BRD – Groupe Société Générale S.A.

CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

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

DECEMBER 31, 2021

BRD – Groupe Société Générale S.A.
CONSOLIDATED AND SEPARATE STATEMENT OF FINANCIAL POSITION
for the period ended December 31, 2021
(Amounts in thousands RON)

	Note	Group		Bank	
		December 31, 2021	December 31, 2020	December 31, 2021	December 31, 2020
ASSETS					
Cash in hand	5, 36	1,894,448	1,889,556	1,894,415	1,889,552
Due from Central Bank	6	4,311,908	5,223,833	4,311,908	5,223,833
Due from banks	7	4,537,941	5,516,842	4,521,357	5,499,644
Derivatives and other financial instruments held for trading	8	2,274,924	2,400,365	2,274,924	2,400,365
Loans and advances to customers	9	32,913,875	29,642,998	32,183,856	28,873,021
Finance lease receivables	10	1,222,595	1,066,899	-	-
Financial assets at fair value through profit and loss	11	6,947	85,240	6,947	58,384
Financial assets at fair value through other comprehensive income	12	19,863,825	15,943,470	19,863,825	15,943,470
Investments in subsidiaries, associates and joint ventures	13	107,205	99,114	158,916	158,916
Property, plant and equipment	14	1,072,099	1,065,856	1,051,254	1,052,585
Investment property		16,312	17,798	16,312	17,798
Goodwill	15	50,130	50,130	50,130	50,130
Intangible assets	16	321,063	247,379	319,656	244,299
Current tax assets	22	7,484	48,019	7,484	48,013
Deferred tax asset	22	180,089	10,287	166,173	-
Other assets	17	271,256	249,959	176,910	174,575
Non-current assets held for sale		11,196	-	11,196	-
Total assets		**69,063,297**	**63,557,745**	**67,015,263**	**61,634,585**
LIABILITIES AND SHAREHOLDERS' EQUITY					
Due to banks	18	156,810	199,011	156,810	199,011
Due to customers	19	52,683,581	49,957,754	52,917,886	50,152,126
Borrowed funds	20	4,056,470	1,742,352	2,230,572	6,765
Subordinated debt	21	495,022	-	495,022	-
Derivatives and other financial instruments held for trading	8	498,651	599,669	498,651	599,669
Current tax liability	22	83,963	2,069	79,979	-
Deferred tax liability	22	-	37,907	-	37,907
Provisions	23	383,185	442,100	374,745	435,588
Other liabilities	24	826,710	804,818	722,260	731,376
Total liabilities		**59,184,392**	**53,785,680**	**57,475,925**	**52,162,442**
Share capital	25	2,515,622	2,515,622	2,515,622	2,515,622
Other reserves		(385,380)	804,442	(385,380)	804,442
Retained earnings and capital reserves		7,690,955	6,403,510	7,409,096	6,152,079
Non-controlling interest		57,708	48,491	-	-
Total equity		**9,878,905**	**9,772,065**	**9,539,338**	**9,472,143**
Total liabilities and equity		**69,063,297**	**63,557,745**	**67,015,263**	**61,634,585**

The financial statements have been authorized by the Group's management on March 14, 2022 and are signed on the Group's behalf by:

Giovanni Luca Soma
Chairman of the Board of Directors

François Bloch
Chief Executive Officer

Stephane Fortin
Deputy Chief Executive Officer

Etienne Loulergue
Chief Financial Officer

CONSOLIDATED AND SEPARATE PROFIT OR LOSS

for the period ended December 31, 2021

(Amounts in thousands RON)

