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 2023

Banca Transilvania S.A.

CONTENTS

Banca Transilvania S.A.

Consolidated and Separate Statement of Profit or Loss
For the year ended 31 December

		Group		Bank	
	Notes	**2023**	**2022**	**2023**	**2022**
		RON thousand	***RON thousand***	***RON thousand***	***RON thousand***
Interest income calculated using the effective interest method		8,432,799	5,769,630	7,676,359	5,136,663
Other interest like income		408,201	262,146	40,878	30,203
Interest expense calculated using the effective interest method		(3,579,328)	(1,602,950)	(3,389,598)	(1,502,270)
Other similar interest expense		(4,992)	(2,167)	(8,451)	(6,356)
Net interest income	8	**5,256,680**	**4,426,659**	**4,319,188**	**3,658,240**
Fee and commission income		2,058,966	1,781,324	1,773,058	1,526,826
Fee and commission expense		(791,319)	(613,492)	(667,069)	(528,369)
Net fee and commission income	9	**1,267,647**	**1,167,832**	**1,105,989**	**998,457**
Net trading income	10	657,016	686,070	539,743	597,139
Net gain / (loss) from financial assets measured at fair value through other items of comprehensive income	11	167,647	(121,638)	166,329	(126,119)
Net gain / (loss) from financial assets which are required to be measured at fair value through profit or loss	12	143,466	(17,252)	178,247	(13,842)
Contribution to the Bank Deposit Guarantee Fund and to the Resolution Fund	13	(93,647)	(153,684)	(86,886)	(143,513)
Other operating income	14	326,153	291,969	214,536	389,627
Operating income		**7,724,962**	**6,279,956**	**6,437,146**	**5,359,989**
Impairment or reversal of impairment on financial assets not measured at fair value through profit or loss	15(a)	(420,716)	(553,162)	(273,152)	(320,081)
(Other) Provisions and reversal of provisions	15(b)	(92,372)	58,007	(100,026)	42,060
Personnel expenses	16	(1,967,518)	(1,655,533)	(1,613,996)	(1,385,160)
Depreciation and amortization		(450,548)	(392,996)	(404,248)	(350,902)
Other operating expenses	17	(1,087,845)	(935,219)	(917,228)	(925,226)
Operating expenses		**(4,018,999)**	**(3,478,903)**	**(3,308,650)**	**(2,939,309)**
Profit before income tax		**3,705,963**	**2,801,053**	**3,128,496**	**2,420,680**
Income tax expense (-)	18	(721,733)	(312,636)	(637,924)	(242,681)
Net profit for the year		**2,984,230**	**2,488,417**	**2,490,572**	**2,177,999**
Net Profit of the Group attributable to:					
Equity holders of the Bank		2,889,718	2,404,376	-	-
Non-controlling interests		94,512	84,041	-	-
Net Profit for the year		**2,984,230**	**2,488,417**	**2,490,572**	**2,177,999**
Basic earnings per share	42	3.6241	3.0143	**-**	**-**
Diluted earnings per share	42	3.6241	3.0143	**-**	**-**

Consolidated and Separate Statement of Comprehensive Income

For the year ended 31 December

	Notes	Group 2023 *RON thousand*	Group 2022 *RON thousand*	Bank 2023 *RON thousand*	Bank 2022 *RON thousand*
Net Profit for the year		**2,984,230**	**2,488,417**	**2,490,572**	**2,177,999**
Items that will not be reclassified as profit or loss, net of tax		**7,407**	**23,000**	**6,309**	**16,897**
Increase from property and equipment and intangible assets revaluation		10,718	21,527	9,371	14,876
Other elements of comprehensive income		(1,634)	4,652	(1,546)	4,401
Tax related to items that will not be reclassified to profit or loss		(1,677)	(3,179)	(1,516)	(2,380)
Items which are or may be reclassified to profit or loss		**2,303,465**	**(2,751,752)**	**2,238,230**	**(2,731,981)**
Fair value reserve (financial assets measured at fair value through other items of comprehensive income), of which:		*2,655,573*	*(3,254,670)*	*2,653,334*	*(3,254,846)*
Net gain / loss (-) from disposal of financial assets measured at fair value through other items of comprehensive income, transferred to profit or loss account		(167,647)	121,638	(166,329)	126,119
Fair value changes of financial assets measured at fair value through other items of comprehensive income		2,823,220	(3,376,308)	2,819,663	(3,380,965)
Translation of financial information of foreign operations to presentation currency		*75,116*	*(23,717)*	*(222)*	*5*
Income tax on items which are or may be reclassified to profit or loss		*(427,224)*	*526,635*	*(414,882)*	*522,860*
Total comprehensive income for the period		**5,295,102**	**(240,335)**	**4,735,111**	**(537,085)**
Total comprehensive income attributable to:					
Equity holders of the Bank		5,200,590	(324,376)	-	-
Non-controlling interest	1	94,512	84,041	-	-
Total comprehensive income for the period		**5,295,102**	**(240,335)**	**4,735,111**	**(537,085)**

The financial statements were approved by the Board of Directors on March 22, 2024 and were signed on its behalf by:

Horia Ciorcilă
Chairman

George Călinescu
Deputy CEO

Consolidated and Separate Statement of Financial Position

At 31 December	Notes	Group		Bank	
		2023	**2022**	**2023**	**2022**
Assets		***RON thousand***	***RON thousand***	***RON thousand***	***RON thousand***
Cash and curent accounts with Central Banks	19	24,252,600	14,540,717	22,286,257	12,645,157
Derivatives	43	124,817	218,443	124,817	218,443
Financial assets held for trading	21	345,756	321,370	36,303	30,693
Financial assets which are required to be measured at fair value through profit or loss	21	1,232,598	1,106,041	1,670,155	1,474,595
Financial assets measured at fair value through other items of comprehensive income	24	40,600,026	43,485,732	40,264,202	43,124,154
- of which pledged securities (repo agreements)		368,480	1,833,170	368,480	1,833,170
Financial assets at amortized cost - of which:		95,733,542	74,714,992	93,979,518	72,995,600
- Placements with banks and public institutions	20	12,272,959	5,567,332	12,619,341	6,634,858
- Loans and advances to customers	22	72,008,224	65,200,920	71,550,404	63,449,954
- Debt instruments	24	9,472,245	2,059,712	7,980,071	975,159
- Other financial assets	30	1,980,114	1,887,028	1,829,702	1,935,629
Finance lease receivables	23	3,562,683	2,812,597	-	-
Investments in subsidiaries	25	-	-	873,300	708,412
Investment in associates		1,326	3,737	-	-
Property and equipment and investment property	26	1,278,903	1,174,446	755,413	731,037
Intangible assets	27	693,671	506,238	562,009	429,960
Goodwill	27	154,363	154,363	-	-
Right-of-use assets	28	514,060	487,957	697,963	696,798
Current tax receivables		-	14,947	-	26,627
Deferred tax assets	29	354,481	791,605	337,282	747,800
Other non-financial assets	31	320,399	177,610	197,752	130,953
Total assets		**169,169,225**	**140,510,795**	**161,784,971**	**133,960,229**

Consolidated and Separate Statement of Financial Position

At 31 December	Notes	Group		Bank	
		2023	**2022**	**2023**	**2022**
Liabilities		***RON thousand***	***RON thousand***	***RON thousand***	***RON thousand***
Derivatives	43	88,809	41,695	88,809	41,695
Deposits from banks	32	1,034,613	1,678,082	1,081,766	1,631,542
Deposits from customers	33	138,052,954	119,731,729	134,443,350	116,503,842
Loans from banks and other financial institutions	34	9,548,567	4,840,928	8,583,795	3,562,483
Subordinated liabilities	35	2,423,218	1,748,260	2,403,652	1,718,909
Lease liabilities	28	533,351	492,956	669,778	663,680
Other financial liabilities	37	2,521,170	1,764,364	1,847,667	1,315,969
Current tax liability		103,884	-	113,280	-
Provisions for other risks and loan commitments	36	651,144	500,546	551,539	431,296
Other non-financial liabilities	38	288,057	215,374	171,969	132,636
Total liabilities excluding financial liabilities to holders of fund units		**155,245,767**	**131,013,934**	**149,955,605**	**126,002,052**
Financial liabilities to holders of fund units		26,950	25,328	-	-
Total liabilities		**155,272,717**	**131,039,262**	**149,955,605**	**126,002,052**
Equity					
Share capital	39	8,073,083	7,163,083	8,073,083	7,163,083
Treasury shares		(28,269)	(64,750)	(12,982)	(49,463)
Share premiums		31,235	31,235	28,614	28,614
Retained earnings		5,444,429	4,457,854	4,095,127	3,558,320
Revaluation reserves from tangible and intangible assets		43,839	70,355	28,738	35,678
Reserves on financial assets measured at fair value through other items of comprehensive income		(1,488,214)	(3,728,492)	(1,498,237)	(3,736,653)
Other reserves		1,147,889	989,581	1,115,023	958,598
Total equity attributable to equity holders of the Bank		**13,223,992**	**8,918,866**	**11,829,366**	**7,958,177**
Non-controlling interest	1	672,516	552,667	-	-
Total equity		**13,896,508**	**9,471,533**	**11,829,366**	**7,958,177**
Total liabilities and equity		**169,169,225**	**140,510,795**	**161,784,971**	**133,960,229**

The financial statements were approved by the Board of Directors on March 22, 2024 and were signed on its behalf by:

Horia Ciorcilă
Chairman

George Călinescu
Deputy CEO

Banca Transilvania S.A.

Consolidated Statement of Changes in Equity

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 2023		**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**
Profit for the year		-	-	-	-	-	-	2,889,718	**2,889,718**	94,512	**2,984,230**
Profit/(Loss) from fair value changes of financial assets measured at fair value through other items of comprehensive income, net of deferred tax		-	-	-	-	2,240,278	-	-	**2,240,278**	-	**2,240,278**
Revaluation of property and equipment, intangible assets, net of tax		-	-	-	9,041	-	-	-	**9,041**	-	**9,041**
Retained earnings from revaluation reserves		-	-	-	(15,121)	-	-	15,121	**-**	-	**-**
Foreign currency translation of foreign operations		-	-	-	564	-	-	62,623	**63,187**	-	**63,187**
Other items of comprehensive income, net of tax		-	-	-	-	-	-	(1,634)	**(1,634)**	-	**(1,634)**
Total comprehensive income for the period		**-**	**-**	**-**	**(5,516)**	**2,240,278**	**-**	**2,965,828**	**5,200,590**	**94,512**	**5,295,102**
Contributions of/distributions to the shareholders											
Increase in share capital through the conversion of retained earnings	39	910,000	-	-	-	-	-	(910,000)	**-**	-	**-**
Distribution to statutory reserves		-	-	-	-	-	158,308	(158,308)	**-**	-	**-**
Acquisition of treasury shares		-	(32,329)	-	-	-	-	-	**(32,329)**	-	**(32,329)**
Payments of treasury shares		-	68,810	-	-	-	-	(66,329)	**2,481**	-	**2,481**
Dividends distributed to shareholders(*)		-	-	-	-	-	-	(902,456)	**(902,456)**	-	**(902,456)**
SOP 2022 Scheme		-	-	-	-	-	-	68,382	**68,382**	-	**68,382**
Transfer of retained earnings to liabilities to holders of fund units		-	-	-	-	-	-	1,622	**1,622**	-	**1,622**
Other items		-	-	-	(21,000)	-	-	(12,164)	**(33,164)**	25,337	**(7,827)**
Total contributions of/distributions to the shareholders		**910,000**	**36,481**	**-**	**(21,000)**	**-**	**158,308**	**(1,979,253)**	**(895,464)**	**25,337**	**(870,127)**
Balance at 31 December 2023		**8,073,083**	**(28,269)**	**31,235**	**43,839**	**(1,488,214)**	**1,147,889**	**5,444,429**	**13,223,992**	**672,516**	**13,896,508**

(*) The gross dividend per share approved by the Bank's Board of Directors and paid is RON 1.13, for a reference share capital (share capital registered at the Trade Register) of 798,658,233 shares

Banca Transilvania S.A.

Consolidated Statement of Changes in Equity *(continued)*

For the year ended 31 December

Group

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
		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**
Profit/(Loss) 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	**-**	-	**-**
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)**	**-**	**2,410,356**	**(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)	**-**	-	**-**
Distribution to statutory reserves		-	-	-	-	-	124,688	(124,688)	**-**	-	**-**
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)**	**-**	**-**	**-**	**124,688**	**(1,689,377)**	**(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 gross dividend per share approved by the Bank's Board of Directors and paid is RON 0.126753, for a reference share capital (share capital registered at the Trade Register) of 7,076,582,330 shares

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, 2023		**7,163,083**	**(49,463)**	**28,614**	**35,678**	**(3,736,653)**	**958,598**	**3,558,320**	**7,958,177**
Profit for the year		-	-	-	-	-	-	2,490,572	**2,490,572**
Profit/(Loss) from fair value changes of financial assets measured at fair value through other items of comprehensive income, net of deferred tax		-	-	-	-	2,238,416	-	-	**2,238,416**
Revaluation of property and equipment, intangible assets, net of tax		-	-	-	7,855	-	-	-	**7,855**
Retained earnings from revaluation reserves		-	-	-	(14,795)	-	-	14,795	**-**
Other items of comprehensive income, net of tax		-	-	-	-	-	-	(1,732)	**(1,732)**
Total comprehensive income for the period		**-**	**-**	**-**	**(6,940)**	**2,238,416**	**-**	**2,503,635**	**4,735,111**
Contributions of/distributions to the shareholders									
Increase in share capital through the conversion of retained earnings	39	910,000	-	-	-	-	-	(910,000)	**-**
Distribution to statutory reserves		-	-	-	-	-	156,425	(156,425)	**-**
Acquisition of treasury shares		-	(32,329)	-	-	-	-	-	**(32,329)**
Payments of treasury shares to the employees		-	68,810	-	-	-	-	(66,329)	**2,481**
Dividends distributed to shareholders (*)		-	-	-	-	-	-	(902,456)	**(902,456)**
SOP 2022 Scheme		-	-	-	-	-	-	68,382	**68,382**
Other items		-	-	-	-	-	-	-	**-**
Total contributions of/distributions to the shareholders		**910,000**	**36,481**	**-**	**-**	**-**	**156,425**	**(1,966,828)**	**(863,922)**
Balance at 31 December 2023		**8,073,083**	**(12,982)**	**28,614**	**28,738**	**(1,498,237)**	**1,115,023**	**4,095,127**	**11,829,366**

(*) The gross dividend per share approved by the Bank's Board of Directors and paid is RON 1.13, for a reference share capital (share capital registered at the Trade Register) of 798,658,233 shares

Separate Statement of Changes in Equity *(continued)*

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									
Profit for the year		**6,397,971**	**-**	**28,614**	**42,234**	**(1,004,667)**	**837,564**	**3,051,409**	**9,353,125**
Profit/(Loss) from fair value changes of financial assets measured at fair value through other items of comprehensive income, net of deferred tax		-	-	-	-	-	-	2,177,999	**2,177,999**
Revaluation of property and equipment, net of income tax		-	-	-	-	(2,731,986)	-	-	**(2,731,986)**
Retained earnings from revaluation reserves		-	-	-	12,496	-	-	-	**12,496**
Other items of comprehensive income, net of tax		-	-	-	(19,052)	-	-	19,052	-
Total comprehensive income for the period		-	-	-	-	-	-	4,406	**4,406**
Contributions of/distributions to the shareholders		**-**	**-**	**-**	**(6,556)**	**(2,731,986)**	**-**	**2,201,457**	**(537,085)**
Increase in share capital through the conversion of retained earnings	39	765,112	-	-	-	-	-	(765,112)	-
Distribution to statutory reserves		-	-	-	-	-	121,034	(121,034)	-
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)**	**-**	**-**	**-**	**121,034**	**(1,694,456)**	**(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**

(*) The gross dividend per share approved by the Bank's Board of Directors and paid is RON 0.126753, for a reference share capital (share capital registered at the Trade Register) of 7,076,582,330 shares

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

In RON thousand	Notes	Group 2023	Group 2022	Bank 2023	Bank 2022
Cash-flow from operating activities					
Profit for the year		**2,984,230**	**2,488,417**	**2,490,572**	**2,177,999**
Adjustments for:					
Depreciation and amortization	26,27, 28	450,548	392,996	404,248	350,902
Impairment allowance, expected losses and write-offs of financial assets, provisions for other risks and loan commitments		739,459	713,779	535,116	486,859
Adjustment of financial assets at fair value through profit or loss		(143,466)	17,252	(178,247)	13,842
Income tax expense	18	721,733	312,636	637,924	242,681
Interest income	8	(8,841,000)	(6,031,776)	(7,717,237)	(5,166,866)
Interest expense	8	3,584,320	1,605,117	3,398,049	1,508,626
Other adjustments		233,627	732,985	179,492	72,117
Net profit adjusted with non-monetary elements		**(270,549)**	**231,406**	**(250,083)**	**(313,840)**
Changes in operating assets and liabilities					
Change in financial assets at amortized cost and placements with banks		(6,086,270)	(526,369)	(5,146,275)	(3,060,649)
Change in loans and advances to customers		(7,151,787)	(11,158,763)	(8,257,577)	(11,600,432)
Change in finance lease receivables		(693,717)	(1,318,265)	-	-
Change in financial assets at fair value through profit or loss		16,909	(14,977)	(17,313)	(22,940)
Change in financial assets held for trading and measured at fair value through profit or loss - derivatives		93,626	(137,516)	93,626	(138,601)
Change in equity instruments		(3,272)	(7,516)	(5,610)	514
Changes in debt instruments		(21,114)	24,596	-	-
Change in other financial assets		(111,388)	(808,577)	75,772	(1,041,226)
Change in other assets		(231,847)	(76,488)	(158,434)	(78,142)
Change in deposits from customers		17,884,427	11,435,219	17,499,759	13,523,038
Change in deposits from banks		(639,012)	648,927	(545,528)	673,760
Change in financial liabilities held-for-trading		47,114	2,516	47,114	3,006
Change in repo operations		(1,453,998)	(4,683,166)	(1,453,998)	(4,683,166)
Change in other financial liabilities		704,265	(121,720)	479,442	(182,931)
Change in other liabilities		72,683	21,287	37,112	(10,864)
Income tax (paid)/recovered		(586,381)	(332,891)	(503,896)	(264,029)
Interest received		6,945,490	4,713,394	5,914,761	3,911,387
Interest paid		(2,638,610)	(1,192,131)	(2,506,562)	(1,118,807)
Net cash-flow from/ (used in) operating activities		**5,876,569**	**(3,301,034)**	**5,302,310**	**(4,403,922)**

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

In RON thousand	Notes	Group 2023	Group 2022	Bank 2023	Bank 2022
Cash-flow used in investment activities					
Acquisition of financial assets measured at fair value through other items of comprehensive income	24	(17,936,513)	(12,131,322)	(17,817,334)	(11,932,842)
Sale/redemption of financial assets measured at fair value through other items of comprehensive income	24	23,271,444	6,716,802	23,121,982	6,712,862
Acquisitions of property and equipment		(201,047)	(209,080)	(105,567)	(160,200)
Acquisitions of intangible assets		(297,107)	(178,077)	(227,467)	(170,884)
Proceeds from disposal of property and equipment		3,041	4,531	1,702	12,086
Acquisition of subsidiaries net of cash acquired through business combinations (*)	45	-	(267,347)	(162,916)	(338,597)
Proceeds from sale of equity investments		-	(16,964)	-	188,105
Dividends collected	14	14,981	5,489	5,912	8,719
Cupon collected, at term, during the year of debt instruments		1,748,651	1,189,997	1,741,572	1,009,855
Net cash-flow from/ (used in) investment activities		**6,603,450**	**(4,885,971)**	**6,557,884**	**(4,670,896)**
Cash-flow from financing activities					
Gross proceeds from loans from banks and other financial institutions	44	6,661,129	1,739,558	6,383,654	1,010,144
Gross payments from loans from banks and other financial institutions	44	(775,489)	(874,049)	(177,368)	(218,290)
Gross receipts from subordinated debts from banks and financial institutions	44	991,660	-	991,660	-
Gross payments from subordinated loans from banks and other financial institutions	44	(320,310)	(24,700)	(311,256)	-
Repayment of principal lease liabilities	28	(144,756)	(147,641)	(168,719)	(208,488)
Dividend payments		(898,221)	(801,623)	(898,221)	(801,623)
Payments for treasury shares		(32,329)	(150,297)	(32,329)	(150,297)
Interest paid		(298,628)	(122,799)	(240,294)	(93,749)
Net cash-flow from / (used in) financing activities		**5,183,056**	**(381,551)**	**5,547,127**	**(462,303)**

(*) refers to Tiriac Leasig aquisition in 2022

In RON thousand	Notes	Group 2023	Group 2022	Bank 2023	Bank 2022
Cash and cash equivalents at January 1		**18,459,296**	**27,027,852**	**15,342,973**	**24,880,094**
The impact of exchange rate variations on cash and cash equivalents		14,915	2,441	7,552	(1,962)
Net increase/decrease (-) in cash and cash equivalents		17,648,160	(8,570,997)	17,399,769	(9,535,159)
Cash and cash equivalents as at December 31	19	**36,122,371**	**18,459,296**	**32,750,294**	**15,342,973**

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 2023 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 Salt (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 Țiriac 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, 4 work units, 8 healthcare division units, 2 private banking agencies in Romania, 1 branch in Italy and 1 regional office located in Bucharest (2022: 42 branches, 454 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 2023 was 11,841 (2022: 11,256 employees).

The Bank's number of active employees as at 31 December 2023 was 9,547 (2022: 9,109 employees).

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

The ownership structure of the Bank is presented below:

	2023	**2022**
NN Group (*)	9.36%	10.11%
The European Bank for Reconstruction and Development ("EBRD")	6.87%	6.87%
Romanian individuals	22.37%	22.20%
Romanian companies	45.13%	43.11%
Foreign individuals	1.09%	1.05%
Foreign companies	15.18%	16.66%
Total	**100%**	**100%**

(*) NN Group N.V. and the pension funds managed by NN Pensii SAFPAP S.A. and NN Asigurări de Viață 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 2023	Percentage of direct and indirect stake 2022
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 Asisitent in Brokeraj S.R.L.	Insurance broker	100%	99.95%
BT Asiom Agent de Asigurare S.R.L.	Insurance broker	100%	99.95%
BT Safe Agent de Asigurare S.R.L.	Insurance broker	100%	99.99%
BT Intermedieri Agent de Asigurare S.R.L.	Insurance broker	100%	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	61.82%	61.82%
BT Pensii S.A.	Activities of pension funds (except those in the public social security system)	100%	100%
Salt (Idea) Bank S.A.	Financial and banking activities	100%	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 S.R.L.	Custom software development activities	100%	100%
Țiriac Leasing IFN S.A.	Financial leasing	-	100%
BTP One S.R.L.	Renting and subletting of own or rented real estate	100%	-
BTP Retail S.R.L.	Renting and subletting of own or rented real estate	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 39 work units (2022: 1 agency and 22 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 2023 was 305 (2022: 131 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 alternative investment funds. As at 31 December 2023, BT Asset Management SAI S.A. managed 17 investment funds, of which: 14 open funds and 3 alternativ investment funds (2022: 17 investment funds, of which: 14 open funds and 3 alternativ investment 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 2023 was 42 (2022: 37 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 2023 the company counted 57 active employees (2022: 59 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 9 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 2023, the company has a registered office for the purpose of payroll taxes in Bucharest and another 116 offices in the locations of the main partners (2022: 107 offices).

The number of active employees at 31 December 2023 was 187 (2022: 179 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 2023 was 253 (2022: 205 employees).

In 2023, BT Microfinanţare IFN S.A. financed around 8,600 micro-enterprises (2022: 6,500 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 2023 was RON 1009.1 million (2022: RON 780.7 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.

In 2018, Banca Transilvania S.A. became an indirect shareholder of Victoriabank S.A., holding together with EBRD 72.19% of the participation in this financial institution. At the beginning of 2018, Banca Transilvania S.A. purchased 61.82% of the shares of VB Investment Holding B.V. , the remaining 38.13% being owned by the EBRD. Also in 2018, VB Investment Holding B.V. increased its investment to 72.19% in Victoriabank SA, so that Banca Transilvania S.A.'s indirect effective holding in this financial institution became 44.63%. Consequently, thanks to having majority of voting rights, Banca Transilvania S.A. controls Victoriabank SA through VB Investment Holding B.V. Starting from April 2018, Banca Transilvania S.A. appointed representatives in the management and in the Board of Directors of Victoriabank S.A., thus taking control of Victoriabank S.A.

Victoriabank S.A. carries out its activity through its headquarter located in Chişinău, 31 August 1989 Street No 141, and through 30 branches and 38 agencies throughout the Republic of Moldova (2022: 30 branches and 41 agencies).The number of active employees as at 31 December 2023 was 1,138 (2022: 1,097 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.

SALT (IDEA) Bank S.A.

Salt Bank S.A. was founded in 1998, and during 2021, was bought by Banca Transilvania S.A., 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 according to constitutive act: 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.Starting with 2023, the Bank is 100% digital, through the registered office in Bulevardul Dimitrie Pompeiu, number 5-7, et. 6, sector 2, Bucharest, Romania. Salt Bank operates as a cashless bank from June 14, 2022 and proposes a complete digital transformation process, so that it becomes the first fully digital "made in Romania" bank, without banking units, thus offering customers banking services only through digital channels.

1. Reporting entity *(continued)*

SALT (IDEA) Bank S.A (continued)

Concretely, Salt Bank will offer its services through a mobile banking application (and wallet). As an element of differentiation compared to other neo-banks or fintechs that offer such platforms, Salt Bank intends to offer customer support services through its own call center.

As at 31 December 2023 the Bank had 163 active employees (2022: 130 active employees).

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 2023, Idea Leasing had 96 active employees (2022: 112 active 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 2023.

The consolidated and separate financial statements of the Group and the Bank have been prepared in accordance with the going concern principle, which assumes the continuity of the activity in the foreseeable future. In addition, management is not aware of any material uncertainties that could cast significant doubt on their ability to continue as a going concern. Therefore, the consolidated and separate financial statements are prepared on a going concern basis.

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 consolidated and separate 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.

2. Basis of preparation *(continued)*

d) Use of estimates and judgements (*continued*)

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.

e) Changes in material accounting policies

a. Global minimum top-up tax

The Group has adopted International Tax Reform – Pillar Two Model Rules (Amendments to IAS 12) upon their release on 23 May 2023. The amendments provide a temporary mandatory exception from deferred tax accounting for the top-up tax, which is effective immediately, and require new disclosure about the Pillar Two exposure (see Note 3 k).

The mandatory exception applies retrospectively. However, because no new legislation to implement the top-up tax was enacted or substantively enacted at 31 December 2022 in any jurisdiction in which the Group operates and no related deferred tax was recognized at that date, the retrospective application has no impact on the Group`s consolidated financial statements.

b. Material accounting policy information

Starting January 1, 2023, the Group and the Bank adopted the Amendments to IAS 1 and IFRS Practice Statement 2.

