97%	1.02%	4.01%	3.67%
Energy	2.89%	1.65%	3.08%	1.78%
Telecommunications	0.49%	0.52%	0.45%	0.49%
Mining	0.20%	0.22%	0.17%	0.17%
Chemical industry	0.10%	0.13%	0.10%	0.14%
Public institutions	11.49%	9.85%	12.43%	10.64%
Fishing	0.03%	0.04%	0.03%	0.04%
	100%	**100%**	**100%**	**100%**

4. Financial risk management *(continued)*

b) *Credit risk (continued)*

(ii) Credit risk exposure (continued)

The table below presents the concentration by class of the on-balance sheet exposures related to the Bank's and Group's loan and leasing portfolio:

	Group		Bank	
RON thousand	**2022**	**2021**	**2022**	**2021**
Corporate and public institutions	28,526,290	20,973,391	30,397,258	22,183,126
Small and medium enterprises	9,294,327	7,717,422	8,156,625	6,775,254
Consumer loans and card loans granted to retail customers	12,649,654	12,295,685	11,836,977	11,359,134
Mortgage loans	17,384,457	16,095,360	17,018,290	15,493,560
Loans and finance lease receivables granted by non-banking financial institutions	4,600,644	2,919,558	-	-
Other	74,139	52,088	64,945	41,686
Total loans and advances to customers and financial lease receivables before impairment allowance	**72,529,511**	**60,053,504**	67,474,095	**55,852,760**
Allowances for impairment losses on loans and financial lease receivables	(4,515,994)	(3,935,719)	(4,024,141)	(3,614,237)
Total loans and advances to customers and financial lease receivables net of impairment allowance	**68,013,517**	**56,117,785**	**63,449,954**	**52,238,523**

At 31 December 2022, the total on-balance and irrevocable off-balance sheet exposure was of RON 76,641,699 thousand (2021: RON 63,214,752 thousand) for the Group and RON 70,676,453 thousand (2021: RON 58,240,841 thousand) for the Bank.

The amounts presented above reflect the maximum accounting loss that would be recognized at the reporting date if the customers failed completely to perform their contractual obligations and if any collateral or security proved to be of no value.

The Group and the Bank hold guarantees for loans and advances to customers in the form of pledge over cash deposits, mortgage over property, guarantees and other pledges over equipment and/or receivables.

The estimates of fair value are based on the collateral value assessed at the date of lending, except when a loan is individually assessed subsequently. Collateral is generally not held over loans and advances to banks.

The Group and the Bank use risk grades for loans both individually and collectively assessed. According to the Group's and the Bank's policies, a loan can be assigned a corresponding risk grade based on a 6-level classification: very low risk, low risk, moderate risk, sensitive risk, high risk and defaulted.

The classification of loans into groups is mainly based on the client scoring systems of the Group and the Bank, where performing exposure (classified below in "very low risk", "low risk", "moderate risk", sensitive risk", high risk" categories) are within 1-9 grade (for companies) or 1-8 grade (for retail), and for nonperforming/ defaulted exposure within 10-12 grade for companies or 9 grade for retail.

Very low risk: financial instruments with low default risk, judged to be of the highest quality and the borrower has strong capacity to meet contractual cash flow obligations in the near terms.

4. Financial risk management *(continued)*

b) *Credit risk (continued)*

(ii) Credit risk exposure (continued)

Low risk: financial instruments are judged to be of good quality and are subject to low credit risk. The borrower has strong capacity to meet contractual cash flow obligations.

Moderate risk: financial instruments are judged to be of standard quality. The borrower has an average solvency and has the ability to meet the debt payment obligations, but may be sensitive to adverse changes in economic conditions.

Sensitive risk: financial instruments are judged to be of substandard quality and the borrower presents a financial deterioration, but has sufficient cash flows to meet the debt payment obligations; may be more vulnerable to negative economic conditions than the moderate risk category.

High risk: the financial instruments are judged to be of doubtful quality. The borrower presents an increase in credit risk or financial deterioration and is vulnerable to negative economic condition. Repayment of debt obligation on time is uncertain and depends on an economic and financial favorable environment to avoid the entering in default state.

Defaulted: financial instruments where the borrowers are not fulfilling their financial commitments to repay in accordance with their contractual agreements. Further information on non-performing loans can be found below on paragraph "*Definition of default and credit-impaired assets*"

Notes to the consolidated and separate financial statements

4. Financial risk management *(continued)*

b) *Credit risk (continued)*

(ii) Credit risk exposure (continued)

The exposures to credit risk for loans and advances to customers and financial lease receivables at Group consolidated level, as at 31 December 2022, are presented below:

At amortized cost	**Assets for which the credit risk has not increased significantly since the initial recognition (Stage 1)**	**Assets for which the credit risk has significantly increased since the initial recognition, but which are not impaired (Stage 2)**	**Assets impaired at the reporting date (Stage 3)**	**Assets impaired on initial recognition (POCI)**	**Total 2022**
In RON thousand					
Corporate and public institutions	23,847,856	3,757,281	777,495	143,658	28,526,290
Small and medium enterprises	6,402,597	2,507,699	352,313	31,718	9,294,327
Consumer loans and card loans granted to retail customers	8,863,654	3,005,369	685,385	95,246	12,649,654
Mortgage loans	15,997,110	1,165,452	178,275	43,620	17,384,457
Loans and finance lease receivables granted to non-banking financial institutions	3,504,776	669,249	393,398	33,221	4,600,644
Other	59	59,862	13,139	1,079	74,139
Total loans and advances to customers and financial lease receivables before impairment allowance	**58,616,052**	**11,164,912**	**2,400,005**	**348,542**	**72,529,511**
Allowances for impairment losses on loans and financial lease receivables	**(1,161,644)**	**(1,699,201)**	**(1,564,848)**	**(90,301)**	**(4,515,994)**
Total loans and advances to customers and financial lease receivables net of impairment allowance	**57,454,408**	**9,465,711**	**835,157**	**258,241**	**68,013,517**

Notes to the consolidated and separate financial statements

4. Financial risk management (*continued*)

b) *Credit risk (continued)*

(ii) Credit risk exposure (continued)

Gross value of loans and advances, lease receivables granted to clients, not impaired, Stage 1	**Very low risk**	**Low risk**	**Moderate risk**	**Sensitive risk**	**Total 2022**
Corporate and public institutions	13,766,008	7,865,119	2,157,105	59,624	23,847,856
Small and medium enterprises	2,937,630	2,864,838	597,585	2,544	6,402,597
Consumer loans and card loans granted to retail customers	4,643,141	3,606,733	585,601	28,179	8,863,654
Mortgage loans	8,605,050	6,355,821	859,327	176,912	15,997,110
Loans and finance lease receivables granted by non-banking financial institutions	2,778,063	726,407	-	306	3,504,776
Other	-	-	15	44	59
Total loans and advances to customers and financial lease receivables before impairment allowance	**32,729,892**	**21,418,918**	**4,199,633**	**267,609**	**58,616,052**
Allowances for impairment losses on loans and financial lease receivables	***(242,614)***	***(598,177)***	***(301,264)***	***(19,589)***	***(1,161,644)***
Total loans and advances to customers and financial lease receivables net of impairment allowance	**32,487,278**	**20,820,741**	**3,898,369**	**248,020**	**57,454,408**

Gross value of loans and advances, lease receivables granted to clients, not impaired, Stage 1	**0 days**	**1-15 days**	**16-30 days**	**Total 2022**
Corporate and public institutions	23,804,838	37,884	5,134	23,847,856
Small and medium enterprises	6,158,897	173,963	69,737	6,402,597
Consumer loans and card loans granted to retail customers	8,553,563	250,997	59,094	8,863,654
Mortgage loans	15,546,428	349,273	101,409	15,997,110
Loans and finance lease receivables granted by non-banking financial institutions	3,286,517	125,500	92,759	3,504,776
Other	59	-	-	59
Total loans and advances to customers and financial lease receivables before impairment allowance	**57,350,302**	**937,617**	**328,133**	**58,616,052**
Allowances for impairment losses on loans and financial lease receivables	***(1,129,993)***	***(20,365)***	***(11,286)***	***(1,161,644)***
Total loans and advances to customers and financial lease receivables net of impairment allowance	**56,220,309**	**917,252**	**316,847**	**57,454,408**

Notes to the consolidated and separate financial statements

4. Financial risk management *(continued)*

b) *Credit risk (continued)*

(ii) Credit risk exposure (continued)

Gross value of loans and advances, lease receivables granted to clients, not impaired, Stage 2	**Low-moderate risk**	**Sensitive risk**	**High risk**	**Total 2022**
Corporate and public institutions	3,160,631	496,425	100,225	3,757,281
Small and medium enterprises	1,969,110	390,043	148,546	2,507,699
Consumer loans and card loans granted to retail customers	1,903,769	723,049	378,551	3,005,369
Mortgage loans	696,524	328,868	140,060	1,165,452
Loans and finance lease receivables granted by non-banking financial institutions	629,280	30,216	9,753	669,249
Other	8,402	51,460	-	59,862
Total loans and advances to customers and financial lease receivables before impairment allowance	**8,367,716**	**2,020,061**	**777,135**	**11,164,912**
Allowances for impairment losses on loans and financial lease receivables	***(846,373)***	***(523,382)***	***(329,446)***	***(1,699,201)***
Total loans and advances to customers and financial lease receivables net of impairment allowance	**7,521,343**	**1,496,679**	**447,689**	**9,465,711**

Gross value of loans and advances, lease receivables granted to clients, not impaired, Stage 2	**0-30 days**	**31-60 days**	**61-90 days**	**Total 2022**
Corporate and public institutions	3,750,255	6,579	447	3,757,281
Small and medium enterprises	2,425,934	67,393	14,372	2,507,699
Consumer loans and card loans granted to retail customers	2,863,091	112,758	29,520	3,005,369
Mortgage loans	1,086,949	66,801	11,702	1,165,452
Loans and finance lease receivables granted by non-banking financial institutions	629,280	30,216	9,753	669,249
Other	59,759	47	56	59,862
Total loans and advances to customers and financial lease receivables before impairment allowance	**10,815,268**	**283,794**	**65,850**	**11,164,912**
Allowances for impairment losses on loans and financial lease receivables	***(1,598,702)***	***(75,785)***	***(24,714)***	***(1,699,201)***
Total loans and advances to customers and financial lease receivables net of impairment allowance	**9,216,566**	**208,009**	**41,136**	**9,465,711**

Notes to the consolidated and separate financial statements

4. Financial risk management *(continued)*

b) *Credit risk (continued)*

(ii) Credit risk exposure (continued)

Gross value of loans and advances, lease receivables granted to clients, impaired, Stage 3	**0-30 days**	**31-60 days**	**61-90 days**	**Over 90 days**	**Total 2022**
Corporate and public institutions	508,882	6,859	61,316	200,438	777,495
Small and medium enterprises	93,405	33,701	24,935	200,272	352,313
Consumer loans and card loans granted to retail customers	140,698	79,681	69,304	395,702	685,385
Mortgage loans	70,518	38,078	18,518	51,161	178,275
Loans and finance lease receivables granted by non-banking financial institutions	124,561	57,163	16,864	194,810	393,398
Other	11,997	11	13	1,118	13,139
Total loans and advances to customers and financial lease receivables before impairment allowance	**950,061**	**215,493**	**190,950**	**1,043,501**	**2,400,005**
Allowances for impairment losses on loans and financial lease receivables	***(521,588)***	***(100,348)***	***(124,623)***	***(818,289)***	***(1,564,848)***
Total loans and advances to customers and financial lease receivables net of impairment allowance	**428,473**	**115,145**	**66,327**	**225,212**	**835,157**

Notes to the consolidated and separate financial statements

4. Financial risk management *(continued)*

b) *Credit risk (continued)*

(ii) Credit risk exposure (continued)

The exposures to credit risk for loans and advances to customers and financial lease receivables at Group consolidated level, as at 31 December 2021, are presented below:

At amortized cost	**Assets for which the credit risk has not increased significantly since the initial recognition (Stage 1)**	**Assets for which the credit risk has significantly increased since the initial recognition, but which are not impaired (Stage 2)**	**Assets impaired at the reporting date (Stage 3)**	**Assets impaired on initial recognition (POCI)**	**Total 2021**
In RON thousand					
Corporate and public institutions	16,733,256	3,157,146	901,088	181,901	**20,973,391**
Small and medium enterprises	4,584,773	2,739,928	352,509	40,212	**7,717,422**
Consumer loans and card loans granted to retail customers	8,775,418	2,817,343	597,477	105,447	**12,295,685**
Mortgage loans	14,670,751	1,199,768	177,340	47,501	**16,095,360**
Loans and finance lease receivables granted to non-banking financial institutions	1,097,359	1,516,141	270,964	35,094	**2,919,558**
Other	178	38,014	12,014	1,882	**52,088**
Total loans and advances to customers and financial lease receivables before impairment allowance	**45,861,735**	**11,468,340**	**2,311,392**	**412,037**	**60,053,504**
Allowances for impairment losses on loans and financial lease receivables	(797,921)	(1,563,364)	(1,479,197)	(95,237)	**(3,935,719)**
Total loans and advances to customers and financial lease receivables net of impairment allowance	**45,063,814**	**9,904,976**	**832,195**	**316,800**	**56,117,785**

Notes to the consolidated and separate financial statements

4. Financial risk management (*continued*)

b) *Credit risk (continued)*

(ii) Credit risk exposure (continued)

Gross value of loans and advances, lease receivables granted to clients, not impaired, Stage 1	**Very low risk**	**Low risk**	**Moderate risk**	**Sensitive risk**	**Total 2021**
Corporate and public institutions	10,165,555	4,836,477	1,657,104	74,120	**16,733,256**
Small and medium enterprises	2,335,198	1,879,677	369,284	614	**4,584,773**
Consumer loans and card loans granted to retail customers	4,802,350	3,507,644	430,726	34,698	**8,775,418**
Mortgage loans	8,034,932	5,788,132	709,198	138,489	**14,670,751**
Loans and finance lease receivables granted by non-banking financial institutions	602,729	494,630	-	-	**1,097,359**
Other	-	-	31	147	**178**
Total loans and advances to customers and financial lease receivables before impairment allowance	**25,940,764**	**16,506,560**	**3,166,343**	**248,068**	**45,861,735**
Allowances for impairment losses on loans and financial lease receivables	(194,638)	(381,722)	(202,123)	(19,438)	**(797,921)**
Total loans and advances to customers and financial lease receivables net of impairment allowance	**25,746,126**	**16,124,838**	**2,964,220**	**228,630**	**45,063,814**

Gross value of loans and advances, lease receivables granted to clients, not impaired, Stage 1	**0 days**	**1-15 days**	**16-30 days**	**Total 2021**
Corporate and public institutions	16,716,497	10,873	5,886	**16,733,256**
Small and medium enterprises	4,432,708	115,773	36,292	**4,584,773**
Consumer loans and card loans granted to retail customers	8,545,698	190,868	38,852	**8,775,418**
Mortgage loans	14,417,333	205,160	48,258	**14,670,751**
Loans and finance lease receivables granted by non-banking financial institutions	1,058,283	29,464	9,612	**1,097,359**
Other	178	-	-	**178**
Total loans and advances to customers and financial lease receivables before impairment allowance	**45,170,697**	**552,138**	**138,900**	**45,861,735**
Allowances for impairment losses on loans and financial lease receivables	(785,350)	(10,567)	(2,004)	**(797,921)**
Total loans and advances to customers and financial lease receivables net of impairment allowance	**44,385,347**	**541,571**	**136,896**	**45,063,814**

Notes to the consolidated and separate financial statements

4. Financial risk management *(continued)*

b) *Credit risk (continued)*

(ii) Credit risk exposure (continued)

Gross value of loans and advances, lease receivables granted to clients, not impaired, Stage 2	Low-moderate risk	Sensitive risk	High risk	Total 2021
Corporate and public institutions	2,588,154	206,789	362,203	**3,157,146**
Small and medium enterprises	2,256,188	253,096	230,644	**2,739,928**
Consumer loans and card loans granted to retail customers	1,886,988	595,645	334,710	**2,817,343**
Mortgage loans	817,730	228,564	153,474	**1,199,768**
Loans and finance lease receivables granted by non-banking financial institutions	1,490,845	17,861	7,435	**1,516,141**
Other	8,957	29,057	-	**38,014**
Total loans and advances to customers and financial lease receivables before impairment allowance	**9,048,862**	**1,331,012**	**1,088,466**	**11,468,340**
Allowances for impairment losses on loans and financial lease receivables	(813,193)	(353,542)	(396,629)	**(1,563,364)**
Total loans and advances to customers and financial lease receivables net of impairment allowance	**8,235,669**	**977,470**	**691,837**	**9,904,976**

Gross value of loans and advances, lease receivables granted to clients, not impaired, Stage 2	0-30 days	31-60 days	61-90 days	Total 2021
Corporate and public institutions	3,151,721	5,342	83	**3,157,146**
Small and medium enterprises	2,689,169	38,370	12,389	**2,739,928**
Consumer loans and card loans granted to retail customers	2,701,225	92,910	23,208	**2,817,343**
Mortgage loans	1,144,664	46,044	9,060	**1,199,768**
Loans and finance lease receivables granted by non-banking financial institutions	1,490,845	18,021	7,275	**1,516,141**
Other	37,867	41	106	**38,014**
Total loans and advances to customers and financial lease receivables before impairment allowance	**11,215,491**	**200,728**	**52,121**	**11,468,340**
Allowances for impairment losses on loans and financial lease receivables	(1,491,904)	(52,302)	(19,158)	**(1,563,364)**
Total loans and advances to customers and financial lease receivables net of impairment allowance	**9,723,587**	**148,426**	**32,963**	**9,904,976**

Notes to the consolidated and separate financial statements

4. Financial risk management *(continued)*

b) *Credit risk (continued)*

(ii) Credit risk exposure (continued)

Gross value of loans and advances, lease receivables granted to clients, impaired, Stage 3	**0-30 days**	**31-60 days**	**61-90 days**	**Over 90 days**	**Total 2021**
Corporate and public institutions	522,016	-	11,604	367,468	**901,088**
Small and medium enterprises	115,754	28,768	12,652	195,335	**352,509**
Consumer loans and card loans granted to retail customers	154,744	65,635	59,629	317,469	**597,477**
Mortgage loans	72,999	31,274	17,995	55,072	**177,340**
Loans and finance lease receivables granted by non-banking financial institutions	83,121	11,218	13,319	163,306	**270,964**
Other	11,003	14	24	973	**12,014**
Total loans and advances to customers and financial lease receivables before impairment allowance	**959,637**	**136,909**	**115,223**	**1,099,623**	**2,311,392**
Allowances for impairment losses on loans and financial lease receivables	(523,887)	(65,076)	(63,562)	(826,672)	**(1,479,197)**
Total loans and advances to customers and financial lease receivables net of impairment allowance	**435,750**	**71,833**	**51,661**	**272,951**	**832,195**

Notes to the consolidated and separate financial statements

4. Financial risk management *(continued)*

b) *Credit risk (continued)*

(ii) Credit risk exposure (continued)

The exposures to credit risk for loans and advances to customers at Bank level, as at 31 December 2022, are presented below:

At amortized cost	Assets for which the credit risk has not increased significantly since the initial recognition (Stage 1)	Assets for which the credit risk has significantly increased since the initial recognition, but which are not impaired (Stage 2)	Assets impaired at the reporting date (Stage 3)	Assets impaired on initial recognition (POCI)	Total 2022
In RON thousand					
Corporate and public institutions	25,849,924	3,696,136	751,853	99,345	30,397,258
Small and medium enterprises	5,384,495	2,416,945	333,164	22,021	8,156,625
Consumer loans and card loans granted to retail customers	8,136,588	2,986,380	627,095	86,914	11,836,977
Mortgage loans	15,642,497	1,159,993	172,259	43,541	17,018,290
Other	60	51,524	13,080	281	64,945
Total loans and advances to customers before impairment allowance	**55,013,564**	**10,310,978**	**1,897,451**	**252,102**	**67,474,095**
Allowances for impairment losses on loans	***(1,081,557)***	***(1,636,145)***	***(1,253,317)***	***(53,122)***	***(4,024,141)***
Total loans and advances to customers net of impairment allowance	**53,932,007**	**8,674,833**	**644,134**	**198,980**	**63,449,954**

Notes to the consolidated and separate financial statements

4. Financial risk management (*continued*)

b) *Credit risk (continued)*

(ii) Credit risk exposure (continued)

Gross value of loans and advances granted to clients, not impaired, Stage 1	Very low risk	Low risk	Moderate risk	Sensitive risk	Total 2022
Corporate and public institutions	15,293,579	8,339,634	2,157,105	59,606	25,849,924
Small and medium enterprises	2,149,385	2,637,525	597,585	-	5,384,495
Consumer loans and card loans granted to retail customers	4,643,143	2,883,919	581,369	28,157	8,136,588
Mortgage loans	8,605,050	6,004,406	856,129	176,912	15,642,497
Other	-	-	15	45	60
Total loans and advances to customers before impairment allowance	**30,691,157**	**19,865,484**	**4,192,203**	**264,720**	**55,013,564**
Allowances for impairment losses on loans	***(222,964)***	***(538,927)***	***(300,099)***	***(19,567)***	***(1,081,557)***
Total loans and advances to customers net of impairment allowance	**30,468,193**	**19,326,557**	**3,892,104**	**245,153**	**53,932,007**

Gross value of loans and advances granted to clients, not impaired, Stage 1	0 days	1-15 days	16-30 days	Total 2022
Corporate and public institutions	25,829,647	19,627	650	25,849,924
Small and medium enterprises	5,345,201	36,524	2,770	5,384,495
Consumer loans and card loans granted to retail customers	7,880,960	207,404	48,224	8,136,588
Mortgage loans	15,202,610	341,677	98,210	15,642,497
Other	60	-	-	60
Total loans and advances to customers before impairment allowance	**54,258,478**	**605,232**	**149,854**	**55,013,564**
Allowances for impairment losses on loans	***(1,066,250)***	***(12,438)***	***(2,869)***	***(1,081,557)***
Total loans and advances to customers net of impairment allowance	**53,192,228**	**592,794**	**146,985**	**53,932,007**

Notes to the consolidated and separate financial statements

4. Financial risk management *(continued)*

b) *Credit risk (continued)*

(ii) Credit risk exposure (continued)

Gross value of loans and advances granted to clients, not impaired, Stage 2	**Low-moderate risk**	**Sensitive risk**	**High risk**	**Total 2022**
Corporate and public institutions	3,100,112	496,148	99,876	3,696,136
Small and medium enterprises	1,906,308	367,872	142,765	2,416,945
Consumer loans and card loans granted to retail customers	1,898,852	712,766	374,762	2,986,380
Mortgage loans	692,856	327,296	139,841	1,159,993
Other	64	51,460	-	51,524
Total loans and advances to customers before impairment allowance	**7,598,192**	**1,955,542**	**757,244**	**10,310,978**
Allowances for impairment losses on loans	***(796,802)***	***(514,278)***	***(325,065)***	***(1,636,145)***
Total loans and advances to customers net of impairment allowance	**6,801,390**	**1,441,264**	**432,179**	**8,674,833**

Gross value of loans and advances granted to clients, not impaired, Stage 2	**0-30 days**	**31-60 days**	**61-90 days**	**Total 2022**
Corporate and public institutions	3,689,740	6,299	97	3,696,136
Small and medium enterprises	2,363,132	44,824	8,989	2,416,945
Consumer loans and card loans granted to retail customers	2,858,174	102,475	25,731	2,986,380
Mortgage loans	1,083,282	65,229	11,482	1,159,993
Other	51,421	47	56	51,524
Total loans and advances to customers before impairment allowance	**10,045,749**	**218,874**	**46,355**	**10,310,978**
Allowances for impairment losses on loans	***(1,549,133)***	***(66,545)***	***(20,467)***	***(1,636,145)***
Total loans and advances to customers net of impairment allowance	**8,496,616**	**152,329**	**25,888**	**8,674,833**

Notes to the consolidated and separate financial statements

4. Financial risk management *(continued)*

b) *Credit risk (continued)*

(ii) Credit risk exposure (continued)

Gross value of loans and advances granted to clients, impaired, Stage 3	0-30 days	31-60 days	61-90 days	over 90 days	Total 2022
Corporate and public institutions	507,071	6,859	61,279	176,644	751,853
Small and medium enterprises	88,198	32,018	23,553	189,395	333,164
Consumer loans and card loans granted to retail customers	133,888	76,833	64,569	351,805	627,095
Mortgage loans	68,175	37,260	18,263	48,561	172,259
Other	11,997	11	13	1,059	13,080
Total loans and advances to customers before impairment allowance	**809,329**	**152,981**	**167,677**	**767,464**	**1,897,451**
Allowances for impairment losses on loans	***(473,044)***	***(80,311)***	***(111,940)***	***(588,022)***	***(1,253,317)***
Total loans and advances to customers net of impairment allowance	**336,285**	**72,670**	**55,737**	**179,442**	**644,134**

The exposures to credit risk for loans and advances to customers at Bank level, as at 31 December 2021, are presented below:

At amortized cost	Assets for which the credit risk has not increased significantly since the initial recognition (Stage 1)	Assets for which the credit risk has significantly increased since the initial recognition, but which are not impaired (Stage 2)	Assets impaired at the reporting date (Stage 3)	Assets impaired on initial recognition (POCI)	Total 2021
In RON thousand					
Corporate and public institutions	18,164,093	3,043,157	870,738	105,138	**22,183,126**
Small and medium enterprises	3,761,573	2,648,088	344,398	21,195	**6,775,254**
Consumer loans and card loans granted to retail customers	7,885,516	2,799,838	579,332	94,448	**11,359,134**
Mortgage loans	14,075,750	1,196,593	174,390	46,827	**15,493,560**
Other	178	29,256	11,955	297	**41,686**
Total loans and advances to customers before impairment allowance	**43,887,110**	**9,716,932**	**1,980,813**	**267,905**	**55,852,760**
Allowances for impairment losses on loans	(791,352)	(1,505,695)	(1,270,134)	(47,056)	**(3,614,237)**
Total loans and advances to customers net of impairment allowance	**43,095,758**	**8,211,237**	**710,679**	**220,849**	**52,238,523**

Notes to the consolidated and separate financial statements

4. Financial risk management (*continued*)

b) *Credit risk (continued)*

(ii) Credit risk exposure (continued)

Gross value of loans and advances granted to clients, not impaired, Stage 1	Very low risk	Low risk	Moderate risk	Sensitive risk	Total 2021
Corporate and public institutions	11,134,132	5,298,756	1,657,104	74,101	**18,164,093**
Small and medium enterprises	1,625,360	1,766,813	369,284	116	**3,761,573**
Consumer loans and card loans granted to retail customers	4,802,350	2,620,296	428,173	34,697	**7,885,516**
Mortgage loans	8,034,932	5,195,150	707,179	138,489	**14,075,750**
Other	-	-	31	147	**178**
Total loans and advances to customers before impairment allowance	**25,596,774**	**14,881,015**	**3,161,771**	**247,550**	**43,887,110**
Allowances for impairment losses on loans	(205,131)	(364,944)	(201,839)	(19,438)	**(791,352)**
Total loans and advances to customers net of impairment allowance	**25,391,643**	**14,516,071**	**2,959,932**	**228,112**	**43,095,758**

Gross value of loans and advances granted to clients, not impaired, Stage 1	0 days	1-15 days	16-30 days	Total 2021
Corporate and public institutions	18,164,093	-	-	**18,164,093**
Small and medium enterprises	3,742,729	18,452	392	**3,761,573**
Consumer loans and card loans granted to retail customers	7,709,667	146,987	28,862	**7,885,516**
Mortgage loans	13,836,461	194,201	45,088	**14,075,750**
Other	178	-	-	**178**
Total loans and advances to customers before impairment allowance	**43,453,128**	**359,640**	**74,342**	**43,887,110**
Allowances for impairment losses on loans	(784,778)	(5,410)	(1,164)	**(791,352)**
Total loans and advances to customers net of impairment allowance	**42,668,350**	**354,230**	**73,178**	**43,095,758**

Notes to the consolidated and separate financial statements

4. Financial risk management *(continued)*

b) *Credit risk (continued)*

(ii) Credit risk exposure (continued)

Gross value of loans and advances granted to clients, not impaired, Stage 2	**Low-moderate risk**	**Sensitive risk**	**High risk**	**Total 2021**
Corporate and public institutions	2,475,313	206,292	361,552	**3,043,157**
Small and medium enterprises	2,179,960	238,950	229,178	**2,648,088**
Consumer loans and card loans granted to retail customers	1,880,952	587,068	331,818	**2,799,838**
Mortgage loans	816,825	226,831	152,937	**1,196,593**
Other	199	29,057	-	**29,256**
Total loans and advances to customers before impairment allowance	**7,353,249**	**1,288,198**	**1,075,485**	**9,716,932**
Allowances for impairment losses on loans	(761,672)	(349,260)	(394,763)	**(1,505,695)**
Total loans and advances to customers net of impairment allowance	**6,591,577**	**938,938**	**680,722**	**8,211,237**

Gross value of loans and advances granted to clients, not impaired, Stage 2	**0-30 days**	**31-60 days**	**61-90 days**	**Total 2021**
Corporate and public institutions	3,038,879	4,278	-	**3,043,157**
Small and medium enterprises	2,612,941	23,915	11,232	**2,648,088**
Consumer loans and card loans granted to retail customers	2,695,188	84,333	20,317	**2,799,838**
Mortgage loans	1,143,759	44,311	8,523	**1,196,593**
Other	29,109	41	106	**29,256**
Total loans and advances to customers before impairment allowance	**9,519,876**	**156,878**	**40,178**	**9,716,932**
Allowances for impairment losses on loans	(1,440,385)	(47,889)	(17,421)	**(1,505,695)**
Total loans and advances to customers net of impairment allowance	**8,079,491**	**108,989**	**22,757**	**8,211,237**

Notes to the consolidated and separate financial statements

4. Financial risk management *(continued)*

b) *Credit risk (continued)*

(ii) Credit risk exposure (continued)

Gross value of loans and advances granted to clients, impaired, Stage 3	0-30 days	31-60 days	61-90 days	over 90 days	Total 2021
Corporate and public institutions	520,831	-	11,604	338,303	**870,738**
Small and medium enterprises	114,397	28,463	12,423	189,115	**344,398**
Consumer loans and card loans granted to retail customers	151,285	64,704	57,790	305,553	**579,332**
Mortgage loans	72,584	31,210	17,581	53,015	**174,390**
Other	11,003	14	24	914	**11,955**
Total loans and advances to customers before impairment allowance	**870,100**	**124,391**	**99,422**	**886,900**	**1,980,813**
Allowances for impairment losses on loans	(489,888)	(59,475)	(56,238)	(664,533)	**(1,270,134)**
Total loans and advances to customers net of impairment allowance	**380,212**	**64,916**	**43,184**	**222,367**	**710,679**

As at 31 December 2022, the financial assets which are required to be measured at fair value through other items of comprehensive income include treasury bills and bonds issued by the Government of Romania, with BBB- rating, bonds issued by the Ministry of Finance of the Republic of Moldova with a sovereign rating B3, bonds issued by the Ministry of Finance of Italy with a rating of BBB-, bonds issued by the Government of Germany with a rating of AAA, bonds issued by the Government of Hungary with a rating of BBB, bonds issued by municipalities with a rating of BBB- and BB+, bonds issued by credit institutions and other financial institutions rated A, A-, A+,AAA,BB-,BB+ BBB, BBB- and BBB+ and bonds issued by other non-financial institutions rated B and BBB (note 24).

As at 31 December 2021, the financial assets which are required to be measured at fair value through other items of comprehensive income include treasury bills and bonds issued by the Government of Romania, with BBB- rating, bonds issued by the Ministry of Finance of the Republic of Moldova with a sovereign rating B3, bonds issued by the Ministry of Finance of Italy with a rating of BBB-, bonds issued by municipalities with a rating of BBB- and BB+, bonds issued by credit institutions and other financial institutions rated A, A-, AA+, BBB, BBB- and BBB+ and bonds issued by other non-financial institutions rated B- (note 24).

4. Financial risk management (*continued*)

b) *Credit risk (continued)*

(ii) Credit risk exposure (continued)

Impairment allowances

The Group and the Bank calculate the expected credit loss ("ECL") related to the loans and advances to customers, financial lease receivables, debt instruments measured at amortized cost, certain loan commitments and financial guarantee contracts. Internal framework is designed considering IFRS 9 regulation as mentioned in the further sections.

Loan collateral policy

The Group and the Bank hold collateral against loans and advances to customers in the form of mortgages over land and buildings, pledges on equipment and inventories, letter of guarantees, insurance policies and other guarantees. The Group and the Bank have ownership rights over these guarantees until the end of the contract. The estimates of fair value are based on the collateral value assessed on the loan granting date and periodically updated during the lifespan of the loan, at least annually, regardless of the collateral type.

The pledges presented below comprise pledges without dispossession and do not include guarantees related to the lease contracts granted by BT Leasing IFN S.A.

Property includes land, residential and commercial buildings, "Security interests in movable property" includes pledges on movable assets (cars, equipment, inventories etc.) and the category "Other collateral" includes collateral deposits and other guarantees received.

An analysis of the collateral values split per types of loans and advances and lease receivables granted to customers is presented below:

	Group		Bank	
In RON thousand	**2022**	**2021**	**2022**	**2021**
Collaterals related to loans and lease receivables with moderate, sensitive and high risk and impaired loans				
Property	9,134,817	9,484,573	8,998,014	9,038,518
Security interests in movable property	1,236,620	1,059,577	1,125,234	950,791
Other collateral	2,156,875	1,831,869	2,098,361	1,795,529
Total	**12,528,312**	**12,376,019**	**12,221,609**	**11,784,838**
Collaterals related to loans and lease receivables with very low risk and low risk				
Property	44,423,121	35,766,802	43,882,597	34,961,234
Security interests in movable property	3,720,619	3,248,806	2,528,006	2,262,186
Other collateral	6,283,139	5,019,968	5,934,177	4,616,823
	54,426,879	**44,035,576**	**52,344,780**	**41,840,243**
Total	**66,955,191**	**56,411,595**	**64,566,389**	**53,625,081**

The financial effect of the Group's and Bank's collateral is presented separately highlighting the collateral values, as follows:

(i) for those assets in which the market value of collateral is equal to or higher than the book value of the asset ("over-collateralization of assets");

(ii) for those assets in which the collateral is lower than the book value of the asset ("under-collateralization of assets").

Notes to the consolidated and separate financial statements

4. Financial risk management (*continued*)

b) *Credit risk (continued)*

(ii) Credit risk exposure (continued)

The financial effect of the Group guarantee as at 31 December 2022 is the following:

	Group 2022							
	Exposures stage 1		**Exposures stage 2**		**Exposures stage 3**		**POCI**	
In RON thousand	**Under-collateralization**	**Over-collateralization**	**Under-collateralization**	**Over-collateralization**	**Under-collateralization**	**Over-collateralization**	**Under-collateralization**	**Over-collateralization**
Corporate								
- Gross exposure	18,442,375	5,405,481	2,415,993	1,341,288	377,431	400,064	41,938	101,720
- Collateral	2,677,659	10,799,886	1,030,543	2,804,279	113,074	793,884	28,145	359,361
Small and medium enterprises								
- Gross exposure	4,206,740	2,195,857	1,857,982	649,717	251,035	101,278	5,686	26,032
- Collateral	2,166,233	4,217,788	860,174	1,789,130	49,810	291,988	3,170	93,301
Consumer loans and card loans granted to retail customers								
- Gross exposure	7,222,209	1,641,445	2,571,130	434,239	523,169	162,216	27,025	68,221
- Collateral	65,452	5,663,521	82,542	1,119,719	63,297	402,292	8,807	166,222
Mortgage loans								
- Gross exposure	465,848	15,531,262	81,735	1,083,717	49,783	128,492	14,954	28,666
- Collateral	339,363	28,215,931	58,751	1,935,667	30,527	274,221	10,885	61,127
Loans and finance lease receivables granted by non-banking financial institutions								
- Gross exposure	3,494,759	10,017	655,239	14,010	392,237	1,161	32,919	302
- Collateral	251,939	29,383	35,781	32,864	11,293	3,634	-	1,445
Other								
- Gross exposure	59	-	56,217	3,645	13,139	-	1,079	-
- Collateral	-	-	3,773	8,330	-	-	-	-

Notes to the consolidated and separate financial statements

4. Financial risk management (*continued*)

b) *Credit risk (continued)*

(ii) Credit risk exposure (continued)

The financial effect of the Group guarantee as at 31 December 2021 is the following:

	Group 2021							
	Exposures stage 1		Exposures stage 2		Exposures stage 3		POCI	
In RON thousand	Under-collateralization	Over-collateralization	Under-collateralization	Over-collateralization	Under-collateralization	Over-collateralization	Under-collateralization	Over-collateralization
Corporate								
- Gross exposure	13,067,881	3,665,375	1,866,867	1,290,279	455,337	445,751	64,002	117,899
- Collateral	2,313,400	7,215,036	736,799	2,626,403	203,542	920,919	42,672	265,920
Small and medium enterprises								
- Gross exposure	2,979,698	1,605,075	2,023,123	716,805	234,151	118,358	4,250	35,962
- Collateral	1,404,972	3,244,493	918,339	1,816,275	46,724	332,186	2,139	94,238
Consumer loans and card loans granted to retail customers								
- Gross exposure	6,992,456	1,782,962	2,254,836	562,507	444,054	153,423	33,409	72,038
- Collateral	116,858	5,517,585	132,787	1,375,384	80,464	347,649	10,123	157,493
Mortgage loans								
- Gross exposure	667,695	14,003,056	123,535	1,076,233	70,901	106,439	17,669	29,832
- Collateral	531,101	23,382,236	88,765	1,786,493	43,209	216,773	12,559	56,991
Loans and finance lease receivables granted by non-banking financial institutions								
- Gross exposure	1,077,058	20,301	1,514,449	1,692	269,385	1,579	34,337	757
- Collateral	254,723	55,173	29,814	5,541	6,931	5,027	-	3,263
Other								
- Gross exposure	178	-	32,640	5,374	12,014	-	1,882	-
- Collateral	-	-	2,748	7,848	-	-	-	-

Notes to the consolidated and separate financial statements

4. Financial risk management (*continued*)

b) *Credit risk (continued)*

(ii) Credit risk exposure (continued)

The financial effect of the Bank guarantee as at 31 December 2022 is the following:

	Bank 2022							
	Exposures stage 1		Exposures stage 2		Exposures stage 3		POCI	
In RON thousand	Under-collateralization	Over-collateralization	Under-collateralization	Over-collateralization	Under-collateralization	Over-collateralization	Under-collateralization	Over-collateralization
Corporate								
- Gross exposure	20,430,778	5,419,146	2,361,896	1,334,240	356,699	395,154	6,600	92,745
- Collateral	2,540,137	10,657,230	1,016,061	2,790,328	108,829	786,519	4,000	344,330
Small and medium enterprises								
- Gross exposure	3,668,113	1,716,382	1,800,618	616,327	237,281	95,883	3,017	19,004
- Collateral	1,758,126	3,541,143	827,196	1,741,947	41,142	283,904	1,495	78,549
Consumer loans and card loans granted to retail customers								
- Gross exposure	6,505,641	1,630,947	2,552,217	434,163	465,374	161,721	18,741	68,173
- Collateral	63,642	5,642,794	82,454	1,119,366	63,297	401,081	8,807	166,065
Mortgage loans								
- Gross exposure	249,254	15,393,243	78,922	1,081,071	46,346	125,913	14,954	28,587
- Collateral	154,221	27,987,487	56,364	1,931,291	27,717	269,031	10,885	60,951
Other								
- Gross exposure	60	-	51,524	-	13,080	-	281	-
- Collateral	-	-	-	-	-	-	-	-

Notes to the consolidated and separate financial statements

4. Financial risk management (*continued*)

b) *Credit risk (continued)*

(ii) Credit risk exposure (continued)

The financial effect of the Bank guarantee as at 31 December 2021 is the following:

	Bank 2021							
	Exposures stage 1		**Exposures stage 2**		**Exposures stage 3**		**POCI**	
In RON thousand	**Under-collateralization**	**Over-collateralization**	**Under-collateralization**	**Over-collateralization**	**Under-collateralization**	**Over-collateralization**	**Under-collateralization**	**Over-collateralization**
Corporate								
- Gross exposure	14,621,747	3,542,346	1,831,296	1,211,861	431,766	438,972	16,490	88,648
- Collateral	2,236,862	6,974,381	725,729	2,357,865	188,354	906,350	6,422	224,144
Small and medium enterprises								
- Gross exposure	2,498,105	1,263,468	1,958,940	689,148	230,393	114,005	3,001	18,194
- Collateral	1,024,470	2,756,792	882,183	1,761,918	44,823	325,314	1,705	63,636
Consumer loans and card loans granted to retail customers								
- Gross exposure	6,114,379	1,771,137	2,237,551	562,287	426,282	153,050	22,484	71,964
- Collateral	113,799	5,492,688	132,769	1,374,482	80,464	346,366	10,123	157,357
Mortgage loans								
- Gross exposure	294,590	13,781,160	122,076	1,074,517	68,632	105,758	17,669	29,158
- Collateral	199,006	23,042,245	87,444	1,782,781	41,244	214,963	12,559	55,843
Other								
- Gross exposure	178	-	29,256	-	11,955	-	297	-
- Collateral	-	-	-	-	-	-	-	-

Notes to the consolidated and separate financial statements

4. Financial risk management (*continued*)

b) *Credit risk (continued)*

(ii) Credit risk exposure (continued)

The exposure representing credit risk refers to the following balance-sheet and off balance-sheet items:

- Cash with Central Banks and Deposits with banks and public institutions;
- Financial assets measured at amortized cost - loans and advances to customers;
- Financial assets measured at amortized cost - finance lease receivables
- Financial assets measured at amortised cost- debt securities (see note 24b);
- Contingent liabilities representing credit risk (irrevocable financial guarantees and uncommitted irrevocable loan commitments).