		Group		Bank	
	Note	**2021**	**2020**	**2021**	**2020**
Interest and similar income	26	2,234,229	2,261,411	2,085,527	2,105,552
Interest and similar expense	27	(150,042)	(174,483)	(132,419)	(148,899)
Net interest income		**2,084,187**	**2,086,928**	**1,953,108**	**1,956,653**
Fees and commission income	28	1,064,987	950,380	1,018,273	907,046
Fees and commission expense	28	(300,208)	(238,964)	(291,678)	(232,757)
Fees and commissions, net		**764,779**	**711,416**	**726,595**	**674,289**
Gain on derivative, other financial instruments held for trading and foreign exchange	29	245,298	272,295	244,316	270,818
Gain from financial instruments at fair value through other comprehensive income		11,960	12,375	11,960	12,375
Gain from financial instruments at fair value through profit and loss		7,747	14,150	7,411	12,773
Net (loss)/Income from associates and joint ventures		11,441	(5,204)	3,349	6,191
Other income/(expense) from banking activities	30	(7,723)	(3,954)	3,700	(6,567)
Net banking income		**3,117,689**	**3,088,006**	**2,950,439**	**2,926,532**
Personnel expenses	32	(828,692)	(833,621)	(765,270)	(779,220)
Depreciation, amortisation and impairment on tangible and intangible assets	33	(238,946)	(245,315)	(230,458)	(236,482)
Contribution to Guarantee Scheme and Resolution Fund	31	(49,384)	(43,296)	(49,384)	(43,296)
Other operating expenses	34	(500,560)	(465,775)	(469,496)	(422,374)
Total operating expenses		**(1,617,582)**	**(1,588,007)**	**(1,514,608)**	**(1,481,372)**
Gross operating profit		**1,500,107**	**1,499,999**	**1,435,831**	**1,445,160**
Cost of risk	35	145,656	(352,651)	159,233	(312,900)
Operating profit		**1,645,763**	**1,147,348**	**1,595,064**	**1,132,260**
Profit before income tax		**1,645,763**	**1,147,348**	**1,595,064**	**1,132,260**
Current tax expense	22	(313,574)	(186,987)	(298,892)	(178,746)
Deferred tax income/(expense)	22	(13,286)	2,496	(16,916)	(1,949)
Total income tax		**(326,860)**	**(184,491)**	**(315,808)**	**(180,695)**
Profit for the period		**1,318,903**	**962,857**	**1,279,256**	**951,565**
Profit attributable to equity holders of the parent		1,309,686	962,055	-	-
Profit attributable to non-controlling interests		9,217	802	-	-
Basic earnings per share (in RON)	41	**1.8793**	**1.3805**	**1.8356**	**1.3654**

(Amounts in thousands RON)

		Group		Bank	
	Note	December 31, 2021	December 31, 2020	December 31, 2021	December 31, 2020
Profit for the period		**1,318,903**	**962,857**	**1,279,256**	**951,565**
Other comprehensive income					
Net comprehensive income that may be reclassified to profit and loss in subsequent periods		**(1,190,632)**	**629,411**	**(1,190,632)**	**629,411**
Net gain/(loss) on financial assets at fair value through other comprehensive income		(1,190,632)	629,411	(1,190,632)	629,411
Reclassifications to profit and loss during the period		11,596	12,211	11,596	12,211
Revaluation differences		(1,429,085)	737,057	(1,429,085)	737,057
Income tax		226,856	(119,856)	226,856	(119,856)
Net comprehensive income not to be reclassified to profit and loss in subsequent periods		**810**	**(4,121)**	**810**	**(4,121)**
Gain / (Loss) on defined pension plan	24	965	(4,906)	965	(4,906)
Income tax relating to defined pension plan	22	(154)	785	(154)	785
Other comprehensive income for the period, net of tax		**(1,189,822)**	**625,290**	**(1,189,822)**	**625,290**
Total comprehensive income for the period, net of tax		**129,081**	**1,588,147**	**89,434**	**1,576,855**
Attributable to:					
Equity holders of the parent		119,864	1,587,345		-
Non-controlling interest		9,217	802		-

(Amounts in thousands RON)

Group

	Attributable to equity holders of the parent				Non-controlling interest	Total equity
		Other reserves				
	Issued capital	Reserves from financial assets at fair value through other comprehensive income	Reserves from defined pension plan	Retained earnings and capital reserves		
December 31, 2019	**2,515,622**	**159,619**	**19,533**	**5,441,455**	**47,689**	**8,183,918**
Total comprehensive income	-	629,411	(4,121)	962,055	802	**1,588,147**
Net Profit for the period	-	-	-	962,055	802	**962,857**
Other comprehensive income	-	629,411	(4,121)	-	-	**625,290**
December 31, 2020	**2,515,622**	**789,030**	**15,412**	**6,403,510**	**48,491**	**9,772,065**

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

(Amounts in thousands RON)

Bank

	Issued capital	Other reserves: Reserves from financial assets at fair value through other comprehensive income	Other reserves: Reserves from defined pension plan	Retained earnings and capital reserves	Total equity
December 31, 2019	**2,515,622**	**159,619**	**19,533**	**5,200,514**	**7,895,288**
Total comprehensive income	-	629,411	(4,121)	951,565	1,576,855
Net Profit for the period	-	-	-	951,565	951,565
Other comprehensive income	-	629,411	(4,121)	-	625,290
December 31, 2020	**2,515,622**	**789,030**	**15,412**	**6,152,079**	**9,472,143**