Although the amendments did not result in any changes in accounting policies, these had an impact on the information on accounting policies presented in the consolidated and separate financial statements. The amendments require the disclosure of "material", rather than "significant", accounting policy presentation. Moreover, these provide guidance on the concept of materiality in the presentation of accounting policies and guide entities in providing useful information, with reference to the specific accounting policies that users need to understand other information presented in the consolidated and separate financial statements. The Group and the Bank reviewed the accounting policies and updated the information disclosed in Note 3 Material accounting policies (2022: Significant accounting policies) in certain instances in line with the amendments.

3. Material accounting policies

The Group and the Bank has consistently applied the following accounting policies to all periods presented in these consolidated and standalone financial statements, except if mentioned otherwise. In addition, the Group and the Bank adopted Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2) from 1 January 2023. The amendments require the disclosure of “material”, rather than “significant”, accounting policies.

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.

3. Material accounting policies *(continued)*

a) Basis for consolidation *(continued)*

(i) Business Combinations (continued)

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.

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.

3. Material accounting policies *(continued)*

a) Basis of consolidation *(continued)*

(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.

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.

3. Material accounting policies *(continued)*

a) Basis of consolidation *(continued)*

(v) Investments in associates (continued)

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 alternative 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 alternativ 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.

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.

3. Material accounting policies *(continued)*

a) Basis of consolidation *(continued)*

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 2023	31 December 2022	Variation %
Euro (“EUR”)	1: RON 4.9746	1:RON 4.9474	0.55%
United States Dollar (“USD”)	1: RON 4.4958	1: RON 4.6346	-2.99%

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.

3. Material accounting policies *(continued)*

c) Interest income and expenses *(continued)*

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, 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.

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.

3. Material accounting policies *(continued)*

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. For debt instruments, the net gain/loss related represents the difference between the sale price and the acquisition cost related to 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) Other operating income

h1) 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.

h2) Income from insurance intermediation

The fees related to the intermediation for insurance services are recognised by the Bank in the month when the related insurance services are paid by the insurer to the Bank. If the computation of these fees is not finalized and agreed with the insurer by the end of the month the Group recognizes an accrued income into the consolidated income statement based on its own estimates.

3. Material accounting policies *(continued)*

h) Other operating income *(continued)*

h3) Income from VISA, MASTERCARD, WU services

The Group and the Bank recognizes income received from Visa, Mastercard and Western Union representing discounts granted for the volume of transactions performed. This income is booked on a monthly basis based on the invoice issued to the Group nd the Bank.

h4) Income from the assignment of shareholdings

This income represents a gain or a loss from disposal of shares in subsidiaries which is recognised in the statement of profit or loss. This gain or loss represent the difference between the selling price and the fair value of the net assets sold.

h5) Other operating income

The Group and the Bank also recognize the following types of income under "Other operating income": income from the disposal of tangible assets and those from the sale of the non-current assets held for sale, income from compensations, fines, penalties, income from: 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.

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 100,000 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. In this case, the obligation arises annually on January 1, as the Bank performs activities related to deposits received.

3. Material accounting policies *(continued)*

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.
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.

3. Material accounting policies *(continued)*

j) Lease assets and liabilities *(continued)*

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

As per IFRS 16 provisions, a lessee 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.

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.

3. Material accounting policies *(continued)*

j) Lease assets and liabilities *(continued)*

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

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

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. Material 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 nor 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.

The Group has determined that the global minimum top-up tax – which is required to pay under Pillar Two legislation – is an income tax in scope of IAS 12. The Group has applied a temporary mandatory relief from deferred tax accounting for the impacts of the top-up and accounts for it as a current tax when it is incurred.

The Group operates in Romania, which has enacted new legislation to implement the global minimum top-up tax. The Group expects to be subject to the top-up tax in relation to its operations in Romania, where the statutory tax rate is 16%, but receives additional tax deductions that reduce its effective tax rate to below 15%. Also, the Group expects to be subject to the top-up tax in relation to its operations in Moldovia, where the statutory tax rate is 12 %, and the domestic legislation does not contain any tax provision regarding Pillar Two Model Rules. However, since the newly enacted tax legislation in Romania is only effective from 1 January 2024, there is no current tax impact for the year ended 31 December 2023.

The Group has applied a temporary mandatory relief from deferred tax accounting for the impacts on the top-up tax and accounts for it as a current tax when it is incurred (see Note 2 e).

3. Material accounting policies *(continued)*

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 (Solely Payment of Principal and Interest), they are measured at amortized cost and included in the periodical calculation of expected credit losses.
The general expectation is that the assets classified in this category are held until their maturity, however sales may incur and 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. Nevertheless there are no such cases in 2023.

"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, in case SPPI test is passed.

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.

3. Material accounting policies *(continued)*

l) Financial assets *(continued)*

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).
Investments in equity instruments are 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).

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.

3. Material accounting policies *(continued)*

l) Financial assets *(continued)*

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. Expected credit losses (‘ECL’) are associated with financial 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”.

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 IFRS 9 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.

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. The recovery procedures for these assets are not stopped, the loans being highlighted in off-balance sheet accounts, until the full collection of the receivables or until a definitive deletion. Information regarding the volume of these exposures is presented in the Notes 22 and 23.

3. Material accounting policies *(continued)*

l) Financial assets *(continued)*

Other events that lead to a derecognition are those of the type of definitive deletions from on balance sheet account records:

- Debt forgiveness following the exhaustion of the legal ways of recovery, the prescription for the terms of execution or some decisions regarding the opportunity to continue the recovery procedures (efforts/cost versus effects/revenues);
- Sale/assignment of receivables to a third party;
- Sale of loan portfolios.

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. 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.

m) Financial liabilities

A financial debt is any debt that represents:

(a) a contractual obligation to deliver cash or another financial asset to another entity; or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the entity; or

(b) a contract that will be or can be settled in the entity's own equity instruments and is:

(i) a non-derivative instrument for which the entity is or may be obliged to deliver a variable number of its own equity instruments; or

(ii) a derivative instrument that will be or can be settled otherwise than by exchanging a fixed amount of cash or another financial asset for a fixed number of the entity's own equity instruments.

Examples of financial liabilities that can be found in the Group's financial position statement are: deposits received from customers, amounts owed to banks and other financial institutions, subordinated loans, other loans, bonds issued, derivative instruments and other financial instruments that meet the definition of a financial liability.

3. Material accounting policies *(continued)*

m) Financial liabilities *(continued)*

Classification and evaluation

The Group and the Bank classify financial liabilities at amortized cost with the exception of the following debt categories:

- financial liabilities measured at fair value through profit and loss (FVTPL). Financial liabilities measured at fair value through profit and loss contain two sub-categories: financial liabilities held for trading purposes, which includes derivative instruments, and financial liabilities designated at FVTPL upon initial recognition;
- financial liabilities that arise when a transfer of a financial asset does not meet the conditions to be derecognized or is accounted for using the going concern approach;
- commitments to provide a loan at an interest rate below the market value and financial guarantee contracts;
- the contingent compensation recognized by the Group as the acquiring entity in a business combination.

The financial liabilities valued at amortized cost held by the Group and the Bank include deposits drawn from customers, from banks, subordinated loans, bonds issued as well as other amounts in transit from customers and banks or amounts to be paid to suppliers.

These financial liabilities are recognized at the initial settlement date at fair value, which is, normally, the consideration received minus the transaction costs directly attributable to the financial liability. Subsequently, these instruments are valued at amortized cost using the effective interest method. If some debts also have an equity component, the Group and the Bank analyze the substance of the respective contracts so as to reflect the instrument in accordance with IFRS requirements.

Embedded derivatives are separated from the host contract if the separation criteria mentioned by IFRS 9 are met. Financial liabilities cannot be reclassified.

The Group derecognizes a financial liability when the contractual obligations are extinguished or canceled or have expired.

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.

The minimum required reserves to be held with the regulatory authorities consist of the average daily amounts held in the accounts opened with the regulatory authorities.

These amounts can be used every day in daily operations, the only requirement is to maintain an average monthly amount (over a period of 30 days) above a certain level, thus these amounts are not restricted and they must be included in cash and equivalents of cash. Cash and cash equivalents are carried at amortized cost in the consolidated and separate statement of financial position.

3. Material accounting policies *(continued)*

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.

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.

3. Material accounting policies *(continued)*

o) Tangible assets *(continued)*

(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.

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.

3. Material accounting policies *(continued)*

p) Investment property *(continued)*

(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 gain on a bargain purchase

Goodwill and gain on a bargain purchase arise on the acquisition of a new subsidiary by means of business combination. Goodwill represents the positive difference (excess) between the cost of acquisition and the net fair value of the acquired identifiable assets and assumed liabilities and contingent liabilities.

Gain of a bargain purchase is immediately recognized in profit or loss, after reanalyzing the manner of identification and fair valuation of the assets, liabilities and identifiable contingent liabilities at the acquisition date.

Subsequent measurement

Goodwill is measured at cost, less accumulated impairment losses.

(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.

3. Material accounting policies *(continued)*

q) Intangible assets *(continued)*

(ii) Software (continued)

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.

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.

3. Material accounting policies *(continued)*

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.

v) Provisions

Provisions for other risks are recognized in the consolidated and separate statement of financial position when the Group and the Bank has 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 guarantees are measured at the higher value of the initially recognized value from which the accumulated depreciation recognized in the profit and loss account and a provision are deducted.

Financial guarantees are registered in off-balance sheet accounts, at the fair value on the date the guarantee is issued. The subsequent recognition respects the accounting principles of loans and advances to clients.

Financial guarantees are initially recognized in the consolidated and separate financial statements at fair value on the date granted. After the initial recognition, the Group and Bank's obligations under such guarantees are measured at the higher of the initial measurement, less amortization calculated recognized in the income statement and the expected credit loss provision.

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.

3. Material accounting policies *(continued)*

x) Employee benefits *(continued)*

(iii) Other benefits (continued)

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.

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.

3. Material accounting policies *(continued)*

ab)New and amended IFRS Accounting Standards that are effective for the current year.

In the current year, the Group and the Bank has applied a number of amendments to IFRS Accounting Standards issued by the International Accounting Standards Board (IASB) that are mandatorily effective for reporting period that begins on or after 1 January 2023. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.The following new standards, as well as updates to existing standards, came into force for annual periods beginning after January 1, 2023 and may be applied earlier

IFRS 17 Insurance Contracts - New standard IFRS 17 "Insurance Contracts" including the June 2020 and December 2021 Amendments to IFRS 17 - issued by IASB on 18 May 2017. The new standard requires insurance liabilities to be measured at a current fulfillment value and provides a more uniform measurement and presentation approach for all insurance contracts. These requirements are designed to achieve the goal of a consistent, principle-based accounting for insurance contracts. IFRS 17 supersedes IFRS 4 "Insurance Contracts" and related interpretations while applied. Amendments to IFRS 17 "Insurance Contracts" issued by IASB on 25 June 2020 defer the date of initial application of IFRS 17 by two years to annual periods beginning on or after 1 January 2023. Additionally, the amendments issued on 25 June 2020 introduce simplifications and clarifications of some requirements in the Standard and provide additional reliefs when applying IFRS 17 for the first time.
Amendments to IFRS 17 "Insurance contracts" - Initial Application of IFRS 17 and IFRS 9 – Comparative Information issued by IASB on 9 December 2021. It is a narrow-scope amendment to the transition requirements of IFRS 17 for entities that first apply IFRS 17 and IFRS 9 at the same time.
Amendments to IAS 1 - Disclosure of Accounting Policies - issued by IASB on 12 February 2021. Amendments require entities to disclose their material accounting policies rather than their significant accounting policies and provide guidance and examples to help preparers in deciding which accounting policies to disclose in their financial statements.

Amendments to IAS 8 - Disclosure of Accounting Policies, Changes in Accounting Estimates and Errors - Definition of Accounting Estimates issued by IASB on 12 February 2021. Amendments focus on accounting estimates and provide guidance how to distinguish between accounting policies and accounting estimates.

Amendments to IAS 12 - Deferred Tax related to Assets and Liabilities arising from a Single Transaction - issued by IASB on 6 May 2021. According to amendments, the initial recognition exemption does not apply to transactions in which both deductible and taxable temporary differences arise on initial recognition that result in the recognition of equal deferred tax assets and liabilities.

International Tax Reform — Pillar Two Model Rules issued by IASB on 23 May 2023. The amendments introduced a temporary exception to the accounting for deferred taxes arising from jurisdictions implementing the global tax rules and disclosure requirements about company's exposure to income taxes arising from the reform, particularly before legislation implementing the rules is in effect(see Note 3k).

3. Material accounting policies *(continued)*

ac)New and revised IFRS Accounting Standards in issue and adopted by the EU but not yet effective

At the date of authorisation of these financial statements, the Group and the Bank have not applied the following new and revised IFRS Accounting Standards that have been issued and adopted by the EU but are not yet effective.

Amendments to IFRS 16 "Leases" - Lease Liability in a Sale and Leaseback (IASB effective date: 1 January 2024) issued by IASB on 22 September 2022. Amendments to IFRS 16 require a seller-lessee to subsequently measure lease liabilities arising from a leaseback in a way that it does not recognise any amount of the gain or loss that relates to the right of use it retains. The new requirements do not prevent a seller-lessee from recognising in profit or loss any gain or loss relating to the partial or full termination of a lease.

Amendments to IAS 1 - Classification of Liabilities as Current or Non-Current and Non-current Liabilities with Covenants (IASB effective date: 1 January 2024). " - Non-current Liabilities with Covenants issued by IASB on 31 October 2022. Amendments issued on January 2020 provide more general approach to the classification of liabilities under IAS 1 based on the contractual arrangements in place at the reporting date. Amendments issued on October 2022 clarify how conditions with which an entity must comply within twelve months after the reporting period affect the classification of a liability and set the effective date for both amendments to annual periods beginning on or after 1 January 2024.

ad)New and revised IFRS Accounting Standards in issue but not adopted by the EU

At present, IFRS as adopted by the EU do not significantly differ from IFRS adopted by the International Accounting Standards Board (IASB) except for the following new standards and amendments to the existing standards, which were not adopted by the EU as the date of authorisation of these financial statements.

Amendments to IAS 7 "Statement of Cash Flows" and IFRS 7 "Financial Instruments: Disclosures" - Supplier Finance Arrangements issued by IASB on 25 May 2023. Amendments add disclosure requirements, and 'signposts' within existing disclosure requirements to provide qualitative and quantitative information about supplier finance arrangements.

Amendments to IAS 21 "The Effects of Changes in Foreign Exchange Rates" - Lack of Exchangeability issued by IASB on 15 August 2023. Amendments contain guidance to specify when a currency is exchangeable and how to determine the exchange rate when it is not.

IFRS 14 "Regulatory Deferral Accounts" issued by IASB on 30 January 2014. This standard is intended to allow entities that are first-time adopters of IFRS, and that currently recognise regulatory deferral accounts in accordance with their previous GAAP, to continue to do so upon transition to IFRS.

Amendments to IFRS 10 "Consolidated Financial Statements" and IAS 28 "Investments in Associates and Joint Ventures" - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture issued by IASB on 11 September 2014. The amendments address a conflict between the requirements of IAS 28 and IFRS 10 and 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.

The Group and the Bank do not expect that the adoption of the Standards listed above will have a material impact on the financial statements. According to the Group and the Bank estimates, the application of hedge accounting to a portfolio of financial assets or liabilities pursuant to IAS 39: "Financial Instruments: Recognition and Measurement" would not significantly impact the financial statements, if applied as at the balance sheet date.

4. Financial risk management and other significant 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 and other significant 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 consolidated and separate 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 and other significant 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.

4. Financial risk management and other significant 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 single debtor 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	**2023**	**2022**	**2023**	**2022**
Retail	40.30%	41.40%	39.33%	40.92%
Trading	11.43%	12.31%	10.34%	11.60%
Production	7.68%	6.72%	7.22%	6.36%
Constructions	4.71%	4.02%	4.03%	3.42%
Agriculture	4.10%	4.31%	4.05%	4.36%
Services	4.83%	4.32%	4.19%	3.79%
Real estate	3.57%	3.31%	3.76%	3.53%
Transportation	4.07%	4.08%	2.97%	3.05%
Others	1.97%	1.89%	1.57%	1.53%
Self-employed	1.48%	1.47%	1.12%	1.17%
Financial institutions	1.00%	0.97%	5.77%	4.01%
Energy industry	3.06%	2.89%	3.19%	3.08%
Telecommunications	0.53%	0.49%	0.49%	0.45%
Mining industry	0.13%	0.20%	0.10%	0.17%
Chemical industry	0.19%	0.10%	0.18%	0.10%
Government institutions	10.92%	11.49%	11.65%	12.43%
Fishing	0.03%	0.03%	0.04%	0.03%
	100%	**100%**	**100%**	**100%**

4. Financial risk management and other significant 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	**2023**	**2022**	**2023**	**2022**
Corporate and public institutions	31,891,165	28,526,290	35,424,045	30,397,258
Small and medium enterprises	10,254,551	9,294,327	9,063,280	8,156,625
Consumer loans and card loans granted to retail customers	13,392,845	12,649,654	12,674,358	11,836,977
Mortgage loans	19,053,458	17,384,457	18,701,951	17,018,290
Loans and finance lease receivables granted by non-banking financial institutions	5,765,371	4,600,644	-	-
Other	63,142	74,139	57,578	64,945
Total loans and advances to customers and financial lease receivables before impairment allowance	**80,420,532**	**72,529,511**	**75,921,212**	**67,474,095**
Allowances for impairment losses on loans and advances to customers, financial lease receivables	(4,849,625)	(4,515,994)	(4,370,808)	(4,024,141)
Total loans and advances to customers and financial lease receivables net of impairment allowance	**75,570,907**	**68,013,517**	**71,550,404**	**63,449,954**

At 31 December 2023, the total on-balance and irrevocable off-balance sheet exposure was of RON 85,485,284 thousand (2022: RON 76,641,699 thousand) for the Group and RON 79,930,464 thousand (2022: RON 70,676,453 thousand) for the Bank.

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 and other significant 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 and other significant 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 2023, 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 2023**
In RON thousand					
Corporate and public institutions	27,214,754	3,963,579	629,127	83,705	**31,891,165**
Small and medium enterprises	7,347,895	2,365,008	520,639	21,009	**10,254,551**
Consumer loans and card loans granted to retail customers	9,662,434	2,762,363	890,221	77,827	**13,392,845**
Mortgage loans	16,834,009	1,988,896	196,245	34,308	**19,053,458**
Loans and finance lease receivables granted to non-banking financial institutions	4,682,085	684,547	370,843	27,896	**5,765,371**
Other	16	46,376	16,674	76	**63,142**
Total loans and advances to customers and financial lease receivables before impairment allowance	**65,741,193**	**11,810,769**	**2,623,749**	**244,821**	**80,420,532**
Allowances for impairment losses on loans and advances to customers, financial lease receivables	(1,364,287)	(1,758,552)	(1,673,914)	(52,872)	**(4,849,625)**
Total loans and advances to customers and financial lease receivables net of impairment allowance	**64,376,906**	**10,052,217**	**949,835**	**191,949**	**75,570,907**

Notes to the consolidated and separate financial statements

4. Financial risk management and other significant 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 2023**
Corporate and public institutions	15,365,050	9,068,726	2,707,216	73,761	**27,214,753**
Small and medium enterprises	3,220,049	3,302,019	825,827	-	**7,347,895**
Consumer loans and card loans granted to retail customers	5,109,834	3,870,005	658,021	24,574	**9,662,434**
Mortgage loans	9,766,590	6,249,633	712,053	105,733	**16,834,009**
Loans and finance lease receivables granted by non-banking financial institutions	3,562,617	1,118,352	1,117	-	**4,682,086**
Other	-	-	2	14	**16**
Total loans and advances to customers and financial lease receivables before impairment allowance	**37,024,140**	**23,608,735**	**4,904,236**	**204,082**	**65,741,193**
Allowances for impairment losses on loans and advances to customers, financial lease receivables	(282,384)	(665,077)	(398,781)	(18,045)	**(1,364,287)**
Total loans and advances to customers and financial lease receivables net of impairment allowance	**36,741,756**	**22,943,658**	**4,505,455**	**186,037**	**64,376,906**

Gross value of loans and advances, lease receivables granted to clients, not impaired, Stage 1	**0 days**	**1-15 days**	**16-30 days**	**Total 2023**
Corporate and public institutions	27,196,089	18,443	221	**27,214,753**
Small and medium enterprises	7,151,589	175,496	20,810	**7,347,895**
Consumer loans and card loans granted to retail customers	9,354,754	246,838	60,842	**9,662,434**
Mortgage loans	16,441,647	314,864	77,498	**16,834,009**
Loans and finance lease receivables granted by non-banking financial institutions	4,490,660	38,383	153,043	**4,682,086**
Other	16	-	-	**16**
Total loans and advances to customers and financial lease receivables before impairment allowance	**64,634,755**	**794,024**	**312,414**	**65,741,193**
Allowances for impairment losses on loans and advances to customers, financial lease receivables	(1,328,196)	(16,412)	(19,679)	***(1,364,287)***
Total loans and advances to customers and financial lease receivables net of impairment allowance	**63,306,559**	**777,612**	**292,735**	**64,376,906**

Notes to the consolidated and separate financial statements

4. Financial risk management and other significant 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 2023**
Corporate and public institutions	3,312,007	513,631	137,941	**3,963,579**
Small and medium enterprises	1,725,638	462,041	177,328	**2,365,007**
Consumer loans and card loans granted to retail customers	1,602,473	769,167	390,723	**2,762,363**
Mortgage loans	1,407,670	409,874	171,353	**1,988,897**
Loans and finance lease receivables granted by non-banking financial institutions	631,701	46,403	6,442	**684,546**
Other	5,594	40,783	-	**46,377**
Total loans and advances to customers and financial lease receivables before impairment allowance	**8,685,083**	**2,241,899**	**883,787**	**11,810,769**
Allowances for impairment losses on loans and advances to customers, financial lease receivables	(843,394)	(555,767)	(359,391)	**(1,758,552)**
Total loans and advances to customers and financial lease receivables net of impairment allowance	**7,841,689**	**1,686,132**	**524,396**	**10,052,217**

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 2023**
Corporate and public institutions	3,957,918	5,661	-	**3,963,579**
Small and medium enterprises	2,282,420	69,686	12,901	**2,365,007**
Consumer loans and card loans granted to retail customers	2,626,011	108,126	28,226	**2,762,363**
Mortgage loans	1,885,104	87,600	16,193	**1,988,897**
Loans and finance lease receivables granted by non-banking financial institutions	631,701	40,983	11,862	**684,546**
Other	46,316	41	20	**46,377**
Total loans and advances to customers and financial lease receivables before impairment allowance	**11,429,470**	**312,097**	**69,202**	**11,810,769**
Allowances for impairment losses on loans and advances to customers, financial lease receivables	(1,640,703)	(90,489)	(27,360)	**(1,758,552)**
Total loans and advances to customers and financial lease receivables net of impairment allowance	**9,788,767**	**221,608**	**41,842**	**10,052,217**

Notes to the consolidated and separate financial statements

4. Financial risk management and other significant 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 2023
Corporate and public institutions	321,960	58,546	33,318	215,304	**629,128**
Small and medium enterprises	138,097	63,351	40,746	278,446	**520,640**
Consumer loans and card loans granted to retail customers	168,147	92,615	68,064	561,395	**890,221**
Mortgage loans	75,896	42,972	21,625	55,751	**196,244**
Loans and finance lease receivables granted by non-banking financial institutions	169,429	47,329	21,453	132,632	**370,843**
Other	15,207	4	6	1,456	**16,673**
Total loans and advances to customers and financial lease receivables before impairment allowance	**888,736**	**304,817**	**185,212**	**1,244,984**	**2,623,749**
Allowances for impairment losses on loans and advances to customers, financial lease receivables	(448,397)	(163,904)	(100,069)	(961,544)	**(1,673,914)**
Total loans and advances to customers and financial lease receivables net of impairment allowance	**440,339**	**140,913**	**85,143**	**283,440**	**949,835**

Notes to the consolidated and separate financial statements

4. Financial risk management and other significant 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 advances to customers, 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 and other significant 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 advances to customers, 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 advances to customers, 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 and other significant 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 advances to customers, 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 advances to customers, 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 and other significant 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 advances to customers, 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 and other significant 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 2023, 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 2023
In RON thousand					
Corporate and public institutions	30,843,984	3,896,939	600,660	82,462	**35,424,045**
Small and medium enterprises	6,427,637	2,222,138	397,984	15,521	**9,063,280**
Consumer loans and card loans granted to retail customers	9,048,237	2,743,213	806,763	76,145	**12,674,358**
Mortgage loans	16,498,339	1,982,593	186,710	34,309	**18,701,951**
Other	17	40,868	16,617	76	**57,578**
Total loans and advances to customers and financial lease receivables before impairment allowance	**62,818,214**	**10,885,751**	**2,008,734**	**208,513**	**75,921,212**
Allowances for impairment losses on loans and advances to customers, financial lease receivables	(1,301,239)	(1,677,555)	(1,356,393)	(35,621)	**(4,370,808)**
Total loans and advances to customers and financial lease receivables net of impairment allowance	**61,516,975**	**9,208,196**	**652,341**	**172,892**	**71,550,404**

Notes to the consolidated and separate financial statements

4. Financial risk management and other significant 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 2023**
Corporate and public institutions	18,438,052	9,624,954	2,707,217	73,761	**30,843,984**
Small and medium enterprises	2,625,327	2,976,483	825,827	-	**6,427,637**
Consumer loans and card loans granted to retail customers	5,109,837	3,260,232	653,594	24,574	**9,048,237**
Mortgage loans	9,766,590	5,919,811	706,205	105,733	**16,498,339**
Other	-	-	2	15	**17**
Total loans and advances to customers and financial lease receivables before impairment allowance	**35,939,806**	**21,781,480**	**4,892,845**	**204,083**	**62,818,214**
Allowances for impairment losses on loans and advances to customers, financial lease receivables	(287,203)	(598,395)	(397,596)	(18,045)	**(1,301,239)**
Total loans and advances to customers and financial lease receivables net of impairment allowance	**35,652,603**	**21,183,085**	**4,495,249**	**186,038**	**61,516,975**

Gross value of loans and advances granted to clients, not impaired, Stage 1	**0 days**	**1-15 days**	**16-30 days**	**Total 2023**
Corporate and public institutions	30,832,623	11,361	-	**30,843,984**
Small and medium enterprises	6,357,065	63,340	7,232	**6,427,637**
Consumer loans and card loans granted to retail customers	8,771,295	221,044	55,898	**9,048,237**
Mortgage loans	16,119,852	306,837	71,650	**16,498,339**
Other	17	-	-	**17**
Total loans and advances to customers and financial lease receivables before impairment allowance	**62,080,852**	**602,582**	**134,780**	**62,818,214**
Allowances for impairment losses on loans and advances to customers, financial lease receivables	(1,285,007)	(12,941)	(3,291)	**(1,301,239)**
Total loans and advances to customers and financial lease receivables net of impairment allowance	**60,795,845**	**589,641**	**131,489**	**61,516,975**