The tables below show the reconciliation between the gross carrying amount and the net carrying amount of the individual components, of the risk exposure, consolidated as at 31 December 2022 and 31 December 2021:

		Group					
In RON thousand		**2022**			**2021**		
Assets	Notes	**Gross carrying amount**	**Loss allowance**	**Carrying amount**	**Gross carrying amount**	**Loss allowance**	**Carrying amount**
Cash and curent accounts with Central Banks	19	10,140,347	3,049	10,137,298	14,634,423	2,724	14,631,699
Placements with banks and public institutions	20	5,569,673	2,341	5,567,332	10,397,828	3,531	10,394,297
Loans and advances to customers	22	69,583,549	4,382,629	65,200,920	58,459,285	3,829,531	54,629,754
Finance lease receivables	23	2,945,962	133,365	2,812,597	1,594,219	106,188	1,488,031
Financial assets measured at amortized cost - debt securities	24b	2,066,363	6,651	2,059,712	1,500,357	17,246	1,483,111
Total on-balance sheet		**90,305,894**	**4,528,035**	**85,777,859**	**86,586,112**	**3,959,220**	**82,626,892**
Irrevocable commitments given		1,154,577	34,209	1,120,368	898,809	31,859	866,950
Irrevocable financial guarantees given		5,494,924	155,340	5,339,584	4,217,124	136,998	4,080,126
Total off-balance sheet		**6,649,501**	**189,549**	**6,459,952**	**5,115,933**	**168,857**	**4,947,076**
Total on and off-balance sheet		**96,955,395**	**4,717,584**	**92,237,811**	**91,702,045**	**4,128,077**	**87,573,968**

Notes to the consolidated and separate financial statements

4. Financial risk management (*continued*)

b) *Credit risk (continued)*

(ii) Credit risk exposure (continued)

The tables below show the reconciliation between the Gross carrying amount and the net book value of the individual components, of the risk exposure, separate as at 31 December 2022 and 31 December 2021:

In RON thousand		Bank					
		2022			2021		
Assets	Notes	**Gross carrying amount**	**Loss allowance**	**Carrying amount**	**Gross carrying amount**	**Loss allowance**	**Carrying amount**
Cash and curent accounts with Central Banks	19	8,573,411	1,398	8,572,013	13,587,793	1,889	13,585,904
Placements with banks and public institutions	20	6,636,559	1,701	6,634,858	9,615,859	3,169	9,612,690
Loans and advances to customers	22	67,474,095	4,024,141	63,449,954	55,852,760	3,614,237	52,238,523
Financial assets measured at amortized cost - debt securities	24b	981,697	6,538	975,159	361,156	5,825	355,331
Total on-balance sheet		**83,665,762**	**4,033,778**	**79,631,984**	**79,417,568**	**3,625,120**	**75,792,448**
Irrevocable commitments given		264,926	5,356	259,570	142,238	20,378	121,860
Irrevocable financial guarantees given		5,473,382	154,711	5,318,671	4,200,495	136,619	4,063,876
Total off-balance sheet		**5,738,308**	**160,067**	**5,578,241**	**4,342,733**	**156,997**	**4,185,736**
Total on and off-balance sheet		**89,404,070**	**4,193,845**	**85,210,225**	**83,760,301**	**3,782,117**	**79,978,184**

Below we present the gross book value and the provisions related to the exposure of off-balance sheet risk at consolidated and individual level as of December 31, 2022:

	Grup				Bancă			
In RON thousand	**Stage 1**	**Stage 2**	**Stage 3**	**Total**	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Irrevocable commitments given								
- Gross carrying amount	908,431	214,250	31,896	1,154,577	240,993	22,642	1,291	264,926
- Loss allowance	(22,203)	(6,976)	(5,030)	(34,209)	(4,100)	(82)	(1,174)	(5,356)
Irrevocable financial guarantees given								
- Gross carrying amount	5,080,340	278,620	135,965	5,494,925	5,058,797	278,620	135,965	5,473,382
- Loss allowance	(65,565)	(19,581)	(70,194)	(155,340)	(64,936)	(19,581)	(70,194)	(154,711)

Notes to the consolidated and separate financial statements

4. Financial risk management (*continued*)

b) *Credit risk (continued)*

(ii) Credit risk exposure (continued)

Irrevocable commitments and financial guarantees given Stage 1	Group Very low risk	Low risk	Moderate risk	Sensitive risk	Total 2022	Bank Very low risk	Low risk	Moderate risk	Sensitive risk	Total 2022
Corporate and public institutions	3,435,226	1,527,977	312,047	4,276	**5,279,526**	3,433,727	1,428,312	312,047	4,276	5,178,362
Small and medium enterprises	30,972	110,733	9,110	-	**150,815**	30,796	81,357	9,110	-	121,263
Retail	165	91,951	1	210	**92,327**	165	-	-	-	165
Non-banking financial institutions	51,727	414,375	-	-	**466,102**	-	-	-	-	-
Total irrevocable commitments and financial guarantees given before impairment allowance	**3,518,090**	**2,145,036**	**321,158**	**4,486**	**5,988,770**	**3,464,688**	**1,509,669**	**321,157**	**4,276**	**5,299,790**
Allowances for impairment losses on irrevocable commitments and financial guarantees given	(10,521)	(63,406)	(12,642)	(1,199)	(87,768)	(10,382)	(44,816)	(12,642)	(1,196)	(69,036)
Total irrevocable commitments and financial guarantees given net of impairment allowance	**3,507,569**	**2,081,630**	**308,516**	**3,287**	**5,901,002**	**3,454,306**	**1,464,853**	**308,515**	**3,080**	**5,230,754**

Irrevocable commitments and financial guarantees given Stage 2	Group Low - moderate risk	Sensitive risk	High risk	Total 2022	Bank Low - moderate risk	Sensitive risk	High risk	Total 2022
Corporate and public institutions	263,313	34,891	2,895	**301,099**	249,833	34,891	2,895	287,619
Small and medium enterprises	17,620	1,596	534	**19,750**	11,352	1,596	493	13,441
Retail	2,616	683	141	**3,440**	-	202	-	202
Non-banking financial institutions	164,290	2,713	1,578	**168,581**	-	-	-	-
Total irrevocable commitments and financial guarantees given before impairment allowance	**447,839**	**39,883**	**5,148**	**492,870**	**261,185**	**36,689**	**3,388**	**301,262**
Allowances for impairment losses on irrevocable commitments and financial guarantees given	(18,363)	(7,255)	(939)	(26,557)	(12,159)	(6,846)	(658)	(19,663)
Total a*ngajamente irevocabile date, garanții financiare și de bună execuție* nete de ajustari pentru depreciere	**429,476**	**32,628**	**4,209**	**466,313**	**249,026**	**29,843**	**2,730**	**281,599**

Notes to the consolidated and separate financial statements

4. Financial risk management (*continued*)

b) *Credit risk (continued)*

(ii) Credit risk exposure (continued)

Irrevocable commitments and financial guarantees given Stage 3	Group 3 months	Group 3-6 months	Group 6-9 months	Group 9-12 months	Group >1 year	Group Total 2022	Bank 3 months	Bank 3-6 months	Bank 6-9 months	Bank 9-12 months	Bank >1 year	Bank Total 2022
Corporate and public institutions	14,967	24,373	3,463	27,670	66,002	**136,475**	14,967	24,373	3,463	27,670	66,002	136,475
Small and medium enterprises	476	186	5	5	111	**783**	474	186	5	5	111	781
Retail	33	108	11	7	1,440	**1,599**	-	-	-	-	-	-
Non-banking financial institutions	26,185	614	396	364	1,445	**29,004**	-	-	-	-	-	-
Total irrevocable commitments and financial guarantees given before impairment allowance	**41,661**	**25,281**	**3,875**	**28,046**	**68,998**	**167,861**	**15,441**	**24,559**	**3,468**	**27,675**	**66,113**	**137,256**
Allowances for impairment losses on irrevocable commitments and financial guarantees given	(14,142)	(15,852)	(2,657)	(19,240)	(23,333)	(75,224)	(11,668)	(15,654)	(2,531)	(19,115)	(22,400)	(71,368)
Total irrevocable commitments and financial guarantees given net of impairment allowance	**27,519**	**9,429**	**1,218**	**8,806**	**45,665**	**92,637**	**3,773**	**8,905**	**937**	**8,560**	**43,713**	**65,888**

Below we present the gross book value and the provisions related to the exposure of off-balance sheet risk at consolidated and individual level as of December 31, 2021:

In RON thousand	Grup Stage 1	Grup Stage 2	Grup Stage 3	Grup Total	Bank Stage 1	Bank Stage 2	Bank Stage 3	Bank Total
Irrevocable commitments given								
- Gross carrying amount	575,677	277,843	45,289	**898,809**	107,135	18,100	17,003	**142,238**
- Loss allowance	(8,276)	(3,697)	(19,886)	**(31,859)**	(4,234)	(79)	(16,065)	**(20,378)**
Irrevocable financial guarantees given								
- Gross carrying amount	3,884,578	221,334	111,212	**4,217,124**	3,867,949	221,334	111,212	**4,200,495**
- Loss allowance	(51,973)	(16,735)	(68,290)	**(136,998)**	(51,594)	(16,735)	(68,290)	**(136,619)**

Notes to the consolidated and separate financial statements

4. Financial risk management (*continued*)

b) *Credit risk (continued)*

(ii) Credit risk exposure (continued)

Irrevocable commitments and financial guarantees given Stage 1	Grup Very low risk	Low risk	Moderate risk	Sensitive risk	Total 2022	Bank Very low risk	Low risk	Moderate risk	Sensitive risk	Total 2022
Corporate and public institutions	2,704,671	1,099,421	152,883	2,483	**3,959,458**	2,703,556	1,035,273	152,883	2,483	**3,894,195**
Small and medium enterprises	38,004	66,934	8,930	-	**113,868**	19,042	52,917	8,930	-	**80,889**
Retail	-	77,302	-	18	**77,320**	-	-	-	-	-
Non-banking financial institutions	9,984	299,625	-	-	**309,609**	-	-	-	-	-
Total irrevocable commitments and financial guarantees given before impairment allowance	**2,752,659**	**1,543,282**	**161,813**	**2,501**	**4,460,255**	**2,722,598**	**1,088,190**	**161,813**	**2,483**	**3,975,084**
Allowances for impairment losses on irrevocable commitments and financial guarantees given	*(15,426)*	*(38,795)*	*(5,675)*	*(353)*	***(60,249)***	*(15,325)*	*(34,475)*	*(5,675)*	*(353)*	***(55,828)***
Total irrevocable commitments and financial guarantees given net of impairment allowance	**2,737,233**	**1,504,487**	**156,138**	**2,148**	**4,400,006**	**2,707,273**	**1,053,715**	**156,138**	**2,130**	**3,919,256**

Irrevocable commitments and financial guarantees given Stage 2	Group Low - moderate risk	Sensitive risk	High risk	Total 2021	Bank Low - moderate risk	Sensitive risk	High risk	Total 2021
Corporate and public institutions	134,847	98,944	10,939	244,730	108,091	98,944	10,939	217,974
Small and medium enterprises	22,971	2,196	659	25,826	18,748	2,053	659	21,460
Retail	2,521	214	9	2,744	-	-	-	-
Non-banking financial institutions	222,456	2,241	1,180	225,877	-	-	-	-
Total irrevocable commitments and financial guarantees given before impairment allowance	**382,795**	**103,595**	**12,787**	**499,177**	**126,839**	**100,997**	**11,598**	**239,434**
Allowances for impairment losses on irrevocable commitments and financial guarantees given	(11,102)	(6,546)	(2,784)	(20,432)	(7,653)	(6,439)	(2,722)	(16,814)
Total a*ngajamente irevocabile date, garanții financiare și de bună execuție* nete de ajustari pentru depreciere	**371,693**	**97,049**	**10,003**	**478,745**	**119,186**	**94,558**	**8,876**	**222,620**

Notes to the consolidated and separate financial statements

4. Financial risk management (*continued*)

b) *Credit risk (continued)*

(ii) Credit risk exposure (continued)

	Grup						Banca					
Irrevocable commitments and financial guarantees given Stage 3	**3 months**	**3-6 months**	**6-9 months**	**9-12 months**	**>1 year**	**Total 2021**	**3 months**	**3-6 months**	**6-9 months**	**9-12 months**	**>1 year**	**Total 2021**
Corporate and public institutions	85,236	2,127	979	401	38,491	127,234	26,178	19,287	3,740	31,003	47,025	127,233
Small and medium enterprises	778	56	2	-	169	1,005	483	263	9	-	227	982
Retail	51	48	7	5	158	269	-	-	-	-	-	-
Non-banking financial institutions	26,753	196	86	75	883	27,993	-	-	-	-	-	-
Total irrevocable commitments and financial guarantees given before impairment allowance	**112,818**	**2,427**	**1,074**	**481**	**39,701**	**156,501**	**26,661**	**19,550**	**3,749**	**31,003**	**47,252**	**128,215**
Allowances for impairment losses on irrevocable commitments and financial guarantees given	(57,112)	(463)	(750)	(305)	(29,546)	(88,176)	(15,473)	(7,019)	(1,981)	(25,363)	(34,519)	(84,355)
Total irrevocable commitments and financial guarantees given net of impairment allowance	**55,706**	**1,964**	**324**	**176**	**10,155**	**68,325**	**11,188**	**12,531**	**1,768**	**5,640**	**12,733**	**43,860**

4. Financial risk management (*continued*)

b) *Credit risk (continued)*

Exposure to high-risk Eurozone countries

The economy of Euroland (the main economic partner of Romania) continued the post-pandemic recovery process in 2022, but with a slowing-down pace, given the overlapping supply-side shocks and the consequences of the crisis in Ukraine.

According to the preliminary figures of Eurostat the GDP of Euroland rose by an YoY pace in deceleration to 3.5% in 2022, given the deterioration of the international competitiveness. However, there can be noticed the increase of the fixed investments, an evolution supported by the affordable level of the real financing costs and the implementation of the EU programs, in a context dominated by the unprecedented measures following the outbreak of the crisis in Ukraine.

2022 was the year of the acceleration of the inflationary pressures – the consumer prices rose by 8.4% YoY on average (record pace) (up from 2.6% in 2021), given the increase of the prices of energy and food and the consolidation of the positive climate across the labour market.

The core consumer prices climbed by 3.9% YoY on average in 2022, up from 1.5% in 2021. The intensification of the inflationary pressures and the continuity of the post-pandemic economic recovery determined the European Central Bank (ECB) to launch the normalisation process of the monetary policy in 2022, by hiking the reference rate from 0.00% to 2.50%. In this context, 3M EURIBOR stood at 2.132% at the end of 2022, up by 2.7pps ytd.

At the first monetary policy meeting of 2023 ECB decided to increase the interest rate to 3.00% and signalled the continuity of the post-pandemic monetary cycle in the short-run, to counter the inflationary pressures and to anchor the mid-run inflationary expectations in convergence towards target.

Measurement of the expected credit loss allowance

The measurement of the expected credit loss allowance for financial assets is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behavior (e.g. The likelihood of customers defaulting and the resulting losses).
The financial assets that are the subject of this chapter are:

- Loans and advances to customers at amortized cost;
- Finance lease recivables;
- Lending commitments and financial guarantees offered by the Group and the Bank (e.g. letter of credit, letter of guarantees);
- Placements made in other banks, including mandatory minimum reserves (RMO) and loans to other bank institutions;
- Portfolio of financial instruments measured at FVOCI (e.g. government bonds, corporate or municipal bonds, etc.);
- Financial instrument portfolio measured at amortized cost (corporate bonds).

A number of significant judgements are also required in applying the accounting requirements for measuring ECL, such as:

- Establishing groups of similar financial assets for the purposes of measuring ECL;
- Determining criteria for significant increase in credit risk;
- Choosing appropriate models and assumptions for the measurement of ECL;
- Establishing the number and relative weightings of forward-looking scenarios for ECL.

4. Financial risk management (*continued*)

b) *Credit risk (continued)*

Measurement of the expected credit loss allowance (continued)

IFRS 9 outlines a 'three-stage' model for impairment based on changes in credit quality since initial recognition as summarized below:

- A financial instrument that is not credit-impaired on initial recognition or, for that assets there are no indicators fulfilled to presume that has been "an increase in credit risk" is classified in 'Stage 1';
- If a significant increase in credit risk ('SICR') since initial recognition is identified. The financial instrument is moved to 'Stage 2' but is not yet deemed to be credit-impaired;
- If the financial instrument is credit-impaired. The financial instrument is then moved to 'Stage 3'.

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. Instruments in Stages 2 or 3 have their ECL measured based on expected credit losses on a lifetime basis.

A general approach in measuring ECL in accordance with IFRS 9 is that it should consider forward-looking information.

Purchased or originated credit-impaired financial assets are those financial assets that are credit-impaired on initial recognition. Their ECL is always measured on a lifetime basis.

The following diagram summarizes the impairment requirements under IFRS 9 (other than purchased or originated credit-impaired financial assets):

Change in credit quality since initial recognition

Stage 1	Stage 2	Stage 3
(Initial recognition)	(Significant increase in credit risk since initial recognition)	(Credit-impaired assets)
12-month expected credit losses	Lifetime expected credit losses	Lifetime expected credit losses

Expected credit losses are the discounted product of the Probability of Default (PD), Exposure at Default (EAD), and Loss Given Default (LGD), defined as follows:

The PD represents the likelihood of a borrower defaulting on its financial obligation (as per "Definition of default and credit-impaired "above), either over the next 12 months (12M PD), or over the remaining lifetime (Lifetime PD) of the obligation.

EAD is based on the amounts the Group expects to be owed at the time of default, over the next 12 months (12M EAD) or over the remaining lifetime (Lifetime EAD).

Loss Given Default (LGD) represents a Group's expectation of the extent of loss on a defaulted exposure. LGD varies by type of counterparty and availability of collateral or other credit support.

4. Financial risk management (*continued*)

b) *Credit risk (continued)*

Measurement of the expected credit loss allowance (continued)

The ECL is determined by projecting the PD, LGD and EAD for each future month and for each individual exposure. The ECL for each future month is then discounted back to the reporting date and summed.

Parameters used in the calculation of ECL are determined by considering the grouping of financial asset portfolios according to similar characteristics considered decisive in originating and monitoring credit risk, respectively the type of counterparty (debtor), products and currencies.
The discount rate used in the ECL calculation is the original effective interest rate or an approximation thereof.
The 12-month and lifetime EADs are determined based on the expected payment profile, which varies by product type.

- For amortizing products and bullet repayment loans, this is based on the contractual repayments owed by the borrower over a 12 months or lifetime basis.
- For revolving products and other commitments, for determining the exposure in default, the unused part is taken into account, being applied a credit conversion factor, estimated by the Bank, based on its own historical analysis.

Significant increase in Credit Risk

In determining whether a significant increase in credit risk occurred since initial recognition the Group considers reasonable and supportable information that is relevant and can be obtained without undue cost and effort. The assessment of the significant increase of the risk is made at individual level, analyzing the criteria of each asset.
The Group considers a financial instrument to have experienced a significant increase in credit risk when one or more of the following quantitative, qualitative or backstop criteria have been met:

Quantitative criteria:

The Bank uses quantitative criteria as the primary indicator of significant increase in credit risk for all material portfolios. Quantitative SICR indicators include a comparison of the remaining lifetime PD at reporting data with the residual lifetime PD at the date of initial recognition. The Bank established thresholds for significant increases in credit risk based on both a percetange (relative) and absolute change in PD compared to initial recognition. The degree of deterioration will depend on the level of the initial rating. In general, a significant increase in credit risk is considered to have occurred with a relative increase of more than 150% compared to the initial PD for companies and more than 100% for individuals. Regarding absolute threshold, this is set to more than 100bp for individuals and more then 200bp for companies.

Qualitative criteria for retail portfolios (individuals):

- Significant increase in credit risk perceived by the risk analysis team for individually assessed exposures;
- It is classified as performing restructured;
- LTV analysis for secured retail loans (above a relative threshold combined with days past due indicator);
- Denominated in high-risk currency category;
- Loan products with higher associated risk;
- Facilities owned by customers with sensitive ratings;
- Change in rating grade;
- The number of days past due recorded by the debtor.

4. Financial risk management (*continued*)

b) *Credit risk (continued)*

Measurement of the expected credit loss allowance (continued)

Qualitative criteria for corporate and public institutions portfolios:

- Significant increase in credit risk perceived by the risk analysis team for individually assessed exposures (debtor level), concluded through including these in the Bank's Watch List;
- Significant adverse changes in business, financial and/or economic conditions in which the borrower operates (rating deterioration);
- Actual or expected forbearance operation;
- Early signs of cash flow/liquidity problems such as delay in servicing of trade creditors/loans;
- The borrower is assigned to Remediation department;
- Facilities owned by customers with sensitive ratings;
- Customers operating in an industry sensitive to the effects of energy prices;
- Change in rating grade;
- The number of days past due recorded by the debtor.

The assessment of SICR incorporates forward-looking information.
If there is evidence that the SICR criteria are no longer met, the instrument is transferred back to Stage 1 (this is not applied to forbearance criteria - see below). If an exposure has been transferred to Stage 2 based on a mentioned indicator, the Group monitors whether that indicator continues to exist or has changed.
In relation to Treasury financial instruments, where a Watchlist is used to monitor credit risk, this assessment is performed at the counterparty level and on a periodic basis. The criteria used to identify SICR are monitored and reviewed periodically for appropriateness by the independent Credit Risk team.
If the contractual cash flows on a financial asset have been renegotiated or modified and the financial asset was not derecognized, the Bank assesses whether there has been a significant increase in the credit risk of the financial instrument, compared to:

a) the risk of a default occurring at the reporting date (based on the modified contractual terms); and
b) the risk of a default occurring at initial recognition (based on the original, unmodified contractual terms).

Especially for forborne loans (restructured operation made for debtors that are facing financial difficulties), the Bank considers them to have "significant increase in credit risk" implied. These types of operations determining that those assets are classified as stage 2 or stage 3 and the ECL is calculate on lifetime basis. The classification in Stage 3 is made accordingly to the type and nature of the restructuring, considering in this sense the provisions of the prudential regulations (EBA Guideline 2016-07 on the definition of default establishes when a restructuring is considered to be in a state of "default"). At the same time, when a new restructuring is applied to the exposure during the trial period or the debt service exceeds 30 days, that exposure will be reclassified in Stage 3.

For performing forborne financial assets, the Bank establishes a healing period (at least 2 years after the concluding event), in which the ECL lifetime mode is kept.

After those 2 years mentioned, the Bank is analyzing the financial standing of the borrower and the payments that have been made after the event (frequency and volume) and is concluding if the status should be changed and if so, then ECL calculation is made on 12 months basis.

4. Financial risk management (*continued*)

b) *Credit risk (continued)*

Measurement of the expected credit loss (continued)

Backstops

A backstop is applied and the financial instrument considered to have experienced a significant increase in credit risk if the borrower is more than 30 days past due on its contractual payments. Also, when the whole outstanding amount of the loan becomes overdue (its final maturity date is passed), then it will be classified in stage 2.

Low credit risk exemption

The Group is using the low credit risk exemption only for debt financial instruments (e.g. sovereign bonds, municipal bonds, corporate bond and bonds issued by financial institutions). All financial assets with an assigned rating (at the reporting date) of an investment grade nature are classified as Stage 1.

Definition of default and credit-impaired assets

The Group and the Bank defines a financial instrument as in default, which is fully aligned with the definition of credit- impaired, when it meets one or more of the following criteria:

- The exposure is more than 90 days past due on its contractual payments (also including the new default definition which is referring to significant overdue amount*);
- Exposures for which it is unlikely that the debtor will fully fulfill his payment obligations without the execution of guarantees, regardless of the existence of outstanding amounts or the number of days of delay in payment, respectively:
    - Significant financial difficulty of the issuer or the borrower;
    - The borrower is in nonperforming forbearance situation due to concessions that have been made by the Group and the Bank relating to the borrower's financial difficulty;
    - The borrower is in insolvency status or bankruptcy (or other type of judicial reorganization, both retail and companies) or is becoming probable that the borrower will enter bankruptcy;
    - The borrower for whom legal procedures have started (forced execution started by the Group and the Bank);
    - The borrower and/or the mortgage guarantor sent notification for "payment in kind";
    - The debtor is managed by the special recovery structures of the Bank (Workout unit etc.);
    - Stopped interest calculation;
    - Write off (total/partial) or sale;
    - Establishment of specific adjustments for credit risk due to the deterioration of credit quality, on the background of the exposure in Stage 3 (according to IFRS9).
  - An active market for that financial asset has disappeared because of financial difficulties;
  - Financial assets are purchased or originated at a deep discount that reflects the incurred credit losses.

Exposures which are considered to be in default status for regulatory purposes (CRR art 178) will always be considered stage 3 exposures. Further on, stage 3 exposure are fully aligned with non-performing exposure (the entire amount of the customer's exposure is considered to be non-performing).

4. Financial risk management *(continued)*

b) *Credit risk (continued)*

Measurement of the expected credit loss (continued)

*Bank and its local subsidiaries have implemented at the end of 2020 the European Banking Authority's (the EBA's) definition of default (GL 2016-07), also considering the significance threshold of overdue obligation** established by National Bank of Romania in order to comply with art 178 CRR. This new indicator is considered a new "add-on" to default definition applied by the Group (we do not exclude/ eliminate the day past due indicator considering contractual payment schedules). The criteria above have been applied to all financial instruments held by the Group and are consistent with the definition of default used for internal credit risk management purposes.

** Threshold for assessing the material significance of a credit obligation, as provided for in Article 178 (1) (b) of Regulation (EU) No 1095/2010, 575/2013, consists of an absolute component and a relative component. The absolute component is expressed as the maximum value of the sum of all the overdues amounts that a debtor owes to the Bank. The relative component is expressed as a percentage that reflects the ratio between the value of the overdues loan obligations and the total exposures to that debtor.

For this indicator, it is considered that the debtor is in default when both the limit expressed as the absolute component of the significance threshold and the limit expressed as the relative component of the significance threshold are exceeded for 90 consecutive days. According to NBR Regulation 5/2018, the level of the relative component and the level of the absolute component of the significance threshold is as follows:

- For retail exposures:
  - The level of the relative component of the significance threshold is 1%;
  - The level of the absolute component of the significance threshold is RON 150.
- For other types of exposures than retail exposures:
  - The level of the relative component of the significance threshold is 1%;
  - The level of the absolute component of the significance threshold is RON 1,000.

The above criteria have been applied to all financial instruments held by the Group and are consistent with the definition of the default condition used for internal credit risk management purposes. An instrument is considered to no longer be *in default* (i.e. has been "cured") when it no longer meets any of the default criteria for a consistent period of time, depending on the main trigger for the default classification.

This period has been determined applying the minimum requirements regulated by the EBA Guideline 2016-07 on the definition of default, considering also the expert's opinion. For example, the healing period for the loans in default status based on the days past due criteria start at 3 months while the healing period for nonperforming forborne asset start at one year.

Forward-looking economic information is also included in determining the 12-months and lifetime ECL. These assumptions vary by product type.

In normal market conditions, the assumptions underlying the ECL are monitored and reviewed on a bi-annual basis.

Forward-looking information incorporated in the ECL models

The assessment of SICR and measurement of ECL incorporates forward-looking information.

The Group and the Bank have performed historical analysis and identified the key economic variables impacting credit risk and expected credit losses for each portfolio. Expert judgment has also been applied in this process. Forecasts of these economic variables are provided by the Group's Economics Research team and provide the best estimate view of the economy over the next three years.

4. Financial risk management *(continued)*

b) *Credit risk (continued)*

Measurement of the expected credit loss (continued)

After three years, to project the economic variables out for the full remaining lifetime of each instrument, a mean reversion approach has been used. The impact of these economic variables has been determined by performing statistical regression analysis.

The estimation of expected credit losses involves forecasting future economic conditions over 3 years. The incorporation of forward-looking elements reflects the expectations of the Bank and results in using a baseline forecast and several alternative scenarios for selected macroeconomic variables. The alternative variables are derived, together with their probabilities of occurrence, as a deviation from baseline forecasts. The purpose of using multiple scenarios is to model the non-linear impact of assumptions based on macroeconomic factors on the expected credit losses.

Usually, the Bank uses three scenarios: base scenario (which is the most probable scenario of the economic environment), optimistic and adverse scenario (which is not necessarily a crisis scenario). The scenario weightings are determined by a combination of statistical analysis and expert credit judgement, taking into account the range of possible representative outcomes for each chosen scenario.

The macroeconomic scenarios applied for expected credit losses calculation for 2022 YE have been modified compared to those applied for 2021 YE in order to reflect the macroeconomic context in which both inflation and interest rates are higher than levels that economies were used to in the past few years, and are expected to decrease in different paces in the next years to come - key risk drivers added to the turbulences already existing on the markets in 2021 (increasing prices on the energy market, the difficulties encountered in the supply chain, the semi-conductor crisis, etc.). Uncertainties are being exacerbated by the military conflict in Eastern Europe, while Covid-19 related associated risks are decreasing, as the new virus variants have not resulted in prolonged lockdowns. The Romanian economy continues to be supported by government aid, being difficult to reasonable estimate the impact of the turbulences in the economic environment.

Scenarios weights, for the Bank:

	Optimist	Base case	Pessimist
Y2021	15%	70%	15%
Y2022	10%	55%	35%

Volatility from macroeconomic and geopolitical factors has dominated the business environment in the last period, and the outset for 2023 remains uncertain. The path and influence of central banks' monetary policy tightening are unclear, and while energy prices have dropped, there are still questions about geopolitical tensions, supply chain disruptions and labour-market pressures. Inflationary pressure will also manifest itself in 2023, eroding the economies of the population and the profit margins of companies. The economic activity is likely to be impacted in the shorter term and it is yet unknown to which extent governments will continue to support the economies. Further credit deterioration remains to be seen, as the effect is currently limited and mitigated by the continued government support packages. Despite the slowdown in the economy and turmoil in the financial markets in 2022, the Bank and the Group remain cautiously optimistic, considering the fact that the Romania's economy has become more and more resistant to shocks and challenges, an aspect also confirmed by the better evolution of the GDP compared to the Eurozone area dynamics from the incidence of the pandemic until now.

4. Financial risk management *(continued)*

b) *Credit risk (continued)*

Measurement of the expected credit loss (continued)

In the base case macroeconomic scenario, the Group and the Bank anticipate a slightly positive economic growth with no additional global downside risks materialize, but the interest rates remain high as inflation stays elevated in the first part of 2023. The expectation for the end of 2023 is that the Romanian inflation rate will decrease combined with the downward momentum in energy and food prices.

The consumption prices could increase with annual dynamics of 8% in 2023, 4.2% in 2024 and 4% in 2025. The persistence of high inflationary pressures and the continuation of the economic recovery process will cause the central bank to continue the post-pandemic money cycle on the short term, through further increases in the reference interest rate. On the other hand, the central bank could adjust the monetary policy interest rate in the second half of the next year, against the backdrop of inflation convergence towards the target level and the evolution of the economy at a rate below potential.

The adverse (pessimist) scenario sets out paths for key economic and financial variables in a hypothetical adverse situation triggered by the materialization of risks to which the economy is exposed: the persistently of high inflation, a tightening of financial conditions and a perceptible deteriorating in the economic outlook, driven by surging energy prices, supply shortages and geopolitical tensions. There is a risk of a deeper and more prolonged uncertainties, materialized in extremely high inflation, pressure on national currency or financial deterioration of companies because of production and supply chains disruptions which could conclude in an upward shift in the number of insolvencies.

In the optimistic macroeconomic scenario, we expect the growth of the Romanian economy with annual dynamics of 3.8% in 2023, 4.9% in 2024 and 5.8%% in 2025, against the background of the evolution of productive investments with higher rates, with favorable consequences for the labor market and private consumption. The inflation rate is under control and falls above the expectations, while economic growth surprises on the upside. Current global headwinds get resolved and supply-chain issues ease.

For the Bank and its local subsidiaries the most important macro-economic indicators regarding the future considered in FLI modeling are as follows:

- GDP
- Unemployment rate
- Inflation rate
- Interest rate evolution (EURIBOR/ ROBOR)
- FX evolution
- Private consumption

4. Financial risk management *(continued)*

b) *Credit risk (continued)*

Measurement of the expected credit loss (continued)

Optimist scenario Macro indicators	**2023**	**2024**	**2025**
Real GDP (%, YoY)	3.77	4.90	5.82
Unemployment rate (%)	4.80	4.49	4.31
Inflation (HICP) (%, year to year)	8.02	4.22	4.90
Key interest rate ROBOR 3M (%)	6.61	4.78	4.57
Key interest rate EURIBOR 3M (%)	1.58	1.25	1.35

Base/central scenario Macro indicators	**2023**	**2024**	**2025**
Real GDP (%, YoY)	2.33	4.16	5.01
Unemployment rate (%)	5.19	5.13	5.10
Inflation (HICP) (%, year to year)	8.59	4.65	5.21
Key interest rate ROBOR 3M (%)	7.18	5.21	4.89
Key interest rate EURIBOR 3M (%)	2.56	1.82	1.58

Pessimist scenario Macro indicators	**2023**	**2024**	**2025**
Real GDP (%, YoY)	-0.41	0.40	2.52
Unemployment rate (%)	5.31	5.29	5.30
Inflation (HICP) (%, year to year)	10.86	8.52	8.01
Key interest rate ROBOR 3M (%)	9.45	9.09	7.68
Key interest rate EURIBOR 3M (%)	3.19	2.43	2.00

The table below illustrates the impact of changing scenarios weights for optimistic and adverse scenario, at the Bank level:

Changes in weights	100% pessimist	100% baseline	100% optimistic
ECL movement	+88.6 mill RON	(31.7) mill RON	(77.0) mill RON

Considering that the applied scenarios differ from the scenarios used at 31 December 2021, the changes in sensitivities from end of 2022 to end of 2021 are therefore not directly comparable.

For example, the macroeconomic indicators used in the financial year 2021, for the baseline scenario are:

	2022	**2023**	**2024**
Real GDP (%, YoY)	5.15	4.89	4.46
Unemployment rate (%)	4.80	4.80	4.80
Inflation (HICP) (%)	4.94	3.61	3.56
Key interest rate ROBOR 3M (%)	2.94	2.94	3.08
Key interest rate EURIBOR 3M (%)	-0.50	-0.43	-0.39

4. Financial risk management *(continued)*

c) *Liquidity risk (continued)*

As with any economic forecasts, the projections and likelihoods of occurrence are subject to a high degree of inherent uncertainty and therefore the actual outcomes may be significantly different to those projected. The Group and the Bank consider these forecasts to represent its best estimate of the possible outcomes and has analyzed the non-linearities and asymmetries within the Group's different portfolios to establish that the chosen scenarios are appropriately representative of the range of possible scenarios.

Liquidity risk represents the current or future risk that the profit and capital may be negatively affected as a result of the Bank's incapacity to pay its due and payable debts when they become due.

Liquidity risk has 2 components: the difficulty in procuring funds at maturity in order to refinance current assets or the inability to convert an asset into cash at a value near its fair value in a reasonable period of time.

The purpose of the liquidity risk management is to obtain the expected return on assets, through a proper management of the liquidities, consciously assumed and adapted to the domestic and international market conditions, the growth of the institution and the general current legal framework.

The Group and the Bank are continuously acting to manage this type of risk.

The Group and the Bank have access to a diverse funding base. Funds are raised by using a broad range of instruments, including deposits from customers or from banks, loans from development institutions and financial institutions and share capital. Access to diverse funding sources improves the flexibility to attract funds, limiting the dependence on one type of financing and on one type of partner and leading to an overall decrease of financing costs.

The Group and the Bank try to maintain a balance between continuity and flexibility in attracting funds, by signing financing contracts with different maturities and in different currencies. The Group and the Bank continually assess liquidity risk by identifying and monitoring changes in the financing contracts, and by diversifying the funding sources.

The operational liquidity management is also performed intraday, so as to ensure all the settlements/payments assumed by the Group and the Bank, on their own behalf or on behalf of their clients, in RON or FCY, on account or in cash, within the internal, legal and mandatory limits.