Notes to the consolidated and separate financial statements

4. Financial risk management and other significant 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 2023
Corporate and public institutions	3,245,367	513,631	137,941	**3,896,939**
Small and medium enterprises	1,594,150	453,056	174,932	**2,222,138**
Consumer loans and card loans granted to retail customers	1,590,297	762,193	390,723	**2,743,213**
Mortgage loans	1,403,166	408,074	171,353	**1,982,593**
Other	83	40,785	-	**40,868**
Total loans and advances to customers and financial lease receivables before impairment allowance	**7,833,063**	**2,177,739**	**874,949**	**10,885,751**
Allowances for impairment losses on loans and advances to customers, financial lease receivables	(779,881)	(540,959)	(356,715)	**(1,677,555)**
Total loans and advances to customers and financial lease receivables net of impairment allowance	**7,053,182**	**1,636,780**	**518,234**	**9,208,196**

Gross value of loans and advances granted to clients, not impaired, Stage 2	0-30 days	31-60 days	61-90 days	Total 2023
Corporate and public institutions	3,891,278	5,661	-	**3,896,939**
Small and medium enterprises	2,150,931	59,589	11,618	**2,222,138**
Consumer loans and card loans granted to retail customers	2,613,835	101,951	27,427	**2,743,213**
Mortgage loans	1,880,600	86,554	15,439	**1,982,593**
Other	40,808	40	20	**40,868**
Total loans and advances to customers and financial lease receivables before impairment allowance	**10,577,452**	**253,795**	**54,504**	**10,885,751**
Allowances for impairment losses on loans and advances to customers, financial lease receivables	(1,577,190)	(77,761)	(22,604)	**(1,677,555)**
Total loans and advances to customers and financial lease receivables net of impairment allowance	**9,000,262**	**176,034**	**31,900**	**9,208,196**

Notes to the consolidated and separate financial statements

4. Financial risk management and other significant 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 2023**
Corporate and public institutions	319,343	57,560	33,318	190,439	**600,660**
Small and medium enterprises	81,613	34,904	32,268	249,199	**397,984**
Consumer loans and card loans granted to retail customers	156,006	87,476	62,724	500,557	**806,763**
Mortgage loans	72,154	41,561	19,824	53,171	**186,710**
Other	15,209	4	6	1,398	**16,617**
Total loans and advances to customers and financial lease receivables before impairment allowance	**644,325**	**221,505**	**148,140**	**994,764**	**2,008,734**
Allowances for impairment losses on loans and advances to customers, financial lease receivables	(370,176)	(133,520)	(82,782)	(769,915)	**(1,356,393)**
Total loans and advances to customers and financial lease receivables net of impairment allowance	**274,149**	**87,985**	**65,358**	**224,849**	**652,341**

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 and financial lease receivables before impairment allowance	**55,013,564**	**10,310,978**	**1,897,451**	**252,102**	**67,474,095**
Allowances for impairment losses on loans and advances to customers, financial lease receivables	(1,081,557)	(1,636,145)	(1,253,317)	(53,122)	**(4,024,141)**
Total loans and advances to customers and financial lease receivables 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 and other significant 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 and financial lease receivables before impairment allowance	**30,691,157**	**19,865,484**	**4,192,203**	**264,720**	**55,013,564**
Allowances for impairment losses on loans and advances to customers, financial lease receivables	(222,964)	(538,927)	(300,099)	(19,567)	**(1,081,557)**
Total loans and advances to customers and financial lease receivables 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 and financial lease receivables before impairment allowance	**54,258,478**	**605,232**	**149,854**	**55,013,564**
Allowances for impairment losses on loans and advances to customers, financial lease receivables	(1,066,250)	(12,438)	(2,869)	**(1,081,557)**
Total loans and advances to customers and financial lease receivables 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 and other significant 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 and financial lease receivables before impairment allowance	**7,598,192**	**1,955,542**	**757,244**	**10,310,978**
Allowances for impairment losses on loans and advances to customers, financial lease receivables	(796,802)	(514,278)	(325,065)	**(1,636,145)**
Total loans and advances to customers and financial lease receivables 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 and financial lease receivables before impairment allowance	**10,045,749**	**218,874**	**46,355**	**10,310,978**
Allowances for impairment losses on loans and advances to customers, financial lease receivables	(1,549,133)	(66,545)	(20,467)	**(1,636,145)**
Total loans and advances to customers and financial lease receivables 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 and other significant 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 and financial lease receivables before impairment allowance	**809,329**	**152,981**	**167,677**	**767,464**	**1,897,451**
Allowances for impairment losses on loans and advances to customers, financial lease receivables	(473,044)	(80,311)	(111,940)	(588,022)	**(1,253,317)**
Total loans and advances to customers and financial lease receivables net of impairment allowance	**336,285**	**72,670**	**55,737**	**179,442**	**644,134**

As at 31 December 2023, the financial assets measured at fair value through other items of comprehensive income include treasury bills and bonds issued by the Ministry of Finance of Romania, with BBB- rating, bonds issued by the Government of the Republic of Moldova with a sovereign rating B-, bonds issued by the Government 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 the Government of Republic of Poland with a rating of A-, 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 2022, the financial assets 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).

Notes to the consolidated and separate financial statements

4. Financial risk management and other significant 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.
Details regarding the movement in provisions can be seen in Note 22 and Note 23, as the case may be.
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	**2023**	**2022**	**2023**	**2022**
Collaterals related to loans and lease receivables with moderate, sensitive and high risk and impaired loans				
Property	10,310,465	9,134,817	10,203,057	8,998,014
Security interests in movable property	1,356,309	1,236,620	967,550	1,125,234
Other collateral	2,426,735	2,156,875	2,364,575	2,098,361
Total	**14,093,509**	**12,528,312**	**13,535,182**	**12,221,609**
Collaterals related to loans and lease receivables with very low risk and low risk				
Property	51,456,544	44,423,121	50,758,471	43,882,597
Security interests in movable property	3,578,133	3,720,619	2,633,557	2,528,006
Other collateral	6,789,005	6,283,139	6,368,216	5,934,177
	61,823,682	**54,426,879**	**59,760,244**	**52,344,780**
Total	**75,917,191**	**66,955,191**	**73,295,426**	**64,566,389**

The 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 and other significant risk management (*continued*)

b) *Credit risk (continued)*

(ii) Credit risk exposure (continued)

The effect of the Group guarantee as at 31 December 2023 is the following:

	Group 2023							
	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	20,832,352	6,382,402	2,362,538	1,601,041	337,735	291,392	3,447	80,258
- Collateral	3,941,546	12,786,793	974,101	2,849,112	97,063	626,218	424	348,818
Small and medium enterprises								
- Gross exposure	4,735,027	2,612,868	1,717,144	647,864	373,375	147,264	3,538	17,471
- Collateral	2,025,266	5,091,464	796,380	1,675,187	115,372	333,460	1,935	72,804
Consumer loans and card loans granted to retail customers								
- Gross exposure	8,270,433	1,392,001	2,344,927	417,436	719,929	170,292	14,502	63,325
- Collateral	46,091	5,389,769	47,100	1,154,343	51,001	441,953	6,582	168,826
Mortgage loans								
- Gross exposure	359,920	16,474,089	75,095	1,913,801	35,700	160,545	7,213	27,095
- Collateral	271,341	31,898,453	54,387	3,712,987	22,156	333,946	5,845	58,760
Loans and finance lease receivables granted by non-banking financial institutions								
- Gross exposure	4,653,369	28,716	663,788	20,759	366,935	3,908	27,896	-
- Collateral	323,402	49,557	41,811	64,361	17,365	9,388	299	262
Other								
- Gross exposure	16	-	45,451	925	16,674	-	76	-
- Collateral	-	-	4,051	7,212	-	-	-	-

Notes to the consolidated and separate financial statements

4. Financial risk management and other significant risk management (*continued*)

b) *Credit risk (continued)*

(ii) Credit risk exposure (continued)

The 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 and other significant risk management (*continued*)

b) *Credit risk (continued)*

(ii) Credit risk exposure (continued)

The effect of the Bank guarantee as at 31 December 2023 is the following:

	Bank 2023							
	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	24,468,963	6,375,021	2,311,217	1,585,722	316,754	283,906	3,446	79,016
- Collateral	3,843,351	12,612,270	949,103	2,822,877	92,558	615,023	424	343,203
Small and medium enterprises								
- Gross exposure	4,337,458	2,090,179	1,674,958	547,180	321,117	76,867	1,470	14,051
- Collateral	1,823,010	4,330,917	773,915	1,528,326	73,755	232,914	545	65,419
Consumer loans and card loans granted to retail customers								
- Gross exposure	7,666,069	1,382,168	2,325,810	417,403	636,922	169,841	12,873	63,272
- Collateral	44,429	5,365,962	47,100	1,154,267	50,905	440,927	6,581	168,704
Mortgage loans								
- Gross exposure	210,047	16,288,292	71,353	1,911,240	30,733	155,977	7,214	27,095
- Collateral	138,091	31,602,217	51,026	3,708,873	17,548	326,581	5,845	58,760
Other								
- Gross exposure	17	-	40,868	-	16,617	-	76	-
- Collateral	-	-	-	-	-	-	-	-

Notes to the consolidated and separate financial statements

4. Financial risk management and other significant risk management (*continued*)

b) *Credit risk (continued)*

(ii) Credit risk exposure (continued)

The 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 and other significant 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 2023 and 31 December 2022:

In RON thousand		**Group**					
		2023			**2022**		
Assets	Notes	**Gross carrying amount**	**Loss allowance (*)**	**Carrying amount (*)**	**Gross carrying amount**	**Loss allowance (*)**	**Carrying amount (*)**
Cash and curent accounts with Central Banks	19	19,988,243	3,408	19,984,835	10,140,347	3,049	10,137,298
Placements with banks and public institutions	20	12,276,320	3,361	12,272,959	5,569,673	2,341	5,567,332
Loans and advances to customers	22	76,715,758	4,707,534	72,008,224	69,583,549	4,382,629	65,200,920
Finance lease receivables	23	3,704,775	142,091	3,562,683	2,945,962	133,365	2,812,597
Financial assets measured at amortized cost - debt securities	24b	9,503,650	31,405	9,472,245	2,066,363	6,651	2,059,712
Total on-balance sheet		**122,188,746**	**4,887,799**	**117,300,946**	**90,305,894**	**4,528,035**	**85,777,859**
Irrevocable commitments given		1,697,589	55,607	1,641,982	1,154,577	34,209	1,120,368
Irrevocable financial guarantees given		5,864,577	138,743	5,725,834	5,494,924	155,340	5,339,584
Total off-balance sheet		**7,562,166**	**194,350**	**7,367,816**	**6,649,501**	**189,549**	**6,459,952**
Total on and off-balance sheet		**129,750,912**	**5,082,149**	**124,668,762**	**96,955,395**	**4,717,584**	**92,237,811**

(*) For off-balance sheet items the carrying amount represent the maximum exposure committed in case of default and a for a loss allowance is the higher of unamortized balance and ECL

Notes to the consolidated and separate financial statements

4. Financial risk management and other significant 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 2023 and 31 December 2022:

In RON thousand		**Bank**					
		2023			**2022**		
Assets	Notes	**Gross carrying amount**	**Loss allowance (*)**	**Carrying amount (*)**	**Gross carrying amount**	**Loss allowance (*)**	**Carrying amount (*)**
Cash and curent accounts with Central Banks	19	18,291,377	1,696	18,289,681	8,573,411	1,398	8,572,013
Placements with banks and public institutions	20	12,628,331	8,990	12,619,341	6,644,007	9,149	6,634,858
Loans and advances to customers	22	75,921,212	4,370,808	71,550,404	67,474,095	4,024,141	63,449,954
Financial assets measured at amortized cost - debt securities	24b	7,999,897	19,826	7,980,071	981,697	6,538	975,159
Total on-balance sheet		**114,840,817**	**4,401,320**	**110,439,497**	**83,673,210**	**4,041,226**	**79,631,984**
Irrevocable commitments given		675,354	16,568	658,786	264,926	5,356	259,570
Irrevocable financial guarantees given		5,796,727	137,516	5,659,211	5,473,382	154,711	5,318,671
Total off-balance sheet		**6,472,081**	**154,084**	**6,317,997**	**5,738,308**	**160,067**	**5,578,241**
Total on and off-balance sheet		**121,312,898**	**4,555,404**	**116,757,494**	**89,411,518**	**4,201,293**	**85,210,225**

(*) For off-balance sheet items the carrying amount represent the maximum exposure committed in case of “default” and a for a loss allowance is the higher of unamortized balance and ECL.

The Group and the Bank present the off balance sheet exposure for irrevobable facilities and the provisions related to the exposure of off-balance sheet risk as of December 31, 2023:

	Group				**Bank**			
In RON thousand	**Stage 1**	**Stage 2**	**Stage 3**	**Total**	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Irrevocable commitments given								
- Maximum exposure committed in case of “default”	1,225,315	450,664	21,611	**1,697,590**	327,412	334,979	12,963	**675,354**
- Loss allowance(*)	(28,461)	(9,373)	(17,773)	**(55,607)**	(3,867)	(220)	(12,481)	**(16,568)**
Irrevocable financial guarantees given								
- Maximum exposure committed in case of “default”	5,506,387	265,496	92,694	**5,864,577**	5,438,537	265,496	92,694	**5,796,727**
- Loss allowance(*)	(59,930)	(35,167)	(43,646)	**(138,743)**	(58,703)	(35,167)	(43,646)	**(137,516)**

(*) Higher of unamortized balance and ECL

Notes to the consolidated and separate financial statements

4. Financial risk management and other significant risk management (*continued*)

b) *Credit risk (continued)*

(ii) Credit risk exposure (continued)

Irrevocable commitments and financial guarantees given Stage 1	Group Very low risk	Group Low risk	Group Moderate risk	Group Sensitive risk	Group Total 2023	Bank Very low risk	Bank Low risk	Bank Moderate risk	Bank Sensitive risk	Bank Total 2023
Corporate and public institutions	3,900,547	1,524,226	314,279	616	**5,739,668**	3,865,961	1,443,013	314,279	616	**5,623,869**
Small and medium enterprises	31,464	147,597	13,582	-	**192,643**	31,464	95,377	13,582	-	**140,423**
Retail	1,657	89,933	-	-	**91,590**	1,657	-	-	-	**1,657**
Non-banking financial institutions	70,076	637,725	-	-	**707,801**	-	-	-	-	**-**
Total irrevocable commitments and financial guarantees given before impairment provision	**4,003,744**	**2,399,481**	**327,861**	**616**	**6,731,702**	**3,899,082**	**1,538,390**	**327,861**	**616**	**5,765,949**
Provisions for impairment losses on irrevocable commitments and financial guarantees given	(31,572)	(48,790)	(7,968)	(61)	**(88,391)**	(27,643)	(26,898)	(7,968)	(61)	**(62,570)**
Total irrevocable commitments and financial guarantees given net of impairment provision	**3,972,172**	**2,350,691**	**319,893**	**555**	**6,643,311**	**3,871,439**	**1,511,492**	**319,893**	**555**	**5,703,379**

Irrevocable commitments and financial guarantees given Stage 2	Group Low - moderate risk	Group Sensitive risk	Group High risk	Group Total 2023	Bank Low - moderate risk	Bank Sensitive risk	Bank High risk	Bank Total 2023
Corporate and public institutions	566,860	17,342	115	**584,317**	564,351	17,342	115	**581,808**
Small and medium enterprises	15,633	3,640	782	**20,055**	14,245	3,640	782	**18,667**
Retail	5,680	-	-	**5,680**	-	-	-	**-**
Non-banking financial institutions	106,108	-	-	**106,108**	-	-	-	**-**
Total irrevocable commitments and financial guarantees given before impairment Provision	**694,281**	**20,982**	**897**	**716,160**	**578,596**	**20,982**	**897**	**600,475**
Provisions for impairment losses on irrevocable commitments and financial guarantees given	(40,633)	(3,827)	(80)	**(44,540)**	(31,480)	(3,827)	(80)	**(35,387)**
Total irrevocable commitments and financial guarantees given net of impairment provision	**653,648**	**17,155**	**817**	**671,620**	**547,116**	**17,155**	**817**	**565,088**

Notes to the consolidated and separate financial statements

4. Financial risk management and other significant risk management (*continued*)

b) *Credit risk (continued)*

(ii) Credit risk exposure (continued)

	Group						Bank					
Irrevocable commitments and financial guarantees given Stage 3	**3 months**	**3-6 months**	**6-9 months**	**9-12 months**	**>1 year**	**Total 2023**	**3 months**	**3-6 months**	**6-9 months**	**9-12 months**	**>1 year**	**Total 2023**
Corporate and public institutions	6,041	5,290	41,413	6,747	45,378	**104,869**	6,041	5,290	41,413	6,747	45,378	104,869
Small and medium enterprises	-	196	25	479	88	**788**	-	196	25	479	88	788
Retail	37	31	63	28	1,220	**1,379**	-	-	-	-		-
Non-banking financial institutions	4,589	295	215	281	1,889	**7,269**	-	-	-	-		-
Total irrevocable commitments and financial guarantees given before impairment provision	**10,667**	**5,812**	**41,716**	**7,535**	**48,575**	**114,305**	**6,041**	**5,486**	**41,438**	**7,226**	**45,466**	**105,657**
Provisions for impairment losses on irrevocable commitments and financial guarantees given	(8,474)	(3,583)	(10,662)	(6,577)	(32,123)	(61,419)	(4,922)	(3,337)	(10,486)	(6,372)	(31,010)	**(56,127)**
Total irrevocable commitments and financial guarantees given net of impairment provision	**2,193**	**2,229**	**31,054**	**958**	**16,452**	**52,886**	**1,119**	**2,149**	**30,952**	**854**	**14,456**	**49,530**

The Group and the Bank present the off balance sheet exposure for irrevocable facilities and the provisions related to the exposure of off-balance sheet as of December 31, 2022:

	Group				Bank			
In RON thousand	**Stage 1**	**Stage 2**	**Stage 3**	**Total**	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Irrevocable commitments given								
- Maximum exposure committed in case of "default"	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								
- Maximum exposure committed in case of "default"	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)**

(*) Higher of unamortized balance and ECL

Notes to the consolidated and separate financial statements

4. Financial risk management and other significant risk management (*continued*)

b) *Credit risk (continued)*

(ii) Credit risk exposure (continued)

Irrevocable commitments and financial guarantees given Stage 1	Grup Very low risk	Grup Low risk	Grup Moderate risk	Grup Sensitive risk	Grup Total 2022	Bank Very low risk	Bank Low risk	Bank Moderate risk	Bank Sensitive risk	Bank 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 provision	**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**
Provisions 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 provision	**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	Group Sensitive risk	Group High risk	Group Total 2022	Bank Low - moderate risk	Bank Sensitive risk	Bank High risk	Bank 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 provision	**447,839**	**39,883**	**5,148**	**492,870**	**261,185**	**36,689**	**3,388**	**301,262**
Provisions 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 provision	**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 and other significant 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 2022**	**3 months**	**3-6 months**	**6-9 months**	**9-12 months**	**>1 year**	**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 provision	**41,661**	**25,281**	**3,875**	**28,046**	**68,998**	**167,861**	**15,441**	**24,559**	**3,468**	**27,675**	**66,113**	**137,256**
Provisions 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 provision	**27,519**	**9,429**	**1,218**	**8,806**	**45,665**	**92,637**	**3,773**	**8,905**	**937**	**8,560**	**43,713**	**65,888**

4. Financial risk management and other significant risk management (*continued*)

b) *Credit risk (continued)*

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 and other significant 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'.

For financial assets classified in "Stage 1", the amount of loss allowance is determined on the basis of the expected loss in the next 12 months (12M-ECL), which represent the credit losses in the event of default within a period of 12 months from the reporting date. For financial assets classified in "Stage 2" or "Stage 3", the amount of loss allowance is measured based on the expected credit losses over the entire lifetime (LT-ECL).

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 and other significant 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.

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

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 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.

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.

4. Financial risk management and other significant risk management (*continued*)

b) *Credit risk (continued)*

Measurement of the expected credit loss allowance (continued)

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.

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.

4. Financial risk management and other significant risk management (*continued*)

b) ***Credit risk (continued)***

Measurement of the expected credit loss (continued)

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.

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;

4. Financial risk management and other significant risk management *(continued)*

b) ***Credit risk (continued)***

Measurement of the expected credit loss (continued)

- 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 IFRS 9).

- 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).

*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 (the day past due indicator considering contractual payment schedules is not excluded/ eliminated). 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.

4. Financial risk management and other significant risk management *(continued)*

b) *Credit risk (continued)*

Measurement of the expected credit loss (continued)

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 estimation of expected credit losses involves forecasting future economic conditions.

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.

After this period 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 economic forecasts are reflected within a baseline scenario and several alternative scenarios reflecting the expected developments for the macroeconomic variables selected as relevant.

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 in 2023 reflect a macroeconomic environment characterized by the persistence of uncertainties amid ongoing geopolitical tensions. Additionally, the conflict in the Middle East, with direct implications for the population and economic agents, is causing a rising trend in the prices of raw materials and agro-food products. This is compounded by existing pressures in the labor market, all of which will complicate economic growth.

Even though energy and gas prices have temporarily stabilized in European markets due to state support through price-capping programs for both residential and industrial consumers, the situation may be negatively influenced by a reconfiguration of current capping schemes. This is particularly concerning given the macroeconomic imbalance Romania is currently facing. Any additional shocks to energy prices or persistent internal inflation resulting from the most recent fiscal measures adopted could negatively impact the smooth recovery of the projected macroeconomic environment for 2024.

4. Financial risk management and other significant risk management *(continued)*

b) ***Credit risk (continued)***

Measurement of the expected credit loss (continued)

Scenarios weights, for the Bank:

	Optimist	Base case	Pessimist
Y2022	10%	55%	35%
Y2023	10%	55%	35%

Volatility from macroeconomic and geopolitical factors has dominated the business environment in the last period, and there are no significant developments in the economy during 2023. The path and influence of central banks' monetary policy tightening has dampened consumption and investment.Even energy prices have fallen, there are still questions about geopolitical tensions, supply chain disruptions and labour-market pressures. The macroeconomic outlook remains challenging and the conflict in the Middle East has added to uncertainty – disruption to the Suez Canal shipping route is affecting supply chains, particularly container and oil transport.

Inflationary pressure also manifested 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.

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 in the first half of 2024, with a downward trend for interest rates in the following quarters.

The expectation for the end of 2024 is that the Romanian inflation rate will decrease combined with the downward momentum in energy and food prices, in the context of the implementation of European programs.

The consumption prices could increase with annual dynamics of 5.5% in 2024, 5.2% in 2025 and 4.8% in 2026. The relaxation of inflationary pressures to a moderate level and the continuation of the economic recovery process will lead the central bank to recalibrate monetary policy by reducing the reference interest rate.

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, growth it is expected of the Romanian economy with annual dynamics of 4.1% in 2024, 4.3% in 2025 and 5.45% in 2026, 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.

4. Financial risk management and other significant risk management *(continued)*

b) ***Credit risk (continued)***
Measurement of the expected credit loss (continued)

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
- House price index

Optimist scenario Macro indicators	**2024**	**2025**	**2026**
Real GDP (%, YoY)	4,07	4,30	4,50
Unemployment rate (%)	5,45	5,43	5,39
Inflation (HICP) (%, year to year)	5,33	5,10	4,63
Key interest rate ROBOR 3M (%)	5,13	4,13	3,78
Key interest rate EURIBOR 3M (%)	3,00	1,66	2,08
House prices (%, year on year)	4,60	4,40	4,20

Base/central scenario Macro indicators	**2024**	**2025**	**2026**
Real GDP (%, YoY)	2,91	3,53	3,84
Unemployment rate (%)	5,51	5,49	5,46
Inflation (HICP) (%, year to year)	5,48	5,23	4,76
Key interest rate ROBOR 3M (%)	5,27	4,25	3,92
Key interest rate EURIBOR 3M (%)	3,55	2,68	2,60
House prices (%, year on year)	2,20	2,10	2,00

Pessimist scenario Macro indicators	**2024**	**2025**	**2026**
Real GDP (%, YoY)	0,23	0,87	1,72
Unemployment rate (%)	5,56	5,54	5,53
Inflation (HICP) (%, year to year)	8,32	7,56	7,31
Key interest rate ROBOR 3M (%)	8,12	6,59	6,46
Key interest rate EURIBOR 3M (%)	3,80	3,50	3,50
House prices (%, year on year)	-0,30	-0,20	-0,20

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	+66 Mio RON	-30 mio RON	-80 mio RON

Considering that the applied scenarios differ from the scenarios used at 31 December 2022, the changes in sensitivities from end of 2023 to end of 2022 are therefore not directly comparable.

4. Financial risk management and other significant risk management *(continued)*

c) *Liquidity risk*

For example, the macroeconomic indicators used in the financial year 2022, for the baseline scenario are:

	2023	**2024**	**2025**
Real GDP (%, YoY)	2,33	4,16	5,01
Unemployment rate (%)	5,19	5,13	5,10
Inflation (HICP) (%)	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

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

4. Financial risk management and other significant risk management (*continued*)

c) *Liquidity risk (continued)*

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.

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.)

Notes to the consolidated and separate financial statements

4. Financial risk management and other significant risk management (*continued*)

c) *Liquidity risk (continued)*

The assets and liabilities of the Group as at 31 December 2023, 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	1,034,613	(1,035,253)	(914,716)	-	(24,873)	(95,664)	-	-	-
Deposits from customers	138,052,954	(139,015,735)	(74,972,348)	(10,888,544)	(11,844,928)	(36,752,444)	(3,938,845)	(618,626)	-
Loans from banks and other financial institutions	9,548,567	(11,822,996)	(502,105)	(472,113)	(560,979)	(2,361,616)	(7,356,160)	(570,023)	-
Subordinated liabilities and issued bonds	2,423,218	(3,933,724)	-	(121,894)	(112,817)	(433,912)	(1,792,972)	(1,472,129)	-
Financial liabilities held-for-trading	88,809	(88,809)	(3,520)	(101)	(382)	(34,451)	(41,215)	(9,140)	-
Lease liabilities	533,351	(566,665)	(36,230)	(36,107)	(69,198)	(218,405)	(125,637)	(81,088)	-
Other financial liabilities	2,521,170	(2,521,170)	(2,521,115)	(4)	(9)	(42)	-	-	-
Total financial liabilities	**154,202,682**	**(158,984,352)**	**(78,950,034)**	**(11,518,763)**	**(12,613,186)**	**(39,896,534)**	**(13,254,829)**	**(2,751,006)**	**-**
Financial assets									
Cash and curent accounts with Central Banks	24,252,600	24,257,117	24,257,117	-	-	-	-	-	-
Placements with banks and public institutions	12,272,959	12,350,096	11,435,854	588,224	20,484	263,720	1,463	40,351	-
Financial assets held for trading and measured at fair value through profit or loss	345,756	345,755	185,843	-	-	-	-	-	159,912
Derivatives	124,817	124,817	4,686	720	567	39,419	60,997	18,428	-
Loans and advances to customers	72,008,224	108,637,910	10,017,087	6,536,599	11,217,796	32,207,808	12,611,645	36,046,975	-
Finance lease receivables	3,562,683	4,203,431	413,194	344,208	673,305	1,958,227	795,586	18,911	-
Financial assets measured at fair value through other items of comprehensive income	40,600,026	50,608,529	38,100,622	602,748	906,953	4,104,812	2,840,989	3,898,244	154,161
Financial assets which are required to be measured at fair value through profit or loss	1,232,598	1,336,165	713,662	1,935	3,848	54,589	174,995	-	387,136
Financial assets at amortized cost - debt instruments	9,472,245	10,712,817	889,331	488,950	1,058,148	5,798,269	2,139,338	338,781	-
Other financial assets	1,980,114	2,048,781	1,898,489	91,535	57,322	115	57	1,263	-
Total financial assets	**165,852,022**	**214,625,418**	**87,915,885**	**8,654,919**	**13,938,423**	**44,426,959**	**18,625,070**	**40,362,953**	**701,209**
Net balance sheet position		**55,641,066**	**8,965,851**	**(2,863,844)**	**1,325,237**	**4,530,425**	**5,370,241**	**37,611,947**	**701,209**

Notes to the consolidated and separate financial statements

4. Financial risk management and other significant 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 2023									
Off-balance sheet									
Irrevocable commitments given	1,641,982	1,697,589	564,313	78,277	215,998	668,867	143,872	26,262	-
Irrevocable financial guarantees given	5,725,834	5,864,577	1,076,939	1,532,095	799,475	861,101	935,454	659,513	-
Notional amount of swap and forward contracts									
- Deliverable amounts	(2,114,866)	(2,114,866)	(848,638)	(296,291)	(35,169)	(438,538)	(496,230)	-	-
- Receivable amounts	5,731,724	5,731,724	849,992	299,019	42,304	1,390,354	2,376,726	773,329	-
Net position of derivatives	**3,616,858**	**3,616,858**	**1,354**	**2,728**	**7,135**	**951,816**	**1,880,496**	**773,329**	-
Total off-balance sheet	**10,984,674**	**11,179,024**	**1,642,606**	**1,613,100**	**1,022,608**	**2,481,784**	**2,959,822**	**1,459,104**	-
Total net on- and off-balance sheet position		**44,462,042**	**7,323,245**	**(4,476,944)**	**302,629**	**2,048,641**	**2,410,419**	**36,152,843**	**701,209**

The assets and liabilities of the Group 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:

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)**	-

4. Financial risk management and other significant 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	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**
Off-balance sheet									
Irrevocable commitments given based on expected cash flow	1,120,368	1,154,577	385,652	84,210	198,767	295,802	93,066	97,080	-
Irrevocable financial guarantees given based on expected cash flow	5,339,584	5,494,924	750,233	552,758	859,519	2,023,220	759,264	549,930	-
Notional amount 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**

Notes to the consolidated and separate financial statements

4. Financial risk management and other significant risk management (*continued*)

c) *Liquidity risk (continued)*

The assets and liabilities of the Bank as at 31 December 2023, 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	1,081,766	(1,082,423)	(961,886)	-	(24,873)	(95,664)	-	-	-
Deposits from customers	134,443,350	(135,385,886)	(73,069,083)	(10,709,711)	(11,433,114)	(35,621,453)	(3,939,035)	(613,490)	-
Loans from banks and other financial institutions	8,583,795	(10,768,965)	(404,400)	(376,871)	(298,136)	(1,873,873)	(7,274,847)	(540,838)	-
Subordinated liabilities and issued bonds	2,403,652	(3,913,451)	-	(108,775)	(108,775)	(433,912)	(1,792,972)	(1,469,017)	-
Financial liabilities held-for-trading	88,809	(88,809)	(3,520)	(101)	(382)	(34,451)	(41,215)	(9,140)	-
Lease liabilities	669,778	(723,003)	(37,329)	(37,497)	(72,095)	(237,358)	(156,197)	(182,527)	-
Other financial liabilities	1,847,667	(1,847,667)	(1,847,667)	-	-	-	-	-	-
Total financial liabilities	**149,118,817**	**(153,810,204)**	**(76,323,885)**	**(11,232,955)**	**(11,937,375)**	**(38,296,711)**	**(13,204,266)**	**(2,815,012)**	**-**
Financial assets									
Cash and curent accounts with Central Banks	22,286,257	22,290,754	22,290,754	-	-	-	-	-	-
Placements with banks and public institutions	12,619,341	12,829,943	10,645,563	564,076	335,913	1,273,107	1,462	9,822	-
Financial assets at amortized cost - debt instruments	7,980,071	9,165,687	86,306	186,436	781,207	5,638,119	2,136,671	336,948	-
Derivatives	124,817	124,817	4,686	720	567	39,419	60,997	18,428	-
Equity instruments	36,303	36,303	18,151	-	-	-	-	-	18,152
Loans and advances to customers	71,550,404	106,940,432	9,795,147	6,340,008	10,969,267	31,557,991	12,610,123	35,667,896	-
Financial assets measured at fair value through other items of comprehensive income	40,264,202	50,259,418	37,908,100	594,888	907,481	4,091,920	2,839,831	3,897,798	19,400
Financial assets which are required to be measured at fair value through profit or loss	1,670,155	1,773,723	976,242	1,935	3,848	54,589	174,995	-	562,114
Equity investments	873,300	873,300	-	-	-	-	-	-	873,300
Other financial assets	1,829,702	1,861,024	1,716,428	87,324	57,272	-	-	-	-
Total financial assets	**159,234,552**	**206,155,401**	**83,441,377**	**7,775,387**	**13,055,555**	**42,655,145**	**17,824,079**	**39,930,892**	**1,472,966**
Net balance sheet position		**52,345,197**	**7,117,492**	**(3,457,568)**	**1,118,180**	**4,358,434**	**4,619,813**	**37,115,880**	**1,472,966**

Notes to the consolidated and separate financial statements

4. Financial risk management and other significant 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 2023									
Off-balance sheet									
Irrevocable commitments given based on expected cash flow	658,786	675,354	205,369	3,900	40,364	417,476	8,245	-	-
Irrevocable financial guarantees given based on expected cash flow	5,659,211	5,796,727	1,075,416	1,530,721	783,865	846,475	934,067	626,183	-
Notional amount of swap and forward contracts									
- Deliverable amounts	(2,114,865)	(2,114,865)	(848,637)	(296,291)	(35,169)	(438,538)	(496,230)	-	-
- Receivable amounts	5,731,723	5,731,723	849,992	299,019	42,304	1,390,353	2,376,726	773,329	-
Net position of derivatives	3,616,858	3,616,858	1,355	2,728	7,135	951,815	1,880,496	773,329	-
Total off-balance sheet	**9,934,855**	**10,088,939**	**1,282,140**	**1,537,349**	**831,364**	**2,215,766**	**2,822,808**	**1,399,512**	**-**
Total net on- and off-balance sheet position		**42,256,258**	**5,835,352**	**(4,994,917)**	**286,816**	**2,142,668**	**1,797,005**	**35,716,368**	**1,472,966**

Compared to 2022, the volume of attracted resources (customers and banks) for the Bank on December 31, 2023 increased from RON 118,135,384 thousand to RON 135,525,116 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 comprehensive income, which ensure a high level of flexibility through their diversification and possibility of trading on an active and liquid market. In order to cover currency gaps, the Group and the Bank can carry out various transactions on the FX or derivatives market.

Liquidity management is adapted and permanently adjusted to the conditions of the Romanian and international financial-banking market, as well as the general economic context.

In liquidity management, the Gruoup and the Bank applies a series of principles regarding the quality, maturity, diversity and degree of risk of assets and liabilities, as follows:

- will apply the rule of a diversified investment portfolio, taking into account the inverse correlation between the degree of risk and the degree of liquidity;
- will establish minimum and/or maximum levels accepted for the significant categories of investments, paying particular attention to liquid assets, easily liquidable or that fulfill the quality of assets eligible for guarantee;
- establishes the funding structure periodically , adapted to its development needs
- will concerned with the development of lasting correspondent relationships, which can ensure easy and safe access to funding sources, both in the short term, as well as in the medium and long term;

Notes to the consolidated and separate financial statements

4. Financial risk management and other significant 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)**	**-**

Notes to the consolidated and separate financial statements

4. Financial risk management and other significant 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	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**
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	-
Notional amount 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**

4. Financial risk management and other significant 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.

On December 31, 2023 and December 31, 2022, the interest rate risk exposure of the Group and the Bank is presented below:

Structure, RON thousand	Group		Bank	
	Weight in total assets/liabilities - banking book			
	2023	2022	2023	2022
Assets with fixed IR	50.85%	38.50%	52.22%	39.07%
Assets with floating IR	49.15%	61.50%	47.78%	60.93%
Liabilities with fixed IR	45.86%	40.30%	47.97%	41.59%
Liabilities with floating IR	54.14%	59.70%	52.03%	58.41%

Structure, RON thousand	Group		Bank	
	2023	2022	2023	2022
Assets with fixed IR	88,089,026	53,080,119	84,215,290	49,051,059
Assets with floating IR	85,394,685	81,933,788	77,049,707	76,481,172
Liabilities with fixed IR	72,897,288	54,397,704	72,006,128	52,675,843
Liabilities with floating IR	87,504,418	80,371,019	78,085,685	73,978,065

4. Financial risk management and other significant 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 2023								
Average for the period	14,006	(14,006)	7,003	(7,003)	16,507	(16,507)	8,253	(8,253)
Minimum for the period	(283,473)	(11)	(141,737)	(5)	(283,933)	720	(141,966)	360
Maximum for the period	346,668	(3,326)	173,334	(1,663)	346,668	(4,168)	173,334	(2,084)
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)

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	**2023**	**2022**
Own funds	13,709,705	10,417,663
Potential decline in ec value +/- 200bp		
Absolute value	1,056,976	729,455
Impact on own funds	7.71%	7%

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

In RON thousand	**2023**	**2022**
Own funds	14,326,380	11,046,145
Potential decline in ec value +/- 200bp		
Absolute value	1,092,447	765,695
Impact on own funds	7.63%	6.93%

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 and other significant 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 2023:

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	24,252,600	-	-	-	-	-	**24,252,600**
Placements with banks and public institutions	12,233,947	497	-	1	38,514	-	**12,272,959**
Financial assets measured at amortized cost - debt instruments	2,828,783	744,108	4,062,122	1,654,519	182,713	-	**9,472,245**
Financial assets measured at fair value through other items of comprehensive income	35,867,965	137,200	1,618,631	1,269,016	1,072,722	-	**39,965,534**
Loans and advances to customers	49,444,311	4,157,793	12,327,464	5,586,016	492,640	-	**72,008,224**
Finance lease receivables	3,508,414	9,351	33,354	11,564	-	-	**3,562,683**
Other financial assets	385,071	36,177	-	-	-	1,558,866	**1,980,114**
Total financial assets	**128,521,091**	**5,085,126**	**18,041,571**	**8,521,116**	**1,786,589**	**1,558,866**	**163,514,359**
Financial liabilities							
Deposits from banks	914,076	24,873	95,664	-	-	-	**1,034,613**
Deposits from customers	114,654,598	16,754,782	6,628,923	11,254	3,397	-	**138,052,954**
Loans from banks and other financial institutions, subordinated debt and issued bonds	4,460,677	106,330	358,805	6,519,269	526,704	-	**11,971,785**
Lease liabilities	68,312	65,353	205,501	118,444	75,741	-	**533,351**
Other financial liabilities	-	-	-	-	-	2,521,170	**2,521,170**
Total financial liabilities	**120,097,663**	**16,951,338**	**7,288,893**	**6,648,967**	**605,842**	**2,521,170**	**154,113,873**
Net position	**8,423,428**	**(11,866,212)**	**10,752,678**	**1,872,149**	**1,180,747**	**(962,304)**	**9,400,486**
Irrevocable commitments given	624,492	198,862	659,345	134,070	25,213	-	**1,641,982**
Irrevocable financial guarantees given	2,585,971	765,041	830,914	932,592	611,316	-	**5,725,834**
Total off-balance sheet	3,210,463	963,903	1,490,259	1,066,662	636,529	-	7,367,816
Net position on- and off-balance sheet	**11,633,891**	**(10,902,309)**	**12,242,937**	**2,938,811**	**1,817,276**	**(962,304)**	**16,768,302**

Notes to the consolidated and separate financial statements

4. Financial risk management and other significant 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**

Notes to the consolidated and separate financial statements

4. Financial risk management and other significant 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 2023:

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	22,286,257	-	-	-	-	-	**22,286,257**
Placements with banks and public institutions	11,413,653	289,327	908,376	-	7,985	-	**12,619,341**
Financial assets at amortized cost - debt instruments	1,735,714	493,106	3,917,831	1,652,333	181,087	-	**7,980,071**
Financial assets measured at fair value through other items of comprehensive income	35,681,506	135,239	1,610,568	1,268,311	1,072,553	-	**39,768,177**
Loans and advances to customers	51,450,773	3,634,656	11,069,733	5,183,332	211,910	-	**71,550,404**
Net lease investments	-	-	-	-	-	-	**-**
Other financial assets	385,071	36,177	-	-	-	1,408,454	**1,829,702**
Total financial assets	**122,952,974**	**4,588,505**	**17,506,508**	**8,103,976**	**1,473,535**	**1,408,454**	**156,033,952**
Financial liabilities							
Deposits from banks	961,229	24,873	95,664	-	-	-	**1,081,766**
Deposits from customers	111,319,566	16,511,835	6,597,298	11,254	3,397	-	**134,443,350**
Loans from banks and other financial institutions, subordinated debt and issued bonds	3,623,428	83,940	239,090	6,514,285	526,704	-	**10,987,447**
Lease liabilities	68,749	66,323	218,784	144,413	171,509	-	**669,778**
Other financial liabilities	-	-	-	-	-	1,847,667	**1,847,667**
Total financial liabilities	**115,972,972**	**16,686,971**	**7,150,836**	**6,669,952**	**701,610**	**1,847,667**	**149,030,008**
Net position	**6,980,002**	**(12,098,466)**	**10,355,672**	**1,434,024**	**771,925**	**(439,213)**	**7,003,944**
Irrevocable commitments given	205,673	27,660	417,208	8,245	-	-	**658,786**
Irrevocable financial guarantees given	2,549,797	750,124	816,744	931,230	611,316	-	**5,659,211**
Total off-balance sheet	**2,755,470**	**777,784**	**1,233,952**	**939,475**	**611,316**	**-**	**6,317,997**
Net position on- and off-balance sheet	**9,735,472**	**(11,320,682)**	**11,589,624**	**2,373,499**	**1,383,241**	**(439,213)**	**13,321,941**

4. Financial risk management and other significant 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**

Notes to the consolidated and separate financial statements

4. Financial risk management and other significant 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 2023 are presented below:

In RON thousand	**RON**	**EUR**	**USD**	**Other currencies**	**Total**
Monetary assets					
Cash and curent accounts with Central Banks	18,496,256	4,082,218	290,777	1,383,349	**24,252,600**
Placements with banks and public institutions	7,436,324	2,479,676	1,631,716	725,243	**12,272,959**
Financial assets held for trading and measured at fair value through profit or loss	119,106	10,549	-	-	**129,655**
Derivatives	112,180	12,637	-	-	**124,817**
Loans and advances to customers	47,977,456	22,257,474	222,906	1,550,388	**72,008,224**
Finance lease receivables	124,567	3,426,277	-	11,839	**3,562,683**
Financial assets measured at fair value through other items of comprehensive income	22,562,188	14,959,857	2,802,809	121,012	**40,445,866**
Financial assets which are required to be measured at fair value through profit or loss	351,288	225,906	362,484	-	**939,678**
Financial assets at amortized cost - debt instruments	1,518,557	6,462,953	76,719	1,414,016	**9,472,245**
Other financial assets	1,805,784	105,022	24,136	45,172	**1,980,114**
Total monetary assets	**100,503,706**	**54,022,569**	**5,411,547**	**5,251,019**	**165,188,841**
Monetary liabilities					
Deposits from banks	459,857	427,702	144,225	2,829	**1,034,613**
Deposits from customers	87,831,019	40,916,837	5,513,132	3,791,966	**138,052,954**
Loans from banks and other financial institutions, subordinated debt	402,769	11,538,034	-	30,982	**11,971,785**
Financial liabilities held-for-trading	75,709	13,100	-	-	**88,809**
Lease liabilities	21,457	510,021	428	1,445	**533,351**
Other financial liabilities	1,636,936	679,238	83,541	121,455	**2,521,170**
Total monetary liabilities	**90,427,747**	**54,084,932**	**5,741,326**	**3,948,677**	**154,202,682**
Net currency position	**10,075,959**	**(62,363)**	**(329,779)**	**1,302,342**	**10,986,159**
Gross value of swap and forward contracts					
- Payable amounts	(756,542)	(1,105,899)	(32,235)	(220,190)	**(2,114,866)**
- Receivable amounts	2,202,330	3,412,376	32,235	84,783	**5,731,724**
Net position of derivatives	1,445,788	2,306,477	-	(135,407)	**3,616,858**
Net on- and off-balance sheet position	**11,521,747**	**2,244,114**	**(329,779)**	**1,166,935**	**14,603,017**

Notes to the consolidated and separate financial statements

4. Financial risk management and other significant 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 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					
- Payable 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**

Notes to the consolidated and separate financial statements

4. Financial risk management and other significant 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 2023 are presented below:

In RON thousand	RON	EUR	USD	Other currencies	Total
Monetary assets					
Cash and curent accounts with Central Banks	18,444,613	3,502,507	102,665	236,472	**22,286,257**
Placements with banks and public institutions	7,376,282	3,108,383	1,413,595	721,081	**12,619,341**
Financial assets at amortized cost - debt instruments	1,513,817	6,389,535	76,719	-	**7,980,071**
Derivatives	112,180	12,637	-	-	**124,817**
Loans and advances to customers	47,256,091	23,768,656	181,999	343,658	**71,550,404**
Financial assets measured at fair value through other items of comprehensive income	22,395,318	14,929,370	2,802,809	117,305	**40,244,802**
Financial assets which are required to be measured at fair value through profit or loss	680,047	335,625	362,011	-	**1,377,683**
Other financial assets	1,729,164	86,918	13,055	565	**1,829,702**
Total monetary assets	**99,507,512**	**52,133,631**	**4,952,853**	**1,419,081**	**158,013,077**
Monetary liabilities					
Deposits from banks	463,879	466,727	147,711	3,449	**1,081,766**
Deposits from customers	88,037,668	40,075,003	5,147,463	1,183,216	**134,443,350**
Loans from banks and other financial institutions, subordinated debt	360,131	10,627,316	-	-	**10,987,447**
Financial liabilities held-for-trading	75,709	13,100	-	-	**88,809**
Lease liabilities	16,812	652,538	428	-	**669,778**
Other financial liabilities	1,269,040	546,421	10,173	22,033	**1,847,667**
Total monetary liabilities	**90,223,239**	**52,381,105**	**5,305,775**	**1,208,698**	**149,118,817**
Net currency position	**9,284,273**	**(247,474)**	**(352,922)**	**210,383**	**8,894,260**
Gross value of swap and forward contracts					
- Payable amounts	(756,542)	(1,105,899)	(32,235)	(220,189)	**(2,114,865)**
- Receivable amounts	2,202,330	3,412,376	32,235	84,782	**5,731,723**
Net position of derivatives	**1,445,788**	**2,306,477**	**-**	**(135,407)**	**3,616,858**
Net on- and off-balance sheet position	**10,730,061**	**2,059,003**	**(352,922)**	**74,976**	**12,511,118**

4. Financial risk management and other significant 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**

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	**2023**	**2022**
EUR increase by up to 20%	6,296	22,055
EUR decrease by up to 20%	(6,296)	(22,055)
USD increase by up to 20%	5,901	46,139
USD decrease by up to 20%	(5,901)	(46,139)

Notes to the consolidated and separate financial statements

4. Financial risk management and other significant 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 2023, respectively 31 December 2022 is presented below:

		Group		**Bank**	
In RON thousand		**2023**	**2022**	**2023**	**2022**
Assets	Notes	**Carrying amount**	**Carrying amount**	**Carrying amount**	**Carrying amount**
Held-for-trading financial assets measured at fair value through profit or loss	21	129,655	108,541	-	-
Derivatives	43	124,817	218,443	124,817	218,443
Financial assets which are required to be measured at fair value through profit or loss	21	939,678	864,004	1,377,683	1,232,883
Financial assets measured at fair value through other items of comprehensive income	24	480,332	7,299,908	476,625	7,295,899
Total on-balance sheet		**1,674,482**	**8,490,896**	**1,979,125**	**8,747,225**

Notes to the consolidated and separate financial statements

4. Financial risk management and other significant 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 2023**		**31 December 2022**	
In RON thousand	**Impact in profit or loss**	**Impact in equity**	**Impact in profit or loss**	**Impact in equity**
Shares	(3,696)	-	(3,124)	-
OTC derivatives	(106,483)	-	(98,727)	-
Bonds and T-bills	-	(1,381,314)	-	(1,362,585)
Total impact	**(110,180)**	**(1,381,314)**	**(101,851)**	**(1,362,585)**

Bank	**31 December 2023**		**31 December 2022**	
In RON thousand	**Impact in profit or loss**	**Impact in equity**	**Impact in profit or loss**	**Impact in equity**
Shares	(3,630)	-	(3,069)	-
OTC derivatives	(103,970)	-	(95,771)	-
Bonds and T-bills	-	(1,380,753)	-	(1,361,859)
Total impact	**(107,600)**	**(1,380,753)**	**(98,840)**	**(1,361,859)**

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, 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 and other significant 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 2023-31 December 2023;
- an O-SII buffer of 2% of the total risk weighted exposures;
- 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 1% of the value of the risk-weighted exposures valid starting from 23 Octomber 2023.

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 2023 and 31 December 2022, as well as during the years 2023 and 2022, 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 14,304,717 thousand as of 31 December 2023 (2022: RON 12,584,713 thousand), regulatory capital amounts to RON 9,368,056 thousand as of December 2023 (2022: RON 7,860,501 thousand) and the Group and the Bank have complied with all externally imposed capital requirements throughout 2023 and 2022.

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 and other significant risk management (*continued*)

e) *Capital management (continued)*

The level and the requirements of own funds as at 31 December 2023 and 31 December 2022 are as follow:

	Group		Bank	
In RON thousand	**2023**	**2022**	**2023**	**2022**
Tier 1 own funds	12,042,654	11,123,258	11,141,609	10,234,719
Tier 2 own funds	2,262,063	1,461,455	2,260,454	1,453,940
Total own funds	**14,304,717**	**12,584,713**	**13,402,063**	**11,688,659**
Credit risk exposure	54,601,810	46,636,668	49,175,232	41,635,391
Market risk, FX risk, delivery risk exposure	2,388,004	3,408,208	2,339,361	3,462,484
Operational risk exposure	12,308,964	10,364,965	10,401,796	8,850,567
Risk exposure for the adjustment of credit assessment	94,229	141,942	94,229	141,942
Total risk exposure	**69,393,007**	**60,551,783**	**62,010,618**	**54,090,384**

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

	Group		Bank	
In %	**2023**	**2022**	**2023**	**2022**
Core tier one ratio	17.35	18.37	17.97	18.92
Tier 1 ratio	17.35	18.37	17.97	18.92
CAR	20.61	20.78	21.61	21.61

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 30 June 2023 and on 31 December 2022. Regulatory capital as at 31 December 2023 and 31 December 2022 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.

4. Financial risk management and other significant risk management (*continued*)

f) *Operational risk (continued)*

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

- 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 and other significant risk management (*continued*)

g) *Climate 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, either in relation 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 Bank has developed an internal climate risk heat map, based on which each client is associated an inherent climate risk (taking into account the specifics of the area in which the client operates, as well as the exposure of the sector on climate related risks). During the ESG standard analysis, which also includes climate risk assessment, a final climate risk is allocated to the client/exposure, by adjusting the inherent risk upwards or downwards based on the management’s approach to the identified risks (eg the inherent climate risk associated to the agricultural sector could be high, yet if investments have been implemented for adaptation to climate changes, the final climate risk could be lower).

The development of the climate risks map took into account the temperatures, precipitations, wind changes in Romania, for several years, based on data provided by the National Statistics Institute. Moreover, the Bank has initiated a process of assessing the alignment of its loans to the provisions of the EU taxonomy (UE Regulation no 852/2020). Climate risk impact is assessed in this alignment analysis, as part of the DNSH/do not significant harm criterion, climate objective adaptation).

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 local society and communities, 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.

Notes to the consolidated and separate financial statements

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 in 2023 reflect a macroeconomic environment with uncertainties and risks for the population and economic agents characterized by the persistence of geopolitical tensions, disruptions in the supply chain, labour shortages corroborated with tightening of financial conditions and maintaining a high level of inflation, being exacerbated by the war in Ukraine, to which is added the conflict in the Middle East, 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)

Although recent efforts to combat inflation are showing signs of success, the risks brought to light by supply chain disruptions, rewiring of trade relationships, along with significantly increased financing costs (interest rates) and tighter financial conditions, represents key aspects to monitor in a macroeconomic environment marked by volatility and uncertainties. Furthermore, the recently adopted fiscal package coming into force in 2024 may have a negative effect on inflation keeping prices high, eroding the purchasing power of households.

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. During the year 2023, the Bank revised the assumptions regarding post-model adjustments related to macroeconomic risks specific to certain industries that were heavily affected by supply chain disruptions and rising energy costs, classified as sensitive sectors. The revision aimed to evaluate whether corrective measures are necessary, either to eliminate or introduce new sensitive sectors. The decision was to maintain the current scheme until the end of the year, with continuous monitoring of portfolios to proactively identify difficulties/ stress signals and intervene specifically on this type of post-model adjustments, if necessary.

The geopolitical tensions will slow down the economic growth 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. The Bank remains vigilant in monitoring geopolitical and economic relations.

Also, product portfolios was analyzed with high associated credit risk and the typologies that could be affected to some extent by the military conflicts, 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.

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

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

The amount of post model adjustments applied is representing 16.6% of total ECL (17.5% in 2022) considering:

- expectation related to sensitive industries and high-risk products (supplementary ECL representing 2.1% of total ECL)*;
- expectations for default rates increase considering high inflation and increased interest (supplementary ECL representing 13.9% of total ECL)**;
- 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 (supplementary ECL representing 0.6% of total ECL).