Defining elements of daily/intraday liquidity management are:

- Minimum Required Reserve
- Bonds portfolio
- Raised/placed deposits on the interbank market;
- Cash in cashiers and ATMs;
- Available in correspondent accounts

In addition, liquidity gaps (which describe maturity mismatches) are reported and monitored regularly. The risk of funding concentration (at the level of groups of depositors) is monitored and analyzed daily.

4. Financial risk management (*continued*)

c) *Liquidity risk (continued)*

The Assets and Liabilities Management Committee of the Bank is responsible with the periodic review of liquidity indicators and with the establishment of corrective measures regarding balance sheet figures, so as to eliminate unacceptable deviations in terms of liquidity risk.

The monitoring and management of liquidity risk indicators is done on two levels, namely at the Board/Leader's Committee level and at the CRO/ALCO level.

At Board/Leader's Committee level, at least quarterly, the following indicators are monitored and managed, which define risk appetite: quick liquidity ratio, the weight of liquid assets in total assets and loans to attracted and borrowed resources ratio. At the CRO/ALCO level, an additional set of well diversified indicators is monitored, including the liquidity coverage ratio (LCR) and the net stable funding ratio (NSFR).

The contingency plan aims to provide the methodology for rapid detection of liquidity problems as well as appropriate and timely solutions.
The objectives of the plan include:

- Defining the measure levels associated with potential crisis conditions;
- Definition of informative reports on liquidity, including but not limited to the reporting of warning indicators that will be monitored in order to detect problems in time and provide quick answers;
- Carrying out preliminary preparations to ensure prompt solutions to financing problems. These preparations refer to the identification of responsible parties, general and specific solutions, the development of information that facilitates liquidity management, liquidity reporting, planning requirements, training and testing.
- Ensuring managerial flexibility in relation to the unique circumstances and characteristics of any financing crisis that may arise.

Crisis simulation scenarios have been elaborated by considering various severity levels, various probabilities and different periods of occurrence. Their purpose is to identify/assess potential losses and the potential impact of events or the factors that may generate a liquidity crisis. Additionally, they offer information regarding the impact of liquidity risk determinants on the Group's and Bank's capacity to provide liquidity to its customers and to maintain adequate liquidity levels.

The liquidity reserve is calibrated according to 3 factors:
a) severity and characteristics of crisis scenarios;
b) the time horizon established as a maintenance period;
c) the characteristics of the assets included in the reserve.

The Bank manages the stock of liquid assets in order to ensure, to the greatest extent possible, that it will be available in periods of stress. High concentrations in certain assets are avoided and possible legal, regulatory or operational impediments to the use of these assets are analysed.

Also, the Bank has defined mechanisms and measures to guarantee its access to adequate sources of financing in case of emergency (eg BNR, ECB facilities, attracting funds from other financial institutions, etc.)

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4. Financial risk management (*continued*)

c) *Liquidity risk (continued)*

The assets and liabilities of the Group as at 31 December 2022, analyzed as per the period remaining until the contractual maturity, on models based on the contractual maturity related to the liquidity band, are the following:

Group - *In RON thousand*	**Carrying amount**	**Gross value (inflow /outflow)**	**Up to 3 months**	**3-6 months**	**6-12 months**	**1-3 years**	**3 - 5 years**	**Over 5 years**	**No maturity**
Financial liabilities									
Deposits from banks	1,678,082	(1,682,003)	(1,561,146)	(463)	(24,737)	(95,657)	-	-	-
Deposits from customers	119,731,729	(120,540,457)	(66,161,125)	(8,783,758)	(10,917,293)	(31,202,559)	(2,858,847)	(616,875)	-
Loans from banks and other financial institutions	4,840,928	(5,058,330)	(1,976,848)	(190,391)	(399,381)	(1,604,101)	(270,475)	(617,134)	-
Subordinated liabilities and issued bonds	1,748,260	(2,279,214)	(563)	(60,389)	(377,077)	(202,323)	(184,446)	(1,454,416)	-
Financial liabilities held-for-trading	41,695	(41,695)	(8,270)	(14)	(833)	(11,962)	(11,854)	(8,762)	-
Lease liabilities	492,956	(528,355)	(34,095)	(33,986)	(67,598)	(213,458)	(114,681)	(64,537)	-
Other financial liabilities	1,764,364	(1,764,364)	(1,764,232)	(52)	(10)	(38)	(32)	-	-
Total financial liabilities	**130,298,014**	**(131,894,418)**	**(71,506,279)**	**(9,069,053)**	**(11,786,929)**	**(33,330,098)**	**(3,440,335)**	**(2,761,724)**	**-**
Financial assets									
Cash and curent accounts with Central Banks	14,540,717	14,543,766	14,543,766	-	-	-	-	-	-
Placements with banks and public institutions	5,567,332	5,605,453	3,499,398	266,329	1,548,392	253,332	1,460	36,542	-
Financial assets held for trading and measured at fair value through profit or loss	321,370	321,369	171,538	-	-	-	-	-	149,831
Derivatives	218,443	218,444	1,537	9,108	25,730	35,860	58,159	88,050	-
Loans and advances to customers	65,200,920	95,783,216	6,887,212	6,158,362	16,127,309	24,318,285	10,746,566	31,545,482	-
Finance lease receivables	2,812,597	3,207,773	347,365	281,163	534,533	1,485,849	547,801	11,062	-
Financial assets measured at fair value through other items of comprehensive income	43,485,732	55,852,388	43,005,095	454,350	1,479,765	3,526,973	3,070,794	4,163,718	151,693
Financial assets which are required to be measured at fair value through profit or loss	1,106,041	1,110,013	680,568	52,075	20,818	-	-	-	356,552
Financial assets at amortized cost - debt instruments	2,059,712	2,281,431	973,021	304,014	324,819	193,787	444,170	41,620	-
Other financial assets	1,887,028	1,944,681	1,743,570	79,585	112,966	3,349	57	5,154	-
Total financial assets	**137,199,892**	**180,868,534**	**71,853,070**	**7,604,986**	**20,174,332**	**29,817,435**	**14,869,007**	**35,891,628**	**658,076**
Net balance sheet position		**48,974,116**	**346,791**	**(1,464,067)**	**8,387,403**	**(3,512,663)**	**11,428,672**	**33,129,904**	**658,076**

Notes to the consolidated and separate financial statements

4. Financial risk management (*continued*)

c) *Liquidity risk (continued)*

Group - *In RON thousand*	**Carrying amount**	**Gross value (inflow /outflow)**	**Up to 3 months**	**3-6 months**	**6-12 months**	**1-3 years**	**3 - 5 years**	**Over 5 years**	**No maturity**
31 December 2022									
Off-balance sheet									
Irrevocable commitments given	1,120,368	1,154,577	385,652	84,210	198,767	295,802	93,066	97,080	-
Irrevocable financial guarantees given	5,339,584	5,494,924	750,233	552,758	859,519	2,023,220	759,264	549,930	-
Gross value of swap and forward contracts									
- Deliverable amounts	(2,544,468)	(2,544,468)	(1,467,177)	(151,682)	(388,809)	(289,300)	-	(247,500)	-
- Receivable amounts	5,463,259	5,463,259	1,458,945	163,365	403,274	513,511	1,232,878	1,691,286	-
Net position of derivatives	**2,918,791**	**2,918,791**	**(8,232)**	**11,683**	**14,465**	**224,211**	**1,232,878**	**1,443,786**	-
Total off-balance sheet	**9,378,743**	**9,568,292**	**1,127,653**	**648,651**	**1,072,751**	**2,543,233**	**2,085,208**	**2,090,796**	-
Total net on- and off-balance sheet position		**39,405,824**	**(780,862)**	**(2,112,718)**	**7,314,652**	**(6,055,896)**	**9,343,464**	**31,039,108**	**658,076**

The assets and liabilities of the Group as at 31 December 2021, analyzed based on the period remaining until the contractual maturity, on models reflecting the customer's historic behavior typologies and on conventional assumptions concerning certain balance sheet items are the following:

Group - *In RON thousand*	**Carrying amount**	**Gross value (inflow /outflow)**	**Up to 3 months**	**3-6 months**	**6-12 months**	**1-3 years**	**3 - 5 years**	**Over 5 years**	**No maturity**
Financial liabilities									
Deposits from banks	1,024,259	(1,024,370)	(903,528)	(437)	(24,741)	(95,664)	-	-	-
Deposits from customers	108,021,629	(108,180,777)	(60,909,118)	(5,865,254)	(8,468,691)	(30,065,290)	(2,261,684)	(610,740)	-
Loans from banks and other financial institutions	7,929,500	(7,979,985)	(6,601,835)	(95,106)	(167,467)	(465,598)	(472,311)	(177,668)	-
Subordinated liabilities and issued bonds	1,762,484	(2,148,031)	(1,073)	(36,768)	(62,611)	(451,576)	(107,235)	(1,488,768)	-
Financial liabilities held-for-trading	39,179	(39,179)	(16,939)	(5,951)	(2,829)	(922)	(9,744)	(2,794)	-
Lease liabilities	498,597	(504,748)	(36,454)	(32,472)	(65,047)	(215,723)	(105,690)	(49,362)	-
Other financial liabilities	1,826,081	(1,826,081)	(1,826,081)	-	-	-	-	-	-
Total financial liabilities	**121,101,729**	**(121,703,171)**	**(70,295,028)**	**(6,035,988)**	**(8,791,386)**	**(31,294,773)**	**(2,956,664)**	**(2,329,332)**	**-**

Notes to the consolidated and separate financial statements

4. Financial risk management (*continued*)

c) *Liquidity risk (continued)*

Group - *In RON thousand*	**Carrying amount**	**Gross value (inflow /outflow)**	**Up to 3 months**	**3-6 months**	**6-12 months**	**1-3 years**	**3 - 5 years**	**Over 5 years**	**No maturity**
Financial assets									
Cash and curent accounts with Central Banks	18,320,913	18,323,587	18,323,587	-	-	-	-	-	-
Placements with banks and public institutions	10,394,297	10,415,366	9,345,503	27,411	12,676	992,874	1,472	35,430	-
Financial assets held for trading and measured at fair value through profit or loss	338,450	338,450	182,539	-	-	-	-	-	155,911
Derivatives	80,927	80,927	6,423	4,785	19,168	19,512	18,641	12,398	-
Loans and advances to customers	54,629,754	71,881,620	5,107,671	3,861,580	7,061,723	24,395,794	8,872,360	22,582,492	-
Finance lease receivables	1,488,031	1,734,078	219,687	155,588	297,242	781,323	277,228	3,010	-
Financial assets measured at fair value through other items of comprehensive income	41,193,373	46,403,882	36,552,931	504,922	990,960	3,342,226	2,214,559	2,748,379	49,905
Financial assets which are required to be measured at fair value through profit or loss	1,108,316	1,107,394	638,456	1,065	5,279	111,887	-	-	350,707
Financial assets at amortized cost - debt instruments	1,483,111	1,541,515	498,444	307,447	191,002	184,753	358,902	967	-
Other financial assets	1,054,904	1,076,215	972,942	78,258	25,015	-	-	-	-
Total financial assets	**130,092,076**	**152,903,034**	**71,848,183**	**4,941,056**	**8,603,065**	**29,828,369**	**11,743,162**	**25,382,676**	**556,523**
Net balance sheet position		**31,199,863**	**1,553,155**	**(1,094,932)**	**(188,321)**	**(1,466,404)**	**8,786,498**	**23,053,344**	**556,523**
Off-balance sheet									
Irrevocable commitments given based on expected cash flow	866,950	898,809	322,650	73,216	176,193	146,821	100,971	78,958	-
Irrevocable financial guarantees given based on expected cash flow	4,080,126	4,217,124	503,366	638,940	567,989	1,955,182	156,992	394,655	-
Gross value of swap and forward contracts									
- Deliverable amounts	(3,469,094)	(3,469,094)	(1,680,366)	(367,915)	(549,673)	(334,340)	(289,300)	(247,500)	-
- Receivable amounts	3,705,137	3,705,137	1,672,312	372,114	583,797	372,557	456,952	247,405	-
Net position of derivatives	**236,043**	**236,043**	**(8,054)**	**4,199**	**34,124**	**38,217**	**167,652**	**(95)**	**-**
Total off-balance sheet	**5,183,119**	**5,351,976**	**817,962**	**716,355**	**778,306**	**2,140,220**	**425,615**	**473,518**	**-**
Total net on- and off-balance sheet position		**25,847,887**	**735,193**	**(1,811,287)**	**(966,627)**	**(3,606,624)**	**8,360,883**	**22,579,826**	**556,523**

Notes to the consolidated and separate financial statements

4. Financial risk management (*continued*)

c) *Liquidity risk (continued)*

The assets and liabilities of the Bank as at 31 December 2022, analyzed based on the period remaining until the contractual maturity, on models reflecting the customer's historic behavior typologies and on conventional assumptions concerning certain balance sheet items are the following:

Bank – *In RON thousand*	**Carrying amount**	**Gross value (inflow /outflow)**	**Up to 3 months**	**3-6 months**	**6-12 months**	**1-3 years**	**3 - 5 years**	**Over 5 years**	**No maturity**
Financial liabilities									
Deposits from banks	1,631,542	(1,635,331)	(1,514,474)	(463)	(24,737)	(95,657)	-	-	-
Deposits from customers	116,503,842	(117,258,804)	(63,653,759)	(8,574,296)	(10,460,890)	(31,103,310)	(2,855,032)	(611,517)	-
Loans from banks and other financial institutions	3,562,483	(3,755,095)	(1,856,058)	(72,585)	(108,779)	(894,869)	(208,980)	(613,824)	-
Subordinated liabilities and issued bonds	1,718,909	(2,246,682)	-	(59,679)	(366,524)	(184,699)	(184,446)	(1,451,334)	-
Financial liabilities held-for-trading	41,695	(41,695)	(8,270)	(14)	(833)	(11,962)	(11,854)	(8,762)	-
Lease liabilities	663,680	(699,831)	(36,076)	(36,046)	(71,515)	(228,496)	(136,388)	(191,310)	-
Other financial liabilities	1,315,969	(1,315,969)	(1,315,969)	-	-	-	-	-	-
Total financial liabilities	**125,438,120**	**(126,953,407)**	**(68,384,606)**	**(8,743,083)**	**(11,033,278)**	**(32,518,993)**	**(3,396,700)**	**(2,876,747)**	**-**
Financial assets									
Cash and curent accounts with Central Banks	12,645,157	12,646,556	12,646,556	-	-	-	-	-	-
Placements with banks and public institutions	6,634,858	6,720,007	3,243,124	608,441	1,903,680	952,752	1,460	10,550	-
Financial assets at amortized cost - debt instruments	975,159	1,175,430	521,245	1,339	37,904	140,343	434,340	40,259	-
Derivatives	218,443	218,443	1,536	9,108	25,730	35,860	58,159	88,050	-
Equity instruments	30,693	30,693	15,347	-	-	-	-	-	15,346
Loans and advances to customers	63,449,954	92,508,976	6,414,565	5,999,348	15,668,426	23,095,693	10,246,337	31,084,607	-
Financial assets measured at fair value through other items of comprehensive income	43,124,154	55,470,633	42,783,572	453,638	1,464,131	3,523,264	3,065,166	4,163,198	17,664
Financial assets which are required to be measured at fair value through profit or loss	1,474,595	1,478,567	901,733	52,075	20,818	-	-	-	503,941
Equity investments	708,412	708,412	-	-	-	-	-	-	708,412
Other financial assets	1,935,629	1,969,820	1,774,985	79,621	112,920	2,294	-	-	-
Total financial assets	**131,197,054**	**172,927,537**	**68,302,663**	**7,203,570**	**19,233,609**	**27,750,206**	**13,805,462**	**35,386,664**	**1,245,363**
Net balance sheet position		**45,974,130**	**(81,943)**	**(1,539,513)**	**8,200,331**	**(4,768,787)**	**10,408,762**	**32,509,917**	**1,245,363**

Notes to the consolidated and separate financial statements

4. Financial risk management (*continued*)

c) *Liquidity risk (continued)*

Bank – *In RON thousand*	**Carrying amount**	**Gross value (inflow /outflow)**	**Up to 3 months**	**3-6 months**	**6-12 months**	**1-3 years**	**3 - 5 years**	**Over 5 years**	**No maturity**
31 December 2022									
Off-balance sheet									
Irrevocable commitments given based on expected cash flow	259,570	264,926	44,530	6,306	60,242	128,339	1,186	24,323	-
Irrevocable financial guarantees given based on expected cash flow	5,318,671	5,473,382	743,973	546,365	855,898	2,017,565	759,651	549,930	-
Gross value of swap and forward contracts									
- Deliverable amounts	(2,544,468)	(2,544,468)	(1,467,177)	(151,682)	(388,809)	(289,300)	-	(247,500)	-
- Receivable amounts	5,463,259	5,463,259	1,458,945	163,365	403,274	513,511	1,232,878	1,691,286	-
Net position of derivatives	2,918,791	2,918,791	(8,232)	11,683	14,465	224,211	1,232,878	1,443,786	-
Total off-balance sheet	**8,497,032**	**8,657,099**	**780,271**	**564,354**	**930,605**	**2,370,115**	**1,993,715**	**2,018,039**	**-**
Total net on- and off-balance sheet position		**37,317,031**	**(862,214)**	**(2,103,867)**	**7,269,726**	**(7,138,902)**	**8,415,047**	**30,491,878**	**1,245,363**

Compared to 2021, the volume of attracted resources (customers and banks) for the Bank on December 31, 2022 increased from RON 103,650,538 thousand to RON 118,135,384 thousand. A significant mismatch is observed on over 5 years, due to the fact that most of the resources consists of attracted deposits of clients, whose maturities are less than 5 years.

The negative gaps between various balance sheet and off-balance sheet items, as they are presented above, are easy to manage due to the financial assets measured at fair value through other items of comprehensive income, which ensure a high level of flexibility through their diversification and possibility of trading on an active and liquid market.

Notes to the consolidated and separate financial statements

4. Financial risk management (*continued*)

c) *Liquidity risk (continued)*

The assets and liabilities of the Bank as at 31 December 2021, analyzed based on the period remaining until the contractual maturity, on models reflecting the customer's historic behavior typologies and on conventional assumptions concerning certain balance sheet items are the following:

Bank - *In RON thousand*	**Carrying amount**	**Gross value (inflow /outflow)**	**Up to 3 months**	**3-6 months**	**6-12 months**	**1-3 years**	**3 - 5 years**	**Over 5 years**	**No maturity**
Financial liabilities									
Deposits from banks	952,453	(952,547)	(831,705)	(437)	(24,741)	(95,664)	-	-	-
Deposits from customers	102,698,085	(102,824,349)	(57,267,473)	(5,235,543)	(7,604,131)	(29,856,796)	(2,252,065)	(608,341)	-
Loans from banks and other financial institutions	7,457,843	(7,482,239)	(6,553,384)	(58,128)	(101,773)	(348,032)	(248,129)	(172,793)	-
Subordinated liabilities and issued bonds	1,706,234	(2,085,582)	-	(35,538)	(35,772)	(421,228)	(107,235)	(1,485,809)	-
Financial liabilities held-for-trading	38,689	(38,689)	(16,449)	(5,951)	(2,829)	(922)	(9,744)	(2,794)	-
Lease liabilities	716,569	(761,320)	(35,072)	(35,199)	(70,420)	(241,470)	(141,954)	(237,205)	-
Other financial liabilities	1,440,467	(1,440,467)	(1,440,467)	-	-	-	-	-	-
Total financial liabilities	**115,010,340**	**(115,585,193)**	**(66,144,550)**	**(5,370,796)**	**(7,839,666)**	**(30,964,112)**	**(2,759,127)**	**(2,506,942)**	**-**

Notes to the consolidated and separate financial statements

4. Financial risk management (*continued*)

c) *Liquidity risk (continued)*

Bank – *In RON thousand*	**Carrying amount**	**Gross value (inflow /outflow)**	**Up to 3 months**	**3-6 months**	**6-12 months**	**1-3 years**	**3 - 5 years**	**Over 5 years**	**No maturity**
Financial assets									
Cash and curent accounts with Central Banks	16,763,625	16,765,514	16,765,514	-	-	-	-	-	-
Placements with banks and public institutions	9,612,690	9,633,299	8,611,930	5,242	12,180	991,207	1,460	11,280	-
Financial assets at amortized cost - debt instruments	355,331	388,549	1,290	1,343	4,582	49,270	332,064	-	-
Derivatives	79,842	79,842	5,338	4,785	19,168	19,512	18,641	12,398	-
Equity instruments	31,207	31,207	15,603	-	-	-	-	-	15,604
Loans and advances to customers	52,238,523	68,165,569	4,552,748	3,610,775	6,557,701	23,498,256	8,061,039	21,885,050	-
Financial assets measured at fair value through other items of comprehensive income	40,853,784	46,049,586	36,275,446	503,950	979,721	3,320,552	2,207,907	2,746,106	15,904
Financial assets which are required to be measured at fair value through profit or loss	1,465,497	1,464,576	852,810	1,065	5,279	111,887	-	-	493,535
Equity investments	735,486	735,486	-	-	-	-	-	-	735,486
Other financial assets	884,171	905,477	802,204	78,258	25,015	-	-	-	-
Total financial assets	**123,020,156**	**144,219,105**	**67,882,883**	**4,205,418**	**7,603,646**	**27,990,684**	**10,621,111**	**24,654,834**	**1,260,529**
Net balance sheet position		**28,633,912**	**1,738,333**	**(1,165,378)**	**(236,020)**	**(2,973,428)**	**7,861,984**	**22,147,892**	**1,260,529**
Off-balance sheet									
Irrevocable commitments given based on expected cash flow	121,860	142,238	5,834	13,734	57,069	22,167	3,022	40,412	-
Irrevocable financial guarantees given based on expected cash flow	4,063,876	4,200,495	501,427	635,405	1,020,251	1,491,769	156,988	394,655	-
Gross value of swap and forward contracts									
- Deliverable amounts	(3,304,338)	(3,304,338)	(1,515,610)	(367,915)	(549,673)	(334,340)	(289,300)	(247,500)	-
- Receivable amounts	3,539,666	3,539,666	1,506,841	372,114	583,797	372,557	456,952	247,405	-
Net position of derivatives	**235,328**	**235,328**	**(8,769)**	**4,199**	**34,124**	**38,217**	**167,652**	**(95)**	**-**
Total off-balance sheet	**4,421,064**	**4,578,061**	**498,492**	**653,338**	**1,111,444**	**1,552,153**	**327,662**	**434,972**	**-**
Total net on- and off-balance sheet position		**24,055,851**	**1,239,841**	**(1,818,716)**	**(1,347,464)**	**(4,525,581)**	**7,534,322**	**21,712,920**	**1,260,529**

4. Financial risk management (*continued*)

d) *Market risk*

Market risk represents the risk that the earnings of the Group and the Bank or the value of financial instruments held may be negatively affected by adverse market changes in interest rates, foreign exchange rates or other financial ratios. The objective of market risk management is to monitor and maintain financial instrument portfolio exposures within acceptable risk parameters, while optimizing the return on investments.

d1) Interest rate risk from the banking book

Interest rate risk represents the current or future risk for profit and capital to be negatively affected as a result of adverse changes in interest rates.

The Group and the Bank undertake the interest rate risk resulting from funds raised and placed in relation to non-bank customers (interest rate risk from banking activities).
The main sources of interest rate risk are represented by the imperfect correlation between maturity dates (for fixed interest rates) or pricing reset dates (for variable interest rates) with respect to interest bearing assets and liabilities, the adverse changes of the yield curve (un-parallel shift of interest rate curves related to interest bearing assets and liabilities).

The management of interest bearing assets and liabilities is carried out in the context of the Group's/the Bank's exposure to interest rate fluctuations. The Group and the Bank use a mix of fixed and variable interest bearing instruments to control the mismatch between the dates on which the interest on assets and liabilities is adjusted to the market rates or the maturity mismatch between assets and liabilities.

Interest rate risk is managed by monitoring the interest rate GAP (mismatch) and by means of a system of limits and indicators well diversified.
The Assets and Liabilities Management Committee is the body that monitors the compliance with these limits, being assisted in the daily monitoring by the Treasury Department.

Interest rate risk management within the limits is accompanied by a sensitivity analysis of the Group's/the Bank's financial assets and liabilities to various standard interest rate scenarios.

4. Financial risk management (*continued*)

d) *Market risk (continued)*

d1) Interest rate risk from the banking book (continued)

An analysis of the interest bearing assets' and liabilities' sensitivity to interest rate increases or decreases on the market is set out below at Group/Bank level:

	Group				Bank			
In RON thousand	200 basis points	200 basis points	100 basis points	100 basis points	200 basis points	200 basis points	100 basis points	100 basis points
	Increase	Decrease	Increase	Decrease	Increase	Decrease	Increase	Decrease
31 December 2022								
Average for the period	9,817	(9,817)	4,908	(4,908)	11,398	(11,398)	5,699	(5,699)
Minimum for the period	(154,455)	236	(79,728)	118	(167,297)	668	(83,648)	334
Maximum for the period	307,647	(1,160)	(153,823)	(580)	307,535	(5,022)	153,768	(2,511)
31 December 2021								
Average for the period	9,574	(9,574)	4,787	(4,787)	10,653	(10,653)	5,326	(5,326)
Minimum for the period	(180,008)	115	(90,004)	58	(186,182)	220	(93,091)	110
Maximum for the period	357,363	(1,954)	178,681	(977)	357,352	(5,155)	178,676	(2,577)

In the sensitivity analysis regarding interest rate variation, the Group and the Bank have calculated the impact of potential market interest rate changes on the interest margin for the future financial periods, by taking into consideration the interest rate resetting/re-fixing date with respect to the balance sheet assets and liabilities.

The potential change of the Bank's economic value due to changes of the interest rate levels based on the standardized method is presented in the table below:

In RON thousand	2022	2021
Own funds	10,417,663	10,828,043
Potential decline in ec value +/- 200bp		
Absolute value	729,455	687,615
Impact on own funds	7%	6.35%

The potential change of the Group's economic value based on the standardized method is presented in the table below:

In RON thousand	2022	2021
Own funds	11,046,145	11,306,117
Potential decline in ec value +/- 200bp		
Absolute value	765,695	746,805
Impact on own funds	6.93%	6.61%

By undertaking GAP analyses, the Group and the Bank intended to reduce the gap between assets and liabilities that are sensitive to interest rate fluctuations, both overall and on various time intervals, so that the impact of interest rate fluctuations on the net incomes should be minimized.

Notes to the consolidated and separate financial statements

4. Financial risk management (*continued*)

d) *Market risk (continued)*

d1) Interest rate risk from the banking book (continued)

The table below presents the aggregated amounts of the Group's banking book at carrying amounts, categorized based on the earlier date between the interest modification date and the maturity date, as at 31 December 2022:

In RON thousand	Up to 6 months	6 - 12 months	1-3 years	3 - 5 years	Over 5 years	Non-interest bearing	Total
Financial assets							
Cash and curent accounts with Central Banks	14,540,717	-	-	-	-	-	14,540,717
Placements with banks and public institutions	4,271,236	1,288,112	-	-	7,984	-	5,567,332
Financial assets measured at amortized cost - debt instruments	1,272,981	279,290	101,855	387,605	17,981	-	2,059,712
Financial assets measured at fair value through other items of comprehensive income	32,056,108	289,165	1,087,625	1,390,799	1,210,434	-	36,034,131
Loans and advances to customers	48,296,611	9,113,254	5,445,830	1,680,083	665,142	-	65,200,920
Finance lease receivables	2,761,892	989	30,351	18,898	467	-	2,812,597
Other financial assets	300,737	82,852	1,929	-	-	1,501,510	1,887,028
Total financial assets	103,500,282	11,053,662	6,667,590	3,477,385	1,902,008	1,501,510	128,102,437
Financial liabilities							
Deposits from banks	1,557,688	24,737	95,657	-	-	-	1,678,082
Deposits from customers	102,289,447	14,530,165	2,902,492	5,779	3,846	-	119,731,729
Loans from banks and other financial institutions, subordinated debt and issued bonds	5,269,194	104,650	454,380	178,491	582,473	-	6,589,188
Lease liabilities	65,637	65,208	204,479	105,698	51,934	-	492,956
Other financial liabilities	-	-	-	-	-	1,764,364	1,764,364
Total financial liabilities	109,181,966	14,724,760	3,657,008	289,968	638,253	1,764,364	130,256,319
Net position	(5,681,684)	(3,671,098)	3,010,582	3,187,417	1,263,755	(262,854)	(2,153,882)
Irrevocable commitments given	453,166	194,285	286,954	90,415	95,548	-	1,120,368
Irrevocable financial guarantees given	1,240,864	817,604	1,991,142	756,289	533,685	-	5,339,584
Total off-balance sheet	1,694,030	1,011,889	2,278,096	846,704	629,233	-	6,459,952
Net position on- and off-balance sheet	(3,987,654)	(2,659,209)	5,288,678	4,034,121	1,892,988	(262,854)	4,306,070

4. Financial risk management (*continued*)

d) *Market risk (continued)*

d1) Interest rate risk from the banking book (continued)

The table below presents the aggregated amounts of the Group's banking book at carrying amounts, categorized based on the earlier date between the interest modification date and the maturity date, as at 31 December 2021:

In RON thousand	Up to 6 months	6 - 12 months	1-3 years	3 - 5 years	Over 5 years	Non-interest bearing	Total
Financial assets							
Cash and curent accounts with Central Banks	18,320,913	-	-	-	-	-	**18,320,913**
Placements with banks and public institutions	9,396,673	-	989,639	-	7,985	-	**10,394,297**
Financial assets measured at amortized cost - debt instruments	796,529	180,450	162,056	343,138	938	-	**1,483,111**
Financial assets measured at fair value through other items of comprehensive income	23,837,223	21,022	495,797	1,105,430	1,256,251	-	**26,715,723**
Loans and advances to customers	40,388,852	3,048,282	9,252,892	1,634,773	304,955	-	**54,629,754**
Finance lease receivables	1,444,278	4,407	21,070	17,947	329	-	**1,488,031**
Other financial assets	238,496	22,036	-	-	-	794,372	**1,054,904**
Total financial assets	**94,422,964**	**3,276,197**	**10,921,454**	**3,101,288**	**1,570,458**	**794,372**	**114,086,733**
Financial liabilities							
Deposits from banks	903,854	24,741	95,664	-	-	-	**1,024,259**
Deposits from customers	94,450,883	12,343,993	1,221,538	523	4,692	-	**108,021,629**
Loans from banks and other financial institutions, subordinated debt and issued bonds	8,861,801	114,022	299,738	244,979	171,444	-	**9,691,984**
Lease liabilities	68,157	64,380	213,936	104,724	47,400	-	**498,597**
Other financial liabilities	-	-	-	-	-	1,826,081	**1,826,081**
Total financial liabilities	**104,284,695**	**12,547,136**	**1,830,876**	**350,226**	**223,536**	**1,826,081**	**121,062,550**
Net position	**(9,861,731)**	**(9,270,939)**	**9,090,578**	**2,751,062**	**1,346,922**	**(1,031,709)**	**(6,975,817)**
Irrevocable commitments given	385,516	173,503	144,487	100,502	62,942	-	**866,950**
Irrevocable financial guarantees given	1,087,549	527,196	1,929,625	152,647	383,109	-	**4,080,126**
Total off-balance sheet	1,473,065	700,699	2,074,112	253,149	446,051	-	**4,947,076**
Net position on- and off-balance sheet	**(8,388,666)**	**(8,570,240)**	**11,164,690**	**3,004,211**	**1,792,973**	**(1,031,709)**	**(2,028,741)**

Notes to the consolidated and separate financial statements

4. Financial risk management (*continued*)

d) *Market risk (continued)*

d1) Interest rate risk from the banking book (continued)

The table below presents the aggregated amounts of the Bank's banking book at carrying amounts, categorized based on the earlier date between the interest modification date and the maturity date, as at 31 December 2022:

In RON thousand	Up to 6 months	6 - 12 months	1-3 years	3 - 5 years	Over 5 years	Non-interest bearing	Total
Financial assets							
Cash and curent accounts with Central Banks	12,645,157	-	-	-	-	-	**12,645,157**
Placements with banks and public institutions	4,319,484	1,633,114	674,276	-	7,984	-	**6,634,858**
Financial assets at amortized cost - debt instruments	521,053	-	61,673	376,017	16,416	-	**975,159**
Financial assets measured at fair value through other items of comprehensive income	31,913,979	281,893	1,017,813	1,386,622	1,210,285	-	35,810,592
Loans and advances to customers	47,247,143	8,958,669	5,062,897	1,520,230	661,015	-	**63,449,954**
Net lease investments	-	-	-	-	-	-	**-**
Other financial assets	300,737	82,852	1,929	-	-	1,550,111	**1,935,629**
Total financial assets	**96,947,553**	**10,956,528**	**6,818,588**	**3,282,869**	**1,895,700**	**1,550,111**	**121,451,349**
Financial liabilities							
Deposits from banks	1,511,148	24,737	95,657	-	-	-	**1,631,542**
Deposits from customers	99,381,804	14,207,405	2,905,013	5,774	3,846	-	**116,503,842**
Loans from banks and other financial institutions, subordinated debt and issued bonds	4,161,765	73,269	298,009	165,876	582,473	-	**5,281,392**
Lease liabilities	69,109	68,559	218,394	128,895	178,723	-	**663,680**
Other financial liabilities	-	-	-	-	-	1,315,969	**1,315,969**
Total financial liabilities	**105,123,826**	**14,373,970**	**3,517,073**	**300,545**	**765,042**	**1,315,969**	**125,396,425**
Net position	**(8,176,273)**	**(3,417,442)**	**3,301,515**	**2,982,324**	**1,130,658**	**234,142**	**(3,945,076)**
Irrevocable commitments given	49,570	59,954	125,647	1,127	23,272	-	259,570
Irrevocable financial guarantees given	1,228,583	814,058	1,985,670	756,674	533,686	-	5,318,671
Total off-balance sheet	**1,278,153**	**874,012**	**2,111,317**	**757,801**	**556,958**	**-**	**5,578,241**
Net position on- and off-balance sheet	**(6,898,120)**	**(2,543,430)**	**5,412,832**	**3,740,125**	**1,687,616**	**234,142**	**1,633,165**

4. Financial risk management (*continued*)

d) *Market risk (continued)*

d1) Interest rate risk from the banking book (continued)

The table below presents the aggregated amounts of the Bank's banking book at carrying amounts, categorized based on the earlier date between the interest modification date and the maturity date, as at 31 December 2021:

In RON thousand	Up to 6 months	6 – 12 months	1-3 years	3 – 5 years	Over 5 years	Non-interest bearing	Total
Financial assets							
Cash and curent accounts with Central Banks	16,763,625	-	-	-	-	-	**16,763,625**
Placements with banks and public institutions	8,615,066	145	989,494	-	7,985	-	**9,612,690**
Financial assets at amortized cost – debt instruments	2,494	-	34,792	318,045	-	-	**355,331**
Financial assets measured at fair value through other items of comprehensive income	23,560,330	18,031	483,120	1,100,529	1,255,287	-	26,417,297
Loans and advances to customers	38,692,647	2,893,360	8,936,256	1,414,325	301,935	-	**52,238,523**
Net lease investments	-	-	-	-	-	-	**-**
Other financial assets	238,496	22,036	-	-	-	623,639	**884,171**
Total financial assets	**87,872,658**	**2,933,572**	**10,443,662**	**2,832,899**	**1,565,207**	**623,639**	**106,271,637**
Financial liabilities							
Deposits from banks	832,048	24,741	95,664	-	-	-	**952,453**
Deposits from customers	89,843,297	11,714,057	1,136,096	370	4,265	-	**102,698,085**
Loans from banks and other financial institutions, subordinated debt and issued bonds	8,391,635	71,204	284,815	244,979	171,444	-	**9,164,077**
Lease liabilities	67,026	67,221	230,283	133,118	218,921	-	**716,569**
Other financial liabilities	-	-	-	-	-	1,440,467	**1,440,467**
Total financial liabilities	**99,134,006**	**11,877,223**	**1,746,858**	**378,467**	**394,630**	**1,440,467**	**114,971,651**
Net position	**(11,261,348)**	**(8,943,651)**	**8,696,804**	**2,454,432**	**1,170,577**	**(816,828)**	**(8,700,014)**
Irrevocable commitments given	17,007	55,940	21,437	3,005	24,471	-	**121,860**
Irrevocable financial guarantees given	1,082,333	979,489	1,466,304	152,641	383,109	-	**4,063,876**
Total off-balance sheet	**1,099,340**	**1,035,429**	**1,487,741**	**155,646**	**407,580**	**-**	**4,185,736**
Net position on- and off-balance sheet	**(10,162,008)**	**(7,908,222)**	**10,184,545**	**2,610,078**	**1,578,157**	**(816,828)**	**(4,514,278)**

Notes to the consolidated and separate financial statements

4. Financial risk management (*continued*)

d) *Market risk (continued)*

d2) Currency risk

The Group and the Bank are exposed to currency risk through open positions generated by FX transactions. There is also a risk that the net values of monetary assets and liabilities in foreign currency may change, as a result of exchange rate variation.

The Group and the Bank manage the currency risk based both on classic approach as strict currency position and "stop-loss" limits monitored in real time but also based on VaR type calculations to assess possible changes in the assets and liabilities values.

The Group's monetary assets and liabilities denominated in RON and FCY at 31 December 2022 are presented below:

In RON thousand	**RON**	**EUR**	**USD**	**Other currencies**	**Total**
Monetary assets					
Cash and curent accounts with Central Banks	8,705,617	4,310,700	311,503	1,212,897	**14,540,717**
Placements with banks and public institutions	870,605	2,755,336	1,411,120	530,271	**5,567,332**
Financial assets held for trading and measured at fair value through profit or loss	97,692	10,849	-	-	**108,541**
Derivatives	213,581	4,862	-	-	**218,443**
Loans and advances to customers	43,701,475	19,890,934	316,315	1,292,196	**65,200,920**
Finance lease receivables	179,801	2,632,796	-	-	**2,812,597**
Financial assets measured at fair value through other items of comprehensive income	24,431,042	15,306,122	3,499,411	97,464	**43,334,039**
Financial assets which are required to be measured at fair value through profit or loss	324,060	515,530	24,414	-	**864,004**
Financial assets at amortized cost - debt instruments	157,018	861,388	-	1,041,306	**2,059,712**
Other financial assets	1,697,765	118,820	35,785	34,658	**1,887,028**
Total monetary assets	**80,378,656**	**46,407,337**	**5,598,548**	**4,208,792**	**136,593,333**
Monetary liabilities					
Deposits from banks	1,471,848	189,191	16,443	600	**1,678,082**
Deposits from customers	69,416,036	41,705,206	5,405,369	3,205,118	**119,731,729**
Loans from banks and other financial institutions, subordinated debt	1,127,931	5,263,109	191,897	6,251	**6,589,188**
Financial liabilities held-for-trading	33,562	8,133	-	-	**41,695**
Lease liabilities	14,711	476,209	489	1,547	**492,956**
Other financial liabilities	1,345,389	299,651	66,129	53,195	**1,764,364**
Total monetary liabilities	**73,409,477**	**47,941,499**	**5,680,327**	**3,266,711**	**130,298,014**
Net currency position	**6,969,179**	**(1,534,162)**	**(81,779)**	**942,081**	**6,295,319**
Gross value of swap and forward contracts					
- Deliverable amounts	(1,474,728)	(776,345)	(12,977)	(280,418)	**(2,544,468)**
- Receivable amounts	1,473,754	3,683,314	7,184	299,007	**5,463,259**
Net position of derivatives	**(974)**	**2,906,969**	**(5,793)**	**18,589**	**2,918,791**
Net on- and off-balance sheet position	**6,968,205**	**1,372,807**	**(87,572)**	**960,670**	**9,214,110**

4. Financial risk management (*continued*)

d) *Market risk (continued)*

d2) Currency risk (continued)

The Group's monetary assets and liabilities denominated in RON and FCY at 31 December 2021 are presented below:

In RON thousand	RON	EUR	USD	Other currencies	Total
Monetary assets					
Cash and curent accounts with Central Banks	7,555,659	9,707,159	221,581	836,514	**18,320,913**
Placements with banks and public institutions	6,527,116	2,281,069	757,175	828,937	**10,394,297**
Financial assets held for trading and measured at fair value through profit or loss	112,642	20,495	-	-	**133,137**
Derivatives	80,600	327	-	-	**80,927**
Loans and advances to customers	39,077,527	14,021,505	208,404	1,322,318	**54,629,754**
Finance lease receivables	210,649	1,277,291	91	-	**1,488,031**
Financial assets measured at fair value through other items of comprehensive income	23,882,789	14,089,943	3,080,624	87,365	**41,140,721**
Financial assets which are required to be measured at fair value through profit or loss	344,370	502,880	23,046	-	**870,296**
Financial assets at amortized cost - debt instruments	54,980	336,462	-	1,091,669	**1,483,111**
Other financial assets	765,988	160,458	108,469	19,989	**1,054,904**
Total monetary assets	**78,612,320**	**42,397,589**	**4,399,390**	**4,186,792**	**129,596,091**
Monetary liabilities					
Deposits from banks	771,139	57,819	194,072	1,229	**1,024,259**
Deposits from customers	61,127,622	39,811,831	4,111,859	2,970,317	**108,021,629**
Loans from banks and other financial institutions, subordinated debt	6,576,362	2,927,116	176,616	11,890	**9,691,984**
Financial liabilities held-for-trading	38,420	319	440	-	**39,179**
Lease liabilities	12,389	484,701	825	682	**498,597**
Other financial liabilities	1,612,053	131,688	52,927	29,413	**1,826,081**
Total monetary liabilities	**70,137,985**	**43,413,474**	**4,536,739**	**3,013,531**	**121,101,729**
Net currency position	**8,474,335**	**(1,015,885)**	**(137,349)**	**1,173,261**	**8,494,362**
Gross value of swap and forward contracts					
- Deliverable amounts	(1,926,264)	(1,065,114)	(154,546)	(323,170)	**(3,469,094)**
- Receivable amounts	1,293,821	2,403,886	7,430	-	**3,705,137**
Net position of derivatives	**(632,443)**	**1,338,772**	**(147,116)**	**(323,170)**	**236,043**
Net on- and off-balance sheet position	**7,841,892**	**322,887**	**(284,465)**	**850,091**	**8,730,405**

Notes to the consolidated and separate financial statements

4. Financial risk management (*continued*)

d) *Market risk (continued)*

d2) Currency risk (continued)

The Bank's monetary assets and liabilities denominated in RON and foreign currencies at 31 December 2022 are presented below:

In RON thousand	RON	EUR	USD	Other currencies	Total
Monetary assets					
Cash and curent accounts with Central Banks	8,649,472	3,559,711	105,174	330,800	12,645,157
Placements with banks and public institutions	1,234,480	3,657,542	1,219,201	523,635	6,634,858
Financial assets at amortized cost - debt instruments	150,908	824,251	-	-	975,159
Derivatives	213,581	4,862	-	-	218,443
Loans and advances to customers	42,845,868	19,954,541	286,947	362,598	63,449,954
Financial assets measured at fair value through other items of comprehensive income	24,263,112	15,250,514	3,499,411	93,454	43,106,491
Financial assets which are required to be measured at fair value through profit or loss	623,553	585,388	23,942	-	1,232,883
Other financial assets	1,812,494	100,344	22,125	666	1,935,629
Total monetary assets	**79,793,468**	**43,937,153**	**5,156,800**	**1,311,153**	**130,198,574**
Monetary liabilities					
Deposits from banks	1,475,150	150,908	2,955	2,529	1,631,542
Deposits from customers	69,468,654	40,726,866	5,060,515	1,247,807	116,503,842
Loans from banks and other financial institutions, subordinated debt	1,045,633	4,043,935	191,824	-	5,281,392
Financial liabilities held-for-trading	33,562	8,133	-	-	41,695
Lease liabilities	13,155	650,068	457	-	663,680
Other financial liabilities	1,016,683	233,808	57,210	8,268	1,315,969
Total monetary liabilities	**73,052,837**	**45,813,718**	**5,312,961**	**1,258,604**	**125,438,120**
Net currency position	**6,740,631**	**(1,876,565)**	**(156,161)**	**52,549**	**4,760,454**
Gross value of swap and forward contracts					
- Deliverable amounts	(1,474,728)	(776,345)	(12,977)	(280,418)	**(2,544,468)**
- Receivable amounts	1,473,754	3,683,314	7,184	299,007	**5,463,259**
Net position of derivatives	**(974)**	**2,906,969**	**(5,793)**	**18,589**	**2,918,791**
Net on- and off-balance sheet position	**6,739,657**	**1,030,404**	**(161,954)**	**71,138**	**7,679,245**

4. Financial risk management (*continued*)

d) *Market risk (continued)*

d2) Currency risk (continued)

The Bank's monetary assets and liabilities denominated in RON and foreign currencies at 31 December 2021 are presented below:

In RON thousand	RON	EUR	USD	Other currencies	Total
Monetary assets					
Cash and curent accounts with Central Banks	7,335,234	9,159,870	85,498	183,023	**16,763,625**
Placements with banks and public institutions	6,391,663	1,847,933	557,606	815,488	**9,612,690**
Financial assets at amortized cost - debt instruments	48,715	306,616	-	-	**355,331**
Derivatives	79,515	327	-	-	**79,842**
Loans and advances to customers	37,773,388	13,884,948	181,749	398,438	**52,238,523**
Financial assets measured at fair value through other items of comprehensive income	23,664,357	14,009,948	3,080,624	82,951	**40,837,880**
Financial assets which are required to be measured at fair value through profit or loss	630,962	574,571	22,386	-	**1,227,919**
Other financial assets	711,933	143,496	28,384	358	**884,171**
Total monetary assets	**76,635,767**	**39,927,709**	**3,956,247**	**1,480,258**	**121,999,981**
Monetary liabilities					
Deposits from banks	738,027	31,459	180,858	2,109	**952,453**
Deposits from customers	59,998,316	37,953,876	3,656,977	1,088,916	**102,698,085**
Loans from banks and other financial institutions, subordinated debt	6,507,490	2,479,971	176,616	-	**9,164,077**
Financial liabilities held-for-trading	37,930	319	440	-	**38,689**
Lease liabilities	11,985	703,809	775	-	**716,569**
Other financial liabilities	1,275,128	110,964	46,437	7,938	**1,440,467**
Total monetary liabilities	**68,568,876**	**41,280,398**	**4,062,103**	**1,098,963**	**115,010,340**
Net currency position	**8,066,891**	**(1,352,689)**	**(105,856)**	**381,295**	**6,989,641**
Gross value of swap and forward contracts					
- Deliverable amounts	(1,761,508)	(1,065,114)	(154,546)	(323,170)	**(3,304,338)**
- Receivable amounts	1,128,350	2,403,886	7,430	-	**3,539,666**
Net position of derivatives	**(633,158)**	**1,338,772**	**(147,116)**	**(323,170)**	**235,328**
Net on- and off-balance sheet position	**7,433,733**	**(13,917)**	**(252,972)**	**58,125**	**7,224,969**

By determining and monitoring the net FCY positions and the exchange rate volatility, the Bank has aimed to create a portfolio that is optimally correlated in terms of FCY assets and liabilities, as well as a balanced approach to trading operations on the foreign exchange market.

The table below presents the Profit/Loss sensitivity in the event of potential changes of the exchange rates applicable at the end of the reporting period in relation to the functional currency of the Group entities, considering that all the other variables remain constant:

	Impact on Profit or Loss	
In RON thousand	**2022**	**2021**
EUR increase by up to 20%	22,055	23,691
EUR decrease by up to 20%	(22,055)	(23,691)
USD increase by up to 20%	46,139	1,666
USD decrease by up to 20%	(46,139)	(1,666)

4. Financial risk management (*continued*)

d) *Market risk (continued)*

d3) Market risk related to trading activity

The main purpose of market risk management is to achieve the expected performance of the trading portfolio, with a proper management of the inherent market risk, consciously assumed and adapted to the market conditions and development of the Group and the Bank, and last but not least to the current legal framework.

General principles applied in order to ensure the adequate management of market risk are:

- Market risk management is adapted and adjusted constantly to the Romanian and the international financial and banking market conditions and to the general economic context.
- In the management of market risk, the Bank applies clear principles regarding the suitability, maturity, diversity and risk degree of the component elements.
- Market risk is analyzed within the stress tests operated on the bond, equity and collective investment units portfolios held by the Bank.

The Group and the Bank manage the exposure to market risk by monitoring on a daily basis the market value of the held-for-trading portfolio in relation to a system of risk limits approved by the Assets and Liabilities Committee. The held-for-trading portfolio includes fixed-income securities issued on the Romanian or the European market (sovereign, municipal and corporate bonds), denominated in RON, EUR and USD, as well as shares issued by Romanian or European entities traded on the Bucharest Stock Exchange or Vienna Stock Exchange (which are not directly exposed to interest rate and currency risk, but are exposed to price risk) and collective investment units issued by Romanian entities.

Exposure to market risk related to trading activities

Exposure represents market risk relates mainly to the following balance sheet items:

- Held-for-trading financial assets measured at fair value through profit or loss;
- Derivatives;
- Financial assets which are required to be measured at fair value through profit or loss;
- Financial assets measured at fair value through other items of comprehensive income.

The risk exposure on a consolidated and separate basis as at 31 December 2022, respectively 31 December 2021 is presented below:

		Group		Bank	
In RON thousand		**2022**	**2021**	**2022**	**2021**
Assets	Notes	**Carrying amount**	**Carrying amount**	**Carrying amount**	**Carrying amount**
Held-for-trading financial assets measured at fair value through profit or loss	21	108,541	133,137	-	-
Derivatives	43	218,443	80,927	218,443	79,842
Financial assets which are required to be measured at fair value through profit or loss	21	864,004	870,296	1,232,883	1,227,919
Financial assets measured at fair value through other items of comprehensive income	24	7,299,908	14,424,998	7,295,899	14,420,583
Total on-balance sheet		**8,490,896**	**15,509,358**	**8,747,225**	**15,728,344**

4. Financial risk management (*continued*)

d) *Market risk (continued)*

d3) Market risk related to trading activity (continued)

Exposure to market risk related to trading activities (continued)

The following table presents the sensitivity impact of a possible change in interest rates of +/- 1.00% and a decrease in market prices of +/- 10% at equity level and P&L level, considering that all the other variables remain constant:

Group	**31 December 2022**		**31 December 2021**	
In RON thousand	**Impact in profit or loss**	**Impact in equity**	**Impact in profit or loss**	**Impact in equity**
Shares	(3,124)	-	(3,226)	-
OTC derivatives	(98,727)	-	(98,388)	-
Bonds and T-bills	-	(1,362,585)	-	(1,310,707)
Total impact	**(101,851)**	**(1,362,585)**	**(101,615)**	**(1,310,707)**

Bank	**31 December 2022**		**31 December 2021**	
In RON thousand	**Impact in profit or loss**	**Impact in equity**	**Impact in profit or loss**	**Impact in equity**
Shares	(3,069)	-	(3,121)	-
OTC derivatives	(95,771)	-	(93,687)	-
Bonds and T-bills	-	(1,361,859)	-	(1,309,930)
Total impact	**(98,840)**	**(1,361,859)**	**(96,807)**	**(1,309,930)**

e) *Capital management*

The Bank's Board of Directors approves the conceptual design of the internal process for the assessment of the capital adequacy to risks, at least the scope, methodology and general objectives, and establishes the strategy regarding the planning of the capital, own funds and the capital adequacy to risks in Banca Transilvania S.A..

The Board of Directors makes decisions regarding the directions to be followed within the capital adequacy process, establishes the main projects in the field to be implemented, as well as the main objectives to be met for the best control of the correlation of the risks to which the Bank is exposed and the necessary shareholders' equity required to cover them and the development of sound risk management systems. The National Bank of Romania monitors capital requirements both at Group and Bank level.

Capital adequacy is determined according to the Regulation (EU) No 575/2013 of the European Parliament and of the Council and requires a minimum mandatory own funds level of:

- 4.5% for core tier 1 own funds;
- 6.0% for tier 1 own funds;
- 8.0% for total own funds.

4. Financial risk management (*continued*)

e) *Capital management* (*continued*)

Likewise, pursuant to the regulated approaches for the determination of the minimum capital requirements and the EU Regulation 575/2013 corroborated with the provisions of the NBR Regulation 5/2013 and considering the capital buffers required by the NBR, the Group and the Bank maintain:

- a capital preservation buffer of 2.5% of the total value of the risk-weighted exposures between 01 January 2022-31 December 2022;
- an O-SII buffer of 2% of the total risk weighted exposures;
- for the period between 01 July 2022 – 31 Decembrer 2022, the value of systemic risk buffer is 0% of the value of the risk-weighted exposures;
- the anticyclical capital buffer specific to the institution of 0.5% of the value of the risk-weighted exposures valid starting from 17 Octomber 2022.

Own funds adequacy

The Group and the Bank use the following calculation methods in order to determine own fund requirements:

- Credit risk: standardized method;
- Market risk: capital requirements with respect to the foreign exchange risk and the trading portfolio are calculated based on the standard method;
- Operational risk: own fund requirements for the coverage of operational risk are calculated according to the base method.

The Group and the Bank comply with the above regulations. The level of the capital adequacy ratio exceeds the minimum mandatory requirements imposed by the law.
As at 31 December 2022 and 31 December 2021, as well as during the years 2022 and 2021, the Group and the Bank complied with all the capital adequacy requirements.

Under the current capital requirements set by the European Banking Authority, banks have to maintain a ratio of regulatory capital to risk weighted assets ("statutory capital ratio") above a prescribed minimum level.
The amount of capital that the Group managed was RON 12,584,713 thousand as of 31 December 2022 (2021: RON 12,364,500 thousand), regulatory capital amounts to RON 7,860,501 thousand as of December 2022 (2021: RON 7,500,635 thousand) and the Group and the Bank have complied with all externally imposed capital requirements throughout 2022 and 2021.

According to the applicable legal requirements on regulatory capital, the Group's and the Bank's own funds include:

- Tier I, which includes subscribed and paid in capital, share premiums, eligible reserves, retained earnings and deductions laid down in the applicable legal provisions;
- Tier II own funds, which include subordinated loans and deductions laid down in the applicable legal provisions.

The Group and the Bank manage its capital base in a flexible manner, by monitoring regulatory capital requirements, by anticipating the adequate adjustments required for the achievement of its objectives as well as by optimizing the structure of assets and shareholders' equity.

The planning and monitoring activity takes into consideration the total own funds, on the one hand and the requirements of own funds, on the other hand.

Notes to the consolidated and separate financial statements

4. Financial risk management (*continued*)

e) *Capital management (continued)*

The level and the requirements of own funds as at 31 December 2022 and 31 December 2021 are as follow:

	Group		Bank	
In RON thousand	**2022**	**2021**	**2022**	**2021**
Tier 1 own funds	11,123,258	10,838,319	10,234,719	10,175,774
Tier 2 own funds	1,461,455	1,526,181	1,453,940	1,509,052
Total own funds	**12,584,713**	**12,364,500**	**11,688,659**	**11,684,826**
Credit risk exposure	46,636,668	38,469,262	41,635,390	35,219,316
Market risk, FX risk, delivery risk exposure	3,408,208	4,594,414	3,462,484	4,244,943
Operational risk exposure	10,278,577	9,253,215	8,850,451	8,136,656
Risk exposure for the adjustment of credit assessment	141,942	140,479	141,942	140,479
Total risk exposure	**60,465,395**	**52,457,370**	**54,090,267**	**47,741,394**

The capital adequacy ratio (CAR) is calculated as a ratio between own funds and total risk-weighted assets:

	Group		Bank	
In %	**2022**	**2021**	**2022**	**2021**
Core tier one ratio	18.40	20.66	18.92	21.31
Tier 1 ratio	18.40	20.66	18.92	21.31
CAR	20.81	23.57	21.61	24.48

Note: The calculation of the Group's and the Bank's own funds takes into account the statutory profit of the Group, respectively of the Bank for the financial years ended on 31 December 2022 and on 31 December 2021. Regulatory capital as at 31 December 2022 and 31 December 2021 was calculated according to the IFRS endorsed by the European Union.

f) *Operational risk*

Operational risk is the risk that considers those inadequate practices, policies and systems unable to prevent a loss due to market conditions or operational difficulties.

The objective of the operational risk management is to ensure the general framework and action directions for establishing a complete risk management in Banca Transilvania Financial Group, by integrating a specific management system in the current risk management processes. BT aims to continuously improve the risk management processes by working towards an integrated risk management system to support the decision-making process.

The operational risk management framework implemented at the level of the entire group is in accordance with the established business objectives and the assumed risk appetite, as well as with the observance with the provisions of the legislation in the field and of the internal regulations in force.

Notes to the consolidated and separate financial statements

4. Financial risk management (*continued*)

f) *Operational risk (continued)*

In order to identify, evaluate, monitor and reduce the banking operational risk, Banca Transilvania:

- continuously assesses exposures to operational risk, based on historical data, monitoring and managing the conduct risk, as a subcategory of the operational risk, as well as the risk determinants associated with this category, paying particular attention to its scope, relevance and the possible prudential impact;
- evaluates and monitors products, processes and systems aimed for developing new markets, products and services, as well as significant changes to existing ones and the conduct of exceptional transactions, from the perspective of product consistency and changes in line with the risk strategy;
- identifies, assesses, monitors and manages the risks associated with information technology (ICT), the bank has appropriate processes and controls in place to ensure that all risks are identified, analyzed, measured, monitored, managed, reported and maintained within the risk appetite and that the projects and systems they deliver and the activities they perform are in line with the external and internal requirements;

The Bank also defines and assigns relevant roles, key responsibilities and reporting lines to ensure the effectiveness of the ICT and Security Risk Management Framework, which is integrated into its own regulatory framework, operational framework for ICT security and into the risk management framework.

In order to reduce the risks inherent in the bank's operational activity, it is necessary to constantly monitor the controls implemented at different levels, to evaluate their efficiency, as well as to introduce methods to reduce the effects of the operational risk events.

The strategy of the Group to diminish the exposure to operational risks is mainly based on:

- constant compliance of the normative documents with the legal regulations and to the market conditions;
- personnel training;
- efficiency of the internal control systems (organization and implementation);
- continuous improvement of the IT solutions and strengthening of BT information security systems;
- using complementary means to reduce risks: concluding specific insurance policies against risks, outsourcing activities;
- the implementation of the measures for the limitation and reduction of the effects of the identified operational risk incidents, such as: standardization of the current activity, automation of most processes with permanently monitored control points; reduction of redundant data volumes collected at the level of different entities of the bank; assessment of the products, processes and systems in order to determine the associated risks and measures to eliminate / mitigate them;
- the application of the recommendations and the conclusions resulting from on-going supervision;
- the update, evaluation and testing of business continuity plans on a regular basis, in particular of those systems that support the critical operational processes of the Group and the Bank.

The operational risk assessment process is closely correlated with the overall risk management process. Its outcome is part of the operational risk monitoring and control processes and is constantly compared to the risk appetite established by the risk management strategy.

4. Financial risk management (*continued*)

g) *Climatic risk*

The impact of climate change and the acceleration of regulatory and public policy initiatives are contributing to a growing concern in the financial services sector about identifying and managing related risks, especially as financial institutions are expected to play an important role in the transition to a sustainable economy.

Without being seen as a separate category of risks, climate risks are accelerators of the risks traditionally managed by the Group, whether we refer to physical risk or transition risk.

Physical risk is driven either by extreme weather events related to temperature, wind, water (such as floods, hurricanes, fires) or long-term changes in weather patterns (such as high temperatures sustained over a longer time horizon, heat waves, droughts or sea level rise).

Transition risk arises as a result of measures taken to mitigate the effects of climate change and the transition to a low-carbon economy (such as changes in laws and regulations, litigation due to failure to mitigate or adapt to climate change), as well as changes in demand and supply for certain goods, products and services due to changes in consumer behaviour and investor demand.

To manage these climate risks, the Group and the Bank use the list of sectorial exclusions aligned with IFC/EBRD recommendations. In addition, the Group and the Bank use processes and tools for the identification and assessment of environmental risk in line with best practices and IFC/EBRD standards in its corporate credit analysis, which are translated into internal working instructions that are regularly reviewed. This analyses the impact of the company applying for financing on the environment (water, soil and emissions) and the impact of climate change on the company's activities. The level of detail and complexity of this analysis is also determined by criteria related to the size of the company, project or transaction.

The Group and the Bank are continuously refining the mapping of the entire financing and investment portfolio according to environmental, social and governance risks for each sector of activity (such as agriculture, construction, transport, etc.) in order to identify the necessary measures to mitigate the potential negative impacts of climate change on outstanding portfolio. This mapping can contribute to the adoption of measures in the Group's lending activity so that the negative impact on the environment is reduced and the positive impact on the environment, as well as on the society and communities we are part of, is increased.

Last but not least, the Group and the Bank aim to strengthen its skills in analysing these risks by allocating specialised resources, such as the team of experts dedicated to environmental risk and the training of credit analysts through courses held by internal experts or external specialists in this field. In addition to closely monitoring all regulations that are or will come into force in the future, the Group and the Bank are actively involved in working groups at national and European level. The Bank and its subsidiaries follow the initiatives of task forces (such as Task Force on Climate-Related Financial Disclosures) or the private sector (United Nations Environment Programme Finance Initiative – Principles for Responsible Banking) to improve the reporting of non-financial information.

5. Accounting estimates and significant judgements

The Group and the Bank make estimates and assumptions that affect the amounts of assets and liabilities reported within the next financial year. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are considered to be reasonable under the given circumstances.

a) Impairment losses on loans and advances to customers

The Group and the Bank are frequently reviewing (mostly monthly) the loan and finance lease receivables portfolio in order to assess the impairment. In determining whether an impairment loss should be recorded, the Group and the Bank make judgments as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows related to a portfolio of loans and finance lease, before such decrease can be identified with respect to an individual loan/lease investment in that portfolio. For example, the observable data might be the unfavorable changes in the payment behavior of certain debtors within a group or in the economic, national or local circumstances, which correlate with default incidents affecting the debtors' group.

When scheduling future cash flows, the management uses estimates based on the past experience related to losses from loans with similar risk characteristics. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any gaps between estimated losses and actual losses, but also to assess the effects of the local financial market uncertainties on the valuation of assets and the debtors' operating environment. The loan loss estimation considers the visible effects of the current and future expected market conditions on the individual/collective assessment of expected credit losses on loans and advances to customers. Hence, the Group and the Bank have estimated the expected credit losses for loans and advances to customers and receivables from finance lease based on the internal methodology and assessed that no further expected credit losses is required except as already provided for in the consolidated and separate financial statements.

Individually significant assets are assessed and monitored individually, regardless of the stage allocation, determined using the automated criteria. Thus, a specialized team of experts uses professional judgement to assess the unlikeliness to pay and determine the scenarios used to compute the ECL.

The three-stage expected credit loss impairment model in IFRS 9 depends on whether the credit risk has increased significantly since initial recognition. If the credit risk has not increased significantly, the impairment charge equals the expected credit losses resulting from default events that are possible within the next 12 months (stage 1). If the credit risk has increased significantly, the loan is more than 30 days past due, or the loan is in default or otherwise impaired, the impairment charge equals the lifetime expected credit losses (stage 2 and 3).

In determining the impairment for expected credit losses, management incorporates forward-looking information, exercises judgement and uses estimates and assumptions.
The estimation of expected credit losses involves forecasting future economic conditions over 3 years.

The macroeconomic scenarios applied have been modified compared to those used for the fourth quarter of 2021, in order to reflect the expectation about an macroeconomic environment dealing with uncertainties due to supply chain disruptions, labour shortages, rising energy costs causing inflation and interest rates growing, being exacerbated by the war in Ukraine, concluding in new challenges that affect the economic and business activity.

5. Accounting estimates and significant judgements *(continued)*

a) Impairment losses on loans and advances to customers (continued)

The incorporation of forward-looking elements reflects the expectations of the Group and the Bank and involves the creation of scenarios, including an assessment of the probability for each scenario. Scenario weights are determined by a statistical analysis but also by an expert opinion, considering the possible results of each scenario. More details about assumptions made, scenarios used, weights applied to each scenario is described in Note 4b Credit risk.

Considering mentioned macroeconomic context, the management continued to apply its own value judgments using a series of post-model adjustments, adopting a conservative position in line with the expectations provided by the banking supervisory authorities.

The post-model adjustments applied in 2020-2021 to estimate the effect of the pandemic event were revised in the year 2022, being eliminated those considerations that targeted the industries directly affected by the mobility restrictions imposed to manage the pandemic, as well as those set for the loans/ borrowers that benefited of the postponement of payment under OUG 37/2020.

The Group and the Bank decided to keep the other adjustments since the effects of the energy crisis and the turbulences that the economic environment is going through, on the background of inflation and the ongoing conflict in Eastern Europe cannot be reasonably estimated, and the government aid in the economy is still active or will be supplemented. A continued review of post-model adjustments throughout the period has been in process and was related to specific macroeconomic risks on certain industries that were hard hit by supply chain disruptions, increase of energy costs and crisis containment measures, classified as sensitive sectors.

Russia's invasion in Ukraine continues today and it is difficult to estimate the impact of this event on the future business of the Group's customers. The process of identifying the potential effect on the Romanian economy is ongoing and estimating the effect of the military conflict on the economic environment will be a continuous challenge in 2023. The Bank remains vigilant in monitoring geopolitical and economic relations.

Also, we analyzed those product portfolios with high associated credit risk and the typologies that could be affected to some extent by the military conflict between Russia and Ukraine; but given that the Group and the Bank do not have significant direct exposure in the belligerent countries, no significant action was taken on that specific post-model adjustments.

Another main consideration of the introduction of post-model adjustments is the fact that the prediction of internal rating assessment models can be affected by aid measures provided by governments, the latter preventing the occurrence of non-payment events at the level of debtors who, otherwise, would have faced difficulties in servicing debts to various creditors.
The amount of post model adjustments applied is representing 17.5% of total ECL (16.7% in 2021) considering

- expectation related to sensitive industries and high-risk products;
- expectations for default rates increase considering high inflation and increased interest (expert judgement) ;
- expectations for default rates increase, linked with GDP evolution from 2009 economic crisis
- expert individual analysis of significant exposures, performed to reflect and better understand the situations and difficulties faced by borrowers that could affect their ability to meet their obligations – watch list exposures have been transferred from stage 1 to stage 2 and ECL volume has been adjusted to ensure sufficient impairment coverage.

5. Accounting estimates and significant judgements *(continued)*

a) Impairment losses on loans and advances to customers (continued)

Borrowers could request during 2020, and also during 2021, the postponement of rates and interest until the end of 2021. Based on Romanian legislation OUG 37/2020 (with subsequent amendments), the government granted to certain categories of debtors, individuals or companies. The possibility to request the suspension of the payment of the due installments related to the loans representing installments of capital, interest and commissions, for up to 9 months, but not more than 31 December 2021. This facility benefited borrowers with outstanding loans, for which the Group and the Bank did not denounce the contract and who were not entered into an insolvency state. Considering the legislative provisions, the Group and the Bank no longer have contracts in force on 31 December 2022, for which the deferral of payment is still active.

During 2020 and 2021 the Group's forbearance practices have been updated to pay particular attention to customers affected by the COVID-19 pandemic. These practices include additional guidance to ensure that COVID-19 concessions are fully complied with EBA/ NBR decision on moratoria operations respectively it is considered that the operations will not automatically generate a stricter classification of exposures (should not be considered as an automatic trigger, but should be considered in correlation with other risk indicators), and the Group developed and strengthened its own mechanisms to identify in early stages, increase of credit risk and unlikeliness to pay situation.

As mentioned, moratoria program set by OUG 37 did not have an impact on stage-ing (is not considered an automatic trigger for a significant increase in credit risk). The definition of forborne credit modification was not changed and continues to identify restructuring operation request by clients in financial difficulties who did not access the moratoria program.

A similar program to postpone the payments of installments/interests for a period not exceeding 9 months was promoted by OUG 90/29.06.2022. However, this facility was offered conditionally to debtors financially affected by the situation generated by the current crisis determined directly or indirectly by the energy crisis and the war between Russia and Ukraine. The period for accessing this facility was maximum 30 days from the date of issuance of the application rules, respectively during the month of August 2022. Through this program, a number of 489 payment deferral requests were processed, for loans in value of 47.4 million lei.

Due to the COVID-19 pandemic, the negative evolution of inflation and interest rates, as well as the military conflict, financial markets have been very volatile, generating short-term challenges in cash-flow management and also significant variations in mark-up to market.

The Group and the Bank stands on a confortable position of liquidity, therefore the market disruptions didn't seriously affected them. In terms of interest rate risk, the pressure was felt on net interest margin due to interest rates levels.

The financial instruments measured at fair value of the Group and the Bank consist of bonds, equities, collective investment units and derivatives, whose valuation was affected by market volatilities, reserves registering a downward trend and reaching in the negative zone. The most significant part of the trading book is represented by bonds, of which the majority are kept at fair value through other comprehensive income, thus allowing that market-to-market impact to be observable in other comprehensive income and not in Consolidated and Separate Statement of Profit or Loss, Note 4 provides more details on the fair value measurement of financial instruments.

At the same time, the Group and the Bank hold, outside the trading portfolio (the banking portfolio), financial instruments (securities) held mainly for liquidity purposes and as a source of collateral for Lombard and stand-by facilities, as well as to ensure a secure sourse of income.

5. Accounting estimates and significant judgements *(continued)*

b) Anticipated individual fiscal solutions ("AIFS")

The Bank requested the Romanian fiscal authorities to issue an official opinion on the fiscal treatment of the VBRO bargain gain ("AIFS"). The Bank proposed the consideration of the bargain gain as non-taxable income by taking into account all the arguments, calculating a lower tax debt with the amount of RON thousand 264,096.

The Romanian fiscal authorities issued a negative opinion, considering that the bargain gain is taxable (as recorded based on IFRS). The sole argument to sustain this position being that the bargain gain is not included in the list of non-taxable income elements specifically stipulated in the Fiscal Code applicable as of 31 December 2015.

The Bank considered the bargain gain as non-taxable income for the calculation of the comprehensive income from 31 December 2022 and 31 December 2021, based on solid arguments such as:

- Non-correlation of the fiscal legislation with the accounting legislation: The Fiscal Code does not contain specific provisions regarding the merger of two or several taxpayers that apply IFRS as the basis for accounting and the fiscal legislation is not correlated with the accounting legislation;
- Starting 1 Jan 2016, in the Rewritten Fiscal Code, the provisions for domestic mergers were updated and harmonized also in line with Directive 2009/133/EC and in this respect, clearly the intention of the lawmaker was that the specific taxation rules (taking in account the tax neutrality of the merger) should prevail over the general taxation rules;
- The merger with VBRO was based on sound economic grounds (it was not undertaken for certain fiscal benefits). The merger should be neutral from a tax point of view i.e. the bargain gain should not be taxable;
- The fiscal treatment should be balanced: considering the opposite case, whereby the purchase price is higher than the value of acquired identifiable assets and liabilities, a positive goodwill would have been recorded, which, as per Romanian fiscal legislation is not to be amortized for fiscal purposes and hence does not have any fiscal impact;
- Avoidance of double taxation;
- European jurisprudence – which stipulates that the EU legislation should prevail when the fiscal legislation of a member state is unclear or lacks specific provisions.

The Bank initiated court proceedings in this respect in 2017. The case was submitted to the Court of Appeal of Cluj in April 2017. In November 2017, the Court of Appeal of Cluj admitted the case at trial and issued a judgment in favor of the Bank, confirming the Bank's approach to consider the bargain gain as non-taxable income.

On June 23, 2020, the High Court of Cassation and Justice ruled in the case file pending, admitting ANAF's appeal against the sentence of the Cluj Court of Appeal, annulled the first instance decision, retrialed the case and in retrial rejected the action filed by Banca Transilvania as not founded.

Based on the information made available by the High Court of Cassation and Justice once the reasoning of the judgment of June 23, 2020 was published, the Bank filed a request for review of this decision, for which a first appearance took place on March 31, 2021. Based on legal proceedings initiated by the Bank, the High Court of Cassation and Justice scheduled the next appearance for September 15, 2021.

On 12 October 2021, the High Court of Cassation and Justice of Romania suspended the judgement of the review request and the Court of Justice of European Union was notified. The request is still under analysis at the European Court of Justice, which announced to the Bank in November 2022 that it will settle the case without the additional hearing of the parties and without appointing an Attorney General.

5. Accounting estimates and significant judgements *(continued)*

b) Anticipated individual fiscal solutions ("AIFS")

In February 2023, a fiscal inspection of the Bank's activity for the years 2015 and 2016 was completed. In the Fiscal Inspection Report ("RIF"), the control team noted that the Bank did not apply the provisions of the AIFS and that the Bank should have included the gain from the purchase in advantageous conditions of Volksbank Romania shares in its tax base for 2015. Following the RIF, the tax authorities issued a decision to change the tax base for 2015, which does not have direct effects, because in 2015 the Bank benefited from taking over the fiscal loss after the merger with Volksbank. The Bank filed an appeal against the decisions taken by the tax authorities following the above RIF and filed a request to suspend this decision in court during February 2023. The appeal is being resolved at the level of the tax authorities. Regarding the request to suspend the decision, it was judged at the Cluj Court of Appeal at the end of February 2023, and it was rejected. The Bank is waiting to receive the reasoning of the first court in order to proceed with the formulation of an appeal against this decision.

The additional potential impact in addition to the 264,096 thousand lei representing tax owed on the profit from the acquisition of Volksbank is represented by penalties for a possible late payment of these amounts. At the time of issuing this report, these potential penalties were calculated at a level of 123 million lei.

The Bank has not recognized a provision in this case, but will monitor the evolution of the topic at each reporting date, in accordance with the relevant provisions of the accounting regulations.

c) Risk provisions for abusive clauses

The provision for abusive clauses is an estimated amount for potential litigations facing the Bank derived from the retail credit contracts inherited from Volksbank Romania and Bancpost S.A. merger. The provision is periodically reviewed by the Bank by incorporating historical data regarding new litigations in the last years (a show-up ratio) and the loss probability for such cases (calculated as a historical positive versus negative outcome of litigations).
The last review for abusive clauses provision has been performed as of 31 December 2022 when the Bank adjusted the provision based on the trend of such new litigations (show-up ratio) and the probability loss estimated at this date.

d) Other significant litigation

The Bank's subsidiary, Victoria Bank S.A., was notified on July 6, 2020 that it is being investigated in a case instrumented by the Prosecutor's Office of the Republic of Moldova, and on August 6, 2020, a precautionary seizure was placed on some of the subsidiary's assets. In order to cover the claims in the file - amounting to approximately RON 437 million in equivalent. Given the nature of the case and the legal limitations related to the investigation, the Bank and and its subsidiary possesses limited information about this case, by also considering the lawyers' analysis of the content of the indictment related to these investigations. Given the stage of the investigation, that relates to a period before the Bank was a shareholder of the subsidiary, the Group and the Bank did not recognize a provision for this case, but will monitor the evolution of the topic at each reporting date, in accordance with the relevant provisions of the accounting regulations.

For other significant litigation and regulatory enforcement matters, the Group believes the possibility of an outflow of funds is more than remote and less than probable but the amount can not be reliably estimated, and accordingly such matters are not included in the contingent liability estimates.
The Group and the Bank will monitor the evolution of the topics at each reporting date, in accordance with the relevant provisions of the accounting regulations.

6. Segment reporting

The Group segment reporting is compliant with the management requirements use. The reporting segments are presented in a manner which is consistent with the internal reporting documentation submitted to the Leaders' Committee. The Leaders' Committee, with the assistance of the Board of Directors, is responsible for the allocation of resources and the assessment of the reporting segments' performance, being considered as an operational decision making factor.

The reporting format is based on the internal management reporting format. All items of assets and liabilities, incomes and expenses are allocated to the reporting segments either directly or based on reasonable criteria established by the management.

The clients of Victoriabank and Idea Bank, are classified according to the Bank's standards. The segment "Leasing and loans to non-banking financial institutions" includes the leasing and consumer finance companies, as described in Note 1.

The remaining non-banking subsidiaries are included in the segment "Other-Group". The "Intra-group eliminations & adjustments" segment comprises intra-group operations.

The reporting segments are organized and managed separately, depending on the nature of products and services provided, each segment being specialized on certain products and operating on different markets.

A business 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 related to transactions with other components of the same entity);
- The operating results of which are reviewed regularly by the entity's decision maker in order to make decisions about resources to be allocated to the segment and to assess its performance;
- For which distinct financial information is available.

The reporting segment of the Group as described below:

Large Corporate Clients („LaCo"): The Group and the Bank include in this category mainly companies/group of companies with an annual turnover exceeding RON 100 million, as well as legal entities created to serve a particular function (SPV), public entities and financial institutions included in this category based on specific classification criteria. The companies in this category usually have specific and sophisticated needs. Through its centralized and customized approach, the Bank seeks to ensure high operational efficiency, a prompt assessment of the specific needs of this type of clients in order to offer the appropriate customized solutions, but also an in-depth perspective of the risk profile in order to maintain a high quality loan portfolio.

The Large Corporate clients have access to an all-inclusive package of banking products and services. The incomes generated by this segment resulting from lending operations, current business operations (transaction banking, Treasury, trade finance and retail products) and other related services (leasing, asset management, consultancy on mergers and acquisitions, capital market advisory services). Through the services provided, the Bank aims at extending its cooperation to the business partners of the LaCo segment - clients/suppliers/employees - by focusing on the increase of non-risk income.

Notes to the consolidated and separate financial statements

6. Segment reporting *(continued)*

Medium Corporate Customers („MidCo”): The Group and the Bank include in this category mainly the companies with an annual turnover between 9 and 100 million RON. By setting such value thresholds in the classification of MidCo clients, the Bank is able to address the most frequent requests coming from this category of clients: tailored financing solutions, access to a wide range of banking services, pricing based on financial performance, dedicated and flexible relationship management, operational agility. Depending on the activity type, the customized approach related to customers is supported by two existent specializations, notably Agribusiness and Healthcare.
The MidCo segment includes also entities operating in the public sector, financial institutions or legal entities serving particular functions, included in this category based on specific classification criteria.