* in the category of “sensitive industries”, were included those sectors of activity with products dependent on raw materials whose processing requires high energy consumption (energy-consuming industries), considering that this will have a major impact on operating income and profitability and the ability to repayment, especially since the inflationary spiral has also affected the increasing interest rates. At the same time, it was considered that certain lending products (such as those in the area of unsecured loans granted to clients assessed with a pre-default rating) should be classified as having a significant increase in risk, considering that the impact of the risk events stated including in Note 4 will overwhelmingly affects this area. Those mentioned measures determined the classification in stage 2 of the facilities granted to borrowers who find themselves in the exposed situation and have a qualitatively lower rating (not default, not predefault), and as a direct effect, the determination of additional adjustments.
** the post-model adjustment has an impact in the forward looking estimation area.
We consider the main determining factor for the introduction of this adjustment to be the economic environment faced with a series of uncertainties, our opinion being that certain macroeconomic shocks can still have an impact on default rates, even if in the past this has not been concretely highlighted (time lagging between event and effect), moreover, they led to an insignificant increase or decrease in default rate forecasts.
For example, the inflation rate, although it is in a downward trend, it is maintained at high levels and is predicted to be at a level above the average observed for the history used in the modeling. A similar behavior can be observed in the case of the interest rate. Moreover, the legislative changes regarding taxes that come into force in 2024 will keep prices at a high level. Thus, it was decided to apply a 'true range' type adjustment that captures the difference between the maximum and minimum default rate observed. This adjustment was applied differently depending on the line of business (individuals, large companies, respectively SME legal entities), but also depending on the degree of risk of the portfolio (guaranteed, unguaranteed, fx currency).

In the context of negative evolution of inflation and interest rates, as well as the military conflict, financial markets have been moderately 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 remain 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) **Tax disputes**

The Bank requested the Romanian fiscal authorities to issue an advance tax ruling ("AIFS") on the fiscal treatment of the Volksbank S.A. bargain gain. The Bank proposed the consideration of the bargain gain as non-taxable income by taking into account all the arguments, calculating a lower corporate income tax for fiscal year 2015, in the amount of RON 264,096 thousand.

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 December 31, 2015.

The Bank's estimation in regard to presenting the gain from the acquisition as non-taxable income in the interim consolidated summarized financial statements as of March 31, 2023 and in the consolidated and individual financial statements as of December 31, 2022, was based on solid arguments, as follows:

- 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 January 2016, in the updated version of the 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 Volksbank S.A. was based on economic grounds (it was not undertaken for certain tax 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 applied uniformly: 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 favour of the Bank, confirming the Bank's approach to consider the bargain gain as non-taxable income.

Further, 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, cancelled the first instance decision, judge the case and in retrial rejected the action filed by Banca Transilvania S.A. as unfounded. 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.

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

b) Tax disputes *(continued)*

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 Court of Justice of European Union issued a decision in this case on April 27, 2023. On June 14, 2023, a new deadline took place in the file before the High Court of Cassation and Justice of Romania, where Banca Transilvania S.A. submitted a new request for a preliminary ruling to the Court of Justice of the European Union, under the conditions of extensive case supporting arguments.

On September 20, 2023, the High Court of Cassation and Justice rejected as inadmissible the request for review of the final decision pronounced on appeal on June 23, 2020 by the High Court of Cassation and Justice and at the same time, rejected the posibility to apply to the European Court of Justice.

Since the decision of the High Court of Cassation and Justice is final, Banca Transilvania S.A. can no longer obtain the obligation of the National Fiscal Administration Agency to issue an advanced tax ruling.However, in the lawyers' opinion, the possibility of debating the essential legal issue, namely the compatibility of national tax legislation with European law, remains an open option, with chances of winning.

Simultaneously, in February 2023, a tax audit of the Bank's activity for the years 2015 and 2016 was completed. In the Fiscal Inspection Report (“RIF”), the audit team noted that the Bank did not apply the provisions of the SFIA and that the Bank should have included the gain from the purchase in advantageous conditions of Volksbank S.A. shares in its taxable base for FY 2015.

Following the RIF, the tax authorities issued a decision to change the taxable base for 2015, which does not have direct effects, because in 2015 the Bank benefited from taking over the tax loss after the merger with Volksbank S.A. 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.

In the case of the appeal, the settlement was suspended by the tax authorities until a final resolution for the revision before the High Court of Cassation and Justice of Romania in the AIFS case is reached, the case description being summarized above.

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. Going further the Bank made an appeal to the High Court of Cassation and Justice against this decision. Also, on June 27, 2023, the Bank's appeal was rejected during the suspension procedure.

Forwards, during May 2023, ANAF initiated a documentary check of the bank's activity for 2017 and 2018. Following this audit, on June 13, 2023, Banca Transilvania S.A. was notified of the tax decision establishing additional obligations representing profit tax in the amount of RON 90,275,215 for year 2017, respectively RON 173,820,822 for year 2018, totalizing RON 264,096,037. Additionally to these tax liabilities will be due ancillary tax obligations.

The Bank filed an appeal against the tax decision taken by the tax authorities following the documentary check of the years 2017 and 2018 detailed above and filed a request to suspend this decision in Court during June 2023.

However, in order to limit a potential negative impact from ancillary tax liabilities in case of an unfavorable legal decision, Banca Transilvania S.A. decided to pay on July 5, 2023 the amount of RON 264 million representing additional tax liabilities established following the documentary check for 2017 and 2018.

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

b) Tax disputes *(continued)*

At the beginning of July 2023, the request to suspend the decision was judged at the level of the Cluj Court of Appeal, which rejected the request of Banca Transilvania S.A.. At the end of July 2023, the tax authorities established ancillary tax liabilities related to profit tax established additionally following the documentary verification for 2017 and 2018, in the amount of RON 154,972,067. The Bank issued a letter of guarantee suspending the obligation to pay this amount until a final settlement of the above-mentioned legal issues is reached. The Bank appealed against the additional tax liabilities claimed by the authorities, through its lawyers who represent it in the above mentioned cases and based on the opinions received from them, the Bank believes that this amount will be revised to a lower level.

As a result of the payment of the additional corporate income tax, Banca Transilvania S.A. no longer declared an appeal against the decision given by the Cluj Court of Appeal against the decision given on the request for suspension.

On October 3, 2023, the tax authorities rejected the bank's appeal against the decision to change the taxable base established by RIF, and on October 11, 2023, they also rejected the tax appeal raised by Banca Transilvania S.A. regarding the payment of tax amounts established under documentary checks.

The Bank analysed requests of IFRIC 23 corroborated with lawyers opinion that represent the causes mentioned above on Court and considers that the Bank has winning chances, according to the opinion of the lawyers representing it, considering that the Bank actioned based on European regulations related tax treatment for the non-taxation of the gain from Volksbank S.A. acquisition transaction, fact clarifed also by Romanian tax legislation in place begining with January 1, 2016. Banca Transilvania S.A. will continue to diligently pursue this litigation and, in the case of success, stands to recover the payment made.

Considering, however, the inconsistency with which the Romanian tax authorities treated the gain from the acquisition from a tax point of view, the Bank took a prudent approach to reflect this level of uncertainty in the consolidated and separate financial statements as of December 31, 2023 using the most probable value method and recognized the amount of RON 238 million in debts regarding the current profit tax, respectively, the amount of 100,864,015 RON related to ancillary fiscal obligations, in expenses for provisions of risk and charges.

The Bank will monitor and analyze the evolution of the tax topic at each reporting date, in accordance with the relevant provisions of the accounting regulations, to determine if additional adjustments are necessary.

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 2023 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.

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

d) Other significant litigation

The Bank's subsidiary, Victoriabank 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 balance sheet assets elements, in order to cover the claims in the file - amounting to approximately RON 476 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.

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 Salt (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.

6. Segment reporting *(continued)*

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.

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.

6. Segment reporting *(continued)*

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 provides a wide range of banking products and services to individuals, differentiated by several customer segments, from children, students, employees from the public or private sector, seniors, as well as the Premium and Private Banking segments. The Group's and the Bank's offer includes transactional banking products, current account subscriptions, bancassurance products, a diversified offer of debit and credit cards, deposits and savings accounts, consumer loans and mortgages, as well as access to the larger network of ATMs and partner merchants through the "STAR" loyalty program. Also, the Group and the Bank, together with their partners, offer private clients access to a wide range of investments (investment funds, government securities and bonds), pensions, car leasing.

The retail products of the Group and the Bank are accessible to customers through a mix of distribution channels, through the Bank's network of agencies, through digital channels and especially through the BT Pay application. The Bank's retail strategy aims at the continuous development of digital flows that involve a simpler interaction, the origination of new products and services, speed and efficiency, as well as the communication and servicing of customers from a distance, through solutions that allow them direct and immediate access to information. The Group and the Bank support financial inclusion and will continue their efforts to ensure all segments of the population have access to banking products and services in general.

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.

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 2023 and 31 December 2022, 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 2023, and comparative data for 2022:

Reporting segments as at 31 December 2023

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	24,495,579	11,543,727	5,451,496	4,797,231	32,511,846	-	5,776,244	5,569	(4,161,160)	**80,420,532**
Provisions for principal	(862,525)	(936,200)	(433,410)	(668,442)	(1,683,224)	-	(371,706)	(337)	106,219	**(4,849,625)**
Loans and finance lease receivables net of provisions	23,633,054	10,607,527	5,018,086	4,128,789	30,828,622	-	5,404,538	5,232	(4,054,941)	**75,570,907**
Portfolio of Debt instruments, Equity instruments and Derivative instruments, net of provisions	-	-	-	-	-	51,336,974	-	472,915	(34,447)	**51,775,442**
Treasury and inter-bank operations	-	-	-	-	-	37,490,235	251,854	607,464	(1,823,994)	**36,525,559**
Property and equipment and investment property, Intangible assets and goodwill	103,951	186,358	181,611	245,055	788,770	47,964	176,569	399,958	(1,973)	**2,128,263**
Right-of-use assets	37,066	57,433	44,387	82,799	259,331	13,162	24,309	12,484	(16,911)	**514,060**
Other assets	789,646	548,044	240,844	221,838	1,542,044	-	193,043	478,275	(1,358,740)	**2,654,994**
Total assets	**24,563,717**	**11,399,362**	**5,484,928**	**4,678,481**	**33,418,767**	**88,888,335**	**6,050,313**	**1,976,328**	**(7,291,006)**	**169,169,225**
Deposits from customers and current accounts	9,114,874	13,424,801	7,526,010	19,811,825	88,569,988	2,465,711	-	3,962	(1,829,604)	139,087,567
Loans from banks and other financial institutions	256,482	326,772	87,055	62,507	23,629	363,251	4,774,002	7,815,009	(4,160,140)	9,548,567
Subordinated liabilities	-	-	-	-	-	2,441,255	-	-	(18,037)	2,423,218
Lease liabilities	119,145	84,621	43,420	34,827	238,786	800	24,404	4,272	(16,924)	533,351
Other liabilities	731,496	520,038	216,918	181,761	1,354,357	1,043	205,047	545,969	(76,615)	3,680,014
Total liabilities	**10,221,997**	**14,356,232**	**7,873,403**	**20,090,920**	**90,186,760**	**5,272,060**	**5,003,453**	**8,369,212**	**(6,101,320)**	**155,272,717**
Equity and related items	-	-	-	-	-	-	-	13,896,508	-	13,896,508
Total liabilities and equity	**10,221,997**	**14,356,232**	**7,873,403**	**20,090,920**	**90,186,760**	**5,272,060**	**5,003,453**	**22,265,720**	**(6,101,320)**	**169,169,225**

Notes to the consolidated and separate financial statements

6. Segment reporting *(continued)*

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 2023

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	306,631	443,667	291,059	511,244	1,507,184	496,596	483,091	1,205,687	11,521	**5,256,680**
Net commission income	63,681	118,977	109,428	429,279	457,491	(2,970)	28,363	53,787	9,611	**1,267,647**
Net trading income	19,140	73,208	67,847	126,277	242,411	81,792	14,256	33,479	(1,394)	**657,016**
Net gain / (loss) from financial assets measured through other items of comprehensive income	-	-	-	-	-	86,138	-	81,509	-	**167,647**
Net gain / (loss) from financial assets which are required to be measured through profit or loss	-	-	-	-	-	140,311	-	3,155	-	**143,466**
Contribution to the Bank Deposit Guarantee Fund and to the Resolution Fund	(5,748)	(8,584)	(4,714)	(11,888)	(62,713)	-	-	-	-	**(93,647)**
Other operating income	18,505	11,720	6,019	5,222	166,187	5,334	56,916	153,435	(97,185)	**326,153**
Total income	**402,209**	**638,988**	**469,639**	**1,060,134**	**2,310,560**	**807,201**	**582,626**	**1,531,052**	**(77,447)**	**7,724,962**
Personnel expenses	(109,844)	(247,437)	(186,713)	(278,627)	(839,384)	(39,217)	(132,429)	(133,871)	4	**(1,967,518)**
Other operating expenses	(50,224)	(100,103)	(81,937)	(116,169)	(436,386)	(48,244)	(80,653)	(201,163)	27,034	**(1,087,845)**
Depreciation and amortization	(28,911)	(53,806)	(41,350)	(73,248)	(225,095)	(13,265)	(18,799)	(20,176)	24,102	**(450,548)**
Total Expenses	**(188,979)**	**(401,346)**	**(310,000)**	**(468,044)**	**(1,500,865)**	**(100,726)**	**(231,881)**	**(355,210)**	**51,140**	**(3,505,911)**
Operating profit before net expense from impairment allowance, expected losses on assets, provisions for other risks and loan commitments	**213,230**	**237,642**	**159,639**	**592,090**	**809,695**	**706,475**	**350,745**	**1,175,842**	**(26,307)**	**4,219,051**
Net expense from impairment allowance, expected losses on assets, provisions for other risks and loan commitments	(47,839)	56,651	(88,240)	(124,980)	(141,654)	(75,611)	(35,847)	(99,065)	43,497	(513,088)
Profit before income tax	**165,391**	**294,293**	**71,399**	**467,110**	**668,041**	**630,864**	**314,898**	**1,076,777**	**17,190**	**3,705,963**

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 gain / (loss) from financial assets measured through other items of comprehensive income	-	-	-	-	-	(64,021)	-	(57,617)	-	**(121,638)**
Net gain / (loss) 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**
Net expense from impairment allowance, expected losses on assets, provisions for other risks and loan commitments	88,128	(140,346)	(38,259)	(66,272)	(243,102)	(25,394)	(96,833)	29,701	(2,778)	**(495,155)**
Profit before income tax	**199,922**	**107,783**	**201,465**	**568,190**	**850,871**	**746,424**	**172,201**	**(25,261)**	**(20,542)**	**2,801,053**

Notes to the consolidated and separate financial statements

7. Financial assets and liabilities

a) Accounting classifications and fair value

Group, as at 31 December 2023					**Retail**						**Non-Retail**			
					in RON		**in FCY**				**in RON**		**in FCY**	
In RON thousand	**Total carrying amount 2023**	**Total fair value 2023**	**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 (*)	470,573	470,573	-	-	-	-	-	-	470,573	470,573	447,387	447,387	23,186	23,186
Financial assets which are required to be measured at fair value through profit or loss, of which:	1,232,598	1,232,598	-	-	-	-	-	-	1,232,598	1,232,598	351,736	351,736	880,862	880,862
- Equity instruments	292,920	292,920	-	-	-	-	-	-	292,920	292,920	448	448	292,472	292,472
- Debt instruments	939,678	939,678	-	-	-	-	-	-	939,678	939,678	351,288	351,288	588,390	588,390
Financial assets carried at amortized cost	123,548,825	123,629,358	31,880,131	31,887,998	28,088,658	27,995,946	3,791,473	3,892,052	91,668,694	91,741,360	49,270,255	49,251,068	42,398,439	42,490,292
Financial assets measured at fair value through other items of comprehensive income	40,600,026	40,600,026	-	-	-	-	-	-	40,600,026	40,600,026	22,696,481	22,696,481	17,903,545	17,903,545
- Equity instruments	154,160	154,160	-	-	-	-	-	-	154,160	154,160	134,293	134,293	19,867	19,867
- Debt instruments	40,419,383	40,419,383	-	-	-	-	-	-	40,419,383	40,419,383	22,562,188	22,562,188	17,857,195	17,857,195
- Loans and advances	26,483	26,483	-	-	-	-	-	-	26,483	26,483	-	-	26,483	26,483
Total financial assets	**165,852,022**	**165,932,555**	**31,880,131**	**31,887,998**	**28,088,658**	**27,995,946**	**3,791,473**	**3,892,052**	**133,971,891**	**134,044,557**	**72,765,859**	**72,746,672**	**61,206,032**	**61,297,885**
Financial liabilities														
Financial liabilities held-for-trading	88,809	88,809	-	-	-	-	-	-	88,809	88,809	75,709	75,709	13,100	13,100
Financial liabilities measured at amortized cost	154,113,873	154,147,370	89,360,514	89,387,099	50,736,503	50,767,699	38,624,011	38,619,400	64,753,359	64,760,271	39,615,534	39,623,122	25,137,825	25,137,149
Total financial liabilities	**154,202,682**	**154,236,179**	**89,360,514**	**89,387,099**	**50,736,503**	**50,767,699**	**38,624,011**	**38,619,400**	**64,842,168**	**64,849,080**	**39,691,243**	**39,698,831**	**25,150,925**	**25,150,249**

(*) 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 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 (*)	539,813	539,813	-	-	-	-	-	-	539,813	539,813	523,637	523,637	16,176	16,176
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	781,656
- Equity instruments	242,037	242,037	-	-	-	-	-	-	242,037	242,037	325	325	241,712	241,712
- Debt instruments	864,004	864,004	-	-	-	-	-	-	864,004	864,004	324,060	324,060	539,944	539,944
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	31,698,836
Financial assets measured at fair value through other items of comprehensive income	43,485,732	43,485,732	-	-	-	-	-	-	43,485,732	43,485,732	24,568,169	24,568,169	18,917,563	18,917,563
- Equity instruments	151,693	151,693	-	-	-	-	-	-	151,693	151,693	133,117	133,117	18,576	18,576
- Debt instruments	43,307,183	43,307,183	-	-	-	-	-	-	43,307,183	43,307,183	24,435,052	24,435,052	18,872,131	18,872,131
- Loans and advances	26,856	26,856	-	-	-	-	-	-	26,856	26,856	-	-	26,856	26,856
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**	**51,414,231**
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	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	17,196,348
Total financial liabilities	**130,298,014**	**130,140,214**	**80,421,464**	**80,262,151**	**40,613,602**	**40,510,665**	**39,807,862**	**39,751,486**	**49,876,550**	**49,878,063**	**32,679,637**	**32,673,583**	**17,196,914**	**17,204,481**

(*) 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 2023					**Retail**						**Non-Retail**			
					in RON		**in FCY**				**in RON**		**in FCY**	
In RON thousand	**Total carrying amount 2023**	**Total fair value 2023**	**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 (*)	161,120	161,120	-	-	-	-	-	-	161,120	161,120	148,483	148,483	12,637	12,637
Financial assets which are required to be measured at fair value through profit or loss, of which:	1,670,155	1,670,155	-	-	-	-	-	-	1,670,155	1,670,155	680,048	680,048	990,107	990,107
- Equity instruments	292,472	292,472	-	-	-	-	-	-	292,472	292,472	-	-	292,472	292,472
- Debt instruments	1,377,683	1,377,683	-	-	-	-	-	-	1,377,683	1,377,683	680,047	680,047	697,636	697,636
Financial assets carried at amortized cost	116,265,775	116,217,750	29,866,385	29,885,181	26,923,665	26,871,331	2,942,720	3,013,850	86,399,390	86,332,569	49,396,310	49,299,452	37,003,080	37,033,117
Financial assets measured at fair value through other items of comprehensive income	40,264,202	40,264,202	-	-	-	-	-	-	40,264,202	40,264,202	22,410,510	22,410,510	17,853,692	17,853,692
- Equity instruments	19,400	19,400	-	-	-	-	-	-	19,400	19,400	15,192	15,192	4,208	4,208
- Debt instruments	40,218,319	40,218,319	-	-	-	-	-	-	40,218,319	40,218,319	22,395,318	22,395,318	17,823,001	17,823,001
- Loans and advances	26,483	26,483	-	-	-	-	-	-	26,483	26,483	-	-	26,483	26,483
Total financial assets	**158,361,252**	**158,313,227**	**29,866,385**	**29,885,181**	**26,923,665**	**26,871,331**	**2,942,720**	**3,013,850**	**128,494,867**	**128,428,046**	**72,635,351**	**72,538,493**	**55,859,516**	**55,889,553**
Financial liabilities														
Financial liabilities held-for-trading	88,809	88,809	-	-	-	-	-	-	88,809	88,809	75,709	75,709	13,100	13,100
Financial liabilities measured at amortized cost	149,030,008	149,062,697	86,624,120	86,649,163	50,471,662	50,502,858	36,152,458	36,146,305	62,405,888	62,413,534	39,675,871	39,683,434	22,730,017	22,730,100
Total financial liabilities	**149,118,817**	**149,151,506**	**86,624,120**	**86,649,163**	**50,471,662**	**50,502,858**	**36,152,458**	**36,146,305**	**62,494,697**	**62,502,343**	**39,751,580**	**39,759,143**	**22,743,117**	**22,743,200**

(*) 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 advances	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)*

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 S.A. 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)*

The list of evaluation techniques used may contain, but is not limited to, the following:

- prices/quotations extracted by Calypso from evaluation platforms such as Bloomberg, Refinitiv or quotes received upon request from third parties;
- models based on prices of instruments with similar characteristics;
- models based on interest/price curves considered representative;
- calculation of updated cash flows;
- generally accepted economic methodologies.

Their hierarchy will take into account the specifications of IFRS 13, the choice of the alternative technique to be substantiated and approved by the competent committees.

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 classified 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 criteria:

- 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.

The Group and the Bank use widely recognized valuation models for determining the fair value of dervivatives that use only observable market data and require little management judgment and estimation. Observable prices and model inputs are usually available in the market for simple over the counter derivatives.

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.

Significant unobservable inputs affecting the valuation of debt securities are represented by credit spreads - the premium above the benchmark reference instrument required to compensate for lower credit quality; higher spreads lead to a lower fair value.

Notes to the consolidated and separate financial statements

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 and investment properties 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 2023					
Financial assets held for trading and measured at fair value through profit or loss, of which:	*21.a)*	**222,001**	**113,206**	**10,549**	**345,756**
- Equity instruments		216,101	-	-	**216,101**
- Debt instruments		5,900	113,206	10,549	**129,655**
Derivatives	*43*	**-**	**124,817**	**-**	**124,817**
Financial assets measured at fair value through other items of comprehensive income	*24*	**39,928,649**	**276,255**	**395,122**	**40,600,026**
- Equity instruments		84,401	-	69,759	**154,160**
- Debt instruments		39,844,248	249,772	325,363	**40,419,383**
- Loans and advances		-	26,483	-	**26,483**
Financial assets which are required to be measured at fair value through profit or loss, of which:		**803,334**	**91,276**	**337,988**	**1,232,598**
- Equity instruments	*21.b)*	292,920	-	-	**292,920**
- Debt instruments		**510,414**	**91,276**	337,988	**939,678**
Total financial assets measured at fair value in the statement of financial position		**40,953,984**	**605,554**	**743,659**	**42,303,197**
Non-financial assets at fair value		**-**	**-**	**1,278,903**	**1,278,903**
- Property and equipment and investment property	*26*	-	-	1,278,903	**1,278,903**
Total assets measured at fair value in the statement of financial position		**40,953,984**	**605,554**	**2,022,562**	**43,582,100**
Financial liabilities held-for-trading	*43*	**-**	**88,809**	**-**	**88,809**
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:	*21.b)*	**830,870**	**98,617**	**176,554**	**1,106,041**
- Equity instruments		242,037	-	-	**242,037**
- Debt instruments		588,833	98,617	176,554	**864,004**
Total financial assets measured at fair value in the statement of financial position		**43,729,539**	**554,878**	**847,169**	**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**	**554,878**	**2,021,615**	**46,306,032**
Financial liabilities held-for-trading	*43*	**-**	**41,695**	**-**	**41,695**

Notes to the consolidated and separate financial statements

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 2023					
Financial assets held for trading and measured at fair value through profit or loss, of which:	21.a)	**36,303**			**36,303**
- Equity instruments		36,303	-	-	**36,303**
Derivatives	43	-	**124,817**	-	**124,817**
Financial assets measured at fair value through other items of comprehensive income	24	**39,633,547**	**272,548**	**358,107**	**40,264,202**
- Equity instruments		-	-	**19,400**	**19,400**
- Debt instruments		**39,633,547**	**246,065**	**338,707**	**40,218,319**
- Loans and advances		-	**26,483**	-	**26,483**
Financial assets which are required to be measured at fair value through profit or loss, of which:		**896,313**	**435,855**	**337,987**	**1,670,155**
- Equity instruments	21.b)	**292,472**	-	-	**292,472**
- Debt instruments		**603,841**	**435,855**	**337,987**	**1,377,683**
Total financial assets measured at fair value in the statement of financial position		**40,566,163**	**833,220**	**696,094**	**42,095,477**
Non-financial assets at fair value		-	-	**755,413**	**755,413**
- Property and equipment and investment property	26	-	-	755,413	**755,413**
Total assets measured at fair value in the statement of financial position		**40,566,163**	**833,220**	**1,451,507**	**42,850,890**
Financial liabilities held-for-trading	43	-	**88.809**	-	**88,809**
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 advances		-	26,856	-	**26,856**
Financial assets which are required to be measured at fair value through profit or loss, of which:	21.b)	**1,199,424**	**98,617**	**176,554**	**1,474,595**
- Equity instruments		**241,712**	-	-	**241,712**
- Debt instruments		957,712	98,617	176,554	**1,232,883**
Total financial assets measured at fair value in the statement of financial position		**43,675,147**	**457,186**	**715,552**	**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**	**457,186**	**1,446,589**	**45,578,922**
Financial liabilities held-for-trading	43	-	**41,695**	-	**41,695**

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 1 in the fair value hierarchy, the Group and the Bank included in the category of assets that are not held at fair value: financial assets at amortized cost - debt instruments, represented by bonds issued by central administrations and credit institutions.

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.

The fair value of customer deposits was determined as the difference between the interest rates related to the current portfolio at the end of the reporting period and the prevailing interest rates offered by the Group and the Bank, at the end of the financial period. For time deposits, a calculation of updated cash flows was performed using the margins related to new deposits, taking into account the characteristics of each deposit, product type, currency, interest rate type, customer segmentation.
The fair value of the customer checking and savings accounts was estimated to be equal to the book value, there being no evidence of product characteristics that would require a value different from that currently in the books.

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, lease liabilities and other financial liabilities.