The Bank offers a full array of financial services to its Mid Corporate clients, including lending facilities, current operations, treasury services, but also additional services such as bonus packages for employees, structured finance, co-financing of EU funded projects; the Bank also facilitates the access to the services provided by the Group subsidiaries, such as bancassurance, consultancy on mergers and acquisitions, asset management, financial and operating lease, with the purpose to increase its profitability and non-risk income.

SME clients - companies with an annual turnover between 2 and 9 million RON. These are companies that have undergone the incipient growth stages and whose business activity requires further attention. Consequently, the needs of such companies become more specific, with priority for financing.

Micro Business clients – company customers with an annual turnover up to 2 million RON.
This category comprises the largest number of companies and the most diverse types of entities, such as limited liability companies, freelancers, sole proprietorships, etc.
The business lifespan (many such clients are fresh companies), the entrepreneur's expertise and the market on which the company operates generate certain needs that the Group and the Bank attempt to serve through product and service packages dedicated to this category of customers, which have become a hallmark in the banking sector over the years.

Lending products are accessed more frequently as the Micro or SME business takes shape: loans for working capital or investments, letters of guarantee, EU project co-financing, credit cards, leasing, invoice discounting or factoring.
Another important category of products refers to general operations, incoming and outgoing payments, cheques, promissory notes, FX operations, salary payment agreements or bancassurance services. Increased attention is given to the digitalization of our products and services, our clients showing more and more interest in internet & mobile banking, e-commerce, last generation POSs and the integration of financial data in the proprietary accounting systems.

Retail customers The Group and the Bank provide individuals with a wide range of banking products and services, including loans (consumer loans, car purchase loans, personal need loans and mortgage loans), savings and deposit accounts, payment services and securities trading.

Treasury: The Group and the Bank comprise in this category the treasury services.

Leasing and consumer finance granted by non-banking financial institutions: the Group includes in this category financial products and services such as lease facilities, consumer loans and microfinance provided by the non-banking financial institutions of the Group.

Other: The Group and the Bank incorporate in this category the services offered by other financial entities within the Group: asset management, brokerage, factoring and real estate , as well as elements that do not fall into the existing categories and result from financial and strategic decisions taken centrally.

6. Segment reporting *(continued)*

In terms of geographical distribution, the Group and the Bank cover mainly the Romanian territory, except for the Italy branch operations linked to the Bank while at the Group level there is the banking activity of Victoriabank and the financial lease activity of BT Leasing Moldova; however, the impact of these entities on the balance sheet and income statement is not material at Group level. There is no further information regarding the geographical distribution used by the management of the Group and the Bank; therefore it is not presented here.

As at 31 December 2022 and 31 December 2021, the Bank or the Group did not record income exceeding 10% of total incomes in relation to a single customer.

Notes to the consolidated and separate financial statements

6. Segment reporting *(continued)*

The table below presents financial information per segments regarding the consolidated statement of financial position and the operating profit before net expenses with the impairment allowance for loans and advances to customers, for the financial year ended at 31 December 2022, and comparative data for 2021:

Reporting segments as at 31 December 2022

Group *In RON thousand*	**Large Corporate**	**Mid Corporate**	**SME**	**Micro**	**Retail**	**Treasury**	**Leasing and consumer loans granted by non-banking financial institutions**	**Other - Group**	**Intra-group eliminations & adjustments**	**Total**
Gross loans and finance lease receivables	12,560,167	9,966,452	4,643,518	4,634,808	30,119,009	-	4,612,312	8,442,599	(2,449,354)	**72,529,511**
Provisions for principal	(751,732)	(991,971)	(356,153)	(559,485)	(1,503,005)	-	(403,567)	(16,224)	66,143	**(4,515,994)**
Loans and finance lease receivables net of provisions	11,808,435	8,974,481	4,287,365	4,075,323	28,616,004	-	4,208,745	8,426,375	(2,383,211)	**68,013,517**
Portfolio of Debt instruments, Equity instruments and Derivative instruments, net of provisions	-	-	-	-	-	47,039,771	15,909	465,793	(330,175)	**47,191,298**
Treasury and inter-bank operations	-	-	-	-	-	21,681,878	93,324	399,105	(2,066,258)	**20,108,049**
Property and equipment and investment property, Intangible assets and goodwill	86,459	176,082	109,076	257,541	797,050	50,753	30,636	342,643	(11,456)	**1,838,784**
Right-of-use assets	29,949	54,903	30,372	86,362	251,345	15,360	17,431	13,438	(11,203)	**487,957**
Other assets	623,728	473,012	202,070	210,549	1,423,491	-	255,394	97,507	(414,561)	**2,871,190**
Total assets	**12,548,571**	**9,678,478**	**4,628,883**	**4,629,775**	**31,087,890**	**68,787,762**	**4,621,439**	**9,744,861**	**(5,216,864)**	**140,510,795**
Deposits from customers and current accounts	7,727,114	10,028,370	6,159,056	15,942,884	79,880,405	3,741,780	-	2,202	(2,072,000)	**121,409,811**
Loans from banks and other financial institutions	148,810	464,372	62,783	54,555	56,351	1,818,574	3,487,240	1,231,522	(2,483,279)	**4,840,928**
Subordinated liabilities	-	-	-	-	-	1,766,159	-	-	(17,899)	**1,748,260**
Lease liabilities	99,999	76,728	34,046	33,909	235,707	702	17,420	5,572	(11,127)	**492,956**
Other liabilities	509,017	386,845	133,626	132,536	884,225	713	353,383	412,347	(265,385)	**2,547,307**
Total liabilities	**8,484,940**	**10,956,315**	**6,389,511**	**16,163,884**	**81,056,688**	**7,327,928**	**3,858,043**	**1,651,643**	**(4,849,690)**	**131,039,262**
Equity and related items	-	-	-	-	-	-	-	9,471,533	-	**9,471,533**
Total liabilities and equity	**8,484,940**	**10,956,315**	**6,389,511**	**16,163,884**	**81,056,688**	**7,327,928**	**3,858,043**	**11,123,176**	**(4,849,690)**	**140,510,795)**

Notes to the consolidated and separate financial statements

6. Segment reporting *(continued)*

Reporting segments as at 31 December 2021

Group *In RON thousand*	Large Corporate	Mid Corporate	SME	Micro	Retail	Treasury	Leasing and consumer loans granted by non-banking financial institutions	Other - Group	Intra-group eliminations & adjustments	Total
Gross loans and finance lease receivables	9,026,678	7,810,256	3,582,273	4,120,221	28,454,621	-	2,929,671	5,948,267	(1,818,483)	**60,053,504**
Provisions for principal	(810,766)	(827,187)	(294,632)	(503,230)	(1,249,340)	-	(302,877)	(13,418)	65,731	**(3,935,719)**
Loans and finance lease receivables net of provisions	8,215,912	6,983,069	3,287,641	3,616,991	27,205,281	-	2,626,794	5,934,849	(1,752,752)	**56,117,785**
Portfolio of Debt instruments, Equity instruments and Derivative instruments, net of provisions	-	-	-	-	-	44,120,816	-	401,085	(317,724)	**44,204,177**
Treasury and inter-bank operations	-	-	-	-	-	28,505,564	49,499	424,876	(264,729)	**28,715,210**
Property and equipment and investment property, Intangible assets and goodwill	67,846	157,105	82,984	194,163	618,925	41,065	12,014	331,802	(8,562)	**1,497,342**
Right-of-use assets	30,505	61,692	32,017	85,004	244,802	16,233	10,919	16,412	(5,563)	**492,021**
Other assets	229,912	212,691	91,574	98,804	730,326	-	80,534	96,319	(65,505)	**1,474,655**
Total assets	**8,544,175**	**7,414,557**	**3,494,216**	**3,994,962**	**28,799,334**	**72,683,678**	**2,779,760**	**7,205,343**	**(2,414,835)**	**132,501,190**
Deposits from customers and current accounts	6,026,098	8,701,281	6,151,819	15,493,031	71,889,830	1,047,310	-	696	(264,177)	**109,045,888**
Loans from banks and other financial institutions	136,702	543,683	88,708	111,399	112,343	6,526,809	2,019,081	232,901	(1,842,126)	**7,929,500**
Subordinated liabilities	-	-	-	-	-	1,780,464	-	-	(17,980)	**1,762,484**
Lease liabilities	84,216	71,299	33,004	37,418	263,189	630	11,096	3,498	(5,753)	**498,597**
Other liabilities	527,530	373,990	123,885	147,877	1,060,014	692	122,170	370,781	(26,352)	**2,700,587**
Total liabilities	**6,774,546**	**9,690,253**	**6,397,416**	**15,789,725**	**73,325,376**	**9,355,905**	**2,152,347**	**607,876**	**(2,156,388)**	**121,937,056**
Equity and related items	-	-	-	-	-	-	-	10,564,134	-	**10,564,134**
Total liabilities and equity	**6,774,546**	**9,690,253**	**6,397,416**	**15,789,725**	**73,325,376**	**9,355,905**	**2,152,347**	**11,172,010**	**(2,156,388)**	**132,501,190**

Notes to the consolidated and separate financial statements

6. Segment reporting *(continued)*

Reporting segments as at 31 December 2022

Group	Large Corporate	Mid Corporate	SME	Micro	Retail	Treasury	Leasing and consumer loans granted by non-banking financial institutions	Other - Group	Intra-group eliminations & adjustments	Total
In RON thousand										
Net interest income	179,022	409,052	296,161	591,180	1,688,293	746,220	376,308	130,840	9,583	**4,426,659**
Net commission income	57,312	116,430	96,362	377,382	430,666	(2,561)	25,479	62,380	4,382	**1,167,832**
Net trading income	11,253	61,352	60,603	116,971	238,278	189,351	10,600	(2,293)	(45)	**686,070**
Net loss (-) / gain from financial assets measured through comprehensive income	-	-	-	-	-	(64,021)	-	(57,617)	-	**(121,638)**
Net loss / gain (-) from financial assets which are required to be measured through profit or loss	-	-	-	-	-	(15,827)	-	(1,425)	-	**(17,252)**
Contribution to the Bank Deposit Guarantee Fund and to the Resolution Fund	(8,541)	(14,542)	(8,188)	(21,141)	(101,272)	-	-	-	-	**(153,684)**
Other operating income	62,372	56,216	45,882	44,866	169,944	1,611	58,404	112,275	(259,601)	**291,969**
Total income	**301,418**	**628,508**	**490,820**	**1,109,258**	**2,425,909**	**854,773**	**470,791**	**244,160**	**(245,681)**	**6,279,956**
Personnel expenses	(88,291)	(214,637)	(130,326)	(254,238)	(695,951)	(33,741)	(105,361)	(132,988)	-	**(1,655,533)**
Other operating expenses	(78,349)	(120,699)	(93,040)	(149,918)	(430,910)	(36,132)	(83,798)	(149,313)	206,940	**(935,219)**
Depreciation and amortization	(22,984)	(45,043)	(27,730)	(70,640)	(205,075)	(13,082)	(12,598)	(16,821)	20,977	**(392,996)**
Total Expenses	**(189,624)**	**(380,379)**	**(251,096)**	**(474,796)**	**(1,331,936)**	**(82,955)**	**(201,757)**	**(299,122)**	**227,917**	**(2,983,748)**
Operating profit before net expense from impairment allowance, expected losses on assets, provisions for other risks and loan commitments	**111,794**	**248,129**	**239,724**	**634,462**	**1,093,973**	**771,818**	**269,034**	**(54,962)**	**(17,764)**	**3,296,208**

Notes to the consolidated and separate financial statements

6. Segment reporting *(continued)*

Reporting segments as at 31 December 2021

Group	**Large Corporate**	**Mid Corporate**	**SME**	**Micro**	**Retail**	**Treasury**	**Leasing and consumer loans granted by non-banking financial institutions**	**Other - Group**	**Intra-group eliminations & adjustments**	**Total**
In RON thousand										
Net interest income	130,786	257,173	148,385	238,063	1,031,522	380,333	255,797	691,193	8,867	**3,142,119**
Net commission income	66,117	115,636	76,390	283,785	325,666	(2,331)	13,491	84,205	(1,602)	**961,357**
Net trading income	9,992	43,076	44,877	84,960	173,328	141,552	5,126	21,031	4,740	**528,682**
Net loss (-) / gain from financial assets measured through comprehensive income	-	-	-	-	-	91,327	-	87,690	6	**179,023**
Net loss / gain (-) from financial assets which are required to be measured through profit or loss	-	-	-	-	-	34,721	-	3,688	-	**38,409**
Contribution to the Bank Deposit Guarantee Fund and to the Resolution Fund	(4,160)	(7,880)	(5,021)	(11,824)	(61,115)	-	-	-	-	**(90,000)**
Other operating income	24,420	21,192	11,151	7,704	105,124	127	16,834	67,317	(72,045)	**181,824**
Total income	**227,155**	**429,197**	**275,782**	**602,688**	**1,574,525**	**645,729**	**291,248**	**955,124**	**(60,034)**	**4,941,414**
Personnel expenses	(74,661)	(186,995)	(96,854)	(206,880)	(545,548)	(29,772)	(67,805)	(119,762)	-	**(1,328,277)**
Other operating expenses	(31,784)	(63,482)	(32,887)	(76,972)	(286,990)	(22,906)	(41,339)	(152,402)	12,870	**(695,892)**
Depreciation and amortization	(23,926)	(45,637)	(24,467)	(64,377)	(184,952)	(9,820)	(7,672)	(17,096)	20,116	**(357,831)**
Total Expenses	**(130,371)**	**(296,114)**	**(154,208)**	**(348,229)**	**(1,017,490)**	**(62,498)**	**(116,816)**	**(289,260)**	**32,986**	**(2,382,000)**
Operating profit before net, expense from impairment allowance, expected losses on assets, provisions for other risks and loan commitments	**96,784**	**133,083**	**121,574**	**254,459**	**557,035**	**583,231**	**174,432**	**665,864**	**(27,048)**	**2,559,414**

Notes to the consolidated and separate financial statements

7. Financial assets and liabilities

a) Accounting classifications and fair value

Group, as at 31 December 2022					**Retail**						**Non-Retail**			
					in RON		**in FCY**				**in RON**		**in FCY**	
In RON thousand	**Total carrying amount 2022**	**Total fair value 2022**	**Total carrying amount retail customers**	**Total fair value retail customers**	**Carrying amount**	**Fair value**	**Carrying amount**	**Fair value**	**Total carrying amount companies**	**Total fair value companies**	**Carrying amount**	**Fair value**	**Carrying amount**	**Fair va**
Financial assets														
Financial assets held for trading and measured at fair value through profit or loss (*)	539,813	539,813	-	-	-	-	-	-	539,813	539,813	523,637	523,637	16,176	16,
Financial assets which are required to be measured at fair value through profit or loss, of which:	1,106,041	1,106,041	-	-	-	-	-	-	1,106,041	1,106,041	324,385	324,385	781,656	781,6
- Equity instruments	242,037	242,037	-	-	-	-	-	-	242,037	242,037	325	325	241,712	241,
- Debt instruments	864,004	864,004	-	-	-	-	-	-	864,004	864,004	324,060	324,060	539,944	539,9
Financial assets carried at amortized cost	92,068,306	92,448,981	29,405,618	30,050,437	25,344,135	25,930,184	4,061,483	4,120,253	62,662,688	62,398,544	30,639,291	30,699,708	32,023,397	31,698,8
Financial assets measured at fair value through other items of comprehensive income	43,485,732	43,485,732	-	-	-	-	-	-	43,485,732	43,485,732	25,568,169	24,568,169	18,917,563	18,917,5
- Equity instruments	151,693	151,693	-	-	-	-	-	-	151,693	151,693	133,117	133,117	18,576	18,
- Debt instruments	43,307,183	43,307,183	-	-	-	-	-	-	43,307,183	43,307,183	24,435,052	24,435,052	18,872,131	18,872,
- Loans and advances	**26,856**	**26,856**	-	-	-	-	-	-	**26,856**	**26,856**	-	-	**26,856**	**26,8**
Total financial assets	**137,199,892**	**137,580,567**	**29,405,618**	**30,050,437**	**25,344,135**	**25,930,184**	**4,061,483**	**4,120,253**	**107,794,274**	**107,530,130**	**56,055,482**	**56,115,899**	**51,738,792**	**51,414,2**
Financial liabilities														
Financial liabilities held-for-trading	41,695	41,695	-	-	-	-	-	-	41,695	41,695	33,563	33,563	8,133	8,
Financial liabilities measured at amortized cost	130,256,319	130,098,519	80,421,464	80,262,151	40,613,602	40,510,665	39,807,862	39,751,486	49,834,855	49,836,368	32,646,074	32,640,020	17,188,781	17,196,3
Total financial liabilities	**130,298,014**	**130,140,214**	**80,421,464**	**80,262,151**	**40,613,602**	**50,510,665**	**39,807,862**	**39,751,486**	**49,876,550**	**49,878,063**	**32,679,637**	**32,673,583**	**17,196,914**	**17,204,4**

(*) This category comprises only held-for-trading financial assets, including derivative instruments

Notes to the consolidated and separate financial statements

7. Financial assets and liabilities *(continued)*

a) Accounting classifications and fair value (continued)

Group, as at 31 December 2021					Retail						Non-Retail			
					in RON		in FCY				in RON		in FCY	
In RON thousand	Total carrying amount 2021	Total fair value 2021	Total carrying amount retail customers	Total fair value retail customers	Carrying amount	Fair value	Carrying amount	Fair value	Total carrying amount companies	Total fair value companies	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets														
Financial assets held for trading and measured at fair value through profit or loss (*)	419,377	419,377	-	-	-	-	-	-	419,377	419,377	390,904	390,904	28,473	28,473
Financial assets which are required to be measured at fair value through profit or loss, of which:	1,108,316	1,108,316	-	-	-	-	-	-	1,108,316	1,108,316	344,812	344,812	763,504	763,504
- Equity instruments	*238,020*	*238,020*	-	-	-	-	-	-	*238,020*	*238,020*	*442*	*442*	*237,578*	*237,578*
- Debt instruments	*870,296*	*870,296*	-	-	-	-	-	-	*870,296*	*870,296*	*344,370*	*344,370*	*525,926*	*525,926*
Financial assets carried at amortized cost	87,371,010	87,711,357	27,883,616	28,233,299	23,557,709	23,782,721	4,325,907	4,450,578	59,487,394	59,478,058	30,634,227	30,634,996	28,853,167	28,843,062
Financial assets measured at fair value through other items of comprehensive income	41,193,373	41,193,373	-	-	-	-	-	-	41,193,373	41,193,373	23,920,760	23,920,760	17,272,613	17,272,613
- Equity instruments	*52,652*	*52,652*	-	-	-	-	-	-	*52,652*	*52,652*	*37,972*	*37,972*	*14,680*	*14,680*
- Debt instruments	*41,110,777*	*41,110,777*	-	-	-	-	-	-	*41,110,777*	*41,110,777*	*23,882,788*	*23,882,788*	*17,227,989*	*17,227,989*
- Loans and advances	*29,944*	*29,944*	-	-	-	-	-	-	*29,944*	*29,944*	-	-	*29,944*	*29,944*
Total financial assets	**130,092,076**	**130,432,423**	**27,883,616**	**28,233,299**	**23,557,709**	**23,782,721**	**4,325,907**	**4,450,578**	**102,208,460**	**102,199,124**	**55,290,703**	**55,291,472**	**46,917,757**	**46,907,652**
Financial liabilities														
Financial liabilities held-for-trading	39,179	39,179	-	-	-	-	-	-	39,179	39,179	38,420	38,420	759	759
Financial liabilities measured at amortized cost	121,062,550	121,074,647	72,421,343	72,408,424	36,102,362	36,092,222	36,318,981	36,316,202	48,641,207	48,666,223	33,997,255	34,021,973	14,643,952	14,644,250
Total financial liabilities	**121,101,729**	**121,113,826**	**72,421,343**	**72,408,424**	**36,102,362**	**36,092,222**	**36,318,981**	**36,316,202**	**48,680,386**	**48,705,402**	**34,035,675**	**34,060,393**	**14,644,711**	**14,645,009**

(*) This category comprises only held-for-trading financial assets, including derivative instruments

Notes to the consolidated and separate financial statements

7. Financial assets and liabilities *(continued)*

a) Accounting classifications and fair value (continued)

Bank, as at 31 December 2022					**Retail**						**Non-Retail**			
					in RON		**in FCY**				**in RON**		**in FCY**	
In RON thousand	**Total carrying amount 2022**	**Total fair value 2022**	**Total carrying amount retail customers**	**Total fair value retail customers**	**Carrying amount**	**Fair value**	**Carrying amount**	**Fair value**	**Total carrying amount companies**	**Total fair value companies**	**Carrying amount**	**Fair value**	**Carrying amount**	**Fair value**
Financial assets														
Financial assets held for trading and measured at fair value through profit or loss (*)	249,136	249,136	-	-	-	-	-	-	249,136	249,136	243,809	243,809	5,327	5,327
Financial assets which are required to be measured at fair value through profit or loss, of which:	**1,474,595**	**1,474,595**	**-**	**-**	**-**	**-**	**-**	**-**	**1,474,595**	**1,474,595**	**623,553**	**623,553**	**851,042**	**851,042**
- Equity instruments	241,712	241,712	-	-	-	-	-	-	241,712	241,712	-	-	241,712	241,712
- Debt instruments	1,232,883	1,232,883	-	-	-	-	-	-	1,232,883	1,232,883	623,553	623,553	609,330	609,330
Financial assets carried at amortized cost	**85,640,757**	**86,350,481**	**27,513,466**	**28,227,842**	**24,191,514**	**24,823,877**	**3,321,952**	**3,403,965**	**58,127,291**	**58,122,639**	**30,501,670**	**30,618,728**	**27,625,621**	**27,503,911**
Financial assets measured at fair value through other items of comprehensive income	43,124,154	43,124,154	-	-	-	-	-	-	43,124,154	43,124,154	24,276,852	24,276,852	18,847,302	18,847,302
- Equity instruments	17,663	17,663	-	-	-	-	-	-	17,663	17,663	13,740	13,740	3,923	3,923
- Debt instruments	43,079,635	43,079,635	-	-	-	-	-	-	43,079,635	43,079,635	24,263,112	24,263,112	18,816,523	18,816,523
- Loans and receivables	26,856	26,856	-	-	-	-	-	-	26,856	26,856	-	-	26,856	26,856
Total financial assets	**130,488,642**	**131,198,366**	**27,513,466**	**28,227,842**	**24,191,514**	**24,823,877**	**3,321,952**	**3,403,965**	**102,975,176**	**102,970,524**	**55,645,884**	**55,762,942**	**47,329,292**	**47,207,582**
Financial liabilities														
Financial liabilities held-for-trading	41,695	41,695	-	-	-	-	-	-	41,695	41,695	33,563	33,563	8,133	8,133
Financial liabilities measured at amortized cost	125,396,425	125,247,161	78,160,503	78,007,577	40,455,756	40,352,819	37,704,747	37,654,758	47,235,922	47,239,584	32,563,520	32,557,459	14,672,402	14,682,125
Total financial liabilities	**125,438,120**	**125,288,856**	**78,160,503**	**78,007,577**	**40,455,756**	**40,352,819**	**37,704,747**	**37,654,758**	**47,277,617**	**47,281,279**	**32,597,083**	**32,591,022**	**14,680,535**	**14,690,258**

(*) This category comprises only held-for-trading financial assets, including derivative instruments

Notes to the consolidated and separate financial statements

7. Financial assets and liabilities *(continued)*

a) Accounting classifications and fair value (continued)

Bank, as at 31 December 2021					**Retail**						**Non-Retail**			
					in RON		**in FCY**				**in RON**		**in FCY**	
In RON thousand	**Total carrying amount 2021**	**Total fair value 2021**	**Total carrying amount retail customers**	**Total fair value retail customers**	**Carrying amount**	**Fair value**	**Carrying amount**	**Fair value**	**Total carrying amount companies**	**Total fair value companies**	**Carrying amount**	**Fair value**	**Carrying amount**	**Fair value**
Financial assets														
Financial assets held for trading and measured at fair value through profit or loss (*)	111,049	111,049	-	-	-	-	-	-	111,049	111,049	110,098	110,098	951	951
Financial assets which are required to be measured at fair value through profit or loss, of which:	1,465,497	1,465,497	-	-	-	-	-	-	1,465,497	1,465,497	630,961	630,961	834,536	834,536
- Equity instruments	*237,578*	*237,578*	-	-	-	-	-	-	*237,578*	*237,578*	-	-	*237,578*	*237,578*
- Debt instruments	*1,227,919*	*1,227,919*	-	-	-	-	-	-	*1,227,919*	*1,227,919*	*630,961*	*630,961*	*596,958*	*596,958*
Financial assets carried at amortized cost	*79,854,340*	*80,271,135*	*25,713,324*	*26,101,762*	*22,113,078*	*22,366,311*	*3,600,246*	*3,735,451*	*54,141,016*	*54,169,373*	*30,147,875*	*30,162,010*	*23,993,141*	*24,007,363*
Financial assets measured at fair value through other items of comprehensive income	40,853,784	40,853,784	-	-	-	-	-	-	40,853,784	40,853,784	23,676,995	23,676,995	17,176,789	17,176,789
- Equity instruments	*15,904*	*15,904*	-	-	-	-	-	-	*15,904*	*15,904*	*12,638*	*12,638*	*3,266*	*3,266*
- Debt instruments	40,807,937	40,807,937	-	-	-	-	-	-	40,807,937	40,807,937	*23,664,357*	*23,664,357*	*17,143,580*	*17,143,580*
- Loans and receivables	*29,943*	*29,943*	-	-	-	-	-	-	*29,943*	*29,943*	-	-	*29,943*	*29,943*
Total financial assets	**122,284,670**	**122,701,465**	**25,713,324**	**26,101,762**	**22,113,078**	**22,366,311**	**3,600,246**	**3,735,451**	**96,571,346**	**96,599,703**	**54,565,929**	**54,580,064**	**42,005,417**	**42,019,639**
Financial liabilities														
Financial liabilities held-for-trading	38,689	38,689	-	-	-	-	-	-	38,689	38,689	37,930	37,930	759	759
Financial liabilities measured at amortized cost	114,971,651	114,986,259	68,694,066	68,683,959	35,205,529	35,195,389	33,488,537	33,488,570	46,277,585	46,302,300	33,325,414	33,350,132	12,952,171	12,952,168
Total financial liabilities	**115,010,340**	**115,024,948**	**68,694,066**	**68,683,959**	**35,205,529**	**35,195,389**	**33,488,537**	**33,488,570**	**46,316,274**	**46,340,989**	**33,363,344**	**33,388,062**	**12,952,930**	**12,952,927**

(*) This category comprises only held-for-trading financial assets, including derivative instruments

Notes to the consolidated and separate financial statements

7. Financial assets and liabilities *(continued)*

b) Fair value of financial assets and liabilities

The Group and the Bank measure the fair value of financial instruments by using the following fair value hierarchy:

Level 1 in the fair value hierarchy
The fair value of financial assets and liabilities included in Level 1 in the fair value hierarchy is determined based on quoted prices in active markets for identical assets or liabilities. Quoted prices that are being applied must be readily and regularly available from an exchange or active index/market location and prices must represent actual and regularly occurring market transactions on an arm's length basis.

Level 2 in the fair value hierarchy
The fair value of financial assets and liabilities included in Level 2 in the fair value hierarchy is determined by using evaluation methods which contain observable market data when market prices are not available. Level 2 evaluations generally use observable market parameters, such as interest rates and yield curves observable at commonly quoted intervals, preset volatilities and credit spreads.

Level 3 in the fair value hierarchy
The fair value of financial assets and liabilities included in Level 3 in the fair value hierarchy is determined by using input data that are not based on observable market information (unobservable data inputs shall reflect the assumptions made by the market participants to establish the price of an asset or a liability, including risk assumptions).
The objective of valuation techniques is to derive the fair value that reflects a price for the financial instrument at the reporting date, price that would be obtained by the market participants acting at arm's length.

The availability of observable market data and models reduces the need for the Management to operate judgements and estimations and also reduces the uncertainty associated with the determination of the fair value. Availability of observable market prices and inputs varies depending on the products and markets and is prone to changes based on specific events and general conditions in the financial markets.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The management uses its judgment to select the valuation method and makes assumptions that are mainly based on market conditions existing at the date of the consolidated/ separate statement of the financial position.

i) Fair value hierarchy analysis of financial instruments carried at fair value

To establish the hierarchy of the fair value of debt instruments, Banca Transilvania uses classification criteria in one of the three levels mentioned by the International Financial Reporting Standard 13. For the purpose of clasification, the methodology takes into account the aggregation of results from two sources of observations:
• direct observations of transactions, indicative or executable prices of the respective instrument;
• observations of transactions, indicative and executable prices of comparable instruments, with the aim of deriving a price for the respective instrument, when it is considered that direct observations support additions.

7. Financial assets and liabilities *(continued)*

b) Fair value of financial assets and liabilities (continued)

i) Fair value hierarchy analysis of financial instruments carried at fair value *(continued)*

At level 1 in the fair value hierarchy, the Group and the Bank included in the category of assets: equity instruments and debt instruments held at fair value through profit or loss, bonds classified as assets measured at fair value through other items of comprehensive income.

In the case of bonds, if an instrument has a minimum score that reflects in a transparent and strongly justified manner the price, fair value and liquidity of that instrument, it will be clasidied as level 1.

At level 2 in the fair value hierarchy, the Group and the Bank included in the category of assets: derivatives held at fair value through profit or loss, bonds classified as assets measured at fair value through other items of comprehensive income and some through fair value through profit or loss and in the category of liabilities: derivatives classified as financial liabilities held for trading.

Regarding the bonds, the classification is made based on the followings criteris:

- If the price of the instrument is obtained on the basis of interpolations of level 1 prices/yields related to similar instruments of the respective issuer (group).
- If the price of the instrument is obtained by adding the spread from the issue over the price/yield of the level 1 instrument, belonging to another issuer, which was the reference on the issue date.

At level 3 in the fair value hierarchy, the Group and the Bank included in the category of assets: equity instruments , fixed assets and investment property, bonds classified as assets valued at fair value through other elements of the comprehensive result and some bonds held at fair value through the profit or loss account.

In the case of bonds, level 3 includes all cases that are not found in the previous levels, the non-existence of a price, a price provided by a single entity or derived, by interpolation or spread, from one of the level 2 prices.

7. Financial assets and liabilities *(continued)*

b) Fair value of financial assets and liabilities (continued)

i) Fair value hierarchy analysis of financial instruments carried at fair value *(continued)*

The table below presents the financial instruments measured at fair value in the statement of financial position, at the end of the reporting period, by fair value levels:

Group *- In RON thousand*	**Notes**	**Level 1 - Quoted market prices in active markets**	**Level 2 - Valuation techniques – observable inputs**	**Level 3 - Valuation techniques – unobservable inputs**	**Total**
31 December 2022					
Financial assets held for trading and measured at fair value through profit or loss, of which:	*21.a)*	**212,829**	**97,692**	**10,849**	**321,370**
- Equity instruments		*212,829*	-	-	*212,829*
- Debt instruments		-	*97,692*	*10,849*	*108,541*
Derivatives	*43*	**-**	**218,443**	**-**	**218,443**
Financial assets measured at fair value through other items of comprehensive income	*24*	**42,685,840**	**140,126**	**659,766**	**43,485,732**
- Equity instruments		-	-	*151,693*	*151,693*
- Debt instruments		*42,685,840*	*113,270*	*508,073*	*43,307,183*
- Loans and advances		-	*26,856*	-	*26,856*
Financial assets which are required to be measured at fair value through profit or loss, of which:		**830,870**	**198,617**	**76,554**	**1,106,041**
- Equity instruments	*21.b)*	*242,037*	-	-	*242,037*
- Debt instruments		*588,833*	*198,617*	*76,554*	*864,004*
Total financial assets measured at fair value in the statement of financial position		**43,729,539**	**654,878**	**747,169**	**45,131,586**
Non-financial assets at fair value		**-**	**-**	**1,174,446**	**1,174,446**
- Property and equipment and investment property	*26*	-	-	*1,174,446*	*1,174,446*
Total assets measured at fair value in the statement of financial position		**43,729,539**	**654,878**	**1,921,615**	**46,306,032**
Financial liabilities held-for-trading	*43*	**-**	**41,695**	**-**	**41,695**
31 December 2021					
Financial assets held for trading and measured at fair value through profit or loss, of which:	*21.a)*	**317,955**	**-**	**20,495**	**338,450**
- Equity instruments		*205,313*	-	-	***205,313***
- Debt instruments		*112,642*	-	20,495	***133,137***
Derivatives	*43*	**-**	**80,927**	**-**	**80,927**
Financial assets measured at fair value through other items of comprehensive income	*24*	**41,002,496**	**602**	**190,275**	**41,193,373**
- Equity instruments		**-**	**-**	**52,652**	**52,652**
- Debt instruments		**41,002,496**	**602**	**107,679**	**41,110,777**
- Loans and advances		**-**	**-**	**29,944**	**29,944**
Financial assets which are required to be measured at fair value through profit or loss, of which:	*21.b)*	**817,263**	**10,191**	**280,862**	**1,108,316**
- Equity instruments		**238,020**	**-**	**-**	**238,020**
- Debt instruments		**579,243**	**10,191**	**280,862**	**870,296**
Total financial assets measured at fair value in the statement of financial position		**42,137,714**	**91,720**	**491,632**	**42,721,066**
Non-financial assets at fair value		-	-	**1,064,215**	**1,064,215**
- Property and equipment and investment property	*26*	-	-	*1,064,215*	***1,064,215***
Total assets measured at fair value in the statement of financial position		**42,137,714**	**91,720**	**1,555,847**	**43,785,281**
Financial liabilities held-for-trading	*43*	**-**	**39,179**	**-**	**39,179**

7. Financial assets and liabilities *(continued)*

b) Fair value of financial assets and liabilities (continued)

i) Fair value hierarchy analysis of financial instruments carried at fair value *(continued)*

Bank - *In RON thousand*	**Notes**	**Level 1 - Quoted market prices in active markets**	**Level 2 - Valuation techniques – observable inputs**	**Level 3 - Valuation techniques – unobservable inputs**	**Total**
31 December 2022					
Financial assets held for trading and measured at fair value through profit or loss, of which:	21.a)	**30,693**	**-**	**-**	**30,693**
- Equity instruments		*30,693*	-	-	*30,693*
Derivatives	43	**-**	**218,443**	**-**	**218,443**
Financial assets measured at fair value through other items of comprehensive income	24	**42,445,030**	**140,126**	**538,998**	**43,124,154**
- Equity instruments		-	-	*17,663*	*17,663*
- Debt instruments		*42,445,030*	*113,270*	*521,335*	*43,079,635*
- Loans and receivables		-	*26,856*	-	*26,856*
Financial assets which are required to be measured at fair value through profit or loss, of which:		**1,199,424**	**198,617**	**76,554**	**1,474,595**
- Equity instruments	21.b)	**241,712**	**-**	**-**	**241,712**
- Debt instruments		*957,712*	*198,617*	*76,554*	*1,232,883*
Total financial assets measured at fair value in the statement of financial position		**43,675,147**	**557,186**	**615,552**	**44,847,885**
Non-financial assets at fair value		**-**	**-**	**731,037**	**731,037**
- Property and equipment and investment property	26	-	-	*731,037*	*731,037*
Total assets measured at fair value in the statement of financial position		**43,675,147**	**557,186**	**1,346,589**	**45,578,922**
Financial liabilities held-for-trading	43	**-**	**41,695**	**-**	**41,695**
31 December 2021		**30,693**	**-**	**-**	**30,693**
Financial assets held for trading and measured at fair value through profit or loss, of which:	21.a)	**31,207**	**-**	**-**	**31,207**
- Equity instruments		31,207	-	-	**31,207**
Derivatives	43	**-**	**79,842**	**-**	**79,842**
Financial assets measured at fair value through other items of comprehensive income	24	**40,699,656**	**602**	**153,526**	**40,853,784**
- Equity instruments		-	-	15,904	**15,904**
- Debt instruments		40,699,656	602	107,679	**40,807,937**
- Loans and receivables		-	-	29,943	**29,943**
Financial assets which are required to be measured at fair value through profit or loss, of which:	21.b)	**1,174,444**	**10,191**	**280,862**	**1,465,497**
- Equity instruments		237,578	-	-	**237,578**
- Debt instruments		936,866	10,191	280,862	**1,227,919**
Total financial assets measured at fair value in the statement of financial position		**41,905,307**	**90,635**	**434,388**	**42,430,330**
Non-financial assets at fair value		**-**	**-**	**652,581**	**652,581**
- Property and equipment and investment property	26	-	-	652,581	**652,581**
Total assets measured at fair value in the statement of financial position		**41,905,307**	**90,635**	**1,086,969**	**43,082,911**
Financial liabilities held-for-trading	43	**-**	**38,689**	**-**	**38,689**

Notes to the consolidated and separate financial statements

7. Financial assets and liabilities *(continued)*

b) Fair value of financial assets and liabilities (continued)

ii) Financial instruments not carried at fair value

At level 2 in the fair value hierarchy, the Group and the Bank included in the category of assets that are not held at fair value: placements with banks and public institutions, financial assets measured at amortized cost - debt instruments and in the category of liabilities: deposits from banks and from customers.

At level 3 in the fair value hierarchy, the Group and the Bank included in the category of assets: loans and advances and finance lease receivables and other financial assets; and in the category of liabilities: loans from banks and other financial institutions, subordinated loans and other financial liabilities.

The table below presents the fair value and the fair value hierarchy for the financial assets and liabilities that are not measured at fair value in the statement of financial position at 31 December 2022:

RON thousand	Note	**Group** Carrying amount	Fair value	Fair value hierarchy Level 1	Level 2	Level 3	**Bank** Carrying amount	Fair value	Fair value hierarchy Level 1	Level 2	Level 3
Assets											
Placements with banks and public institutions	20	5,567,332	5,567,332	-	5,567,332		6,634,858	6,634,858	-	6,634,858	-
Loans and advances to customers	22	65,200,920	65,617,870	-	-	65,617,870	63,449,954	64,180,286	-	-	64,180,286
Finance lease receivables	23	2,812,597	2,793,665	-	-	2,793,665	-	-	-	-	-
Financial assets at amortized cost - debt instruments	24	2,059,712	2,042,369	587,268	1,046,756	408,345	975,159	954,551	-	954,551	-
Other financial assets	30	1,887,028	1,887,028	-	-	1,887,028	1,935,629	1,935,629	-	-	1,935,629
Total assets		**77,527,589**	**77,908,264**	**587,268**	**6,614,088**	**70,706,908**	**72,995,600**	**73,705,324**	**-**	**7,589,409**	**66,115,915**
Liabilities											
Deposits from banks	32	1,678,082	1,678,082	-	1,678,082	-	1,631,542	1,631,542	-	1,631,542	-
Deposits from customers	33	119,731,729	119,559,333	-	119,559,333	-	116,503,842	116,339,982	-	116,339,982	-
Loans from banks and other financial institutions	34	4,840,928	4,855,524	-	-	4,855,524	3,562,483	3,577,079	-	-	3,577,079
Subordinated liabilities	35	1,748,260	1,748,260	-	-	1,748,260	1,718,909	1,718,909	-	-	1,718,909
Lease liabilities		492,956	492,956	-	-	492,956	663,680	663,680	-	-	663,680
Other financial liabilities	37	1,764,364	1,764,364	-	-	1,764,364	1,315,969	1,315,969	-	-	1,315,969
Total liabilities		**130,256,319**	**130,098,519**	**-**	**121,237,415**	**8,861,104**	**125,396,425**	**125,247,161**	**-**	**117,971,524**	**7,275,637**

Notes to the consolidated and separate financial statements

7. Financial assets and liabilities *(continued)*

b) Fair value of financial assets and liabilities (continued)

ii) Financial instruments not carried at fair value (continued)

The table below presents the fair value and the fair value hierarchy for the financial assets and liabilities that are not measured at fair value in the statement of financial position at 31 December 2021:

RON thousand	Note	Group					Bank				
		Carrying amount	Fair value	Fair value hierarchy Level 1	Level 2	Level 3	Carrying amount	Fair value	Fair value hierarchy Level 1	Level 2	Level 3
Assets											
Placements with banks and public institutions	20	10,394,297	10,394,297	-	10,394,297	-	9,612,690	9,612,690	-	9,612,690	-
Loans and advances to customers	22	54,629,754	54,965,684	-	-	54,965,684	52,238,523	52,649,069	-	-	52,649,069
Finance lease receivables	23	1,488,031	1,487,603	-	-	1,487,603	-	-	-	-	-
Financial assets at amortized cost - debt instruments	24	1,483,111	1,487,956	51,103	1,436,853	-	355,331	361,580	-	361,580	-
Other financial assets	30	1,054,904	1,054,904	-	-	1,054,904	884,171	884,171	-	-	884,171
Total assets		**69,050,097**	**69,390,444**	**51,103**	**11,831,150**	**57,508,191**	**63,090,715**	**63,507,510**	**-**	**9,974,270**	**53,533,240**
Liabilities											
Deposits from banks	32	1,024,259	1,024,259	-	1,024,259	-	952,453	952,453	-	952,453	-
Deposits from customers	33	108,021,629	108,007,480	-	108,007,480	-	102,698,085	102,686,447	-	102,686,447	-
Loans from banks and other financial institutions	34	7,929,500	7,955,746	-	-	7,955,746	7,457,843	7,484,089	-	-	7,484,089
Subordinated liabilities	35	1,762,484	1,762,484	-	-	1,762,484	1,706,234	1,706,234	-	-	1,706,234
Lease liabilities		498,597	498,597	-	-	498,597	716,569	716,569	-	-	716,569
Other financial liabilities	37	1,826,081	1,826,081	-	-	1,826,081	1,440,467	1,440,467	-	-	1,440,467
Total liabilities		**121,062,550**	**121,074,647**	**-**	**109,031,739**	**12,042,908**	**114,971,651**	**114,986,259**	**-**	**103,638,900**	**11,347,359**

Notes to the consolidated and separate financial statements

8. Net interest income

	Group		Bank	
In RON thousand	**2022**	**2021**	**2022**	**2021**
Interest income calculated using the effective interest method	**5,769,630**	**3,570,594**	**5,136,663**	**3,236,110**
- Cash and curent accounts with Central Banks at AC	104,661	10,401	25,812	5,491
- Placements with banks and public institutions at AC	116,411	37,336	147,112	36,857
- Loans and advances to customers at AC	4,234,269	2,619,094	3,765,518	2,342,226
- Debt instruments at FVOCI	1,188,703	848,476	1,181,086	846,945
- Debt instruments at AC	125,586	55,287	17,135	4,591
Other similar income	**262,146**	**125,159**	**30,203**	**11,668**
- Finance lease receivables	231,943	113,491	-	-
- Non-recourse factoring receivables	30,203	11,668	30,203	11,668
Total interest income	**6,031,776**	**3,695,753**	**5,166,866**	**3,247,778**
Interest expense related to financial liabilities measured at amortized cost	**1,602,950**	**552,281**	**1,502,270**	**501,261**
- Cash and curent accounts with Central Banks	204,007	49,951	203,201	49,829
- Deposits from banks	65,953	12,619	63,118	11,072
- Deposits from customers	1,117,578	384,134	1,052,129	347,713
- Loans from banks and other financial institutions	215,412	105,577	183,822	92,647
Other similar expense	**2,167**	**1,353**	**6,356**	**6,681**
- Lease liabilities	2,167	1,353	6,356	6,681
Total interest expense	**1,605,117**	**553,634**	**1,508,626**	**507,942**
Net interest income	**4,426,659**	**3,142,119**	**3,658,240**	**2,739,836**

(i) Interest income for the year ended at 31 December 2022 includes the net interest income on impaired financial assets amounting RON 191,391 thousand (2021: RON 117,617 thousand) for the Group and RON 148,187 thousand (2021: RON 90,721 thousand) for the Bank.

The interest income and expense related to the financial assets and liabilities, other than those held at fair value through profit or loss, are determined using the effective interest rate method.

9. Net fee and commission income

	Group		Bank	
In RON thousand	**2022**	**2021**	**2022**	**2021**
Fee and commission income				
Commissions from treasury and inter-bank operations	249,002	179,922	248,411	179,725
Client transactions	1,449,466	1,205,291	1,216,798	999,450
Lending activity *(i)*	64,243	41,127	61,056	40,139
Finance lease management	13,466	1,926	-	-
Other fee and commission income	5,147	4,609	561	531
Total fee and commission income	**1,781,324**	***1,432,875***	***1,526,826***	***1,219,845***
Fee and commission expense				
Commissions from treasury and inter-bank operations	432,621	322,353	354,850	270,861
Client transactions	151,752	119,614	126,223	98,076
Lending activity *(i)*	27,140	27,419	44,871	42,375
Other fees and commissions	1,979	2,132	2,425	2,257
Total fee and commission expense	**613,492**	***471,518***	***528,369***	***413,569***
Net fee and commission income	**1,167,832**	**961,357**	**998,457**	**806,276**

(i) *Lending-related fees include guarantee assessment and amendment fees, factoring fees, debt recovery fees.*

10. Net trading income

	Group		Bank	
In RON thousand	**2022**	**2021**	**2022**	**2021**
Net income from foreign exchange transactions	572,712	440,666	491,093	398,361
Net income from derivatives	96,210	28,283	96,884	27,831
Net (expense)/income from financial assets held-for-trading	(1,702)	37,904	1,610	14,744
Net income from foreign exchange position revaluation	18,850	21,829	7,552	20,350
Net trading income	**686,070**	**528,682**	**597,139**	**461,286**

11. Net loss(-)/gain from the sale of financial assets measured at fair value through other items of comprehensive income

	Group		Bank	
In RON thousand	**2022**	**2021**	**2022**	**2021**
Income from the sale of financial assets measured at fair value through other items of comprehensive income	23,927	198,939	19,322	198,876
Losses from the sale of financial assets measured at fair value through other items of comprehensive income	(145,565)	(19,916)	(145,441)	(19,916)
Net gain/loss(-) from the sale of financial assets measured at fair value through other items of comprehensive income	**(121,638)**	**179,023**	**(126,119)**	**178,960**

12. Net loss(-)/gain from financial assets which are required to be measured at fair value through profit or loss

	Group		Bank	
In RON thousand	**2022**	**2021**	**2022**	**2021**
Income from financial assets which are required to be measured at fair value through profit or loss	232,613	195,169	258,320	228,325
Losses from financial assets which are required to be measured at fair value through profit or loss	(249,865)	(156,760)	(272,162)	(163,837)
Net loss (-)/ gain from financial assets which are required to be measured at fair value through profit or loss	**(17,252)**	**38,409**	**(13,842)**	**64,488**

13. Contribution to the Bank Deposit Guarantee Fund and to the Resolution Fund

The impact of the breakdown of the annual contribution to the two funds, as reflected in the separate and consolidated statement of profit or loss, is the following:

	Group		Bank	
	2022	**2021**	**2022**	**2021**
Contribution to the Bank Deposit Guarantee Fund	91,192	30,500	86,542	27,767
Bank Resolution Fund	62,492	59,500	56,971	54,255
Total	**153,684**	**90,000**	**143,513**	**82,022**

14. Other operating income

In RON thousand	Group 2022	Group 2021	Bank 2022	Bank 2021
Dividend income	9,064	3,243	198,719	33,808
Income from insurance intermediation	152,689	106,559	101,620	85,534
Income from VISA, MASTERCARD, WU services	14,888	16,456	11,948	16,456
Income from indemnities, fines and penalties	10,293	9,132	5,900	6,657
Income arising from derecognition of financial assets measured as amortised cost	7,844	-	-	-
Other operating income *(i)*	97,191	39,057	71,440	36,899
Total	**291,969**	**174,447**	**389,627**	**179,354**

(i) The category "Other operating income" includes the following types of income: debt recoveries related to closed accounts, surplus from ATM transactions not claimed by customers, cash at hand differences, income from recovered legal expenses, other recoveries from operating expenses.

15. Net expense from impairment allowance, expected losses on assets, provisions for other risks and loan commitments

(a) *Impairment or reversal of impairment on financial assets not measured at fair value through profit or loss*

In RON thousand	Group 2022	Group 2021	Bank 2022	Bank 2021
Net impairment allowance on assets (i)	820,127	665,926	549,482	631,299
Loans written off	8,026	16,736	-	1
Finance lease receivables written off	22,839	10,422	-	-
Provisions for loan commitments, financial guarantees and other commintments given	(978)	17,151	(20,563)	10,567
Recoveries from loans written off	(218,624)	(298,148)	(208,838)	(287,237)
Recoveries from finance lease receivables written off	(78,228)	(26,243)	-	-
Impairment or reversal of impairment on financial assets not measured at fair value through profit or loss	**553,162**	**385,844**	**320,081**	**354,630**

(i) Net impairment losses on assets include the following:

In RON thousand	Group 2022	Group 2021	Bank 2022	Bank 2021
Loans and advances to customers	741,962	560,446	530,294	549,203
Treasury and inter-bank operations	(929)	4,554	5,504	4,442
Finance lease receivables	61,115	16,708	-	-
Investment securities	13,015	76,296	13,528	72,751
Other financial assets	4,964	7,922	156	4,903
Net impairment allowance on assets	**820,127**	**665,926**	**549,482**	**631,299**

(b*) (Other) Provisions and reversal of provisions*

In RON thousand	Group 2022	Group 2021	Bank 2022	Bank 2021
Other non-financial assets	(18,273)	(11,517)	(3,714)	(1,583)
Property and equipment and intangible assets	447	-	-	-
Litigation and other risks (*)	(40,181)	(117,711)	(38,346)	(118,220)
(Other) Provisions and reversal of provisions	**(58,007)**	**(129,228)**	**(42,060)**	**(119,803)**

(*)release of provisions related to litigations and other risks from loan contracts that were taken over through the mergers with Volksbank Roamania SA and Bancpost SA, following the revision in 2021 of the future cash outflows probabilities to lower levels. For 2022 there were no significant variances in the existing probabilities and corresponding amounts.

16. Personnel expenses

	Group		Bank	
In RON thousand	**2022**	**2021**	**2022**	**2021**
Gross salaries	1,389,969	1,055,620	1,157,371	918,262
Social protection contribution	58,152	44,433	36,317	29,302
Share payments to employees	92,810	123,142	91,842	122,225
Pension contribution Pillar III	16,674	15,619	15,551	14,600
Other staff expenses	86,970	71,543	78,040	65,089
Net income/(expense) with provisions for untaken holiday and other benefits	10,958	17,920	6,039	9,587
Total	**1,655,533**	**1,328,277**	**1,385,160**	**1,159,065**

The average number of new employees within the Group and the Bank during 2022 and 2021 was:

Category	**Monthly average number of persons employed during 2022**		**Monthly average number of persons employed during 2021**	
	Group	**Bank**	**Group**	**Bank**
Management positions	5.5	3.5	2.08	0.17
Operational positions	160	121.336	145.50	108.58
Total	**165.5**	**124.83**	**147.58**	**108.75**

The Bank has established a Stock Option Plan (SOP) program, within which the Bank's staff can exercise their right and option to acquire a number of shares issued by the Bank.

Vesting conditions for 2023 related to SOP 2022:

- Achievement of performance and prudential indicators during 2022;
- Compliance with certain individual eligibility and/or performance criteria, in accordance with the applicable remuneration policy and standard, related to the year for which shares are granted;
- Being an employee upon the granting of the SOP right (27 May 2022) and when exercising such right (starting from 28 May 2023).

Contractual vesting period for the shares granted for the year 2022 through SOP:

- Release after 28 May 2023;
- Deferral period for the identified personnel subject to applicable restrictions, pursuant to internal regulations in force.

The impact in profit or loss of a possible value change of the shares which are to be granted to the employees under the Stock Option Plan for 2022, by a maximum of +/-15.00% regulated by the Bucharest Stock Exchange, would be of RON +/- 15,437 thousand.

Benefits granted to employees in the form of equity instruments, as part of equity are presented below for 2022 and 2021:

In RON thousand	**2022**	**2021**
Balance as at January 1	**72,262**	**8,817**
Rights granted during the year	(100,243)	(58,780)
Expense with employee benefits in the form of share-based payments	91,843	122,225
Closing balance at the end of period	**63,862**	**72,262**

16. Personnel expenses *(continued)*

In 2022 a number of 41,226,753 shares were granted to employees and members of the Board of Directors and during the year 2021 a number of 23,788,728 shares was granted to the employees and members of the Board of Directors:

Granting date	Number of shares	Contractual vesting period	Vesting conditions
Shares granted to employees for the year 2022	39,694,705	With immediate release on 03 June 2022	Achievement of performance and prudential indicators during 2022. Compliance with the conditions stipulated in the applicable remuneration policy and standard, related to the year for which shares are granted, as well as with the conditions of the trust agreement.
	1,532,048	Deferral by trust agreement for 3-5 years	

17. Other operating expenses

	Group		Bank	
In RON thousand	**2022**	**2021**	**2022**	**2021**
Rent and lease expense	8,392	8,086	5,974	6,411
Repairs and maintenance expenses	266,556	189,483	234,071	174,727
Advertising, marketing, entertainment and sponsorship expenses	108,756	90,653	91,665	77,569
Mail, telecommunication and SMS traffic expenses	62,149	63,958	51,950	48,341
Materials and stationery	89,758	75,654	82,364	64,993
Other professional fees, including legal expenses	39,293	36,038	19,585	24,385
Expenses regarding movable and immovable assets resulting from debt enforcement	15,916	4,100	-	61
Electricity and heating	42,599	24,772	38,081	22,800
Business travel, transportation and temporary relocation expenses	52,930	38,157	49,985	36,701
Insurance costs	27,178	21,863	23,755	19,542
Taxes	41,318	28,129	38,311	26,164
Write-off and loss on disposal of property and equipment and intangible assets	15,913	1,258	149	1,473
Security and protection	20,345	14,452	18,558	13,088
Expenses related to archiving services	20,872	17,336	19,948	17,169
Expenses related to database queries from the Trade Register and the Credit Bureau	8,128	7,224	5,227	5,883
Expenses with foreclosed assets	5,962	5,768	5,304	5,368
Audit, advisory and other services provided by the independent auditor	7,629	6,330	4,162	3,525
- statutory and group audit fees	*7,445*	5,362	*4,102*	*3,446*
- special audit services or other non-audit services as required by the local rules or legislation	*184*	968	*60*	*79*
Net loss on sale of shares in subsidiary (*)	-	-	178,800	-
Other operating expenses	101,525	62,631	57,337	43,139
Total other operating expenses	**935,219**	**695,892**	**925,226**	**591,339**

(*) The net loss on sale of share in subsidiaries includes the gain from the sale of the Bank's participation in BT Building to BT Property in the amount of thousand RON 6,795 and the loss from the sale of the Bank's participation in Tiriac Leasing IFN SA to BT Leasing IFN SA in the amount of thousands RON (185,595)

18. Income tax expense

In RON thousand	Group 2022	Group 2021	Bank 2022	Bank 2021
Gross Profit	**2,801,053**	**2,302,798**	**2,420,680**	**2,022,368**
Statutory tax rate (2022: 16%; 2021: 16%)	**(448,168)**	***(368,448)***	***(387,309)***	***(323,579)***
Fiscal effect of income tax on the following elements:	**135,532**	***90,183***	***144,628***	***83,915***
- *Non-taxable income*	132,640	*103,156*	*157,604*	*121,489*
- *Non-deductible expense*	(144,737)	*(126,263)*	*(157,017)*	*(147,255)*
- *Tax deductions*	153,993	*123,021*	*148,750*	*119,585*
- *Income like items*	(6,457)	*(9,870)*	*(4,709)*	*(9,904)*
- *Expense like items*	93	*139*	-	-
Income tax expense	**(312,636)**	**(278,265)**	**(242,681)**	**(239,664)**
- expenses with current tax	*(314,519)*	*(293,002)*	*(242,277)*	*(251,454)*
- income / expenses with deferred tax	*1,883*	*14,737*	*(404)*	*11,790*

19. Cash and curent accounts with Central Banks

In RON thousand	Group 2022	Group 2021	Bank 2022	Bank 2021
Minimum reserve requirement	10,137,298	14,631,699	8,572,013	13,585,904
Cash on hand and other values	4,403,419	3,689,214	4,073,144	3,177,721
Total	**14,540,717**	**18,320,913**	**12,645,157**	**16,763,625**

During 2022, the minimum reserve requirements ratio at the National Bank of Romania was 8% for RON denominated balances and 5% for EUR denominated balances (2021: 8% for funds denominated in RON and 5% for EUR). The minimum reserve balance may fluctuate on a daily basis. The interest paid by the National Bank of Romania for the reserves held by the banks was 0.48% - 0.69% per year for the reserves in RON and 0.01% per year for reserves denominated in EUR. (2021: 0.18%-0.13% per year for the reserves in RON and 0.00% per year for EUR). The minimum required reserve can be used by the Bank for its daily activities as long as the average monthly balance is maintained within the required limits.

Also, for 2022, the minimum reserve requirements of the National Bank of Moldova was 34.0% for MDL denominated balances and 45.0% of the calculation base for freely convertible currency (2021: 26% for MDL and 30% for freely convertible currency).

Reconciliation of cash and cash equivalents with the separate and consolidated statement of financial position:

In RON thousand	Group 2022	Group 2021	Bank 2022	Bank 2021
Cash and curent accounts with Central Banks(*)	14,861,467	18,068,541	12,644,490	16,764,278
Placements with banks - maturity below 3 months	3,327,241	8,542,247	2,659,429	7,910,017
Reverse-repo transactions	-	166,670	-	166,670
Loans and advances to credit institutions	39,054	39,129	39,054	39,129
Financial assets measured at fair value through other items of comprehensive income	-	243	-	-
Financial assets measured at amortized cost – debt instruments	231,534	211,022	-	-
Cash and cash equivalents in the cash flow statement	**18,459,296**	**27,027,852**	**15,342,973**	**24,880,094**

(*) At Group level, the cash and curent accounts with Central Banks do not include the accrual and interest receivable in the amount of RON 10,546 thousand (2021: RON 735 thousand) and at the level of the Bank in the amount of RON 667 thousand (2021: RON (653) thousand).

20. Placements with banks and public institutions

	Group		Bank	
In RON thousand	**2022**	**2021**	**2022**	**2021**
Current accounts with other banks	1,034,034	1,085,546	519,775	437,394
Sight, collateral and term deposits with other banks	3,001,471	7,857,552	4,583,256	7,724,097
Reverse repo transactions	989,564	1,156,469	989,564	1,156,469
Loans and advances to credit institutions	542,263	294,730	542,263	294,730
Total	**5,567,332**	**10,394,297**	**6,634,858**	**9,612,690**

As at 31 December 2022, the placements with banks included reverse-repo securities, term deposits and loans and advances to credit institutions with maturity up to 3 months, which are also included in the separate and consolidated statement of cash flows, as follows: reverse-repo in amount of RON 0 thousand, deposits in amount of RON 2,340,720 thousand and loans and advances to credit institutions of RON 39.054 thousand at Group level, and reverse-repo in amount of RON 0 thousand, deposits in amount of RON 1,799,386 thousand and loans and advances to credit institutions in amount of RON 39,054 thousand at Bank level (2021: reverse-repo in amount of RON 166,670 thousand and deposits in amount of RON 7,083,657 thousand at Group level, and reverse-repo of RON 166,670 thousand, deposits in amount of RON 7,089,404 thousand at Bank level; loans and advances to credit institutions in amount of RON 39,129 for both the Group and the Bank).

Except for sale and reverse-repo agreements, the amounts due from other banks are not guaranteed. The quality analysis of the placements with banks as at 31 December 2022 and 31 December 2021, according to the rating agencies is detailed below:

Group	**2022**		**2021**	
In RON thousand	**Placements with banks**	**Reverse repo transactions**	**Placements with banks**	**Reverse repo transactions**
Investment grade	4,270,986	989,564	8,837,556	1,156,469
Non-investment grade	306,782	-	400,272	-
Total	**4,577,768**	**989,564**	**9,237,828**	**1,156,469**

Bank	**2022**		**2021**	
In RON thousand	**Placements with banks**	**Reverse repo transactions**	**Placements with banks**	**Reverse repo transactions**
Investment grade	3,506,498	989,564	8,038,468	1,156,469
Non-investment grade	2,138,796	-	417,753	-
Total	**5,645,294**	**989,564**	**8,456,221**	**1,156,469**

The qualitative analysis regarding the placements with banks was based on the credit ratings issued by Standard & Poor's, Moody's and Fitch, if available. As concerns the Group's/Bank's placements with credit institutions that are not rated by Standard & Poor's, Moody's or Fitch, The Standard & Poor's and Moody's sovereign rating was used.

The Investment-grade category includes the Group's/Bank's placements with credit institutions having the following ratings: AA, AA-, A+, A, A-, BBB+, BBB and BBB-.

The non-investment grade category includes the Group's/Bank's placements with credit institutions having the following ratings: BB+, B+, B, B3 and CC.

21. Financial assets at fair value through profit or loss

a) Held-for-trading financial assets measured at fair value through profit or loss

The structure of financial assets held-for-trading and measured at fair value through profit or loss is presented in the table below:

In RON thousand	Group		Bank	
	2022	**2021**	**2022**	**2021**
Equity instruments	212,829	205,313	30,693	31,207
Debt instruments	108,541	133,137	-	-
Total	**321,370**	**338,450**	**30,693**	**31,207**

As at 31 December 2022, the Group held shares listed on the Bucharest Stock Exchange and on the main Stocks from Europe.
As at 31 December 2022, the Group owned significant investments amounting to RON 181,222 thousand in the following entities: Evergent Investments S.A. and SIF Transilvania S.A. (2021: RON 166,102 thousand in Evergent Investments S.A. and SIF Transilvania S.A.).

A qualitative analysis financial assets held-for-trading and measured at fair value through profit or loss for the Group and of the Bank as at 31 December 2022 and 31 December 2021 is presented below:

	Group		Bank	
In RON thousand	**2022**	**2021**	**2022**	**2021**
Investment-grade	18,963	25,370	18,720	20,911
Non-investment grade	394	1,610	394	512
No rating(*)	302,013	311,470	11,579	9,784
Total	**321,370**	**338,450**	**30,693**	**31,207**

(*) They mainly represent the Group's investments in fund units and Romanian financial investment companies.

The ratings of credit are based on the Standard & Poor's rating, if available, or Moody's rating converted into the nearest equivalent rating according to the rating scale of Standard & Poor.

The Investment-grade category includes financial assets at fair value through profit or loss with the followinag ratings: A+,A, A-, A1, BBB+.

The Non-Investment-grade category includes financial assets at fair value through profit or loss with rating BB-.
The 'no rating' category includes financial assets at fair value through profit or loss the issuers of which are not rated.

b) Financial assets which are required to be measured at fair value through profit or loss

The structure of financial assets which are required to be measured at fair value through profit or loss is presented in the table below:

	Group		Bank	
In RON thousand	**2022**	**2021**	**2022**	**2021**
Equity instruments	242,037	238,020	241,712	237,578
Debt instruments	864,004	870,296	1,232,883	1,227,919
Total	**1,106,041**	**1,108,316**	**1,474,595**	**1,465,497**

21. Financial assets at fair value through profit or loss

b) Financial assets which are required to be measured at fair value through profit or loss

The following is an analysis of the quality of the Group's and the Bank's portfolio of the debt instruments which are required to be measured at fair value through profit or loss as at 31 December 2022 and as at 31 December 2021.

În mii lei	**Group 2022**	**Group 2021**	**Bank 2022**	**Bank 2021**
Investment-grade	275,171	280,861	275,171	280,861
Non-investment grade	-	10,191	-	10,191
N/A	588,833	579,244	957,712	936,867
Total	**864,004**	**870,296**	**1,232,883**	**1,227,919**

(*) The vast majority of these represent the Group's investments in Romanian fund units and financial investment companies.

The Investment-grade category includes financial assets at fair value through profit or loss with the following ratings: A+, BBB, BBB+.
The 'no rating' category includes financial assets at fair value through profit or loss the issuers of which are not rated.

22. Loans and advances to customers

The Group's and Bank's commercial lending is concentrated on Romanian and Moldavian companies and individuals. The risk distribution of the credit portfolio per sectors, as at 31 December 2022 and 31 December 2021, is the following:

In RON thousand	**Group 2022**	**Group 2021**	**Bank 2022**	**Bank 2021**
Retail	30,948,280	29,130,528	28,920,184	26,894,374
Trading	8,089,725	6,318,563	7,497,861	5,757,419
Manufacturing	4,440,374	3,929,228	4,166,932	3,690,153
Agriculture	3,130,204	1,988,276	3,034,711	1,889,405
Services	2,881,235	2,383,956	2,616,009	2,163,455
Real Estate	2,412,739	1,673,157	2,460,459	1,786,098
Constructions	1,711,912	1,417,488	1,489,575	1,237,201
Transportation	2,370,619	2,082,996	1,919,864	1,722,122
Self-employed	998,317	770,848	823,227	620,870
Others	1,069,132	925,361	921,198	792,989
Financial Institutions	663,221	592,150	2,832,928	2,127,328
Telecommunications	246,275	173,456	215,330	139,867
Energy	1,660,047	645,839	1,648,987	644,820
Mining	63,088	97,663	68,238	93,414
Chemical Industry	71,672	78,024	55,739	76,328
Government Institutions	8,806,034	6,228,802	8,783,219	6,194,759
Fishing	20,675	22,950	19,634	22,158
Total loans and advances to customers before impairment allowance (*)	**69,583,549**	**58,459,285**	**67,474,095**	**55,852,760**
Allowances for impairment losses on loans	(4,382,629)	(3,829,531)	(4,024,141)	(3,614,237)
Total loans and advances to customers, net of impairment allowance	**65,200,920**	**54,629,754**	**63,449,954**	**52,238,523**

(*) Total loans and advances to customers before impairment allowance are diminished by the fair value adjustments for the portfolio of loans taken over through acquisitions, determined on the basis of the purchase price allocation report.

22. Loans and advances to customers (continued)

The structure of the credit portfolio of the Group and the Bank as at 31 December 2022 and 31 December 2021 is the following:

	Group		Bank	
In RON thousand	**2022**	**2021**	**2022**	**2021**
Corporate and government institutions	28,526,290	20,973,390	30,397,258	22,183,126
Small and medium enterprises	9,294,327	7,717,422	8,156,625	6,775,254
Consumer loans and card loans granted to retail customers	12,649,654	12,295,686	11,836,977	11,359,134
Mortgage loans	17,384,457	16,095,360	17,018,290	15,493,560
Loans granted by non-banking financial institutions	1,654,683	1,325,339		-
Other	74,138	52,088	64,945	41,686
Total loans and advances to customers before impairment allowance	**69,583,549**	**58,459,285**	**67,474,095**	**55,852,760**
Allowances for impairment losses on loans	*(4,382,629)*	*(3,829,531)*	*(4,024,141)*	(3,614,237)
Total loans and advances to customers net of impairment allowance	**65,200,920**	**54,629,754**	**63,449,954**	**52,238,523**

Notes to the consolidated and separate financial statements

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

The movement in impairment allowances on loans and advances to customers at Group level in 2022 was the following:

	Allowances for expected credit losses on loans and advances for which the credit risk has not significantly increased since the initial recognition, and which are not impaired (Stage 1)	Allowances for expected credit losses on loans and advances for which the credit risk has significantly increased since the initial recognition, but which are not impaired (Stage 2)	Allowances for expected credit losses on loans and advances to customers which are impaired (Stage 3)	Allowances for expected losses on financial assets acquired or issued wich are impaired	Total
Opening balance as at January 1, 2022	**(797,877)**	**(1,531,953)**	**(1,423,728)**	**(75,973)**	**(3,829,531)**
Increase due to issue or acquisition	(827,288)	(727,107)	(257,501)	-	**(1,811,896)**
Decrease due to derecognition	391,518	466,664	263,171	9,794	**1,131,147**
Increase or decrease due to the change in credit risk (net) and transfers	112,845	(43,891)	(459,632)	(11,152)	**(401,830)**
Increase or decrease due to changes without derecognition (net)	(18,217)	144,081	157,548	(16,637)	**266,775**
Decrease of impairment allowances due to write-offs	627	13,643	233,911	19,784	**267,965**
Other adjustments	(568)	(1,814)	(2,475)	(402)	**(5,259)**
Closing balance as at 31 December 2022	**(1,138,960)**	**(1,680,377)**	**(1,488,706)**	**(74,586)**	**(4,382,629)**

Notes to the consolidated and separate financial statements

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

The movement in impairment allowances on loans and advances to customers at Bank level in 2022 was the following:

	Allowances for expected credit losses on loans and advances for which the credit risk has not significantly increased since the initial recognition, and which are not impaired (Stage 1)	Allowances for expected credit losses on loans and advances for which the credit risk has significantly increased since the initial recognition, but which are not impaired (Stage 2)	Allowances for expected credit losses on loans and advances to customers which are impaired (Stage 3)	Allowances for expected losses on financial assets acquired or issued wich are impaired	Total
Opening balance as at January 1, 2022	**(791,352)**	**(1,505,695)**	**(1,270,134)**	**(47,056)**	**(3,614,237)**
Increase due to issue or acquisition	(801,994)	(713,256)	(246,487)	-	**(1,761,737)**
Decrease due to derecognition	384,461	465,454	246,768	7,946	**1,104,629**
Increase or decrease due to the change in credit risk (net) and transfers	96,013	(48,350)	(395,933)	(11,570)	**(359,840)**
Increase or decrease due to changes without derecognition (net)	31,319	153,857	182,510	(21,166)	**346,520**
Decrease of impairment allowances due to write-offs	563	13,574	232,329	19,127	**265,593**
Other adjustments	(567)	(1,729)	(2,370)	(403)	**(5,069)**
Closing balance as at 31 December 2022	**(1,081,557)**	**(1,636,145)**	**(1,253,317)**	**(53,122)**	**(4,024,141)**

Notes to the consolidated and separate financial statements

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

The movement in impairment allowances on loans and advances to customers at Group level in 2021 was the following:

	Allowances for expected credit losses on loans and advances for which the credit risk has not significantly increased since the initial recognition, and which are not impaired (Stage 1)	Allowances for expected credit losses on loans and advances for which the credit risk has significantly increased since the initial recognition, but which are not impaired (Stage 2)	Allowances for expected credit losses on loans and advances to customers which are impaired (Stage 3)	Allowances for expected losses on financial assets acquired or issued wich are impaired	Total
Opening balance as at January 1, 2021	**(712,219)**	**(1,121,314)**	**(1,486,623)**	**(73,958)**	**(3,394,114)**
Increase due to issue or acquisition	(766,657)	(440,867)	(234,029)	-	**(1,441,553)**
Decrease due to derecognition	367,405	361,036	369,339	4,769	**1,102,549**
Increase or decrease due to the change in credit risk (net) and transfers	178,090	(417,221)	(314,448)	(6,442)	**(560,021)**
Increase or decrease due to changes without derecognition (net)	137,346	64,750	46,630	(29,283)	**219,443**
Decrease of impairment allowances due to write-offs	668	27,321	203,615	29,734	**261,338**
Other adjustments	(2,510)	(5,658)	(8,212)	(793)	**(17,173)**
Closing balance as at 31 December 2021	**(797,877)**	**(1,531,953)**	**(1,423,728)**	**(75,973)**	**(3,829,531)**

Notes to the consolidated and separate financial statements

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

The movement in impairment allowances on loans and advances to customers at Bank level in 2021 was the following:

	Allowances for expected credit losses on loans and advances for which the credit risk has not significantly increased since the initial recognition, and which are not impaired (Stage 1)	Allowances for expected credit losses on loans and advances for which the credit risk has significantly increased since the initial recognition, but which are not impaired (Stage 2)	Allowances for expected credit losses on loans and advances to customers which are impaired (Stage 3)	Allowances for expected losses on financial assets acquired or issued wich are impaired	Total
Opening balance as at January 1, 2021	**(718,881)**	**(1,068,022)**	**(1,348,193)**	**(54,956)**	**(3,190,052)**
Increase due to issue or acquisition	(737,459)	(431,741)	(228,791)	-	**(1,397,991)**
Decrease due to derecognition	360,446	358,447	350,785	4,555	**1,074,233**
Increase or decrease due to the change in credit risk (net) and transfers	185,142	(446,721)	(276,873)	(3,786)	**(542,238)**
Increase or decrease due to changes without derecognition (net)	121,697	60,667	48,136	(21,799)	**208,701**
Decrease of impairment allowances due to write-offs	630	27,288	192,992	29,723	**250,633**
Other adjustments	(2,927)	(5,613)	(8,190)	(793)	**(17,523)**
Closing balance as at 31 December 2021	**(791,352)**	**(1,505,695)**	**(1,270,134)**	**(47,056)**	**(3,614,237)**

Notes to the consolidated and separate financial statements

23. Finance lease receivables

The Group acts as a lessor under finance lease agreements, concluded mainly for financing motor vehicles and equipment. The lease agreements are denominated in EUR, RON and USD and typically run for a period between 2 and maximum 10 years, with the transfer of ownership over the leased assets upon the termination of the lease agreement.

The lease receivables are secured by the underlying assets and by other collateral. The breakdown of finance lease receivables according to their maturity is presented below:

In RON thousand	**2022**	**2021**
Finance lease receivables with maturity below 1 year, gross	1,164,053	543,973
Finance lease receivables with maturity between 1-10 years, gross	2,051,959	1,171,374
Total finance lease receivables, gross	**3,216,012**	**1,715,347**
Future interest related to finance lease receivables	(270,050)	(121,128)
Total finance lease receivables, net of future interest	2,945,962	1,594,219
Impairment allowances for finance lease receivables	(133,365)	(106,188)
Total finance lease receivables	**2,812,597**	**1,488,031**

The lease contracts are originated and managed by BT Leasing Transilvania IFN S.A., BT Leasing Moldova S.R.L, Idea Leasing IFN S.A and Tiriac Leasing IFN S.A.

Notes to the consolidated and separate financial statements

23. Finance lease receivables *(continued)*

The movement in impairment allowances on finance lease receivable at Group level in 2022 was the following:

	Allowances for expected credit losses related to lease receivables for which the credit risk has not significantly increased since the initial recognition, and which are not impaired (Stage 1)	Allowances for expected credit losses related to lease receivables for which the credit risk has significantly increased since the initial recognition, but which are not impaired (Stage 2)	Allowances for expected credit losses on finance lease receivable to customers which are impaired (Stage 3)	Allowances for expected losses on financial assets acquired or issued wich are impaired	Total
Opening balance as at January 1, 2022	**(44)**	**(31,411)**	**(55,469)**	**(19,264)**	**(106,188)**
Increase due to issue or acquisition	(1,350)	(5,730)	(1,425)	-	**(8,505)**
Decrease due to derecognition	93	2,086	3,042	777	**5,998**
Increase or decrease due to the change in credit risk (net) and transfers	(16,393)	26,137	(20,518)	(11,301)	**(22,075)**
Increase or decrease due to changes without derecognition (net)	(5,054)	(10,084)	(1,575)	14,073	**(2,640)**
Other adjustments	64	178	(197)	-	**45**
Closing balance as at 31 December 2022	**(22,684)**	**(18,824)**	**(76,142)**	**(15,715)**	**(133,365)**

23. Finance lease receivables *(continued)*

The movement in impairment allowances on finance lease receivable at Group level in 2021 was the following:

	Allowances for expected credit losses related to lease receivables for which the credit risk has not significantly increased since the initial recognition, and which are not impaired (Stage 1)	Allowances for expected credit losses related to lease receivables for which the credit risk has significantly increased since the initial recognition, but which are not impaired (Stage 2)	Allowances for expected credit losses on finance lease receivable to customers which are impaired (Stage 3)	Allowances for expected losses on financial assets acquired or issued wich are impaired	Total
Opening balance as at January 1, 2021	**-**	**(40,967)**	**(46,401)**	**(16,816)**	**(104,184)**
Increase due to issue or acquisition	(44)	(21,546)	(264)	-	**(21,854)**
Decrease due to derecognition	-	1,351	4,767	2	**6,120**
Increase or decrease due to the change in credit risk (net) and transfers	-	29,888	(13,506)	(909)	**15,473**
Increase or decrease due to changes without derecognition (net)	-	(116)	(11)	(1,614)	**(1,741)**
Other adjustments	-	(21)	(54)	73	**(2)**
Closing balance as at 31 December 2021	**(44)**	**(31,411)**	**(55,469)**	**(19,264)**	**(106,188)**

Notes to the consolidated and separate financial statements

24. Investment securities

a) Financial assets measured at fair value through other items of comprehensive income

In RON thousand	Group 2022	Group 2021	Bank 2022	Bank 2021
Debt instruments, of which	**43,307,183**	**41,110,778**	**43,079,635**	**40,807,937**
- Central administrations	40,668,232	38,212,947	40,427,422	37,910,106
- Credit institutions	2,183,444	2,646,621	2,183,444	2,646,621
- Other financial companies	385,997	236,061	399,259	236,061
- Non-financial institutions	69,510	15,149	69,510	15,149
Equity instruments, of which:	**151,693**	**52,652**	**17,663**	**15,904**
- Other financial companies	147,302	28,639	13,740	15,904
- Non-financial institutions	4,391	24,013	3,923	-
Loans and advances to customers	**26,856**	**29,943**	**26,856**	**29,943**
- Central administrations	26,856	29,943	26,856	29,943
Total	**43,485,732**	**41,193,373**	**43,124,154**	**40,853,784**

As at 31 December 2022, for these categories of securities, the Group and the Bank hold equity instruments valued at fair value through other items of comprehensive income under the form of participations in Transfond, Biroul de Credit, Swift Belgium, CCP,RO Bucharest S.A., Depozitarul Central S.A. and Evergent Investments S.A. The investment in such equity instruments as at 31 December 2022 at Group level amounted to RON 151,693 thousand (2021: RON 52,652 thousand) and at Bank level RON 17,663 thousand (2021: RON 15,904 thousand). During 2022, the dividends received by the Group for these equity instruments investment were in the amount of RON 5,489 thousands (2021: RON 3,204 thousand), and at the level of the Bank in the amount of RON 4,437 thousand (2021: RON 3,077 thousand).