The fair value of impaired loans and advances tu customers and impaired finance lease receivables was determined based on the cash flows estimated to be generated by the portfolio. These amounts have been updated using the interest rates that would currently be offered to customers for similar products (the offer available at the reporting date) taking into account the characteristics of each credit and leasing contract, namely product type, currency, interest rate type, customer segmentation.
For the impaired loan ande finance lease receivables portfolio, a similar discounted cash flow calculation resulted in a fair value calculation that can approximate the net book value.
For loans from banks and other financial institutions and subordinated liabilities, fair value is determined by using discounted cash flows based on interest rates offered for similar products and over comparable time horizons. Calculation of the fair value of the loans from banks and other financial institutions and subordinated liabilities, resulted in a fair value result that may be approximately the same as the net book value.
In the case of debt securities, level 3 includes all cases not found in the previous levels: no price, price provided by a single entity or derived, by interpolation or spread, from one of the level 2 prices.

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

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 2023:

In RON thousand	Notes	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	12,272,959	12,272,959	-	12,272,959	-	12,619,341	12,619,341	-	12,619,341	-
Loans and advances to customers	22	72,008,224	71,927,489	-	-	71,927,489	71,550,404	71,381,814	-	-	71,381,814
Finance lease receivables	23	3,562,683	3,586,003	-	-	3,586,003	-	-	-	-	-
Financial assets at amortized cost - debt instruments	24	9,472,245	9,610,193	6,276,512	1,431,293	1,902,388	7,980,071	8,100,636	6,182,963	-	1,917,673
Other financial assets	30	1,980,114	1,980,114	-	-	1,980,114	1,829,702	1,829,702	-	-	1,829,702
Total assets		**99,296,225**	**99,376,758**	**6,276,512**	**13,704,252**	**79,395,994**	**93,979,518**	**93,931,493**	**6,182,963**	**12,619,341**	**75,129,189**
Liabilities											
Deposits from banks	32	1,034,613	1,034,613	-	1,034,613	-	1,081,766	1,081,766	-	1,081,766	-
Deposits from customers	33	138,052,954	138,081,222	-	138,081,222	-	134,443,350	134,470,810	-	134,470,810	-
Loans from banks and other financial institutions	34	9,548,567	9,553,796	6,643,087	-	2,910,709	8,583,795	8,589,024	6,640,249	-	1,948,775
Subordinated liabilities	35	2,423,218	2,423,218	-	-	2,423,218	2,403,652	2,403,652	-	-	2,403,652
Lease liabilities		533,351	533,351	-	-	533,351	669,778	669,778	-	-	669,778
Other financial liabilities	37	2,521,170	2,521,170	-	-	2,521,170	1,847,667	1,847,667	-	-	1,847,667
Total liabilities		**154,113,873**	**154,147,370**	**6,643,087**	**139,115,835**	**8,388,448**	**149,030,008**	**149,062,697**	**6,640,249**	**135,552,576**	**6,869,872**

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 2022:

In RON thousand	Notes	Group					Bank				
				Fair value hierarchy					Fair value hierarchy		
		Carrying amount	Fair value	Level 1	Level 2	Level 3	Carrying amount	Fair value	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**

8. Net interest income

In RON thousand	Group 2023	Group 2022	Bank 2023	Bank 2022
Interest income calculated using the effective interest method	**8,432,799**	**5,769,630**	**7,676,359**	**5,136,663**
- Cash and curent accounts with Central Banks at amortised cost	363,519	104,661	287,225	25,812
- Placements with banks and public institutions at amortised cost	355,611	93,909	424,535	124,611
- Loans and advances to customers at amortised cost	5,763,453	4,256,771	5,231,564	3,788,019
- Debt instruments at fair value through other items of comprehensive income	1,614,924	1,188,703	1,607,502	1,181,086
- Debt instruments at amortised cost	335,292	125,586	125,533	17,135
Other similar income	**408,201**	**262,146**	**40,878**	**30,203**
- Finance lease receivables	367,323	231,943	-	-
- Non-recourse factoring receivables	40,878	30,203	40,878	30,203
Total interest income	**8,841,000**	**6,031,776**	**7,717,237**	**5,166,866**
Interest expense related to financial liabilities measured at amortized cost	**3,579,328**	**1,602,950**	**3,389,598**	**1,502,270**
- Cash and current accounts with Central Banks	177	204,007	-	203,201
- Deposits from banks	21,110	65,953	20,721	63,118
- Deposits from customers	2,999,269	1,117,578	2,868,855	1,052,129
- Loans from banks and other financial institutions	558,772	215,412	500,022	183,822
Other similar expense	**4,992**	**2,167**	**8,451**	**6,356**
- Lease liabilities	4,992	2,167	8,451	6,356
Total interest expense	**3,584,320**	**1,605,117**	**3,398,049**	**1,508,626**
Net interest income	**5,256,680**	**4,426,659**	**4,319,188**	**3,658,240**

Interest income for the year ended at 31 December 2023 includes the net interest income on impaired financial assets amounting RON 248,760 thousand (2022: RON 191,391 thousand) for the Group and RON 170,347 thousand (2022: RON 148,187 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

In RON thousand	Group 2023	Group 2022	Bank 2023	Bank 2022
Fee and commission income				
Commissions from treasury and inter-bank operations	294,049	249,002	294,059	248,411
Client transactions *(i)*	1,649,675	1,415,202	1,417,491	1,216,798
Lending activity *(ii)*	14,337	20,509	11,349	17,320
Finance lease management	12,465	13,466	-	-
Asset management *(iii)*	33,036	33,634	-	-
Other fee and commission income	6,151	5,147	1,438	561
Total fee and commission income from contracts with customers	**2,009,713**	**1,736,960**	**1,724,337**	**1,483,090**
Fee income from financial guarantee contracts (iv)	49,253	44,364	48,721	43,736
Total fee and commission income	**2,058,966**	**1,781,324**	**1,773,058**	**1,526,826**
Fee and commission expense				
Commissions from treasury and inter-bank operations	545,933	432,621	450,851	354,850
Client transactions	212,006	151,752	167,523	126,223
Lending activity *(ii)*	30,731	27,140	46,099	44,871
Other fees and commissions	2,649	1,979	2,596	2,425
Total fee and commission expense	***791,319***	**613,492**	***667,069***	**528,369**
Net fee and commission income	**1,267,647**	**1,167,832**	**1,105,989**	**998,457**

(i) Fees related to transactions with clients mainly include cards fees, payments/collections fees, custody fees and other fees related to transactions with clients
(ii) Lending-related fees include amendment fees, factoring fees, debt recovery fees
(iii) This category includes the management commissions of open and alternative investment funds
(iv) Although the fee income from financial guarantee contracts and loan commitments is recognised in accordance with the principle of IFRS15 the financial guarantee contracts is in the scope IFRS 9 and the fee income from it is not revenue from contracts with customers. The Group and the Bank presents the fee income from financial guaratees as part of total fee and commission income.

10. Net trading income

In RON thousand	Group 2023	Group 2022	Bank 2023	Bank 2022
Net income from foreign exchange transactions	685,399	572,712	601,225	491,093
Net (expense)/income from derivatives	(110,584)	96,210	(110,699)	96,884
Net (expense)/income from financial assets held-for-trading	45,026	(1,702)	13,503	1,610
Net income from foreign exchange position revaluation	37,175	18,850	35,714	7,552
Net trading income	**657,016**	**686,070**	**539,743**	**597,139**

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

In RON thousand	Group 2023	Group 2022	Bank 2023	Bank 2022
Income from the sale of financial assets measured at fair value through other items of comprehensive income	169,466	23,927	168,146	19,322
Losses from the sale of financial assets measured at fair value through other items of comprehensive income	(1,819)	(145,565)	(1,817)	(145,441)
Net gain/ loss(-) from the sale of financial assets measured at fair value through other items of comprehensive income	**167,647**	**(121,638)**	**166,329**	**(126,119)**

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

In RON thousand	Group 2023	Group 2022	Bank 2023	Bank 2022
Income from financial assets which are required to be measured at fair value through profit or loss	223,239	232,613	265,389	258,320
Losses from financial assets which are required to be measured at fair value through profit or loss	(79,773)	(249,865)	(87,142)	(272,162)
Net gain/ loss (-) from financial assets which are required to be measured at fair value through profit or loss	**143,466**	**(17,252)**	**178,247**	**(13,842)**

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 consolidated and separate statement of profit or loss, is the following:

	Group 2023	Group 2022	Bank 2023	Bank 2022
Contribution to the Bank Deposit Guarantee Fund	47,965	91,192	44,875	86,542
Contribution to the Bank Resolution Fund	45,682	62,492	42,011	56,971
Total	**93,647**	**153,684**	**86,886**	**143,513**

14. Other operating income

In RON thousand	Group 2023	Group 2022	Bank 2023	Bank 2022
Dividend income	9,190	9,064	5,912	198,719
Income from insurance intermediation	183,763	152,689	120,928	101,620
Income from VISA, MASTERCARD, WU services	24,588	14,888	21,732	11,948
Income from indemnities, fines and penalties	10,859	10,293	5,791	5,900
Income arising from derecognition of financial assets measured at amortised cost	-	7,844	-	-
Other operating income *(i)*	97,753	97,191	60,173	71,440
Total	**326,153**	**291,969**	**214,536**	**389,627**

(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 2023	Group 2022	Bank 2023	Bank 2022
Net impairment allowance on assets (i)	640,596	820,127	433,473	549,482
Loans written off	5,017	8,026	2	-
Finance lease receivables and other assets written off	786	22,839	-	-
Provisions for loan commitments, financial guaratees and other commintments given	11,832	(978)	1,615	(20,563)
Recoveries from loans written off	(226,371)	(218,624)	(161,938)	(208,838)
Recoveries from finance lease receivables written off	(11,144)	(78,228)	-	-
Impairment or reversal of impairment on financial assets not measured at fair value through profit or loss	**420,716**	**553,162**	**273,152**	**320,081**

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

In RON thousand	Group 2023	Group 2022	Bank 2023	Bank 2022
Loans and advances to customers	534,676	741,962	356,631	530,294
Treasury and inter-bank operations	298	(929)	77	5,504
Finance lease receivables	20,454	61,115	-	-
Investment securities	73,307	13,015	72,934	13,528
Other financial assets	11,861	4,964	3,831	156
Net impairment allowance on assets	**640,596**	**820,127**	**433,473**	**549,482**

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

In RON thousand	Group 2023	Group 2022	Bank 2023	Bank 2022
Other non-financial assets	(5,018)	(18,273)	9	(3,714)
Property and equipment and intangible assets	1	447	-	-
Litigation and other risks (*)	97,389	(40,181)	100,017	(38,346)
(Other) Provisions and reversal of provisions	**92,372**	**(58,007)**	**100,026**	**(42,060)**

(*) Release of provisions related to litigations and other risks from loan contracts that were taken over through the mergers with Volksbank Romania S.A. and Bancpost S.A., following the revision in 2022 of the future cash outflows probabilities to lower levels. In 2023, this category also includes potential risks related to ancillary fiscal obligations related to the SFIA litigation.

16. Personnel expenses

In RON thousand	Group 2023	Group 2022	Bank 2023	Bank 2022
Gross salaries	1,661,701	1,389,969	1,374,060	1,157,371
Social protection contribution	72,033	58,152	43,808	36,317
Share payments to employees	66,555	92,810	64,585	91,842
Pension contribution to Pillar III	16,314	16,674	14,806	15,551
Other staff expenses	111,063	86,970	98,196	78,040
Net expense with provisions for untaken holiday and other benefits	39,852	10,958	18,541	6,039
Total	**1,967,518**	**1,655,533**	**1,613,996**	**1,385,160**

The average number of new employees within the Group and the Bank during 2023 and 2022 was:

Category	**Monthly average number of persons employed during 2023**		**Monthly average number of persons employed during 2022**	
	Group	**Bank**	**Group**	**Bank**
Management positions	4.08	2.83	5.5	3.5
Operational positions	159.25	112.17	160	121.34
Total	**163.33**	**115**	**165.5**	**124.84**

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 2024 related to SOP 2023:
- Achievement of performance and prudential indicators during 2023;
- 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 (26 May 2023) and when exercising such right (starting from 27 May 2024).

Contractual vesting period for the shares granted for the year 2023 through SOP:
- Release after 28 May 2024;
- 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 2023, by a maximum of +/-15.00% regulated by the Bucharest Stock Exchange, would be of RON +/- 10,063 thousand.

Benefits granted to employees in the form of equity instruments, as part of equity are presented below for 2023 and 2022:

In RON thousand	**2023**	**2022**
Balance as at January 1	**63,862**	**72,262**
Rights granted during the year	(62,531)	(100,243)
Expense with employee benefits in the form of share-based payments	64,585	91,843
Closing balance at the end of period	**65,916**	**63,862**

16. Personnel expenses *(continued)*

In 2023 a number of 3,551,421 shares were granted to employees and members of the Board of Directors and during the year 2022 a number of 41,226,753 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 2023	3,353,712	With immediate release on May 31, 2023	Achievement of performance and prudential indicators during 2023. 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.
	197,709	Deferral by trust agreement for 3-5 years	

17. Other operating expenses

	Group		**Bank**	
In RON thousand	**2023**	**2022**	**2023**	**2022**
Rent and lease expenses	8,792	8,392	6,457	5,974
Repairs and maintenance expenses	319,729	266,556	281,717	234,071
Advertising, marketing, entertainment and sponsorship expenses	179,025	108,756	153,950	91,665
Mail, telecommunication and SMS traffic expenses	69,777	62,149	59,047	51,950
Materials and stationery expenses	97,663	89,758	86,924	82,364
Other professional fees, including legal expenses	40,656	39,293	26,322	19,585
Expenses regarding the sale of movable and immovable assets resulting from debt enforcement	-	15,916	-	-
Electricity and heating expenses	43,293	42,599	38,441	38,081
Business travel, transportation and temporary relocation expenses	62,252	52,930	59,150	49,985
Insurance expenses	34,007	27,178	29,772	23,755
Taxes	31,054	41,318	26,854	38,311
Write-off and loss on disposal of tangible assets	1,611	-	-	-
Write-off and loss on disposal of intangible assets	675	15,913	470	149
Security and protection expenses	30,548	20,345	29,024	18,558
Archiving services expenses	18,580	20,872	17,558	19,948
Expenses related to database queries from the Trade Register and the Credit Bureau	8,941	8,128	6,500	5,227
Expenses with foreclosed assets	9,513	5,962	8,461	5,304
Audit, advisory and other services provided by the independent auditor:	10,691	7,629	6,166	4,162
- statutory and group audit fees	8,535	*7,445*	4,167	*4,102*
- special audit services or other non-audit services as required by the local rules or legislation	*2,156*	*184*	*1,999*	*60*
Net loss on sale of shares in subsidiary (*)	-	-	-	178,800
Other operating expenses	121,038	101,525	80,415	57,337
Total other operating expenses	**1,087,845**	**935,219**	**917,228**	**925,226**

(*) 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 S.A. to BT Leasing IFN S.A. in the amount of thousands RON (185,595).

18. Income tax expense

In RON thousand	Group 2023	Group 2022	Bank 2023	Bank 2022
Gross Profit	**3,705,963**	**2,801,053**	**3,128,496**	**2,420,680**
Statutory tax rate	**(592,954)**	**(448,168)**	**(500,559)**	**(387,309)**
Fiscal effect of income tax on the following elements:	**(128,779)**	**135,532**	**(137,365)**	**144,628**
- *Non-taxable income*	53,690	132,640	104,251	157,604
- *Non-deductible expense*	(145,115)	(144,737)	(170,803)	(157,017)
- *Tax deductions*	178,750	153,993	169,631	148,750
- *Elements similar to income*	(37,424)	(6,457)	(2,757)	(4,709)
- *Elements similar to expenses*	59,006	93	-	-
- *Income tax related to fiscal uncertainties*	(237,686)	-	(237,687)	-
Income tax expense	**(721,733)**	**(312,636)**	**(637,924)**	**(242,681)**
- *Expenses with current tax*	(710,339)	(314,519)	(643,804)	(242,277)
- *Income / expenses with deferred tax*	(11,394)	1,883	5,880	(404)

19. Cash and curent accounts with Central Banks

In RON thousand	Group 2023	Group 2022	Bank 2023	Bank 2022
Minimum reserve requirement	19,984,835	10,137,298	18,289,681	8,572,013
Cash on hand and other values	4,267,765	4,403,419	3,996,576	4,073,144
Total	**24,252,600**	**14,540,717**	**22,286,257**	**12,645,157**

During 2023, the minimum reserve requirements ratio at the National Bank of Romania was 8% for RON denominated balances and 5% for EUR denominated balances (2022: 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 0.70% - 0.75% per year for the reserves in RON and 0.02%-0.10% per year for reserves denominated in EUR. (2022: 0.48%-0.69% per year for the reserves in RON and 0.01% 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.
During 2023, the minimum reserve requirements ratio for MDL fluctuated from 33% to 37%, and for foreign currency, from 43% to 45%. As at December 31, 2023 the minimum reserve requirements of the National Bank of Moldova was for freely convertible currency MDL 33% and for foreign currency 43% (2022: 34% for MDL and 45% for freely convertible currency).

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

In RON thousand	Group 2023	Group 2022	Bank 2023	Bank 2022
Cash and curent accounts with Central Banks(*)	24,244,467	14,861,467	22,280,893	12,644,490
Placements with banks with maturity below 3 months	11,304,732	3,327,241	10,460,417	2,659,429
Reverse-repo transactions	-	-	-	-
Loans and advances to credit institutions with maturity below 3 months	-	39,054	-	39,054
Financial assets measured at fair value through other items of comprehensive income with maturity below 3 months	-	-	-	-
Financial assets at amortized cost – debt instruments with maturity below 3 months	573,172	231,534	8,984	-
Cash and cash equivalents in the cash flow statement	**36,122,371**	**18,459,296**	**32,750,294**	**15,342,973**

(*) At Group level, the cash and curent accounts with Central Banks do not include the accrual and interest receivable in the amount of RON 8,133 thousand (2022: RON 10,546 thousand) and at the level of the Bank in the amount of RON 5,364 thousand (2022: RON 667 thousand).

20. Placements with banks and public institutions

In RON thousand	Group 2023	Group 2022	Bank 2023	Bank 2022
Current accounts with other banks	1,100,282	1,034,034	678,579	519,775
Sight, collateral and term deposits with other banks and public institutions	10,663,188	3,001,471	11,431,273	4,583,256
Reverse repo transactions	-	989,564	-	989,564
Loans and advances to credit institutions	509,489	542,263	509,489	542,263
Total	**12,272,959**	**5,567,332**	**12,619,341**	**6,634,858**

As at 31 December 2023, 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 consolidated and separate statement of cash flows, as follows: reverse-repo in amount of RON 0 thousand, deposits in amount of RON 9,562,115 thousand and loans and advances to credit institutions of RON 0 thousand at Group level, and reverse-repo in amount of RON 0 thousand, deposits in amount of RON 9,367,492 thousand and loans and advances to credit institutions in amount of RON 0 thousand at Bank level (2022: 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).

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 2023 and 31 December 2022, according to the rating agencies is detailed below:

Group	**2023**		**2022**	
In RON thousand	**Placements with banks**	**Reverse repo transactions**	**Placements with banks**	**Reverse repo transactions**
Investment grade	12,266,959	-	4,270,986	989,564
Non-investment grade	6,000	-	306,782	-
Total	**12,272,959**	**-**	**4,577,768**	**989,564**

Bank	**2023**		**2022**	
In RON thousand	**Placements with banks**	**Reverse repo transactions**	**Placements with banks**	**Reverse repo transactions**
Investment grade	11,322,137	-	3,506,498	989,564
Non-investment grade	1,297,204	-	2,138,796	-
Total	**12,619,341**	**-**	**5,645,294**	**989,564**

The qualitative analysis regarding the placements with banks was based on the credit ratings issued by rating agencies. As concerns the Group's/Bank's placements with credit institutions that are not rated by rating agencies sovereign rating was used.

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

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	
	2023	**2022**	**2023**	**2022**
Equity instruments	216,101	212,829	36,303	30,693
Debt instruments	129,655	108,541	-	-
Total	**345,756**	**321,370**	**36,303**	**30,693**

As at 31 December 2023, the Group held shares listed on the Bucharest Stock Exchange and on the main Stocks from Europe.
As at 31 December 2023, the Group owned significant investments amounting to RON 179,052 thousand in the following entities: Evergent Investments S.A. and Transilvania Investments Alliance S.A. (2022: RON 181,222 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 2023 and 31 December 2022 is presented below:

	Group		Bank	
In RON thousand	**2023**	**2022**	**2023**	**2022**
Investment-grade	16,659	18,963	16,315	18,720
Non-investment grade	550	394	550	394
No rating(*)	328,547	302,013	19,438	11,579
Total	**345,756**	**321,370**	**36,303**	**30,693**

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

The analysis is based on ratings available at rating agencies.

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

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	**2023**	**2022**	**2023**	**2022**
Equity instruments (*)	292,920	242,037	292,472	241,712
Debt instruments	939,678	864,004	1,377,683	1,232,883
Total	**1,232,598**	**1,106,041**	**1,670,155**	**1,474,595**

(*) The Group and the Bank have included in this category the VISA and Mastercard shares, both the ordinary ones from category A / B, as well as the preferential ones from category C.

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 2023 and as at 31 December 2022.

	Group		**Bank**	
În mii lei	**2023**	**2022**	**2023**	**2022**
Investment-grade	337,987	275,171	337,987	275,171
Non-investment grade	-	-	-	-
No rating(*)	601,691	588,833	1,039,696	957,712
Total	**939,678**	**864,004**	**1,377,683**	**1,232,883**

(*) 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, A-,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 2023 and 31 December 2022, is the following:

	Group		**Bank**	
In RON thousand	**2023**	**2022**	**2023**	**2022**
Retail	33,535,169	30,948,280	31,433,875	28,920,184
Trading	8,253,371	8,089,725	7,553,098	7,497,861
Manufacturing	5,247,804	4,440,374	4,916,366	4,166,932
Agriculture	3,304,137	3,130,204	3,188,576	3,034,711
Services	3,545,309	2,881,235	3,260,427	2,616,009
Real Estate	2,905,592	2,412,739	2,960,077	2,460,459
Constructions	2,354,987	1,711,912	2,123,074	1,489,575
Transportation	2,585,858	2,370,619	2,117,656	1,919,864
Self-employed	1,103,274	998,317	887,732	823,227
Others	1,262,629	1,069,132	1,097,760	921,198
Financial Institutions	768,736	663,221	4,608,630	2,832,928
Telecommunications	321,982	246,275	293,838	215,330
Energy Industry	1,941,327	1,660,047	1,919,409	1,648,987
Mining Industry	82,452	63,088	76,976	55,739
Chemical Industry	150,639	71,672	145,467	68,238
Government Institutions	9,330,576	8,806,034	9,317,465	8,783,219
Fishing	21,916	20,675	20,786	19,634
Total loans and advances to customers before impairment allowance (*)	**76,715,758**	**69,583,549**	**75,921,212**	**67,474,095**
Allowances for impairment losses on loans	(4,707,534)	(4,382,629)	(4,370,808)	(4,024,141)
Total loans and advances to customers, net of impairment allowance	**72,008,224**	**65,200,920**	**71,550,404**	**63,449,954**

(*) 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 2023 and 31 December 2022 is the following:

	Group		Bank	
In RON thousand	**2023**	**2022**	**2023**	**2022**
Corporate	31,891,157	28,526,290	35,424,045	30,397,258
Small and medium enterprises	10,254,549	9,294,327	9,063,280	8,156,625
Consumer loans and card loans granted to retail customers	13,392,850	12,649,654	12,674,358	11,836,977
Mortgage loans	19,053,459	17,384,457	18,701,951	17,018,290
Loans granted by non-banking financial institutions	2,060,596	1,654,683	-	-
Other	63,147	74,138	57,578	64,945
Total loans and advances to customers before impairment allowance	**76,715,758**	**69,583,549**	**75,921,212**	**67,474,095**
Allowances for impairment losses on loans	(4,707,534)	*(4,382,629)*	(4,370,808)	*(4,024,141)*
Total loans and advances to customers net of impairment allowance	**72,008,224**	**65,200,920**	**71,550,404**	**63,449,954**

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 2023 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 assets impaired on initial recognition (POCI)	Total
Opening balance as at January 1, 2023	**(1,138,960)**	**(1,680,377)**	**(1,488,706)**	**(74,586)**	**(4,382,629)**
Increase due to issue or acquisition	(999,169)	(691,358)	(75,624)	**-**	**(1,766,151)**
Decrease due to derecognition	486,874	602,842	167,508	**27,718**	**1,284,942**
Increase or decrease due to the change in credit risk (net) and transfers	127,706	(160,289)	(488,168)	**(1,822)**	**(522,573)**
Increase or decrease due to changes without derecognition (net)	195,958	167,108	164,835	**(72,982)**	**454,919**
Increase or decrease due to the update of the institution's estimation methodology (net)	7	9	(10,245)	**(17,790)**	**(28,019)**
Decrease of impairment allowances due to write-offs	465	33,712	127,446	**99,046**	**260,669**
Other adjustments	(1,059)	(2,294)	(4,854)	**(485)**	**(8,692)**
Closing balance as at 31 December 2023	**(1,328,178)**	**(1,730,647)**	**(1,607,808)**	**(40,901)**	**(4,707,534)**

During the year 2023, the Group contractual amount outstanding in loans and advances to customers that were written off and are still subject to enforcement activity was in the amount thousand RON 192,877. The total outstanding amount as at December 31, 2023 was RON 3,306,671.

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 2023 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 assets impaired on initial recognition (POCI)	Total
Opening balance as at January 1, 2023	**(1,081,557)**	**(1,636,145)**	**(1,253,317)**	**(53,122)**	**(4,024,141)**
Increase due to issue or acquisition	(1,035,511)	(684,142)	(73,265)	-	**(1,792,918)**
Decrease due to derecognition	508,648	601,034	133,559	**12,425**	**1,255,666**
Increase or decrease due to the change in credit risk (net) and transfers	102,260	(158,053)	(408,212)	**(1,810)**	**(465,815)**
Increase or decrease due to changes without derecognition (net)	205,876	169,133	125,673	**(10,166)**	**490,516**
Decrease of impairment allowances due to write-offs	465	33,712	123,143	**17,535**	**174,855**
Other adjustments	(1,420)	(3,094)	(3,974)	**(483)**	**(8,971)**
Closing balance as at 31 December 2023	**(1,301,239)**	**(1,677,555)**	**(1,356,393)**	**(35,621)**	**(4,370,808)**

During the year 2023, the Bank contractual amount outstanding in loans and advances to customers that were written off and are still subject to enforcement activity was in the amount thousand RON 104,240. The total outstanding amount as at December 31, 2023 was RON 2,687,249.

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 assets impaired on initial recognition (POCI)	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	104,374	(16,637)	**213,601**
Decrease of impairment allowances due to write-offs	627	13,643	287.085	19,784	**321.139**
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)**

During the year 2022, the Group contractual amount outstanding in loans and advances to customers that were written off and are still subject to enforcement activity was in the amount thousand RON 268,163. The total outstanding amount as at December 31, 2023 was thousand RON 3,352,596.