24. Investment securities *(continued)*

a) Financial assets measured at fair value through other items of comprehensive income (continued)

Qualitative analysis of the bonds held by the Group and the Bank as at 31 December 2022, classified as "Financial assets measured at fair value through other items of comprehensive income", depending on the issuer's rating:

	Group					Bank				
In RON thousand	**Central administrations**	**Credit institutions**	**Other financial corporations**	**Non-financial corporations**	**Total**	**Central administrations**	**Credit institutions**	**Other financial corporations**	**Non-financial corporations**	**Total**
Debt instruments, of which	**40,668,232**	**2,183,444**	**385,997**	**69,510**	**43,307,183**	**40,427,422**	**2,183,444**	**399,259**	**69,510**	**43,079,635**
A	-	535,382	343,234	-	**878,616**	-	535,382	343,234	-	**878,616**
A-	-	696,395	-	-	**696,395**	-	696,395	-	-	**696,395**
A+	-	119,576	-	-	**119,576**	-	119,576	-	-	**119,576**
AAA	537,816	93,454	-	-	**631,270**	537,816	93,454	-	-	**631,270**
B	-	-	-	15,837	**15,837**	-	-	-	15,837	**15,837**
B-	4,010	-	-	-	**4,010**	-	-	-	-	**-**
BB+	213	46,122		-	**46,335**	213	46,122	13,262	-	**59,597**
BB-	-	68,460	-	-	**68,460**	-	68,460	-	-	**68,460**
BBB	285,857	412,608	-	53,673	**752,138**	285,857	412,608	-	53,673	**752,138**
BBB-	39,840,336	73,512	42,763	-	**39,956,611**	39,603,536	73,512	42,763	-	**39,719,811**
BBB+	-	137,935	-	-	**137,935**	-	137,935	-	-	**137,935**
Loans and advances, of which	**26,856**	**-**	**-**	**-**	**26,856**	**26,856**	**-**	**-**	**-**	**26,856**
BB-	26,856	-	-	-	**26,856**	26,856	-	-	-	**26,856**

Notes to the consolidated and separate financial statements

24. Investment securities *(continued)*

a) Financial assets measured at fair value through other items of comprehensive income (continued)

Qualitative analysis of the bonds held by the Group and the Bank as at 31 December 2021, classified as "Financial assets measured at fair value through other items of comprehensive income", depending on the issuer's rating:

	Group					**Bank**				
In RON thousand	**Central administrations**	**Credit institutions**	**Other financial corporations**	**Non-financial corporations**	**Total**	**Central administrations**	**Credit institutions**	**Other financial corporations**	**Non-financial corporations**	**Total**
Debt instruments, of which	**38,212,947**	**2,646,621**	**236,061**	**15,149**	**41,110,778**	**37,910,106**	**2,646,621**	**236,061**	**15,149**	**40,807,937**
A	-	329,535	182,896	-	**512,431**	-	329,535	182,896	-	**512,431**
A-	-	1,169,057	-	-	**1,169,057**	-	1,169,056	-	-	**1,169,056**
A+	-	198,393	-	-	**198,393**	-	198,394	-	-	**198,394**
AAA	-	82,951	-	-	**82,951**	-	82,951	-	-	**82,951**
B	-	-	-	15,149	**15,149**	-	-	-	15,149	**15,149**
B-	4,415	-	-	-	**4,415**	-	-	-	-	**-**
BB+	292	-	-	-	**292**	292	-	-	-	**292**
BBB	454,951	714,746	-	-	**1,169,697**	454,951	714,746	-	-	**1,169,697**
BBB-	37,753,289	107,679	53,165	-	**37,914,133**	37,454,863	107,679	53,165	-	**37,615,707**
BBB+	-	44,260	-	-	**44,260**	-	44,260	-	-	**44,260**
Loans and advances, of which	**29,943**	**-**	**-**	**-**	**29,943**	**29,943**	**-**	**-**	**-**	**29,943**
BB-	29,943	-	-	-	**29,943**	29,943	-	-	-	**29,943**

As at 31 December 2022 and 31 December 2021, the Group and the Bank did not hold past due or impaired debt instruments classified as „Financial assets measured at fair value through other items of comprehensive income".

Evolution of securities in the category "Financial assets measured at fair value through other items of comprehensive income":

	Group		**Bank**	
In RON thousand	**2022**	**2021**	**2022**	**2021**
As at January 1	**41,193,373**	**30,877,177**	**40,853,784**	**30,850,770**
Acquisitions	12,131,322	29,200,861	11,932,842	28,870,381
Sales and repurchases	(6,716,802)	(17,118,712)	(6,712,862)	(17,091,639)
Coupon and amortization in P&L during the year (Note 8)	1,188,703	848,476	1,181,086	846,945
Coupon collected at term during the year	(1,189,997)	(1,191,145)	(1,009,855)	(1,188,116)
Gain/(Loss) from the measurement at fair value	(3,267,979)	(1,882,465)	(3,267,875)	(1,893,369)
Exchange rate differences	147,112	459,181	147,034	458,812
As at 31 December	**43,485,732**	**41,193,373**	**43,124,154**	**40,853,784**

24. Investment securities *(continued)*

a) Financial assets measured at fair value through other items of comprehensive income (continued)

As at 31 December 2022, out of the treasury securities held by the Bank, the amount of RON 77,000 thousand (2021: RON 77,000 thousand) was pledged for current operations (RoCLEAR, SENT, MASTERCARD and VISA).
The treasury securities and bonds issued by the Romanian Government have maturities between 2023 and 2051.

As at 31 December 2022, the Bank concluded repo transactions with other financial institutions, backed by financial assets measured at fair value through other items of comprehensive income in amount of RON 1,833,170 thousand (2021: RON 6,526,812 thousand). The securities pledged under repo agreements may be sold or re-pledged by the counterparty.

The interest rates on financial assets measured at fair value through other comprehensive income were within the following ranges:

	2022		2021	
	Minimum	**Maximum**	**Minimum**	**Maximum**
EUR	0.00%	6.625%	0.03%	5.89%
RON	0.00%	9.43%	0.00%	5.85%
USD	0.875%	6.125%	1.40%	6.75%
MDL	0.00%	24.39%	0.00%	7.00%
PLN	1.00%	1.00%	1.00%	1.00%

b) Financial assets at amortized cost - debt instruments

In 2022, the Group holds and classifies as financial assets measures at amortized cost - debt instruments, bonds in amount of RON 2,059,712 thousand (2021: RON 1,483,111 thousand) and the Bank acquired bonds in amount of RON 975,159 thousand (2021: RON 355,331 thousand).

In RON thousand	Group		Bank	
	2022	**2021**	**2022**	**2021**
Debt instruments, of which				
- Central banks	229,294	189,121	-	-
- Central administrations	1,387,383	953,526	517,327	-
- Credit institutions	336,481	286,174	351,278	301,041
- Other financial companies	62,194	10,120	62,194	10,120
- Non-financial institutions	44,360	44,170	44,360	44,170
Total	**2,059,712**	**1,483,111**	**975,159**	**355,331**

24. Investment securities *(continued)*

b) Financial assets at amortized cost - debt instruments (continued)

Qualitative analysis of the financial assets measures at amortized cost - debt instruments held by the Group as at 31 December 2022 and 31 December 2021, depending on the issuer's rating:

31 December 2022	**Group**					
In RON thousand	**Central banks**	**Central administrations**	**Credit institutions**	**Other financial corporations**	**Non-financial corporations**	**Total**
Debt instruments, of which	**229,294**	**1,387,383**	**336,481**	**62,194**	**44,360**	**2,059,712**
A	-	-	-	**52,075**	-	**52,075**
A-	-	-	265,170	-	-	**265,170**
B	-	-	-	-	44,360	**44,360**
B-	229,294	796,103	-	-	-	**1,025,397**
BB+	-	-	-	-	-	**-**
BBB	-	-	71,311	-	-	**71,311**
BBB-	-	591,280	-	-	-	**591,280**
BBB+	-	-	-	10,119	-	**10,119**

31 December 2021	**Group**					
In RON thousand	**Central banks**	**Central administrations**	**Credit institutions**	**Other financial corporations**	**Non-financial corporations**	**Total**
Debt instruments, of which	**189,121**	**953,526**	**286,174**	**10,120**	**44,170**	**1,483,111**
A-	-	-	17,388	-	-	**17,388**
B	-	-	-	-	44,170	**44,170**
B-	189,121	902,550	-	-	-	**1,091,671**
BBB	-	-	268,786	-	-	**268,786**
BBB-	-	50,976	-	-	-	**50,976**
BBB+	-	-	-	10,120	-	**10,120**

Qualitative analysis of the financial assets measures at amortized cost - debt instruments held by the Bank as at 31 December 2022 and 31 December 2021, depending on the issuer's rating:

31 December 2022	**Bank**				
In RON thousand	**Central administrations**	**Credit institutions**	**Other financial corporations**	**Non-financial corporations**	**Total**
Debt instruments, of which	517,327	351,278	62,194	44,360	**975,159**
A	-	-	52,075	-	**52,075**
A-	-	265,170	-	-	**265,170**
B	-	-	-	44,360	**44,360**
B-	-	-	-	-	**-**
BB+	-	14,797	-	-	**14,797**
BBB	-	71,311	-	-	**71,311**
BBB-	517,327	-	-	-	**517,327**
BBB+	-	-	10,119	-	**10,119**

24. Investment securities *(continued)*

b) Financial assets at amortized cost - debt instruments (continued)

31 December 2021			Bank		
In RON thousand	Central administrations	Credit institutions	Other financial corporations	Non-financial corporations	Total
Debt instruments, of which	**-**	**301,041**	**10,120**	**44,170**	**355,331**
A-	-	17,388	-	-	**17,388**
B	-	-	-	44,170	**44,170**
BBB	-	268,786	-	-	**268,786**
BBB-	-	14,867	-	-	**14,867**
BBB+	-	-	10,120	-	**10,120**

The movement of securities in the category of financial assets measured at amortized cost - debt instruments is presented in the table below:

	Group		Bank	
In RON thousand	**2022**	**2021**	**2022**	**2021**
As at January 1	1,483,111	990,106	355,331	160,874
Acquisitions	4,600,514	6,995,365	698,196	296,893
Sales and repurchases	(4,116,857)	(6,591,991)	(88,317)	(98,888)
Coupon and amortization in P&L during the year (Note 8)	125,586	55,287	17,135	4,591
Coupon collected at term during the year	(17,087)	(14,177)	(8,627)	(4,065)
Recognition of expected credit losses (ECL) in accordance with IFRS 9	33	(9,944)	(761)	(5,812)
Exchange rate differences	(15,588)	58,465	2,202	1,738
As at 31 December	**2,059,712**	**1,483,111**	**975,159**	**355,331**

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25. Equity investments

As at 31 December 2022 the Bank had direct stakes in subsidiaries in amount of RON 708,412 thousand (2021: RON 735,486 thousand) and the impairment allowance amounted to RON 51,317 thousand (2021: RON 51,317 thousand).

On 31 December 2022 the Bank has subsidiaries which directly and indirectly holdings are:

Entity	Head Office	% of shares owned	Share capital	Reserves	Profit/(Loss) as at 31 December 2022
BT Leasing Transilvania IFN S.A.	Cluj-Napoca, 74-76 C-tin Brâncuşi Street, first floor	100%	58,674	12,079	85,946
BT Capital Partners S.A.	Cluj-Napoca, 74-76 C-tin Brâncuşi Street, ground floor	99.59%	19,478	1,420	5,748
BT Direct IFN S.A.	Cluj-Napoca, 74-76 C-tin Brâncuşi Street, 3rd floor	100%	79,806	19,113	7,646
BT Building S.R.L.	Cluj-Napoca, 30-36 Calea Dorobantilor Street	100%	40,448	719	7,417
BT Investments S.R.L.	Cluj-Napoca, 36 Eroilor Boulevard	100%	50,940	2,576	11,639
BT Asset Management SAI S.A.	Cluj-Napoca, 22 Emil Racoviţă Street, first floor	100%	7,166	62,638	18,038
BT Solution Agent de Asigurare S.R.L.	Cluj-Napoca, 74-76 C-tin Brâncuşi Street, first floor	99.95%	20	4	2,163
BT Safe Agent de Asigurare S.R.L.	Cluj-Napoca, 74-76 C-tin Brâncuşi Street, first floor	99.99%	77	15	1,476
BT Intermedieri Agent de Asigurare S.R.L.	Cluj-Napoca, 74-76 C-tin Brâncuşi Street, first floor	99.99%	507	101	6,251
BT Leasing Moldova S.R.L.	Republic of Moldova, Chişinău, 60 A,Puşkin Street	100%	4,944	494	6,733
BT Asiom Agent de Asigurare S.R.L.	Cluj-Napoca, 74-76 C-tin Brâncuşi Street, first floor	99.95%	20	4	6,009
BT Microfinanţare IFN S.A.	Bucureşti, 43 Bucureşti-Ploieşti Boulevard	100%	46,760	11,464	47,856
Improvement Credit Collection S.R.L.	Cluj-Napoca, 1 George Bariţiu Street	100%	901	1,740	10,628
B.C. VICTORIABANK S.A.	Republic of Moldova, Chişinău, 141 31 August 1989 Street	44.63%	60,700	6,070	159,161
BT Pensii S.A.	București, 75-77 Buzești Street, 10th floor, 2nd office	100%	8,731	83	(365)
Idea Bank S.A.	București, Sector 2, 5-7 Dimitrie Pompei Boulevard, 6th floor	100%	294,150	6,829	(14,105)
Idea Leasing IFN S.A.	București, sector 1, 19-21 București-Ploiesşti Boulevard, Băneasa Business Center, 2nd floor	100%	9,503	1,877	23,273
Idea Broker de Asigurare S.R.L.	București, sector 1, 19-21 București-Ploiesşti Boulevard, Băneasa Business Center, 2nd floor	100%	150	30	7,540
Code Crafters by BT	Cluj-Napoca, General Traian Moșoiu Street, 35	100%	10	2	1,328
Țiriac Leasing IFN S.A.	Cluj-Napoca, Constantin Brâncuși Street, 74-76	100%	13,126	5,787	29,512
VB Investment Holding B.V.	Netherlands, Amsterdam, 423 Westerdoksdijk	61.81%	893	1,793	(252)
Total			**697,004**	**134,838**	**423,642**

25. Equity investments *(continued)*

On 31 December 2021 the Bank has subsidiaries which directly and indirectly holdings were:

Entity	Head Office	% of shares owned	Share capital	Reserves	Profit/(Loss) as at 31 December 2021
BT Leasing Transilvania IFN S.A..	Cluj-Napoca, 74-76 C-tin Brâncuşi Street, first floor	100%	58,674	11,891	61,574
BT Capital Partners S.A.	Cluj-Napoca, 74-76 C-tin Brâncuşi Street, ground floor	99.59%	19,478	1,095	10,014
BT Direct IFN S.A.	Cluj-Napoca, 74-76 C-tin Brâncuşi Street, 3rd floor	100%	79,806	19,113	23,362
BT Building S.R.L.	Cluj-Napoca, 8 George Bariţiu Street	100%	40,448	719	5,517
BT Investments S.R.L.	Cluj-Napoca, 36 Eroilor Boulevard	100%	50,940	2,025	2,989
BT Asset Management SAI S.A.	Cluj-Napoca, 22 Emil Racoviţă Street, first floor	100%	7,166	42,282	20,356
BT Solution Agent de Asigurare S.R.L.	Cluj-Napoca, 74-76 C-tin Brâncuşi Street, first floor	99.95%	20	4	2,698
BT Safe Agent de Asigurare S.R.L.	Cluj-Napoca, 74-76 C-tin Brâncuşi Street, first floor	99.99%	77	15	2,142
BT Intermedieri Agent de Asigurare S.R.L.	Cluj-Napoca, 74-76 C-tin Brâncuşi Street, first floor	99.99%	507	101	3,971
BT Leasing Moldova S.R.L.	Republic of Moldova, Chişinău, 60 A,Puşkin Street	100%	5,015	-	5,691
BT Asiom Agent de Asigurare S.R.L.	Cluj-Napoca, 74-76 C-tin Brâncuşi Street, first floor	99.95%	20	4	5,252
BT Microfinanţare IFN S.A.	Bucureşti, 43 Bucureşti-Ploieşti Boulevard	100%	46,760	8,655	36,396
Improvement Credit Collection S.R.L.	Cluj-Napoca, 1 George Bariţiu Street	100%	901	1,740	6,822
B.C. VICTORIABANK S.A.	Republic of Moldova, Chişinău, 141 31 August 1989 Street	44.63%	61,575	6,158	65,468
Timesafe S.R.L.	Voluntari, 87-2F Erou Iancu Nicolae Street	51.12%	1,725	18	66
BT Pensii S.A.	Bucureşti, 75-77 Buzeşti Street, 10th floor, 2nd office	100%	8,731	82	302
Idea Bank S.A.	Bucureşti, Sector 2, 5-7 Dimitrie Pompei Boulevard, 6th floor	100%	294,150	6,829	1,865
Idea Investment S.A.	Bucureşti, Sector 2, 5-7 Dimitrie Pompei Boulevard, 6th floor	100%	2,250	-	65
Idea Leasing IFN S.A.	Bucureşti, sector 1, 19-21 Bucureşti-Ploiesşti Boulevard, Băneasa Business Center, 2nd floor	100%	9,503	1,877	2,418
Idea Broker de Asigurare S.R.L.	Bucureşti, sector 1, 19-21 Bucureşti-Ploiesşti Boulevard, Băneasa Business Center, 2nd floor	100%	150	30	1,590
VB Investment Holding B.V.	Netherlands, Amsterdam, 423 Westerdoksdijk	61.81%	893	1,267	(523)
Total			**688,789**	**103,905**	**258,035**

Notes to the consolidated and separate financial statements

26. Property and equipment and investment property

Group** - In RON thousand* ***Gross carrying amount	**Investment property**	**Land & buildings**	**Computers and equipment**	**Vehicles**	**Fixed assets in progress**	**Total**
Balance as at 1 January 2021	**2,051**	**489,545**	**612,586**	**44,341**	**241,668**	**1,390,191**
Acquisitions of tangible assets and investment property	-	8,470	34,805	2,828	183,007	**229,110**
Tangible assets related to acquisition	2,678	24,309	30,496	13,827	25	**71,335**
Reclassification from investments in progress	-	238,163	81,814	9,824	(329,801)	**-**
Revaluation (impact on reserve)	-	33,639	12,221	5,144	-	**51,004**
Revaluation (impact on profit or loss statement)	55	226	(240)	-	-	**41**
Disposals	(3,852)	(13,463)	(24,676)	(2,460)	(15,681)	**(60,132)**
Reclassification in stocks for sale	-	(13,799)	-	-	(5,496)	**(19,295)**
Balance at 31 December 2021	**932**	**767,090**	**747,006**	**73,504**	**73,722**	**1,662,254**
Balance as at January 1, 2022	**932**	**767,090**	**747,006**	**73,504**	**73,722**	**1,662,254**
Acquisitions of tangible assets and investment property	18,355	2,047	39,781	6,407	197,024	263,614
Tangible assets related to acquisition	-	332	3,051	469	-	3,852
Reclassification from investments in progress	-	71,174	119,047	19,621	(209,842)	-
Revaluation (impact on reserve)	-	5,036	11,670	5,141	-	21,847
Revaluation (impact on profit or loss statement)	520	(573)	(480)	-	-	(533)
Disposals	-	(18,892)	(43,771)	(9,479)	(9,901)	(82,043)
Balance at 31 December 2022	**19,807**	**826,214**	**876,304**	**95,663**	**51,003**	**1,868,991**

Notes to the consolidated and separate financial statements

26. Property and equipment and investment property *(continued)*

Amortization and depreciation

***Group** - In RON thousand*	**Investment property**	**Land & buildings**	**Computers and equipment**	**Vehicles**	**Fixed assets in progress**	**Total**
Balance as at 1 January 2021	**-**	**157,378**	**306,915**	**21,601**	**-**	**485,894**
Charge for the year	-	36,745	80,750	9,820	-	**127,315**
Depreciation related to acquisitions	-	5,684	14,759	7,543	-	**27,986**
Accumulated depreciation of disposals	-	(14,076)	(24,622)	(2,110)	-	**(40,808)**
Amortization related to revaluation (impact on reserve)	-	399	395	1,585	-	**2,379**
Amortization related to revaluation (impact on profit or loss statement)	-	62	-	-	-	**62**
Amortization related to assets reclassified in stocks for sale	-	(4,789)	-	-	-	**(4,789)**
Balance at 31 December 2021	**-**	**181,403**	**378,197**	**38,439**	**-**	**598,039**
Balance as at 1 January, 2022	**-**	**181,403**	**378,197**	**38,439**	**-**	**598,039**
Charge for the year	-	40,218	95,337	13,356	-	148,911
Depreciation related to acquisitions		142	2,788	469	-	3,399
Accumulated depreciation of disposals	-	(11,738)	(38,288)	(6,154)	-	(56,180)
Amortization related to revaluation (impact on reserve)	-	319	-	-	-	319
Amortization related to revaluation (impact on profit or loss statement)	-	57	-	-	-	57
Balance at 31 December 2022	**-**	**210,401**	**438,034**	**46,110**	**-**	**694,545**
Net carrying amount						
As at 1 January 2022	**932**	**585,687**	**368,809**	**35,065**	**73,722**	**1,064,215**
As at 31 December 2022	**19,807**	**615,813**	**438,270**	**49,553**	**51,003**	**1,174,446**

Notes to the consolidated and separate financial statements

26. Property and equipment and investment property *(continued)*

Bank *- In RON thousand*	**Investment property**	**Land & buildings**	**Computers and equipment**	**Vehicles**	**Fixed assets in progress**	**Total**
Gross carrying amount						
Balance as at 1 January 2021	**1,228**	**419,089**	**554,761**	**32,930**	**36,039**	**1,044,047**
Direct acquisitions	-	-	24,613	1,623	124,387	**150,623**
Reclassification from investments in progress	-	47,332	55,180	8,000	(110,512)	**-**
Revaluation (impact on reserve)	-	1,232	7,403	3,790	-	**12,425**
Revaluation (impact in profit or loss)	55	426	-	-	-	**481**
Disposals	(351)	(16,278)	(23,287)	(2,327)	(2,998)	**(45,241)**
Reclassified assets as non-current assets held for sale	-	(13,799)	-	-	-	**(13,799)**
Balance at 31 December, 2021	**932**	**438,002**	**618,670**	**44,016**	**46,916**	**1,148,536**
Balance as at 1 January, 2022	**932**	**438,002**	**618,670**	**44,016**	**46,916**	**1,148,536**
Direct acquisitions	-	293	35,675	3,517	159,281	198,766
Reclassification from investments in progress	-	41,782	93,796	19,272	(154,850)	-
Revaluation (impact on reserve)	-	3,986	6,907	4,302	-	15,195
Revaluation (impact in profit or loss)	520	243	-	-	-	763
Disposals	-	(17,990)	(23,252)	(2,988)	(7,867)	(52,097)
Reclassified assets as non-current assets held for sale	-	-	-	-	-	-
Balance at 31 December 2022	1,452	466,316	731,796	68,119	43,480	1,311,163

Notes to the consolidated and separate financial statements

26. Property and equipment and investment property *(continued)*

Bank *- In RON thousand*	Investment property	Land & buildings	Computers and equipment	Vehicles	Fixed assets in progress	Total
Balance as at 1 January 2021	**-**	**140,941**	**269,285**	**14,780**	**-**	**425,006**
Amortization expense during the year	-	32,523	72,329	7,956	-	**112,808**
Accumulated depreciation of disposals	-	(15,303)	(22,381)	(1,827)	-	**(39,511)**
Amortization related to revaluation (impact on reserve)	-	399	395	1,585	-	**2,379**
Amortization related to revaluation (impact on profit or loss statement)	-	62	-	-	-	**62**
Amortization related to assets reclassified as non-current assets held for sale	-	(4,789)	-	-	-	**(4,789)**
Balance at 31 December 2021	**-**	**153,833**	**319,628**	**22,494**	**-**	**495,955**
Balance as at 1 January, 2022	**-**	**153,833**	**319,628**	**22,494**	**-**	**495,955**
Amortization expense during the year	-	32,693	76,490	9,704	-	118,887
Accumulated depreciation of disposals	-	(10,240)	(22,424)	(2,428)	-	(35,092)
Amortization related to revaluation (impact on reserve)	-	319	-	-	-	319
Amortization related to revaluation (impact on profit or loss statement)	-	57	-	-	-	57
Amortization related to assets reclassified as non-current assets held for sale	-	-	-	-	-	-
Balance at 31 December 2022	**-**	**176,662**	**373,694**	**29,770**	**-**	**580,126**
Net carrying amount						
As at 1 January 2022	**932**	**284,169**	**299,042**	**21,522**	**46,916**	**652,581**
As at 31 December 2022	**1,452**	**289,654**	**358,102**	**38,349**	**43,480**	**731,037**

Notes to the consolidated and separate financial statements

26. Property and equipment and investment property *(continued)*

As at 31 December 2022, the Group and the Bank did not have any pledged tangible or intangible assets. Property and equipment as at 31 December 2022 were revaluated by an independent evaluator. If the assets of the Group had been booked under the cost model, the recognized carrying amount would have been: land and buildings: RON thousand 563,960 (2021: RON 528,951 thousand), investment property RON 18,500 thousand (2021: RON 206 thousand), computers and equipment RON 425,507 thousand (2021: RON 342,562 thousand), vehicles RON 43,270 thousand (2021: RON 24,814 thousand), fixed assets in progress RON 51,003 thousand (2021: RON 73,722 thousand).
If the assets of the Bank had been booked under the cost model, the recognized carrying amount would have been: land and buildings RON 270,522 thousand (2021: RON thousand 264,696), investment property RON 145 thousand (2021: RON 206 thousand), computers and equipment RON 350,197 thousand (2021: RON 291,402 thousand), vehicles RON 33,843 thousand (2021: RON 17,976 thousand), fixed assets in progress RON 43,480 thousand (2021: RON 46,916 thousand).

27. Intangible assets (including goodwill)

In RON thousand	**Group**		**Bank**
Gross carrying amount	**Goodwill**	**Software**	**Software**
Balance as at 1 January 2021	**16,319**	**664,140**	**580,670**
Entry by acquisition	-	48,066	-
Acquisitions	6,105	183,723	163,197
Disposals	-	(26,177)	(16,308)
Balance at 31 December 2021	**22,424**	**869,752**	**727,559**
Balance as at January 1, 2022	**22,424**	**869,752**	**727,559**
Entry by acquisition	-	15,951	-
Acquisitions	131,939	194,541	189,302
Disposals	-	(17,192)	(5,841)
Balance at 31 December 2022	**154,363**	**1,063,052**	**911,020**
Accumulated amortization			
Balance as at 1 January 2021	**-**	**358,935**	**312,019**
Balance of depreciation related to acquisitions and mergers	-	15,508	-
Charge for the year	-	106,013	96,316
Disposals	-	(16,948)	(15,559)
Balance at 31 December 2021	**-**	**463,508**	**392,776**
Balance as at January 1, 2022	**-**	**463,508**	**392,776**
Balance of depreciation related to acquisitions and mergers	-	828	-
Charge for the year	-	107,642	93,977
Disposals	-	(15,164)	(5,693)
Balance at 31 December 2022	**-**	**556,814**	**481,060**
Net carrying amount			
As at 1 January 2022	**22,424**	**406,244**	**334,783**
As at 31 December 2022	**154,363**	**506,238**	**429,960**

27. Intangible assets (including goodwill) *(continued)*

If the intangible assets had been booked under the cost model, the recognized carrying amount would have been RON thousand 499,580 (2021: RON 382,582 thousand) for the Group, and RON thousand 423,302 (2021: RON 319,751 thousand) for the Bank. The amounts calculated according to the cost model did not include goodwill.

Impairment testing for cash generating units included in the goodwill

For the purpose of impairment testing, the goodwill is allocated to the Group's operating divisions which represent the lowest level at which the goodwill is monitored for internal management purposes.

Goodwill represents the excess of the consideration paid over the fair value of the acquired entity's net identifiable assets at the acquisition date. As of 31 December 2022, the goodwill carrying value at Group level was in amount of thousand RON 154,363 (2021: thousand RON 22,424). As at 31 December 2022 the goodwill allocated by the Group to BT Leasing Transilvania IFN S.A. was of RON 376 thousand. The goodwill allocated to BT Asset Management S.A was of RON 6,105 thousand, the goodwill allocated to BT Pensii S.A. was of RON 8,240 thousand and the goodwill allocated to Țiriac Leasing IFN S.A. was of RON 139,643 thousand (2021: RON 376 thousand allocated to BT Leasing Transilvania IFN S.A., RON 6,105 thousand allocated to BT Asset Management S.A., RON 8,240 thousand allocated to BT Pensii S.A., RON 7,703 allocated to Timesafe S.R.L.).
The increase in goodwill during 2022 was due to the acquisition of Tiriac Leasing, for which a goodwill in total thousand RON 139,643 has been booked.
According to IAS 36, goodwill is tested for impairment at least annually, even if there are no impairment indicators. For the analysis of the goodwill for 2022 the Group considers as cash generating unit (CGU) the company Tiriac Leasing as a whole. Goodwill is impaired when its carrying amount of the unit (including allocated goodwill) exceeds the recoverable amount of the unit. The recoverable amount of a CGU is defined as the higher of the fair value less cost to sell and the value in use, where the value in use is the present value of the future cash flows.
The hypothesis used for the future cash flows analysis are as follows, being derived both from internal and external factors:
- entity budget as approved by its management for a period of 3 years (2023-2025) which takes into account the forecasted macro-economic conditions for this period;
- a terminal value at the end of the 3 years based on an annual growth rate of 5% based on company estimates;
- a discount rate of 20% which represent the cost of equity of the company.

Considering the above-mentioned elements, the Group concluded that the impairment loss related to goodwill as of 31 December 2022 is nul.

28. Right of Use Assets and Lease Liabilities

The Group and the Bank have lease agreements on land, buildings and vehicles. Rental contracts are typically made for fixed periods of 1 year to 93 years, but may have extension options as described below.
As at December 31, 2022 and December 31, 2021 the right of use assets of the Group by class of underlying items is analyzed as follows:

In RON thousand			Group		
	Lands	**Buildings**	**Auto**	**Equipment**	**Total**
Carrying amount at 1 January 2022	3,506	475,753	12,545	217	**492,021**
Additions	462	153,970	7,608	44	**162,084**
Disposals	(340)	(28,618)	(561)	(186)	**(29,705)**
Depreciation charge	(714)	(129,887)	(5,808)	(34)	**(136,443)**
Carrying amount at 31 December 2022	**2,914**	**471,218**	**13,784**	**41**	**487,957**

28. Right of Use Assets and Lease Liabilities *(continued)*

In RON thousand			Group		
	Lands	**Buildings**	**Auto**	**Equipment**	**Total**
Carrying amount at 1 January 2021	**2,541**	**431,637**	**14,528**	**146**	**448,852**
Additions	1,683	184,899	6,043	128	**192,753**
Disposals	(22)	(22,441)	(2,618)	-	**(25,081)**
Depreciation charge	(696)	(118,342)	(5,408)	(57)	**(124,503)**
Carrying amount at 31 December 2021	**3,506**	**475,753**	**12,545**	**217**	**492,021**

As at December 31, 2022 and December 31, 2021 the right of use assets of the Bank by class of underlying items is analyzed as follows:

In RON thousand			Bank		
	Lands	**Buildings**	**Auto**	**Equipment**	**Total**
Carrying amount at 1 January 2022	**3,506**	**693,298**	**9,626**	**217**	**706,647**
Additions	462	183,924	4,227	44	**188,657**
Disposals	(340)	(59,558)	(384)	(186)	**(60,468)**
Depreciation charge	(714)	(133,274)	(4,016)	(34)	**(138,038)**
Carrying amount at 31 December 2022	**2,914**	**684,390**	**9,453**	**41**	**696,798**

In RON thousand			Bank		
	Lands	**Buildings**	**Auto**	**Equipment**	**Total**
Carrying amount at 1 January 2021	**2,541**	**695,136**	**10,682**	**146**	**708,505**
Additions	1,683	146,068	5,296	128	**153,175**
Disposals	(22)	(21,037)	(2,519)	-	**(23,578)**
Depreciation charge	(696)	(126,869)	(3,833)	(57)	**(131,455)**
Carrying amount at 31 December 2021	**3,506**	**693,298**	**9,626**	**217**	**706,647**

At December 31, 2022 the interest expense on lease liabilities was RON 2,109 thousand for the Group (2021: RON 1,353 thousand) and RON 6,356 thousand for the Bank (2021: RON 6,681 thousand).

At Group level as well as at Bank level, expenses related to short-term leases and leases of low-value assets, that are not shown as short-term leases, are included in "Other operating expenses" as shown below:

In RON thousand	**Group** **31 December 2022**	**31 December 2021**	**Bank** **31 December 2022**	**31 December 2021**
Expense relating to short-term leases	1,530	1,397	1,210	989
Expense relating to leases of low-value assets that are not shown above as short-term leases	4,936	4,927	4,288	4,407

Total cash outflow for leases in 2022 was RON 174,339 thousand to the Group (2021: RON 138,319 thousand) and the Bank it was RON 130,591 thousand (2021: RON 151,727 thousand).

Notes to the consolidated and separate financial statements

29. Deferred tax assets and liabilities

Deferred tax assets/liabilities at Group level, as at 31 December 2022:

In RON thousand	**31 December 2021**	**Business combination**	**Recognized in profit or loss**	**Recognized in other items of comprehensive income**	**Recognized directly in shareholders' equity**	**31 December 2022**
Tax effect of temporary deductible/(taxable) differences (including tax losses carried forward), resulting from:						
Loans and receivables	21,945	10,565	655	1	3	33,169
Financial assets measured at fair value through other items of comprehensive income	204,763	-	(43)	522,874	-	727,594
Financial assets at fair value through profit or loss	15,819	-	297	-	(66)	16,050
Other assets	16,677	(190)	(1,470)	3,761	(4)	18,774
Property and equipment and intangible assets	(21,703)	(2,475)	6,097	(3,179)	371	(20,889)
Right of Use Assets	(748)	6	220	-	-	(522)
Provisions and other liabilities	21,132	198	(3,873)	(1)	(27)	17,429
Tax losses carried forward	-	-	-	-	-	-
Deferred tax asset / (liability)	257,885	8,104	1,883	523,456	277	791,605
Recognition of deferred tax asset	283,040	10,768	(4,806)	528,032	(258)	816,776
Recognition of deferred tax liability	(25,155)	(2,664)	6,689	(4,576)	535	(25,171)
Deferred tax asset / (liability)	**257,885**	**8,104**	**1,883**	**523,456**	**277**	**791,605**

Notes to the consolidated and separate financial statements

29. Deferred tax assets and liabilities *(continued)*

Deferred tax assets/liabilities at Group level, as at 31 December 2021:

In RON thousand	31 December 2020	Business combinations	Recognized in profit or loss	Recognized in other items of comprehensive income	Recognized directly in shareholders' equity	31 December 2021
Tax effect of temporary deductible/(taxable) differences (including tax losses carried forward), resulting from						
Loans and receivables	18,021	5,973	(2,052)	3	-	21,945
Financial assets measured at fair value through other items of comprehensive income	(97,318)	778	(18)	301,321	-	204,763
Financial assets at fair value through profit or loss	11,647	-	5,015	-	(843)	15,819
Other assets	3,126	394	11,592	1,657	(92)	16,677
Property and equipment and intangible assets	(10,321)	(8,054)	2,961	(6,237)	(52)	(21,703)
Right of Use Assets	191	(1,156)	217	-	-	(748)
Provisions and other liabilities	19,639	3,579	(2,162)	-	76	21,132
Tax losses carried forward	-	816	(816)	-	-	-
Deferred tax asset / (liability)	**(55,015)**	**2,330**	**14,737**	**296,744**	**(911)**	**257,885**
Recognition of deferred tax asset	53,390	11,381	11,803	207,353	(887)	283,040
Recognition of deferred tax liability	(108,405)	(9,051)	2,934	89,391	(24)	(25,155)
Deferred tax asset / (liability)	**(55,015)**	**2,330**	**14,737**	**296,744**	**(911)**	**257,885**

Notes to the consolidated and separate financial statements

29. Deferred tax assets and liabilities *(continued)*

Deferred tax assets/liabilities at Bank level, as at 31 December 2022:

In RON thousand	31 December 2021	Recognized in profit or loss	Recognized in other items of comprehensive income	Recognized directly in shareholders' equity	31 December 2022
Tax effect of temporary deductible/(taxable) differences (including tax losses carried forward), resulting from:					
Financial assets measured at fair value through other items of comprehensive income	205,490	-	522,861	-	728,351
Other assets	13,907	(1,937)	(1)	-	11,969
Tangible and intangible assets	(6,947)	3,266	(2,380)	-	(6,061)
Right of Use Assets	322	(809)	-	-	(487)
Provisions and liabilities	14,952	(924)	-	-	14,028
Deferred tax asset / (liability)	**227,724**	**(404)**	**520,480**	**-**	**747,800**
Recognition of deferred tax asset	235,244	(3,184)	523,141	-	755,201
Recognition of deferred tax liability	(7,520)	2,780	(2,661)	-	(7,401)
Deferred tax asset / (liability)	**227,724**	**(404)**	**520,480**	**-**	**747,800**

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29. Deferred tax assets and liabilities *(continued)*

Deferred tax assets/liabilities at Bank level, as at 31 December 2021:

In RON thousand	**31 December 2020**	**Recognized in profit or loss**	**Recognized in other items of comprehensive income**	**Recognized directly in shareholders' equity**	**31 December 2021**
Tax effect of temporary deductible/(taxable) differences (including tax losses carried forward), resulting from:					
Financial assets measured at fair value through other items of comprehensive income	(97,575)	-	303,065	-	205,490
Other assets	2,456	11,309	142	-	13,907
Tangible and intangible assets	(8,011)	2,672	(1,608)	-	(6,947)
Right of Use Assets	163	159	-	-	322
Provisions and liabilities	17,302	(2,350)	-	-	14,952
Deferred tax asset / (liability)	**(85,665)**	**11,790**	**301,599**	**-**	**227,724**
Recognition of deferred tax asset	19,921	9,117	206,206	-	235,244
Recognition of deferred tax liability	(105,586)	2,673	95,393	-	(7,520)
Deferred tax asset / (liability)	**(85,665)**	**11,790**	**301,599**	**-**	**227,724**

30. Other financial assets

In RON thousand	Group 2022	Group 2021	Bank 2022	Bank 2021
Amounts under settlement	1,006,326	219,717	966,833	195,333
Non-recourse factoring	398,757	273,681	398,757	273,681
Sundry debtors and advances for non-current assets	462,226	548,787	529,056	396,262
Cheques and other instruments to be encashed	50,851	28,082	50,851	28,082
Other financial assets	10,604	18,255	8,340	9,259
Impairment allowance for other financial assets	(41,736)	(33,618)	(18,208)	(18,446)
Total	**1,887,028**	**1,054,904**	**1,935,629**	**884,171**

As at 31 December 2022, out of 1,887,028 RON thousand (2021: RON 1,054,904 thousand), the Group's other impaired financial assets amounted to RON 23,899 thousand (2021: RON 28,914 thousand).

As at 31 December 2022, out of RON 1,935,629 thousand (2021: RON 884,171 thousand), the Bank's other impaired financial assets amounted to RON 5,084 thousand (2021: RON 5,411 thousand).

The evolution of impairment allowance for other assets during the years 2022 and 2021 is presented below:

In RON thousand	Group 2022	Group 2021	Bank 2022	Bank 2021
Balance as at 1 January	**(33,618)**	**(24,274)**	**(18,446)**	**(13,645)**
Net impairment charge	(4,964)	(7,922)	(156)	(4,903)
Entry by acquisition	(2,511)	(595)	-	-
Transfer fron loans	(2,883)	(695)	-	-
Provisions related to credits transferred off-balance sheet	1,838	-	-	-
Other changes (exchange rate differences, unwinding, deconsolidation)	402	(132)	394	102
Balance at 31 December	**(41,736)**	**(33,618)**	**(18,208)**	**(18,446)**

The quality analysis of other financial assets held by the Group as at 31 December 2022 is detailed below:

Group	Retail			Companies		
31 December 2022	**RON**	**FCY**	**Total**	**RON**	**FCY**	**Total**
Amounts under settlement	1,931	8,283	**10,214**	909,175	86,937	**996,112**
Non-recourse factoring	-	-	**-**	368,527	30,230	**398,757**
Sundry debtors and advances for non-current assets	13,597	3,344	**16,941**	378,128	67,157	**445,285**
Cheques and other instruments to be encashed	-	-	**-**	50,851	-	**50,851**
Other financial assets	61	1,415	**1,476**	8,501	627	**9,128**
Impairment allowance for other financial assets	(6,080)	(2,301)	**(8,381)**	(26,926)	(6,429)	**(33,355)**
Total	**9,509**	**10,741**	**20,250**	**1,688,256**	**178,522**	**1,866,778**

30. Other financial assets *(continued)*

The quality analysis of other financial assets held by the Group as at 31 December 2021 is detailed below:

Group		**Retail**			**Non-Retail**	
31 December 2021	**RON**	**FCY**	**Total**	**RON**	**FCY**	**Total**
Amounts under settlement	669	4,450	5,119	163,200	51,398	**214,598**
Non-recourse factoring	-	-	-	231,470	42,211	**273,681**
Sundry debtors and advances for non-current assets	38,979	3,028	42,007	312,073	194,707	**506,780**
Cheques and other instruments to be encashed	-	-	-	28,082	-	**28,082**
Other financial assets	-	1,049	1,049	16,015	1,191	**17,206**
Impairment allowance for other financial assets	(5,832)	(2,262)	(8,094)	(18,668)	(6,856)	**(25,524)**
Total	**33,816**	**6,265**	**40,081**	**732,172**	**282,651**	**1,014,823**

The quality analysis of other financial assets held by the Bank as at 31 December 2022 is detailed below:

Bank		**Retail**			**Non-Retail**	
31 December 2022	**RON**	**FCY**	**Total**	**RON**	**FCY**	**Total**
Amounts under settlement	916	1,874	2,790	908,753	55,290	964,043
Non-recourse factoring	-	-	-	368,527	30,230	398,757
Sundry debtors and advances for non-current assets	8,802	1,968	10,770	480,671	37,615	518,286
Cheques and other instruments to be encashed	-	-	-	50,851	-	50,851
Other financial assets	-	-	-	8,340	-	8,340
Impairment allowance for other financial assets	(2,227)	(141)	(2,368)	(12,139)	(3,701)	(15,840)
Total	7,491	3,701	11,192	**1,805,003**	**119,434**	**1,924,437**

The quality analysis of other financial assets held by the Bank as at 31 December 2021 is detailed below:

Bank		**Retail**			**Non-Retail**	
31 December 2021	**RON**	**FCY**	**Total**	**FCY**	**RON**	**Total**
Amounts under settlement	669	1,508	**2,177**	161,566	31,590	**193,156**
Non-recourse factoring	-	-	**-**	231,470	42,211	**273,681**
Sundry debtors and advances for non-current assets	34,881	1,685	**36,566**	259,584	100,112	**359,696**
Cheques and other instruments to be encashed	-	-	**-**	28,082	-	**28,082**
Other financial assets	-	-	**-**	9,233	26	**9,259**
Impairment allowance for other financial assets	(2,461)	(139)	**(2,600)**	(11,091)	(4,755)	**(15,846)**
Total	**33,089**	**3,054**	**36,143**	**678,844**	**169,184**	**848,028**

31. Other non-financial assets

In RON thousand	**Group**		**Bank**	
	2022	**2021**	**2022**	**2021**
Inventories and similar assets	76,806	111,858	44,873	58,576
Prepaid expenses	100,748	78,771	92,042	71,172
VAT and other taxes to be received	16,297	4,396	1,905	2,095
Other non-financial assets	7,290	11,816	220	100
Impairment allowance for other non-financial assets	(23,531)	(44,975)	(8,087)	(11,801)
Total	**177,610**	**161,866**	**130,953**	**120,142**

31. Other non-financial assets *(continued)*

The evolution of impairment allowance for other assets during the year is presented below:

In RON thousand	Group		Bank	
	2022	**2021**	**2022**	**2021**
Balance as at 1 January	**(44,975)**	**(66,839)**	**(11,801)**	**(13,384)**
Net impairment charge	18,273	11,517	3,714	1,583
Entry by acquisition	(130)	(2,786)	-	-
Impairment allowances on written off other non-financial assets	3,118	13,473	-	-
Other adjustments (exchange rate differences, deconsolidation)	183	(340)	-	-
Balance at 31 December	**(23,531)**	**(44,975)**	**(8,087)**	**(11,801)**

The inventories and related items of the Group include purchased assets held for sale amounting to RON 38,694 thousand, structured as follows: buildings RON 19,226 thousand, lands RON 8,922 thousand, equipment RON 1,653 thousand, vehicles RON 8,808 thousand and furniture RON 0 thousand (2021: RON 52,177 thousand, structured as follows: buildings RON 29,025 thousand, lands RON 10,808 thousand, equipment RON 2,312 thousand, vehicles RON 10,032 thousand and furniture RON 0 thousand).

The inventories and related items of the Bank include assets acquired by debt enforcement or given in payment and other assets available for sale, at a net value of RON 24,754 thousand, structured as follows: buildings RON 19,044 thousand, lands RON 5,710 thousand, equipment RON 0 thousand, vehicles RON 0 thousand and furniture RON 0 thousand (2021: RON 34,959 thousand net value, structured as follows: buildings RON 27,511 thousand, lands RON 7,448 thousand, equipment RON 0 thousand, vehicles RON 0 thousand and furniture RON 0 thousand).

The inventories and related items of the Group and the Bank also include tangible assets reclassified as non-current assets held for sale, at a net value of RON 7.019 thousand, structured as follows: buildings RON 7.019 thousand, lands RON 0 thousand (2021: RON 13,401 thousand net value, structured as follows: buildings RON 12,910 thousand, lands RON 491 thousand).

32. Deposits from banks

	Group		Bank	
In RON thousand	**2022**	**2021**	**2022**	**2021**
Sight demand	330,045	272,912	357,910	265,791
Term deposits	1,348,037	751,347	1,273,632	686,662
Total	**1,678,082**	**1,024,259**	**1,631,542**	**952,453**

33. Deposits from customers

	Group		Bank	
In RON thousand	**2022**	**2021**	**2022**	**2021**
Current accounts	66,933,900	67,667,986	65,004,360	65,505,784
Sight demand	994,890	793,717	753,703	463,141
Term deposits	50,620,317	38,854,796	49,583,917	36,046,375
Collateral deposits	1,182,622	705,130	1,161,862	682,785
Total	**119,731,729**	**108,021,629**	**116,503,842**	**102,698,085**

33. Deposits from customers *(continued)*

Deposits from customers can be also analyzed as follows:

	Group		Bank	
In RON thousand	**2022**	**2021**	**2022**	**2021**
Retail	79,880,462	71,890,350	77,873,189	68,436,588
Companies	39,851,267	36,131,279	38,630,653	34,261,497
Total	**119,731,729**	**108,021,629**	**116,503,842**	**102,698,085**

The table below presents the deposits from customers, split by economic sector concentration:

	Group		*Bank*	
Sector	**2022**	**2021**	**2022**	**2021**
Retail customers	66.72%	66.55%	66.84%	66.64%
Services	7.35%	7.51%	7.51%	7.60%
Trading	5.47%	5.65%	5.35%	5.48%
Constructions	2.85%	3.12%	2.87%	3.14%
Manufacturing	3.25%	3.07%	3.13%	3.03%
Transportation	1.98%	1.80%	1.96%	1.82%
Financial and insurance activities	3.47%	2.53%	3.59%	2.52%
Telecommunications	0.31%	0.35%	0.31%	0.30%
Agriculture	1.35%	1.44%	1.37%	1.49%
Energy	1.23%	1.04%	1.11%	0.99%
Healthcare	1.03%	1.17%	1.01%	1.16%
Real estate	1.70%	1.81%	1.68%	1.80%
Administrations	0.06%	0.43%	0.06%	0.45%
Mining	0.58%	0.85%	0.59%	0.90%
Education	0.84%	0.83%	0.85%	0.85%
Other	0.38%	0.36%	0.30%	0.31%
Self-employed	1.42%	1.48%	1.46%	1.55%
Government institutions	0.01%	0.01%	0.01%	0.01%
Total	**100%**	**100%**	**100%**	**100%**

33. Deposits from customers *(continued)*

In RON thousand	*Group*		*Bank*	
Sector	**2022**	**2021**	**2022**	**2021**
Retail customers	79,880,462	71,890,350	77,873,189	68,436,588
Services	8,797,320	8,109,016	8,751,616	7,801,218
Trading	6,548,123	6,105,887	6,231,174	5,631,279
Constructions	3,416,204	3,371,220	3,339,918	3,222,348
Manufacturing	3,889,749	3,312,563	3,651,768	3,107,057
Transportation	2,369,615	1,947,060	2,281,670	1,864,992
Financial and insurance activities	4,150,377	2,737,655	4,187,194	2,587,542
Telecommunications	368,758	377,629	356,043	308,131
Agriculture	1,620,833	1,559,124	1,604,034	1,528,247
Energy	1,475,740	1,124,194	1,290,145	1,014,314
Healthcare	1,239,173	1,259,363	1,171,757	1,187,406
Real estate	2,032,444	1,952,304	1,953,614	1,849,146
Administrations	76,059	466,969	73,743	459,074
Mining	693,135	922,709	691,709	920,983
Education	1,010,199	896,688	988,504	870,260
Other	454,416	384,771	352,697	313,336
Self-employed	1,697,166	1,594,905	1,697,002	1,588,727
Government institutions	11,956	9,222	8,065	7,437
Total	**119,731,729**	**108,021,629**	**116,503,842**	**102,698,085**

34. Loans from banks and other financial institutions

	Group		**Bank**	
In RON thousand	**2022**	**2021**	**2022**	**2021**
Loans from government entities	25,714	16,963	-	-
Loans from commercial banks	1,304,939	61,336	371,006	-
Romanian banks	*933,933*	10,635	-	-
Foreign banks	*371,006*	50,701	*371,006*	-
Loans from development banks	1,420,904	1,051,736	1,366,877	947,640
Repurchase agreements (repo transactions)	1,818,574	6,500,566	1,818,574	6,500,566
Other funds from financial institutions	86,904	101,553	6,026	9,637
Issued bonds	183,893	197,346	-	-
Total	**4,840,928**	**7,929,500**	**3,562,483**	**7,457,843**

The interest rates for the loans from banks and financial institutions were situated in the following ranges:

	2022		**2021**	
	Minimum	**Maximum**	**Minimum**	**Maximum**
EUR	0.00%	5.79%	0.00%	3.50%
RON	0.00%	9.27%	0.00%	6.03%
USD	3.75%	3.87%	1.25%	1.35%
MDL	0.00%	13.60%	0.00%	7.10%

34. Loans from banks and other financial institutions *(continued)*

The Group and the Bank were in compliance with all financial covenants under the outstanding loan agreements at 31 December 2022 and at 31 December 2021.
The table below summarizes the underlying securities of repo agreements:

In RON thousand	Group				Bank			
	2022		2021		2022		2021	
	Carrying amount		Carrying amount		Carrying amount		Carrying amount	
	Transferred assets	Related liabilities	Transferred assets	Related liabilities	Transferred assets	Related liabilities	Transferred assets	Related liabilities
	1,833,170	1,818,574	6,526,812	6,500,566	1,833,170	1,818,574	6,526,812	6,500,566
Total	**1,833,170**	**1,818,574**	**6,526,812**	**6,500,566**	**1,833,170**	**1,818,574**	**6,526,812**	**6,500,566**

35. Subordinated liabilities

The Group and the Bank were in compliance with all financial covenants under the outstanding loan agreements at 31 December 2022 and 2021.

In RON thousand	Group 2022	Group 2021	Bank 2022	Bank 2021
Loans from development banks and financial institutions	335,048	323,321	312,802	300,336
Non-convertible bonds	1,413,212	1,439,163	1,406,107	1,405,898
Total	**1,748,260**	**1,762,484**	**1,718,909**	**1,706,234**

Subordinated debt includes subordinated loans from development banks and financial institutions, as well as non-convertible bonds.

Subordinated loans include the following:

- loan in amount of EUR 25 million, equivalent of RON 123,685 thousand (2021: RON 123,702 thousand), contracted in 2013 bearing an interest of 6M EURIBOR + 6.20%, due in 2023;
- loan in amount of USD 40 million, equivalent of RON 185,384 thousand (2021: RON 174,828 thousand) contracted in 2014 bearing an interest of 6M LIBOR + 5.80%, due in 2023;
- loan in amount of EUR 2.5 milion, equivalent of RON 12,369 thousand (2021: RON 12,370 thousand), contracted in 2014 bearing an interest of EURIBOR 3M+8.76%, due to 2024;
- loan in amount of EUR 1.82 milion, equivalent of RON 9,004 thousand (2021: RON 9,006 thousand), contracted in 2015 bearing an interest of EURIBOR 3M+8%, due to 2023.

In 2018, Banca Transilvania S.A. issued non-convertible bonds amounting to EUR 285 million, equivalent as at 31 December 2022 to RON 1,410,009 thousand (2021: RON 1,410,209 thousand), bearing an interest of 6M EURIBOR+3.75% p.a. and due in 2028. The nominal value of a bond is EUR 100,000.

On non-convertible bonds there are included also bonds issued in 2017 and 2018 by Idea Bank, on amount of EUR 750,000, equivalent as at 31 December 2022 of RON 3,711 thousand (2021: EUR 5,75 million, equivalent as at 31 December 2021 of RON 28,456 thousand), bearing an interest of 8.5% due to 2024. The nominal value of a bond is EUR 1,000.

At Group level, the accrued interest and amortization on subordinated debts is in amount of RON 4,606 thousand (2021: RON 3,415 thousand) and at Bank level in amount of RON 3,733 thousand (2021: RON 1,806 thousand); for the non-convertible bonds, the accrued interest and amortization for the Group levels to RON 508 thousand (2021: RON 502 thousand) and for the Bank to RON (3,902) thousand (2021: RON (4,311) thousand).

36. Provisions for other risks and loan commitments

The following items are included under Provisions for other risks and loan commitments:

	Group		Bank	
In RON thousand	**2022**	**2021**	**2022**	**2021**
Provisions for loan commitments, financial guarantees and other commitments given	354,012	360,087	326,341	351,751
Provisions for untaken holidays	29,209	27,441	22,129	21,489
Provisions for other employee benefits	58,670	54,244	35,020	34,023
Provisions for litigations, risks and charges (*)	58,655	96,688	47,806	85,743
Total	**500,546**	**538,460**	**431,296**	**493,006**

(*) Provisions for risks and charges primarily include provisions for litigation and other risks taken after the merger with Volksbank Romania S.A. and Bancpost S.A.

37. Other financial liabilities

	Group		Bank	
In RON thousand	**2022**	**2021**	**2022**	**2021**
Amounts under settlement	1,449,276	1,583,653	1,138,402	1,272,442
Sundry creditors	230,853	175,728	104,547	106,717
Dividends payable	26,639	26,567	26,639	26,567
Other financial liabilities	57,596	40,133	46,381	34,741
Total	**1,764,364**	**1,826,081**	**1,315,969**	**1,440,467**

38. Other non-financial liabilities

	Group		Bank	
In RON thousand	**2022**	**2021**	**2022**	**2021**
Other taxes payable	61,902	33,854	39,833	24,544
Other non-financial liabilities	153,472	160,233	92,803	118,942
Total	**215,374**	**194,087**	**132,636**	**143,486**

39. Share capital

The statutory share capital of the Bank at 31 December 2022, as recorded with the Trade Register was represented by 707,658,233 ordinary shares with a nominal value of RON 10 each (at 31 December 2021: 6,311,469,680 shares with a nominal value of RON 1 each). The shareholders structure of the Bank is presented in Note 1

The capital increase was made out by incorporating the reserves from the statutory profit in amount of RON 765.112.650,(573,769,971 lei by incorporating the reserves constituted from the statutory profit and 60 lei by converting bonds into shares).

	Group		Bank	
In RON thousand	**2022**	**2021**	**2022**	**2021**
Paid share capital recorded with the Trade Register	7,076,582	6,311,470	7,076,582	6,311,470
Share capital adjustment to inflation	89,899	89,899	89,899	89,899
Share capital adjustment with unrealized revaluation reserves of tangible assets	(3,398)	(3,398)	(3,398)	(3,398)
Total	**7,163,083**	**6,397,971**	**7,163,083**	**6,397,971**

40. Related-party transactions

Entities are considered to be related parties if one of them has the capacity to control the other or to exercise significant influence on the other entity's management process related to financial or operational decisions.

The Group and the Bank are engaged in transactions with related parties, shareholders and key management personnel. All these transactions were carried out under conditions similar to those applicable to third party agreements, in terms of interest rates and collateral clauses. The transactions /balances with subsidiary entities were eliminated from the scope of consolidation.

Transactions with other related parties include transactions with the major shareholders, family members of the key management personnel and companies where they are shareholders while having a relationship with the Bank.

The transactions / balances with related parties are presented below:

	2022			2021		
***Group** - In RON thousand*	**Key management personnel**	**Other related-parties**	**Total**	**Key management personnel**	**Other related-parties**	**Total**
Assets						
Granted loans	16,347	73,356	**89,703**	17,905	74,630	**92,535**
Liabilities						
Deposits from customers	46,858	204,199	**251,057**	41,375	327,286	**368,661**
Loans from financial institutions	-	227,207	**227,207**	-	149,837	**149,837**
Debt securities	-	508,664	**508,664**	-	508,384	**508,384**
Commitments						
Loan commitments and financial guarantees given	2,831	27,008	**29,839**	2,960	34,888	**37,848**
Notional value of exchange operations	29,089	224,655	**253,744**	26,428	276,430	**302,858**
Statement of profit or loss						
Interest income	642	3,173	**3,815**	547	2,559	**3,106**
Interest expense	659	31,223	**31,882**	202	22,376	**22,578**
Fee and commission income	11	161	**172**	8	185	**193**

Notes to the consolidated and separate financial statements

40. Related-party transactions *(continued)*

***Bank** – In RON thousand*	2022				2021			
	Subsidiaries	**Key management personnel**	**Other related - parties**	**Total**	**Subsidiaries**	**Key management personnel**	**Other related-parties**	**Total**
Assets								
Correspondent accounts at credit institutions	1,038	-	-	**1,038**	979	-	-	**979**
Deposits with credit institutions	1,831,997	-	-	**1,831,997**	29,266	-	-	**29,266**
Granted loans	2,348,713	12,399	68,182	**2,429,294**	1,746,313	14,845	68,325	**1,829,483**
Equity investments	708,412	-	-	**708,412**	735,486	-	-	**735,486**
Financial assets at amortized cost	14,797	-	-	**14,797**	14,867	-	-	**14,867**
Financial assets measured at fair value through other items of comprehensive income – debt instruments	11,748	-	-	**11,748**	1,794	-	-	**1,794**
Financial assets required to be measured at fair value through profit or loss - debt instruments	393,444	-	-	**393,444**	394,127	-	-	**394,127**
Right of use assets	90,660	-	-	**90,660**	245,115	-	-	**245,115**
Other assets	195,836	-	-	**195,836**	2,796	-	-	**2,796**
Liabilities								
Correspondent accounts from credit institutions	36,142	-	-	**36,142**	7,103	-	-	**7,103**
Deposits from customers	184,155	29,669	198,641	**412,465**	213,539	33,474	322,539	**569,552**
Loans from financial institutions	-	-	179,415	**179,415**	-	-	113,075	**113,075**
Debt securities	-	-	494,176	**494,176**	-	-	494,034	**494,034**
Lease liabilities	204,286	-	-	**204,286**	259,882	-	-	**259,882**
Other liabilities	8,185	-	-	**8,185**	6,433	-	-	**6,433**
Commitments								
Loan commitments and financial guarantees given	407,959	2,357	22,523	**432,839**	415,556	2,497	30,556	**448,609**
Notional value of exchange operations	743,262	16,379	213,687	**973,328**	392,757	23,784	259,004	**675,545**

Notes to the consolidated and separate financial statements

40. Related-party transactions *(continued)*

Bank – *In RON thousand*	2022				2021			
	Subsidiaries	**Key management personnel**	**Other related-parties**	**Total**	**Subsidiaries**	**Key management personnel**	**Other related-parties**	**Total**
Statement of profit or loss								
Interest income	116,038	484	2,812	**119,334**	36,848	456	2,300	**39,604**
Interest expense	7,862	539	30,238	**38,639**	6,409	172	21,425	**28,006**
Fee and commission income	4,727	7	141	**4,875**	6,231	6	155	**6,392**
Fee and commission expense	20,018	-	-	**20,018**	16,760	-	-	**16,760**
Net loss(-)/gain from financial assets and liabilities held-for-trading	(887)	-	-	**(887)**	2	-	-	**2**
Dividend income	194,281	-	-	**194,281**	30,732	-	-	**30,732**
Net loss(-) from derecognition of financial assets measured as amortised cost	(178,800)	-	-	**(178,800)**	-	-	-	**-**
Other income	24,168	-	-	**24,168**	18,235	-	-	**18,235**
Other expenses	22,062	-	-	**22,062**	18,560	-	-	**18,560**

40. Related-party transactions *(continued)*

Transactions with key management personnel

During 2022, the expenses related to the fixed and variable remunerations of the members of the Board of Directors and of the Executive Management of the Group amounted to RON 45,321 thousand (2021: RON 33,430 thousand) and of the Bank amounted to RON 16,335 thousand (2021: RON 17,221 thousand).

Key management personnel at the Group level include: members of the Board of Directors (including the Bank's middle management, who are members of the Boards of Directors of the subsidiaries); members of all the Bank's committees, the Executive Management of the Bank and its subsidiaries and certain members of the Bank's middle management who have a significant impact on the Group's risk profile, according to Delegated Regulation (EU) 923/2021.

Compensation for the key personnel of the Group:

	2022			2021		
In RON thousand	**Total**	**of which social security contributions**	**of which employer contributions to the 3rd Pension Pillar**	**Total**	**of which social security contributions**	**of which employer contributions to the 3rd Pension Pillar**
Short-term employee benefits	**66,350**	15,938	70	**55,841**	13,048	82
Share based payments	**38,806**	-	-	**34,416**	-	-
Debt instrument-based payments	**199**	50	-	**137**	34	-
Total compensations and benefits	**105,355**	**15,988**	**70**	**90,394**	**13,082**	**82**

Compensation for the key personnel of the Bank:

	2022			2021		
In RON thousand	**Total**	**of which social security contributions**	**of which employer contributions to the 3rd Pension Pillar**	**Total**	**of which social security contributions**	**of which employer contributions to the 3rd Pension Pillar**
Short-term employee benefits	**37,322**	9,046	56	**39,257**	9,631	72
Share based payments	**36,744**	-	-	**32,619**	-	-
Total compensations and benefits	**74,066**	**9,046**	**56**	**71,876**	**9,631**	**72**

41. Commitments and contingencies

a) Commitments and contingencies

At any time the Group and the Bank have outstanding commitments to extend loans. These commitments are in the form of approved limits for credit cards and overdraft facilities. Outstanding loan commitments have a commitment period that does not extend beyond the normal underwriting and settlement period of one month to one year.

The Group provides financial guarantees and letters of credit to guarantee the performance of its customers in relation to third parties. These agreements have fixed limits and generally extend for a period of up to one year. Maturities are not concentrated in a specific period.

The contractual amounts of commitments and contingencies are set out in the following table by categories. The amounts reflected in the table under commitments are presented based on the assumption that they have been fully granted.

41. Commitments and contingencies *(continued)*
a) Commitments and contingencies (continued)

The amounts reflected in the table as guarantees and letters of credit represent the maximum accounting loss that would be recognized at the reporting date if counterparties completely failed to meet the contractual terms and conditions.

	Group		**Bank**	
In RON thousand	**2022**	**2021**	**2022**	**2021**
Guarantees issued, of which	2,957,609	2,262,445	2,937,433	2,245,845
- *Performance guarantee*	*964,794*	729,939	*945,594*	*708,552*
- *Financial liabilities*	1,992,815	*1,532,506*	*1,991,839*	*1,537,293*
Loan commitments	16,555,570	14,513,285	16,074,777	14,171,080
Total	**19,513,179**	**16,775,730**	**19,012,210**	**16,416,925**

The provisions for loan commitments to customers amounted to RON 354,012 thousand at Group level (2021: RON 360,087 thousand) and at Bank level RON 326,341 thousand (2021: RON 351,751 thousand). Forward agreements represent contractual arrangements to buy or sell a certain financial instrument, at a certain price and at a certain future date.

Outstanding foreign currency transactions at 31 December 2022 were:

Forward transactions					
Transactions with corporate clients:					
Purchases	4,320,000	EUR	equivalent	21,670,650	RON
Purchases	1,350,000	USD	equivalent	6,691,231	RON
Purchases	1,718,171	RON	equivalent	350,000	EUR
Purchases	6,736,919	RON	equivalent	1,450,000	USD
Transactions with banks:					
Purchases	30,575,061	EUR	equivalent	30,000,000	CHF
Purchases	26,145,338	EUR	equivalent	122,716,234	PLN
Purchases	115,767,289	EUR	equivalent	574,290,000	RON
Purchases	200,000	USD	equivalent	935,721	RON
Purchases	32,871,878	PLN	equivalent	7,000,000	EUR
Purchases	483,144,500	RON	equivalent	94,864,031	EUR
Purchases	6,737,306	RON	equivalent	1,350,000	USD
Purchases	37,000,000	GBP	equivalent	43,010,973	EUR
Purchases	35,000,000	NOK	equivalent	3,347,490	EUR
Purchases	12,000,000	CAD	equivalent	8,347,301	EUR

Outstanding foreign currency transactions at 31 December 2021 were:

Forward transactions					
Transactions with corporate clients:					
Purchases	3,050,000	EUR	equivalent	15,244,802	RON
Purchases	1,700,000	USD	equivalent	7,244,569	RON
Purchases	12,558,750	RON	equivalent	2,500,000	EUR
Transactions with banks:					
Purchases	45,733,148	EUR	equivalent	49,500,000	CHF
Purchases	17,250,234	EUR	equivalent	80,000,000	PLN
Purchases	75,146,262	EUR	equivalent	372,978,636	RON
Purchases	1,072,291,548	RON	equivalent	212,757,146	EUR
Purchases	5,770,788	RON	equivalent	1,350,000	USD

41. Commitments and contingencies *(continued)*

b) Transfer pricing and taxation

The taxation system in Romania has faced multiple changes in the recent years and is in a continuous process of update and improvement. As a consequence, the tax legislation is still subject to various interpretations. In certain cases, the tax authorities may treat certain issues in a different manner, determining the calculation of additional taxes, interest and penalties for delay (the total current rate is of 0.03% per day of delay). In Romania the fiscal year remains open for fiscal audit for 5 years. According to the Bank's management, the tax duties included in these financial statements are appropriate.

The tax legislation in Romania considers the "market value" principle, according to which transactions between related parties must be performed at market value.

The taxpayers involved in related-party transactions must prepare and provide to the Romanian tax authorities the transfer pricing file, upon request.

The failure to provide the transfer pricing file or the submission of an incomplete transfer pricing file may lead to penalties for non-compliance; apart from the transfer pricing file, the tax authorities may interpret transactions and circumstances in a manner which is different from the management's interpretation and, consequently, may impose additional tax duties resulting from the adjustment of transfer prices.

The management of the Group and of the Bank considers that no losses should be incurred in the event of a fiscal audit for the verification of transfer prices. However, the impact of potential different interpretations of the tax authorities cannot be accurately estimated. The impact may be significant as concerns the Bank's financial position and/or operations. However, the fiscal risk is low because the majority of transactions are between group entities, which are in Romania, without cross-border risk.

42. Earnings per share

The calculation of basic earnings per share was based on the net consolidated ,profit attributable to ordinary shareholders of the parent company of RON 2,404,376 thousand (2021: RON 1,983,335 thousand) and on the weighted average number of ordinary shares outstanding during the year of 7,068,225,121 (2021 recalculated: 7,069,230,168 shares).

The diluted earnings per share for 2020, took into consideration the adjusted consolidated net profit of RON 2,404,376 thousand attributable to the ordinary shareholders of the parent company and the weighted average number of outstanding diluted ordinary shares.

The adjusted consolidated net profit for 2022 was determined by adjusting the base profit with the interest paid on bonds during the year in amount of RON 0 thousand. For 2021, the amount of convertible bonds was 0, in this case the diluted net profit attributable to the shareholders is equal with the net profit of the Group and the earning per diluted share is the same as the earning per ordinary share.

The weighted average number of diluted shares was determined as the sum of the weighted average number of ordinary shares and the number of shares which would have been issued upon the conversion of all potential dilutive shares into ordinary shares

42. Earnings per share (continued)

On December 31, 2022 and December 31, 2021, the Bank no longer held convertible bonds, the number of diluted outstanding shares being the same as the weighted average number of shares, and the diluted earnings per share being the same as the basic earnings per share.

	Group	
	2022	**2021**
Ordinary shares issued as at 1 January	**6,311,469,680**	**5,737,699,649**
The impact of shares issued as of 1 January	765,112,650	573,769,971
The impact of the shares repurchased during the year	(8,357,209)	(7,352,162)
The impact of the shares resulting from the conversion of the bonds	-	60
Retroactive adjustment of the weighted average number of shares outstanding on 31.12.2021	-	765,112,650
Weighted average number of shares as at 31 December	**7,068,225,121**	**7,069,230,168**
The number of shares that may be issued upon the conversion of bonds into shares	-	-
Weighted average number of diluted shares as at 31 December	**7,068,225,121**	**7,069,230,168**

43. Derivatives

The structure of the derivative instruments held by the Group and by the Bank as at 31 December 2022 is the following:

	Group			Bank		
In RON thousand	**Fair value of Assets**	**Fair value Liabilities**	**Notional**	**Fair value of Assets**	**Fair value Liabilities**	**Notional**
Interest rate swaps	111,391	21,076	2,893,461	111,391	21,076	2,893,461
Currency swaps	95,507	12,334	890,532	95,507	12,334	890,532
Exchange rate forward agreements	11,545	8,285	1,664,969	11,545	8,285	1,664,969
Total derivative financial instruments	**218,443**	**41,695**	**5,448,962**	**218,443**	**41,695**	**5,448,962**

The structure of the derivative instruments held by the Group and by the Bank as at 31 December 2021 is the following:

	Group			Bank		
In RON thousand	**Fair value of Assets**	**Fair value Liabilities**	**Notional**	**Fair value of Assets**	**Fair value Liabilities**	**Notional**
Interest rate swaps	1,944	1,549	363,161	858	1,059	197,795
Currency swaps	72,345	25,616	1,545,248	72,346	25,616	1,545,248
Exchange rate forward agreements	6,638	12,014	1,777,016	6,638	12,014	1,777,016
Total derivative financial instruments	**80,927**	**39,179**	**3,685,425**	**79,842**	**38,689**	**3,520,059**

44. Reconciliation of liabilities resulting from financial activities

The changes of the liabilities resulting from the Group's financial activities carried out in 2022 and 2021 are presented below:

Group 2022 *In RON thousand*	**01 January 2022**	**Receipts**	**Payments**	**Non-monetary changes** **Registration of receivables taken from Idea Group**	**Foreign exchange variation**	**31 December 2022**
Long-term loans	3,186,279	1,739,558	(898,749)	729,948	11,929	4,768,965

Group 2021 *In RON thousand*	**01 January 2021**	**Receipts**	**Payments**	**Non-monetary changes** **Registration of receivables taken from Idea Group**	**Foreign exchange variation**	**31 December 2021**
Long-term loans	3,275,984	81,502	(368,333)	133,842	63,284	3,186,279

The changes of the liabilities resulting from the Bank's financial activities carried out in 2022 and 2021 are presented below:

Bank 2022 *In RON thousand*	**01 January 2022**	**Receipts**	**Payments**	**Foreign exchange variation**	**31 December 2022**
Long-term loans	2,665,590	1,010,144	(218,290)	10,528	3,467,972

Bank 2021 *In RON thousand*	**01 January 2021**	**Receipts**	**Payments**	**Foreign exchange variation**	**31 December 2021**
Long-term loans	2,760,396	-	(152,045)	57,239	2,665,590

45. Acquisition of Tiriac Leasing IFN S.A.

On January 14, 2022, Banca Transilvania S.A. signed the contract for the purchase of the majority stake (100.00%) held by Molessey Holdings Limited and Hyundai Auto Romania SA in the share capital of Tiriac Leasing IFN S.A.

During the subsequent period, the necessary approvals for the conclusion of the acquisition transaction were obtained from the Competition Council by Decision no. 33 of May 10, 2022 regarding the economic concentration operation achieved by acquiring sole direct control over Tiriac Leasing IFN S.A. by Banca Transilvania S.A.

The Bank took control of this company on June 2, 2022, the date on which the consideration was transferred in exchange for the stake held by Molessey Holdings Limited and Hyundai Auto Romania S.A.

In the period of seven months until December 31, 2022, Tiriac Leasing IFN contributed with a profit of 28.75 million RON to the Group's results. If the acquisition had taken place on January 1, 2022, the management estimates that it would have contributed with 44.28 million RON to the consolidated profit. This estimate is based on the assumption that the provisional fair value adjustments recorded at the acquisition date would have been the same if the acquisition had taken place on January 1, 2022.

The consideration transferred

The fair value of the transferred consideration is 338,596 thousand RON and was paid in full on the acquisition date.

No capital instruments were issued as part of the acquisition of Tiriac Leasing IFN SA.

45. Acquisition of Tiriac Leasing IFN S.A. *(continued)*

Assets acquired and liabilities assumed

The table below summarizes the amounts recognized at the acquisition date in respect of the assets acquired and liabilities assumed:

RON thousand	**Accounting Value**	**Adjustments**	**Fair Value**
Cash, cash equivalents and bank deposits	51,314	-	51,314
Loans and advances granted to customers	19,887	(1,398)	18,489
Receivables from financial leasing contracts	1,034,129	(57,864)	976,265
Tangible and intangible fixed assets, fixed assets and assets related to the right of use	608	18,382	18,990
Other assets	19,940	9,285	29,225
Loans from banks	(868,530)	(1,235)	(869,765)
Other debts	(22,628)	(2,938)	(25,566)
Total net assets acquired	**234,720**	**(35,768)**	**198,952**

Fair value measurement

The following valuation techniques were used to determine the fair value of the acquired assets and assumed obligations:

- ***Portfolio of loans and receivables from finance leases - performing***: value adjustments have been made to reflect differences in interest rates (contract versus market) as well as lifetime expected credit losses from a participant's perspective over the market. The valuation methodology sought to quantify the possible differences between the interest rates in force and those existing on the market at the valuation date;
- ***The portfolio of loans and receivables from financial leasing contracts - non-performing:*** the fair value analysis of non-performing loans focused on the ECL estimation, whereby the amount of expected credit losses was estimated taking into account the potential recoveries from guarantees;
- ***Assets related to the right of use:*** the fair value was estimated by applying specific valuation methods taking into account the type of asset and the available information and the Management Decision related to the future benefits that the respective assets will bring;
- ***Loans from banks and financial institutions:*** adjustments were made to reflect the difference between contractual and market interest rates;
- ***Lease liabilities:*** in accordance with the requirements of IFRS 16, the fair value of the lease liabilities was determined as the present value of the remaining lease payments.

Negative acquisition gain or Goodwill

The Group's results for the period ended December 31, 2022 include the goodwill from the acquisition of Tiriac Leasing IFN S.A. in the amount of thousand RON 139,643.

The goodwill was determined as the difference between the consideration paid (RON 338,595 thousand) and the part of the fair value of the assets and liabilities of Tiriac Leasing IFN S.A. on the date of taking control (in the amount of RON 198,952 thousand).

46. Reclassifications of comparative figures of 2021

In 2022 the Group and the Bank restated certain amounts (presented in the table below) in the statements of cash flows in order to achieve comparability with the presentation in 2022.
These changes were made as a response to the review performed by the Group's and the Bank's management.
The management has followed the requirements of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors.

RON thousand	As previously reported	Ajustements	As restated
Other adjustments	(29,763)	(553,893)	(583,656)
Net profit adjusted with non-monetary elements	**5,102**	**(553,893)**	**(548,791)**
Change in financial assets at amortized cost and placements with bank	846,325	(328,893)	517,432
Net cash-flow from operating activities	**13,251,972**	**(882,786)**	**12,369,186**
Acquisition of subsidiaries net of cash acquired through business combinations	(225,000)	553,893	328,893
Net cash-flow used in investment activities	**(11,471,436)**	**553,893**	**(10,917,543)**
Net increase/decrease (-) in cash and cash equivalents	671,217	(328,893)	342,324
Cash and cash equivalents as at December 31 2021	**27,356,745**	**(328,893)**	**27,027,852**

In 2022, the Group and the Bank made the following restatements which impacted the comparative figures of the consolidated statement of cash flow of 2021:

(a) During 2022, the management discovered that the amounts of cash outflow due to acquisition of subsidiaries reported for the year ended 31 December 2021 were not adjusted by the amount of cash acquired through business combination. The appropriate changes were made by restating the affected line items of statements of cash flow for prior period.

47. Events subsequent to the date of the consolidated statement of financial position

Following the completion of the acquisition transaction of Țiriac Leasing on June 2, 2022, Banca Transilvania SA started the process of integrating it into the Group Banca Transilvania SA. This process started in August 2022 whith the transfer of the share package from the Bank to BT Leasing IFN SA, then following the preparation of the merger process between the two entities, a process completed with the legal merger on January 1, 2023.

The financial statements were approved by the Board of Directors on March 09, 2023 and were signed on behalf of the Board.

Horia CIORCILĂ
Chairman

George CĂLINESCU
Deputy CEO