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 assets impaired on initial recognition (POCI)	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)**

During the year 2022, the Bank contractual amount outstanding in loans and advances to customers that were written off and are still subject to enforcement activity was in the amount thousand RO 213,499. The total outstanding amount as at December 31, 2023 was RON 2,722,805.

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 MDL 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 contractual maturity is presented below:

In RON thousand	**2023**	**2022**
Finance lease receivables with maturity below 1 year, gross	1,426,123	1,164,053
Finance lease receivables with maturity between 1-2 years, gross	1,112,761	866,981
Finance lease receivables with maturity between 2-3 years, gross	845,466	624,628
Finance lease receivables with maturity between 3-4 years, gross	535,641	381,566
Finance lease receivables with maturity between 4-5 years, gross	259,946	167,723
Finance lease receivables with maturity above 5 years, gross	18,911	11,061
Total finance lease receivables, gross	**4,198,848**	**3,216,012**
Future interest related to finance lease receivables	(494.074)	(270,050)
Total finance lease receivables, net of future interest	3,704,774	2,945,962
Impairment allowances for finance lease receivables	(142,091)	(133,365)
Total finance lease receivables	**3,562,683**	**2,812,597**

The lease contracts are originated and managed by BT Leasing Transilvania IFN S.A., BT Leasing Moldova S.R.L. and Idea 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 2023 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 assets impaired on initial recognition (POCI))	Total
Opening balance as at January 1, 2023	**(22,684)**	**(18,824)**	**(76,142)**	**(15,715)**	**(133,365)**
Increase due to issue or acquisition	(9,992)	(8,468)	(4,900)	**-**	**(23,360)**
Decrease due to derecognition	2,837	2,988	7,609	**3**	**13,437**
Increase or decrease due to the change in credit risk (net) and transfers	(7,012)	(11,819)	16,617	**3,709**	**1,495**
Increase or decrease due to changes without derecognition (net)	378	(1,035)	(330)	**17**	**(970)**
Increase or decrease due to the update of the institution's estimation methodology (net)	5	38	(194)	**-**	**(151)**
Decrease in the impairment allowance account due to off-balance sheet removals	-	-	823	**-**	**823**
Other adjustments	359	9,215	(9,589)	**15**	**-**
Closing balance as at 31 December 2023	**(36,109)**	**(27,905)**	**(66,106)**	**(11,971)**	**(142,091)**

During the year 2023, the Group contractual amount outstanding in finance lease receivable that were written off and are still subject to enforcement activity was in the amount thousand RON 823. The total outstanding amount as at December 31, 2023 was RON 16,348.

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 assets impaired on initial recognition (POCI)	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	(20,710)	(11,301)	**(22,267)**
Increase or decrease due to changes without derecognition (net)	(5,054)	(10,084)	(1,575)	14,073	**(2,640)**
Variations due to the update of the institution's estimation methodology(net)	-	-	-	-	**-**
Decrease in the impairment allowance account due to off- balance sheet removals	-	-	192	-	**192**
Other adjustments	64	178	(197)	-	**45**
Closing balance as at 31 December 2022	**(22,684)**	**(18,824)**	**(76,142)**	**(15,715)**	**(133,365)**

During the year 2022, the Group contractual amount outstanding in finance lease receivable that were written off and are still subject to enforcement activity was in the amount thousand RON 192. The total outstanding amount as at December 31, 2023 was thousand RON 12,831.

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		Bank	
	2023	**2022**	**2023**	**2022**
Debt instruments, of which:	**40,419,383**	**43,307,183**	**40,218,319**	**43,079,635**
- Central administrations	37,959,831	40,668,232	37,745,421	40,427,422
- Credit institutions	2,068,827	2,183,444	2,068,827	2,183,444
- Other financial companies	310,847	385,997	324,193	399,259
- Non-financial institutions	79,878	69,510	79,878	69,510
Equity instruments, of which:	**154,160**	**151,693**	**19,400**	**17,663**
- Other financial companies	121,512	147,302	15,192	13,740
- Non-financial institutions	32,648	4,391	4,208	3,923
Loans and advances, of which:	**26,483**	**26,856**	**26,483**	**26,856**
- Central administrations	26,483	26,856	26,483	26,856
Total	**40,600,026**	**43,485,732**	**40,264,202**	**43,124,154**

As at 31 December 2023, the Group and the Bank hold equity instruments valued at fair value through other items of comprehensive income under the form of participations mainly in Transfond, Biroul de Credit, Swift Belgium, CCP RO București S.A., Depozitarul Central S.A., Evergent Investments S.A., Platforma Roca S.A. and Morphosis Capital Fund I Cooperatief U.A..

The investment in such equity instruments as at 31 December 2023 at Group level amounted to RON 154,160 thousand (2022: RON 151,693 thousand) and at Bank level RON 19,400 thousand (2022: RON 17,663 thousand). During 2023, the dividends received by the Group for these equity instruments investment were in the amount of RON 14,981 thousands (2022: RON 5,489 thousand), and at the level of the Bank in the amount of RON 5,495 thousand (2022: RON 4,437 thousand).

The bank also includes in this category bonds, that are held for the purpose of collecting future cashflows or sale, in order to obtain certain returns or manage liquidity.

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 2023, 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	**37,959,831**	**2,068,827**	**310,847**	**79,878**	**40,419,383**	**37,745,421**	**2,068,827**	**324,193**	**79,878**	**40,218,319**
A	-	554,724	266,248	-	**820,972**	-	554,724	266,248	-	**820,972**
A-	32,639	739,444	-	-	**772,083**	32,639	739,444	-	-	**772,083**
A+	-	123,314	-	-	**123,314**	-	123,314	-	-	**123,314**
AAA	561,936	117,305	-	-	**679,241**	561,936	117,305	-	-	**679,241**
B	-	-	-	17,430	**17,430**	-	-	-	17,430	**17,430**
B-	3,707	-	-	-	**3,707**	-	-	-	-	**-**
BB	-	10,628	-	-	**10,628**	-	10,628	-	-	**10,628**
BB-	-	-	-	-	-	-	-	-	-	**-**
BB+	132	-	44,599	-	**44,731**	132	-	57,945	-	**58,077**
BBB	-	220,311	-	62,448	**282,759**	-	220,311	-	62,448	**282,759**
BBB-	37,361,417	129,779	-	-	**37,491,196**	37,150,714	129,779	-	-	**37,280,493**
BBB+	-	100,947	-	-	**100,947**	-	100,947	-	-	**100,947**
DD	-	72,375	-	-	**72,375**	-	72,375	-	-	**72,375**
Loans and advances, of which	**26,483**	**-**	**-**	**-**	**26,483**	**26,483**	**-**	**-**	**-**	**26,483**
BB-	26,483	-	-	-	**26,483**	26,483	-	-	-	**26,483**

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 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**

As at 31 December 2023, the Group and the Bank hold past due or impaired debt instruments classified as „Financial assets measured at fair value through other items of comprehensive income" in amount of RON 72,375 thousand (31 December 2022: RON 0 thousand).

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

	Group		Bank	
In RON thousand	**2023**	**2022**	**2023**	**2022**
As at January 1	**43,485,732**	**41,193,373**	**43,124,154**	**40,853,784**
Acquisitions	17,936,513	12,131,322	17,817,334	11,932,842
Sales and repurchases (*)	(23,271,444)	(6,716,802)	(23,121,982)	(6,712,862)
Coupon and amortization in profit or loss during the year (Note 8)	1,614,924	1,188,703	1,607,502	1,181,086
Coupon collected, at term, during the year	(1,748,651)	(1,189,997)	(1,741,572)	(1,009,855)
Gain/(Loss) from the measurement at fair value	2,596,009	(3,267,979)	2,593,659	(3,267,875)
Exchange rate differences	(13,057)	147,112	(14,893)	147,034
As at 31 December	**40,600,026**	**43,485,732**	**40,264,202**	**43,124,154**

(*) Represents the amounts collected from the sale and maturity of financial assets at fair value through other comprehensive income

24. Investment securities *(continued)*

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

As at 31 December 2023, out of the treasury securities held by the Bank, the amount of RON 165,000 thousand (2022: 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 2024 and 2053.

As at 31 December 2023, 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 368,480 thousand (2022: RON 1,833,170 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:

	2023		2022	
	Minimum	**Maximum**	**Minimum**	**Maximum**
EUR	0.00%	7.50%	0.00%	6.625%
RON	0.00%	9.08%	0.00%	9.43%
USD	0.88%	7.63%	0.875%	6.125%
MDL	0.00%	16.00%	0.00%	24.39%
PLN	1.00%	1.00%	1.00%	1.00%

b) Financial assets at amortized cost - debt instruments

In 2023, the Group holds and classifies as financial assets measures at amortized cost - debt instruments, bonds in amount of RON 9,472,245 thousand (2022: RON 2,059,712 thousand) and the Bank acquired bonds in amount of RON 7,980,071 thousand (2022: RON 975,159 thousand).

In RON thousand	Group		Bank	
	2023	**2022**	**2023**	**2022**
Debt instruments, of which				
- Central banks	564,188	229,294	-	-
- Central administrations	6,819,530	1,387,383	5,876,660	517,327
- Credit institutions	788,581	336,481	803,465	351,278
- Other financial companies	1,255,462	62,194	1,255,463	62,194
- Non-financial institutions	44,484	44,360	44,483	44,360
Total	**9,472,245**	**2,059,712**	**7,980,071**	**975,159**

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 2023 and 31 December 2022, depending on the issuer's rating:

31 December 2023	Group					
In RON thousand	**Central banks**	**Central administrations**	**Credit institutions**	**Other financial corporations**	**Non-financial corporations**	**Total**
Debt instruments, of which	**564,188**	**6,819,530**	**788,581**	**1,255,462**	**44,484**	**9,472,245**
A	-	-	383,840	-	-	**383,840**
B	-	-	-	-	44,484	**44,484**
B-	564,188	849,829	-	-	-	**1,414,017**
BB	-	-	151,625	-	-	**151,625**
BB+	-	-	-	-	-	**-**
BBB	-	-	253,116	1,245,343	-	**1,498,459**
BBB-	-	5,969,701	-	-	-	**5,969,701**
BBB+	-	-	-	10,119	-	**10,119**

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**

Qualitative analysis of the financial assets measures at amortized cost - debt instruments held by the Bank as at 31 December 2023 and 31 December 2022, depending on the issuer's rating:

31 December 2023	Bank				
In RON thousand	**Central administrations**	**Credit institutions**	**Other financial corporations**	**Non-financial corporations**	**Total**
Debt instruments, of which	**5,876,660**	**803,465**	**1,255,463**	**44,483**	**7,980,071**
A	-	383,840	-	-	**383,840**
B	-	-	-	44,483	**44,483**
B-	-	-	-	-	**-**
BB	-	151,625	-	-	**151,625**
BB+	-	14,883	-	-	**14,883**
BBB	-	253,117	1,245,344	-	**1,498,461**
BBB-	5,876,660	-	-	-	**5,876,660**
BBB+	-	-	10,119	-	**10,119**

24. Investment securities *(continued)*

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

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**

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	**2023**	**2022**	**2023**	**2022**
As at January 1	2,059,712	1,483,111	975,159	355,331
Acquisitions	34,002,713	4,600,514	7,321,026	698,196
Sales and repurchases	(26,858,671)	(4,116,857)	(319,102)	(88,317)
Coupon and amortization in P&L during the year (Note 8)	335,292	125,586	125,533	17,135
Coupon collected, at term, during the year	(137,761)	(17,087)	(126,349)	(8,627)
Recognition of expected credit losses (ECL) in accordance with IFRS 9	(13,847)	33	(13,363)	(761)
Exchange rate differences	84,807	(15,588)	17,167	2,202
As at 31 December	**9,472,245**	**2,059,712**	**7,980,071**	**975,159**

Notes to the consolidated and separate financial statements

25. Investment in subsidiaries

As at 31 December 2023 the Bank had direct stakes in subsidiaries in amount of RON 873,300 thousand (2022: RON 708,412 thousand) and the impairment allowance amounted to RON 51,317 thousand (2022: RON 51,317 thousand).

On 31 December 2023 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 2023
BT Leasing Transilvania IFN S.A.	Cluj-Napoca, 74-76 C-tin Brâncuşi Street, first floor	100%	59,573	12,380	148,941
BT Capital Partners S.A.	Cluj-Napoca, 74-76 C-tin Brâncuşi Street, ground floor	99.59%	19,478	2,349	15,937
BT Direct IFN S.A.	Cluj-Napoca, 74-76 C-tin Brâncuşi Street, 3rd floor	100%	79,806	19,113	43,819
BT Building S.R.L.	Cluj-Napoca, 30-36 Calea Dorobanţilor Street	100%	40,448	1,272	2,188
BT Investments S.R.L.	Cluj-Napoca, 36 Eroilor Boulevard	100%	50,940	2,932	7,130
BT Asset Management SAI S.A.	Cluj-Napoca, 22 Emil Racoviţă Street, first floor	100%	7,166	84,352	24,903
BT Solution Agent de Asigurare S.R.L.	Cluj-Napoca, 74-76 C-tin Brâncuşi Street, first floor	100%	20	4	8,730
BT Safe Agent de Asigurare S.R.L.	Cluj-Napoca, 74-76 C-tin Brâncuşi Street, first floor	100%	77	15	797
BT Intermedieri Agent de Asigurare S.R.L.	Cluj-Napoca, 74-76 C-tin Brâncuşi Street, first floor	100%	507	101	11,726
BT Leasing Moldova S.R.L.	Republic of Moldova, Chişinău, 60 A,Puşkin Street	100%	5,336	494	6,499
BT Asiom Agent de Asigurare S.R.L.	Cluj-Napoca, 74-76 C-tin Brâncuşi Street, first floor	100%	20	4	9,497
BT Microfinanţare IFN S.A.	Bucureşti, 43 Bucureşti-Ploieşti Boulevard	100%	46,760	12,638	60,287
Improvement Credit Collection S.R.L.	Cluj-Napoca, 1 George Bariţiu Street	100%	901	1,740	9,280
B.C. VICTORIABANK S.A.	Republic of Moldova, Chişinău, 141 31 August 1989 Street	44.63%	57,375	5,738	169,348
BT Pensii S.A.	Bucureşti, 75-77 Buzeşti Street, 10th floor, 2nd office	100%	13,731	83	(1,149)
Salt Bank S.A.	Bucureşti, Sector 2, 5-7 Dimitrie Pompei Boulevard, 6th floor	100%	459,150	17,394	(24,334)
Idea Leasing IFN S.A.	Bucureşti, sector 1, 19-21 Bucureşti-Ploiesşti Boulevard, Băneasa Business Center, 2nd floor	100%	9,503	1,878	48,034
Idea Broker de Asigurare S.R.L.	Bucureşti, sector 1, 19-21 Bucureşti-Ploiesşti Boulevard, Băneasa Business Center, 2nd floor	100%	150	30	8,377
Code Crafters by BT	Cluj-Napoca, General Traian Moşoiu Street, 35	100%	10	4	2,782
BTP ONE S.R.L.	Cluj-Napoca, 30-36 Calea Dorobanţilor Street	100%	29,000	46	4,294
BTP Retail S.R.L.	Cluj-Napoca, 30-36 Calea Dorobanţilor Street	100%	100	-	(5)
VB Investment Holding B.V.	Netherlands, Amsterdam, 423 Westerdoksdijk	61.82%	839	(1,988)	(256)
Total			**880,890**	**160,579**	**556,825**

Notes to the consolidated and separate financial statements

25. Investment in subsidiaries *(continued)*

On 31 December 2022 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 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.	Bucureşti, 75-77 Buzeşti Street, 10th floor, 2nd office	100%	8,731	83	(365)
Idea Bank S.A.	Bucureşti, Sector 2, 5-7 Dimitrie Pompei Boulevard, 6th floor	100%	294,150	6,829	(14,105)
Idea Leasing IFN S.A.	Bucureşti, sector 1, 19-21 Bucureşti-Ploiesşti Boulevard, Băneasa Business Center, 2nd floor	100%	9,503	1,877	23,273
Idea Broker de Asigurare S.R.L.	Bucureşti, sector 1, 19-21 Bucureşti-Ploiesşti Boulevard, Băneasa Business Center, 2nd floor	100%	150	30	7,540
Code Crafters by BT	Cluj-Napoca, General Traian Moşoiu 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	61.82%	893	1,793	(252)
Total			**697,004**	**134,838**	**423,642**

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 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**
Balance as at January 1, 2023	**19,807**	**826,214**	**876,304**	**95,663**	**51,003**	**1,868,991**
Acquisitions of tangible assets and investment property	66,838	956	5,897	3,637	189,676	267,004
Tangible assets related to acquisition	-	-	-	-	-	-
Reclassification from investments in progress	-	28,390	109,203	10,159	(147,752)	-
Revaluation (impact on reserve)	-	5,636	3,990	3,026	-	12,652
Revaluation (impact on profit or loss statement)	135	(1,478)	-	-	-	(1,343)
Disposals	-	(2,208)	(31,546)	(10,627)	(4,072)	(48,453)
Balance at 31 December 2023	**86,780**	**857,510**	**963,848**	**101,858**	**88,855**	**2,098,851**

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 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**
Balance as at 1 January, 2023	**-**	**210,401**	**438,034**	**46,110**	**-**	**694,545**
Charge for the year	-	44,818	109,881	15,185		169,884
Depreciation related to acquisitions	-	-	-	-	-	-
Accumulated depreciation of disposals	-	(4,989)	(28,929)	(10,486)	-	(44,404)
Amortization related to revaluation (impact on reserve)	-	188	-	12	-	200
Amortization related to revaluation (impact on profit or loss statement)	-	(277)	-	-	-	(277)
Balance at 31 December 2023	**-**	**250,141**	**518,986**	**50,821**	**-**	**819,948**
Net carrying amount						
As at 1 January 2023	**19,807**	**615,813**	**438,270**	**49,553**	**51,003**	**1,174,446**
As at 31 December 2023	**86,780**	**607,369**	**444,862**	**51,037**	**88,855**	**1,278,903**

Notes to the 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 2022	**932**	**438,002**	**618,670**	**44,016**	**46,916**	**1,148,536**
Acquisitions of tangible assets and investment property	-	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 on profit or loss statement)	520	243	-	-	-	763
Disposals	-	(17,990)	(23,252)	(2,988)	(7,867)	(52,097)
Balance at 31 December, 2022	**1,452**	**466,316**	**731,796**	**68,119**	**43,480**	**1,311,163**
Balance as at 1 January, 2023	**1,452**	**466,316**	**731,796**	**68,119**	**43,480**	**1,311,163**
Acquisitions of tangible assets and investment property	-	-	171	-	156,159	156,330
Reclassification from investments in progress	-	22,034	87,772	9,023	(118,829)	-
Revaluation (impact on reserve)	-	7,615	1,828	2,523	-	11,966
Revaluation (impact on profit or loss statement)	135	(1,478)	-	-	-	(1,343)
Disposals	-	(6,428)	(16,722)	(6,354)	(1,452)	(30,956)
Balance at 31 December 2023	**1,587**	**488,059**	**804,845**	**73,311**	**79,358**	**1,447,160**

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 2022	**-**	**153,833**	**319,628**	**22,494**	**-**	**495,955**
Charge for 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
Balance at 31 December 2022	**-**	**176,662**	**373,694**	**29,770**	**-**	**580,126**
Balance as at 1 January, 2023	**-**	**176,662**	**373,694**	**29,770**	**-**	**580,126**
Charge for the year	-	36,888	88,718	11,945	-	137,551
Accumulated depreciation of disposals	-	(6,004)	(16,127)	(6,115)	-	(28,246)
Amortization related to revaluation (impact on reserve)	-	2,581	-	12	-	2,593
Amortization related to revaluation (impact on profit or loss statement)	-	(277)	-	-	-	(277)
Balance at 31 December 2023	**-**	**209,850**	**446,285**	**35,612**	**-**	**691,747**
Net carrying amount						
As at 1 January 2023	**1,452**	**289,654**	**358,102**	**38,349**	**43,480**	**731,037**
As at 31 December 2023	**1,587**	**278,209**	**358,560**	**37,699**	**79,358**	**755,413**

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

As at 31 December 2023, the Group and the Bank did not have any pledged tangible or intangible assets. Property and equipment as at 31 December 2023 were revaluated by an independent evaluator. If the fixed assets of the Group had been booked under the cost model, the recognized carrying amount would have been: land and buildings: RON thousand 543,710 (2022: RON 563,960 thousand), investment property RON 85,338 thousand (2022: RON 18,500 thousand), computers and equipment RON 433,778 thousand (2022: RON 425,507 thousand), vehicles RON 43,654 thousand (2022: RON 43,270 thousand), fixed assets in progress RON 88,855 thousand (2022: RON 51,003 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 255,210 thousand (2022: RON thousand 270,522), investment property RON 145 thousand (2022: RON 145 thousand), computers and equipment RON 355,745 thousand (2022: RON 350,197 thousand), vehicles RON 34,472 thousand (2022: RON 33,843 thousand), fixed assets in progress RON 79,358 thousand (2022: RON 43,480 thousand).

27. Intangible assets (including goodwill)

In RON thousand	**Group**		**Bank**
Gross carrying amount	**Goodwill**	**Software**	**Software**
Balance as at 1 January 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 as at 31 December 2022	**154,363**	**1,063,052**	**911,020**
Balance as at January 1, 2023	**154,363**	**1,063,052**	**911,020**
Entry by acquisition	-	-	-
Acquisitions	-	346,791	255,299
Disposals	-	(63,507)	(44,719)
Balance as at 31 December 2023	**154,363**	**1,346,336**	**1,121,600**
Accumulated amortization			
Balance as at 1 January 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 as at 31 December 2022	-	**556,814**	**481,060**
Balance as at January 1, 2023	**-**	**556,814**	**481,060**
Balance of depreciation related to acquisitions and mergers	-	-	-
Charge for the year	-	138,548	121,128
Disposals	-	(42,697)	(42,597)
Balance as at 31 December 2023	**-**	**652,665**	**559,591**
Net carrying amount			
As at 1 January 2023	**154,363**	**506,238**	**429,960**
As at 31 December 2023	**154,363**	**693,671**	**562,009**

27. Intangible assets (including goodwill) *(continued)*

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 2023, the goodwill carrying value at Group level was in amount of thousand RON 154,363 (2022: thousand RON 154,363). As at 31 December 2023 the goodwill allocated by the Group to BT Leasing Transilvania IFN S.A. was of RON 140.019 thousand. The goodwill allocated to BT Asset Management S.A. was of RON 10,908 thousand, the goodwill allocated to BT Pensii S.A. was of RON 3,436 thousand (2022: RON 376 thousand allocated to BT Leasing Transilvania IFN S.A., RON 10,908 thousand allocated to BT Asset Management S.A., RON 3,436 thousand allocated to BT Pensii S.A., RON 139,643 allocated to Țiriac Leasing IFN S.A.).
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, subsequently this goodwill will be transferred at merger towards BT Leasing Transilvania IFN SA..
According to IAS 36, goodwill is tested for impairment at least annually, even if there are no impairment indicators. 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 2023 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, 2023 and December 31, 2022 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 2023	2,914	471,218	13,784	41	**487,957**
Additions	5,090	165,048	10,360	-	**180,498**
Disposals	(337)	(8,167)	(3,734)	(41)	**(12,279)**
Depreciation charge	(1,145)	(135,908)	(5,063)	-	**(142,116)**
Carrying amount at 31 December 2023	**6,522**	**492,191**	**15,347**	**-**	**514,060**

28. Right of Use Assets and Lease Liabilities *(continued)*

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**

As at December 31, 2023 and December 31, 2022 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 2023	**2,914**	**684,390**	**9,453**	**41**	**696,798**
Additions	3,677	144,595	5,418	-	**153,690**
Disposals	(337)	(3,531)	(3,047)	(41)	**(6,956)**
Depreciation charge	(1,023)	(141,923)	(2,623)	-	**(145,569)**
Carrying amount at 31 December 2023	**5,231**	**683,531**	**9,201**	**-**	**697,963**

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**

As at December 31, 2023 the interest expense on lease liabilities was 4,955 thousand for the Group (2022: RON 2,109 thousand) and RON 8,451 thousand for the Bank (2022: RON 6,356 thousand).

The maturity analysis of the lease liabilities is presented in Note 4c.

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**		**Bank**	
	31 December 2023	**31 December 2022**	**31 December 2023**	**31 December 2022**
Expense relating to short-term leases	1,677	1,530	975	1,210
Expense relating to leases of low-value assets that are not shown above as short-term leases	5,606	4,936	4,762	4,288

Total cash outflow for leases in 2023 was RON 144,756 thousand to the Group (2022: RON 174,339 thousand) and the Bank it was RON 168,719 thousand (2022: RON 130,591 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 2023:

In RON thousand	31 December 2022	Business combination	Recognized in profit or loss	Recognized in other items of comprehensive income	Recognized directly in shareholders' equity	31 December 2023
Tax effect of temporary deductible/(taxable) differences (including tax losses carried forward), resulting from:						
Loans and receivables	33,169	-	(31,197)	64	4,175	6,211
Financial assets measured at fair value through other items of comprehensive income	727,594	-	(206)	(415,279)	-	312,109
Financial assets at amortized cost	-	-	2,823	-	(90)	2,733
Financial assets at fair value through profit or loss	16,050	-	6,146	-	-	22,196
Other assets	18,774	-	(84)	(12,457)	270	6,503
Property and equipment and intangible assets	(20,889)	-	6,803	(1,677)	(2,087)	(17,850)
Right of Use Assets	(522)	-	(187)	30	3	(676)
Provisions and other liabilities	17,429	-	4,508	418	900	23,255
Tax losses carried forward	-	-	-	-	-	-
Deferred tax asset / (liability)	791,605	-	(11,394)	(428,901)	3,171	354,481
Recognition of deferred tax asset	816,776	-	(21,610)	(416,683)	4,749	383,232
Recognition of deferred tax liability	(25,171)	-	10,216	(12,218)	(1,578)	(28,751)
Deferred tax asset / (liability)	**791,605**	**-**	**(11,394)**	**(428,901)**	**3,171**	**354,481**

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 2022:

In RON thousand	31 December 2021	Business combinations	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 Bank level, as at 31 December 2023:

In RON thousand	31 December 2022	Recognized in profit or loss	Recognized in other items of comprehensive income	Recognized directly in shareholders' equity	31 December 2023
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	728,351	-	(414,881)	-	313,470
Other assets	11,969	(285)	(1)	-	11,683
Property and equipment and intangible assets	(6,061)	2,961	(1,516)	-	(4,616)
Right of Use Assets	(487)	(157)	-	-	(644)
Provisions and other liabilities	14,028	3,361	-	-	17,389
Deferred tax asset / (liability)	**747,800**	**5,880**	**(416,398)**	**-**	**337,282**
Recognition of deferred tax asset	755,201	5,518	(416,437)	-	344,282
Recognition of deferred tax liability	(7,401)	362	39	-	(7,000)
Deferred tax asset / (liability)	**747,800**	**5,880**	**(416,398)**	**-**	**337,282**

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
Property and equipment and intangible assets	(6,947)	3,266	(2,380)	-	(6,061)
Right of Use Assets	322	(809)	-	-	(487)
Provisions and other 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**

30. Other financial assets

In RON thousand	Group 2023	Group 2022	Bank 2023	Bank 2022
Amounts under settlement	1,104,646	1,006,326	1,047,869	966,833
Non-recourse factoring	438,740	398,757	438,740	398,757
Sundry debtors and advances for non-current assets	408,708	462,226	286,003	529,056
Cheques and other instruments to be encashed	71,593	50,851	71,593	50,851
Other financial assets	14,577	10,604	7,519	8,340
Impairment allowance for other financial assets	(58,150)	(41,736)	(22,022)	(18,208)
Total	**1,980,114**	**1,887,028**	**1,829,702**	**1,935,629**

As at 31 December 2023, out of RON 1,980,114 thousand (2022: RON 1,887,028 thousand), the Group's other impaired financial assets amounted to RON 41,866 thousand (2022: RON 11,104 thousand).

As at 31 December 2023, out of RON 1,829,702 thousand (2022: RON 1,935,629 thousand), the Bank's other impaired financial assets amounted to RON 3,897 thousand (2022: RON 4,335 thousand).

The evolution of impairment allowance for other assets during the years 2023 and 2022 is presented below:

In RON thousand	Group 2023	Group 2022	Bank 2023	Bank 2022
Balance as at 1 January	**(41,736)**	**(33,618)**	**(18,208)**	**(18,446)**
Net impairment charge	(11,861)	(4,964)	(3,831)	(156)
Impairment allowance from acquisition	-	(2,511)	-	-
Transfer from loans	(9,569)	(2,883)	-	-
Provisions related to credits transferred off-balance sheet	5,286	1,838	-	-
Other changes (exchange rate differences, unwinding, deconsolidation)	(270)	402	17	394
Balance as at 31 December	**(58,150)**	**(41,736)**	**(22,022)**	**(18,208)**

The quality analysis of other financial assets held by the Group as at 31 December 2023 is detailed below:

Group	**Retail**			**Companies**		
31 December 2023	**RON**	**FCY**	**Total**	**RON**	**FCY**	**Total**
Amounts under settlement	1,516	55,355	56,871	1,019,502	28,273	1,047,775
Non-recourse factoring	-	-	-	409,346	29,394	438,740
Sundry debtors and advances for non-current assets	14,411	4,412	18,823	329,292	60,593	389,885
Cheques and other instruments to be encashed	-	-	-	71,593	-	71,593
Other financial assets	3,195	1,570	4,765	8,746	1,066	9,812
Impairment allowance for other financial assets	(5,353)	(2,544)	(7,897)	(46,464)	(3,789)	(50,253)
Total	**13,769**	**58,793**	**72,562**	**1,792,015**	**115,537**	**1,907,552**

30. Other financial assets *(continued)*

The quality analysis of other financial assets held by the Group as at 31 December 2022 is detailed below:

Group		**Retail**			**Non-Retail**	
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**

The quality analysis of other financial assets held by the Bank as at 31 December 2023 is detailed below:

Bank		**Retail**			**Non-Retail**	
31 December 2023	**RON**	**FCY**	**Total**	**RON**	**FCY**	**Total**
Amounts under settlement	32	1,615	1,647	1,019,402	26,820	1,046,222
Non-recourse factoring	-	-	-	409,346	29,394	438,740
Sundry debtors and advances for non-current assets	8,278	2,982	11,260	232,753	41,990	274,743
Cheques and other instruments to be encashed	-	-	-	71,593	-	71,593
Other financial assets	-	-	-	7,519	-	7,519
Impairment allowance for other financial assets	(1,837)	(37)	(1,874)	(17,922)	(2,226)	(20,148)
Total	**6,473**	**4,560**	**11,033**	**1,722,691**	**95,978**	**1,818,669**

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**	**FCY**	**RON**	**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**

31. Other non-financial assets

In RON thousand	**Group**		**Bank**	
	2023	**2022**	**2023**	**2022**
Inventories and similar assets	87,945	76,806	55,680	44,873
Prepaid expenses	134,465	100,748	121,215	92,042
VAT and other taxes to be received	34,486	16,297	1,523	1,905
Other non-financial assets	79,342	7,290	27,430	220
Impairment allowance for other non-financial assets	(15,839)	(23,531)	(8,096)	(8,087)
Total	**320,399**	**177,610**	**197,752**	**130,953**

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	
	2023	**2022**	**2023**	**2022**
Balance as at 1 January	**(23,531)**	**(44,975)**	**(8,087)**	**(11,801)**
Net impairment charge	5,018	18,273	(9)	3,714
Impairment allowance from acquisition	-	(130)	-	-
Impairment allowances on written off other non-financial assets	3,086	3,118	-	-
Other adjustments (exchange rate differences, deconsolidation)	(412)	183	-	-
Balance as at 31 December	**(15,839)**	**(23,531)**	**(8,096)**	**(8,087)**

The inventories and related items of the Group include purchased assets held for sale amounting to RON 42,277 thousand, structured as follows: buildings RON 20,408 thousand, lands RON 9,938 thousand, equipment RON 1,804 thousand, vehicles RON 10,127 thousand and furniture RON 0 thousand (2022: RON 38,649 thousand, structured as follows: buildings RON 19,266 thousand, lands RON 8,922 thousand, equipment RON 1,653 thousand, vehicles RON 8,808 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 24,715 thousand, structured as follows: buildings RON 18,834 thousand, lands RON 5,881 thousand, equipment RON 0 thousand, vehicles RON 0 thousand and furniture RON 0 thousand (2022: RON 24,754 thousand net value, 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).

The inventories and related items of the Group and the Bank during financial year 2023 include tangible assets reclassified as non-current assets held for sale, at a net value of RON 6,220 thousand structured as equipment RON 1,745 thousand, vehicles RON 4,475 thousand (2022: RON 7,019 thousand net value, structured as follows: buildings RON 7,019 thousand, lands RON 0 thousand).

32. Deposits from banks

	Group		Bank	
In RON thousand	**2023**	**2022**	**2023**	**2022**
Sight demand	497,386	330,045	509,707	357,910
Term deposits	537,227	1,348,037	572,059	1,273,632
Total	**1,034,613**	**1,678,082**	**1,081,766**	**1,631,542**

33. Deposits from customers

	Group		Bank	
In RON thousand	**2023**	**2022**	**2023**	**2022**
Current accounts	69,999,127	66,933,900	67,447,241	65,004,360
Sight demand	953,695	994,890	739,327	753,703
Term deposits	66,019,978	50,620,317	65,215,377	49,583,917
Collateral deposits	1,080,154	1,182,622	1,041,405	1,161,862
Total	**138,052,954**	**119,731,729**	**134,443,350**	**116,503,842**

33. Deposits from customers *(continued)*

Deposits from customers can be also analyzed as follows:

	Group		**Bank**	
In RON thousand	**2023**	**2022**	**2023**	**2022**
Retail	88,572,664	79,880,462	86,293,705	77,873,189
Companies	49,480,290	39,851,267	48,149,645	38,630,653
Total	**138,052,954**	**119,731,729**	**134,443,350**	**116,503,842**

The table below presents the deposits from customers, split by economic sector concentration:

	Group		***Bank***	
Sector	**2023**	**2022**	**2023**	**2022**
Retail customers	64.16%	66.72%	64.19%	66.84%
Services	8.69%	7.35%	8.57%	7.51%
Trading	5.75%	5.47%	5.64%	5.35%
Constructions	3.51%	2.85%	3.55%	2.87%
Manufacturing	3.61%	3.25%	3.59%	3.13%
Transportation	2.10%	1.98%	2.05%	1.96%
Financial and insurance activities	3.08%	3.47%	3.42%	3.59%
Telecommunications	0.33%	0.31%	0.29%	0.31%
Agriculture	1.20%	1.35%	1.22%	1.37%
Energy	1.51%	1.23%	1.45%	1.11%
Healthcare	1.19%	1.03%	1.18%	1.01%
Real estate	1.58%	1.70%	1.57%	1.68%
Public administrations	0.08%	0.06%	0.08%	0.06%
Mining	0.63%	0.58%	0.65%	0.59%
Education	0.88%	0.84%	0.88%	0.85%
Other	0.35%	0.38%	0.32%	0.30%
Self-employed	1.34%	1.42%	1.34%	1.46%
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	**2023**	**2022**	**2023**	**2022**
Retail customers	88,572,664	79,880,462	86,293,705	77,873,189
Services	11,995,209	8,797,320	11,527,705	8,751,616
Trading	7,945,568	6,548,123	7,581,372	6,231,174
Constructions	4,840,554	3,416,204	4,766,807	3,339,918
Manufacturing	4,982,662	3,889,749	4,820,117	3,651,768
Transportation	2,906,663	2,369,615	2,755,514	2,281,670
Financial and insurance activities	4,251,640	4,150,377	4,595,258	4,187,194
Telecommunications	456,852	368,758	391,234	356,043
Agriculture	1,649,912	1,620,833	1,640,694	1,604,034
Energy	2,081,541	1,475,740	1,950,231	1,290,145
Healthcare	1,654,308	1,239,173	1,588,613	1,171,757
Real estate	2,181,876	2,032,444	2,111,330	1,953,614
Public administrations	113,560	76,059	110,302	73,743
Mining	869,100	693,135	868,249	691,709
Education	1,219,883	1,010,199	1,185,461	988,504
Other	477,518	454,416	444,867	352,697
Self-employed	1,844,387	1,697,166	1,802,862	1,697,002
Government institutions	9,057	11,956	9,029	8,065
Total	**138,052,954**	**119,731,729**	**134,443,350**	**116,503,842**

34. Loans from banks and other financial institutions

	Group		**Bank**	
In RON thousand	**2023**	**2022**	**2023**	**2022**
Loans from public administrations	33,048	25,714	-	-
Loans from commercial banks	943,981	1,304,939	376,530	371,006
Romanian banks	*567,451*	*933,933*	-	-
Foreign banks	*376,530*	*371,006*	*376,530*	*371,006*
Loans from development banks	1,240,927	1,420,904	1,200,214	1,366,877
Repurchase agreements (repo transactions)	363,251	1,818,574	363,251	1,818,574
Other funds from financial institutions	139,026	86,904	3,551	6,026
Issued bonds	6,828,334	183,893	6,640,249	-
Total	**9,548,567**	**4,840,928**	**8,583,795**	**3,562,483**

The interest rates for the loans from banks and financial institutions were situated in the following ranges:

	2023		**2022**	
	Minimum	**Maximum**	**Minimum**	**Maximum**
EUR	0.15%	8.88%	0.00%	5.79%
RON	0.00%	Robor 3m+3.3%	0.00%	Robor 1m+2.5%
USD	N/A	N/A	3.75%	3.87%
MDL	0.00%	7.46%	0.00%	Base rate NBM +0.6%

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 2023 and at 31 December 2022.
The table below summarizes the underlying securities of repo agreements:

In RON thousand	Group				Bank			
	2023		2022		2023		2022	
	Carrying amount		Carrying amount		Carrying amount		Carrying amount	
	Transferred assets	Related liabilities	Transferred assets	Related liabilities	Transferred assets	Related liabilities	Transferred assets	Related liabilities
	368,480	363,251	1,833,170	1,818,574	368,480	363,251	1,833,170	1,818,574
Total	**368,480**	**363,251**	**1,833,170**	**1,818,574**	**368,480**	**363,251**	**1,833,170**	**1,818,574**

35. Subordinated liabilities

The Group and the Bank were in compliance with all financial covenants under the outstanding loan agreements at 31 December 2023 and 2022.

In RON thousand	Group		Bank	
	2023	2022	2023	2022
Loans from development banks and financial institutions	12,562	335,048	-	312,802
Non-convertible bonds	2,410,656	1,413,212	2,403,652	1,406,107
Total	**2,423,218**	**1,748,260**	**2,403,652**	**1,718,909**

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, (2022: RON 123,685 thousand), contracted in 2013 bearing an interest of 6M EURIBOR + 6.20%, due in 2023, reimbursed in 29.12.2023;

- loan in amount of USD 40 million, (2022: RON 185,384 thousand) contracted in 2014 bearing an interest of 6M LIBOR + 5.80%, due in 2023, reimbursed in 16.10.2023;

- loan in amount of EUR 2.5 milion, equivalent of RON 12,437 thousand (2022: RON 12,369 thousand), contracted in 2014 bearing an interest of EURIBOR 3M+8.76%, due to 2024;

- loan in amount of EUR 1.82 milion, (2022: RON 9,004 thousand), contracted in 2015 bearing an interest of EURIBOR 3M+8%, due to 2023, reimbursed in 29.12.2023.

In 2018, Banca Transilvania S.A. issued non-convertible bonds amounting to EUR 285 million, equivalent as at 31 December 2023 to RON 1,417,761 thousand (2022: RON 1,410,009 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.

In 2023, Banca Transilvania S.A. issued non-convertible bonds amounting to EUR 200 million, equivalent as at 31 December 2023 to RON 994,920 thousand, bearing an interest of 6M EURIBOR+6.68% p.a. and due in 2033. 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 Salt Bank, on amount of EUR 750,000, equivalent as at 31 December 2023 of RON 3,731 thousand (2022: EUR 750,000, equivalent as at 31 December 2022 of RON 3,711 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 126 thousand (2022: RON 4,606 thousand) and at Bank level in amount of RON 0 thousand (2022: RON 3,733 thousand); for the non-convertible bonds, the accrued interest and amortization for the Group levels to RON (5,756) thousand (2022: RON 508 thousand) and for the Bank to RON (9,029) thousand (2022: RON (3,902) 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	**2023**	**2022**	**2023**	**2022**
Provisions for loan commitments, financial guarantees and other commitments given	364,335	354,012	326,004	326,341
Provisions for untaken holidays	37,375	29,209	28,866	22,129
Provisions for other employee benefits	92,956	58,670	48,370	35,020
Provisions for litigations, risks and charges (*)	156,478	58,655	148,299	47,806
Total	**651,144**	**500,546**	**551,539**	**431,296**

(*) 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.. In this category are also included the provisions related to potential ancillary fiscal obligations related to the SFIA litigation.

37. Other financial liabilities

In RON thousand	Group		Bank	
	2023	**2022**	**2023**	**2022**
Amounts under settlement	1,982,830	1,449,276	1,512,867	1,138,402
Sundry creditors	456,939	230,853	270,710	104,547
Dividends payable	30,950	26,639	30,950	26,639
Other financial liabilities	50,451	57,596	33,140	46,381
Total	**2,521,170**	**1,764,364**	**1,847,667**	**1,315,969**

38. Other non-financial liabilities

In RON thousand	Group		Bank	
	2023	**2022**	**2023**	**2022**
Other taxes payable	85,056	61,902	62,840	39,833
Other non-financial liabilities	203,001	153,472	109,129	92,803
Total	**288,057**	**215,374**	**171,969**	**132,636**

39. Share capital

The statutory share capital of the Bank at 31 December 2023, as recorded with the Trade Register was represented by 798,658,233 ordinary shares with a nominal value of RON 10 each (at 31 December 2022: 707,658,233 shares with a nominal value of RON 10 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 910,000,000 (2022: 765,112,650 lei by incorporating the reserves constituted from the statutory profit).

In RON thousand	Group		Bank	
	2023	**2022**	**2023**	**2022**
Paid share capital recorded to Trade Register	7,986,582	7,076,582	7,986,582	7,076,582
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	**8,073,083**	**7,163,083**	**8,073,083**	**7,163,083**

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:

	2023			**2022**		
***Group** - In RON thousand*	**Key management personnel**	**Other related-parties**	**Total**	**Key management personnel**	**Other related-parties**	**Total**
Assets						
Granted loans	13,260	81,573	**94,833**	16,347	73,356	**89,703**
Liabilities						
Deposits from customers	56,929	559,437	**616,366**	46,858	204,199	**251,057**
Loans from credit institutions	-	251,460	**251,460**	-	227,207	**227,207**
Debt securities	-	514,556	**514,556**	-	508,664	**508,664**
Commitments						
Loan commitments and financial guarantees given	2,504	13,491	**15,995**	2,831	27,008	**29,839**
Notional value of exchange operations	30,824	94,119	**124,943**	29,089	224,655	**253,744**
Statement of profit or loss						
Interest income	755	5,417	**6,172**	642	3,173	**3,815**
Interest expense	1,422	14,774	**16,196**	659	31,223	**31,882**
Fee and commission income	14	176	**190**	11	161	**172**

Notes to the consolidated and separate financial statements

40. Related-party transactions *(continued)*

***Bank** – In RON thousand*	2023				2022			
	Subsidiaries	**Key management personnel**	**Other related - parties**	**Total**	**Subsidiaries**	**Key management personnel**	**Other related-parties**	**Total**
Assets								
Correspondent accounts at credit institutions	147	-	-	**147**	1,038	-	-	**1,038**
Deposits with credit institutions	1,297,057	-	-	**1,297,057**	1,831,997	-	-	**1,831,997**
Granted loans	3,994,144	9,487	77,320	**4,080,951**	2,348,713	12,399	68,182	**2,429,294**
Equity investments	873,300	-	-	**873,300**	708,412	-	-	**708,412**
Financial assets at amortized cost	14,883	-	-	**14,883**	14,797	-	-	**14,797**
Financial assets measured at fair value through other items of comprehensive income – debt instruments	11,637	-	-	**11,637**	11,748	-	-	**11,748**
Financial assets required to be measured at fair value through profit or loss - debt instruments	456,702	-	-	**456,702**	393,444	-	-	**393,444**
Right of use assets	225,966	-	-	**225,966**	90,660	-	-	**90,660**
Other assets	6,677	-	-	**6,677**	195,836	-	-	**195,836**
Liabilities								
Correspondent accounts from credit institutions	4,341	-	-	**4,341**	36,142	-	-	**36,142**
Deposits from customers	511,882	35,342	548,073	**1,095,297**	184,155	29,669	198,641	**412,465**
Loans from credit institutions	-	-	152,800	**152,800**	-	-	179,415	**179,415**
Debt securities	-	-	497,127	**497,127**	-	-	494,176	**494,176**
Lease liabilities	177,982	-	-	**177,982**	204,286	-	-	**204,286**
Other liabilities	10,226	-	-	**10,226**	8,185	-	-	**8,185**
Commitments								
Loan commitments and financial guarantees given	451,742	1,943	9,045	**462,730**	407,959	2,357	22,523	**432,839**
Notional value of exchange operations	937,890	12,792	84,687	**1,035,369**	743,262	16,379	213,687	**973,328**

Notes to the consolidated and separate financial statements

40. Related-party transactions *(continued)*

Bank – *In RON thousand*	**2023**				**2022**			
	Subsidiaries	**Key management personnel**	**Other related-parties**	**Total**	**Subsidiaries**	**Key management personnel**	**Other related-parties**	**Total**
Statement of profit or loss								
Interest income	271,730	504	4,936	**277,170**	116,038	484	2,812	**119,334**
Interest expense	13,434	1,092	14,596	**29,122**	7,862	539	30,238	**38,639**
Fee and commission income	5,004	12	156	**5,172**	4,727	7	141	**4,875**
Fee and commission expense	18,176	-	-	**18,176**	20,018	-	-	**20,018**
Net gain/loss(-) from financial assets and liabilities held-for-trading	10	-	-	**10**	(887)	-	-	**(887)**
Dividend income	416	-	-	**416**	194,281	-	-	**194,281**
Net loss(-) from derecognition of financial assets measured as amortised cost	-	-	-	**-**	(178,800)	-	-	**(178,800)**
Other income	33,092	-	-	**33,092**	24,168	-	-	**24,168**
Other expenses	22,979	-	-	**22,979**	22,062	-	-	**22,062**

40. Related-party transactions *(continued)*

Transactions with key management personnel

During 2023, 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 50,332 thousand (2022: RON 45,321 thousand) and of the Bank amounted to RON 18,367 thousand (2022: RON 16,335 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:

	2023			2022		
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	**75,061**	17,904	70	**66,350**	15,938	70
Termination benefits	**853**	213	-			
Share based payments	**40,823**	-	-	**38,806**	-	-
Debt instrument-based payments	**249**	62	-	**199**	50	-
Total compensations and benefits	**116,986**	**18,179**	**70**	**105,355**	**15,988**	**70**

Compensation for the key personnel of the Bank:

	2023			2022		
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	**43,048**	10,459	58	**37,322**	9,046	56
Termination benefits	**853**	213	-			
Share based payments	**38,623**	-	-	**36,744**	-	-
Total compensations and benefits	**82,524**	**10,672**	**58**	**74,066**	**9,046**	**56**

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.

Notes to the consolidated and separate financial statements

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	**2023**	**2022**	**2023**	**2022**
Guarantees issued, of which	3,367,190	2,957,609	3,333,926	2,937,433
- *Performance guarantees*	*1,216,163*	*964,794*	*1,183,356*	*945,594*
- *Financial guarantees*	2,151,027	1,992,815	*2,150,570*	*1,991,839*
Loan commitments	20,646,286	16,555,570	20,076,945	16,074,777
Total	**24,013,476**	**19,513,179**	**23,410,871**	**19,012,210**

The provisions for loan commitments to customers amounted to RON 364,335 thousand at Group level (2022: RON 354,012 thousand) and at Bank level RON 326,004 thousand (2022: RON 326,341 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 2023 were:

Forward transactions					
Transactions with corporate clients:					
Purchases	2,610,000	EUR	equivalent	13,113,594	RON
Purchases	6,500,000	USD	equivalent	29,404,192	RON
Purchases	552,720	RON	equivalent	120,000	USD
Transactions with banks:					
Purchases	17,679,564	EUR	equivalent	17,000,000	CHF
Purchases	23,924,586	EUR	equivalent	104,000,000	PLN
Purchases	35,000,000	EUR	equivalent	174,134,250	RON
Purchases	2,000,000	EUR	equivalent	1,737,117	GBP
Purchases	670,000	USD	equivalent	3,089,486	RON
Purchases	630,530,404	RON	equivalent	125,255,605	EUR
Purchases	32,064,084	RON	equivalent	7,050,000	USD
Purchases	25,000,000	CAD	equivalent	17,053,590	EUR

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

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 2,889,718 thousand (2022: RON 2,404,376 thousand) and on the weighted average number of ordinary shares outstanding during the year of 797,369,129 (2022 recalculated: 797,645,941 shares).

The diluted earnings per share for 2023, took into consideration the adjusted consolidated net profit of RON 2,889,718 thousand (2022: RON 2,404,376 thousand) attributable to the ordinary shareholders of the parent company and the weighted average number of outstanding diluted ordinary shares.

For 2022-2023, 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, 2023 and December 31, 2022, 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	
	2023	**2022**
Ordinary shares issued as at 1 January	707,658,233	631,146,968
The impact of shares issued as of 1 January	91,000,000	76,511,265
The impact of the shares repurchased during the year	(1,289,104)	(1,012,292)
The impact of the shares resulting from the conversion of the bonds	-	-
Retroactive adjustment of the weighted average number of shares outstanding on 31.12.2022	-	91,000,000
Weighted average number of shares as at 31 December	**797,369,129**	**797,645,941**
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	**797,369,129**	**797,645,941**

43. Derivatives

The structure of the derivative instruments held by the Group and by the Bank as at 31 December 2023 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	63,122	69,291	3,604,555	63,122	69,291	3,604,555
Currency swaps	55,824	15,532	945,174	55,824	15,532	945,174
Exchange rate forward agreements	5,871	3,986	1,176,357	5,871	3,986	1,176,357
Total derivative financial instruments	**124,817**	**88,809**	**5,726,086**	**124,817**	**88,809**	**5,726,086**

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**

44. Reconciliation of liabilities resulting from financial activities

The changes of the liabilities resulting from the Group's financial activities carried out in 2023 and 2022 are prsented below:

Group 2023 *In RON thousand*	**01 January 2023**	**Receipts**	**Payments**	**Non-monetary changes** **Registration of receivables taken from aquisitions**	**Foreign exchange variation**	**31 December 2023**
Long-term loans, including subordinated debt(*)	4,768,965	7,652,789	(1,095,799)	-	59,306	11,385,261

Group 2022 *In RON thousand*	**01 January 2022**	**Receipts**	**Payments**	**Non-monetary changes** **Registration of receivables taken from Ţiriac Leasing**	**Foreign exchange variation**	**31 December 2022**
Long-term loans, including subordinated debt(*)	3,186,279	1,739,558	(898,749)	729,948	11,929	4,768,965

The changes of the liabilities resulting from the Bank's financial activities carried out in 2023 and 2022 are presented below:

Bank 2023 *In RON thousand*	**01 January 2023**	**Receipts**	**Payments**	**Foreign exchange variation**	**31 December 2023**
Long-term loans, including subordinated debt(*)	3,467,972	7,375,314	(488,624)	55,460	10,410,122

Bank 2022 *In RON thousand*	**01 January 2022**	**Receipts**	**Payments**	**Foreign exchange variation**	**31 December 2022**
Long-term loans, including subordinated debt(*)	2,665,590	1,010,144	(218,290)	10,528	3,467,972

(*) payments and receipts are reconciled with the cash flow related to the financing activity

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 S.A. 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 S.A. 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.

45. Acquisition of Tiriac Leasing IFN S.A. *(continued)*

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..

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.

45. Acquisition of Tiriac Leasing IFN S.A. *(continued)*

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).

As at January 1, 2023, the legal merger process between Tiriac Leasing IFN S.A. (absorbed company) and BT Leasing IFN S.A. (absorbing company) was completed. Following the merger operation, the absorbed company transferred all assets and liabilities, receivables and liabilities, guarantees granted to other companies, to the absorbing company. From a legal point of view, BT Leasing acquired the rights and obligations of the absorbed company. The effect of the merger operation was the dissolution without liquidation of the absorbed company.

46. Events subsequent to the date of the consolidated statement of financial position

On January 15th, 2024, Victoriabank S.A. Chişinău acquired 100% of the share package in BCR Chişinău S.A.. Subsidiary Victoriabank S.A. is controlled by Banca Transilvania S.A., therefore, starting from this date, Banca Transilvania S.A. also holds control in BCR Chișinău S.A..

The Board of Directors of Banca Transilvania S.A. approved on February 8th, 2024 the completion of the transaction for the acquisition of 100% of the shares of OTP Bank Romania S.A. as well as other companies within the OTP Romania Group (including OTP Asset Management SAI S.A. and OTP Leasing Romania IFN S.A.). The total transaction price to be paid by Banca Transilvania S.A. is EUR 347,5 million. Until the completion of the transaction, both Banca Transilvania S.A. and OTP Bank Romania S.A. will act as separate entities. Following signing and in order to integrate the above-mentioned entities in the BT Financial Group, we will initiate and implement the legal procedures necessary for obtaining all necessary approvals from the competent authorities.

The financial statements were approved by the Board of Directors on March 22, 2024 and were signed on behalf of the Board.

Horia Ciorcilă	George Călinescu
Chairman	*Deputy CEO*