	Issued capital	Other reserves: Reserves from financial assets at fair value through other comprehensive income	Other reserves: Reserves from defined pension plan	Retained earnings and capital reserves	Total equity
December 31, 2020	**2,515,622**	**789,030**	**15,412**	**6,152,079**	**9,472,143**
Total comprehensive income	-	(1,190,632)	810	1,279,256	89,434
Net Profit for the period	-	-	-	1,279,256	1,279,256
Other comprehensive income	-	(1,190,632)	810	-	(1,189,822)
Adjustment	-	-	-	29,959	29,959
Equity dividends	-	-	-	(52,198)	(52,198)
December 31, 2021	**2,515,622**	**(401,602)**	**16,222**	**7,409,095**	**9,539,338**

Following the IFRIC clarification approach adopted by IASB in May 2021 concerning IAS19 standard on post-employment benefits liability calculation, the Group decided to revise the accounting policy for liability and expense calculation of the concerned plans starting 2020. The accounting balances were adjusted for the impact of new IFRIC as at 1 January 2021
IFRIC's clarification approach consists of allocating the cost of the benefit over the period preceding retirement age that allows the employee to obtain the maximum benefit. The BRD retirement indemnity plan includes a capped entitlement and therefore falls within the scope of this IFRIC clarification. The decrease in liability amount is recorded in correspondence with retained earnings in amount of 35,665, as well as the increase of deferred tax asset amount of 5,706.

(Amounts in thousands RON)

		Group		Bank	
	Note	2021	2020	2021	2020
Cash flows from operating activities					
Profit before tax		**1,645,763**	**1,147,348**	**1,595,064**	**1,132,260**
Adjustments for:					
Depreciation and amortization expense	33	238,946	245,315	230,458	236,482
Loss from investment in associates and joint ventures	13	(8,092)	11,395	-	-
Loss/ (Gain) from revaluation of assets at fair value through profit and loss	11	(7,255)	(9,680)	(6,919)	(8,377)
Impairment adjustments and provisions	35	106,330	527,724	78,404	468,202
Adjusted profit		**1,975,692**	**1,922,102**	**1,897,007**	**1,828,567**
Changes in operating assets and liabilities					
Due from Central Bank		911,925	(458,560)	911,925	(458,560)
Accounts and deposits with banks		16,220	2,782	15,609	2,167
Sales of financial assets at fair value through profit and loss	11	85,548	37,564	58,356	37,564
Acquisition of financial assets at fair value through profit and loss	11	-	(5,070)	-	(196)
Financial assets at fair value through other comprehensive income		(5,110,987)	(2,364,188)	(5,110,987)	(2,364,188)
Loans and advances to customers		(3,291,196)	188,327	(3,319,394)	163,949
Lease receivables		(171,721)	(87,746)	-	-
Other assets including trading		(224,854)	(1,109,177)	(191,953)	(1,106,795)
Due to banks		(42,201)	(222,101)	(42,201)	(222,101)
Due to customers		2,725,827	4,059,003	2,765,760	4,112,477
Other liabilities		(96,340)	369,028	(134,361)	376,867
Total changes in operating assets and liabilities		**(5,197,779)**	**409,862**	**(5,047,246)**	**541,184**
Income tax paid		(191,151)	(199,251)	(178,384)	(195,089)
Cash flow from operating activities		**(3,413,238)**	**2,132,713**	**(3,328,623)**	**2,174,662**
Investing activities					
Acquisition of investments in associates and joint ventures	13	-	(24,935)	-	(24,934)
Acquisition of tangible and intangible assets	14, 16	(211,730)	(197,882)	(211,275)	(195,984)
Proceeds from sale of tangible and intangible assets		850	36,420	850	36,420
Cash flow from investing activities		**(210,880)**	**(186,397)**	**(210,425)**	**(184,498)**
Financing activities					
Proceeds from borrowings		25,000,329	13,052,731	23,724,457	12,001,386
Repayment of borrowings		(22,191,189)	(13,006,874)	(21,005,628)	(12,004,988)
Repayment of principal lease liabilities	14	(90,612)	(69,960)	(85,398)	(64,320)
Dividends paid		(52,198)	-	(52,198)	-
Net cash from financing activities		**2,666,330**	**(24,103)**	**2,581,233**	**(67,922)**
Net movements in cash and cash equivalents		**(957,788)**	**1,922,213**	**(957,815)**	**1,922,242**
Cash and cash equivalents at beginning of the period	36	**7,259,266**	**5,337,053**	**7,259,261**	**5,337,018**
Cash and cash equivalents at the end of the period	36	**6,301,478**	**7,259,266**	**6,301,445**	**7,259,261**

Additional information on operational cash flows from interest and dividends:

	Group		Bank	
	2021	2020	2021	2020
Interest paid	153,570	181,846	136,880	152,216
Interest received	2,242,909	2,225,735	2,107,487	2,069,637
Dividends received	3,349	6,191	19,315	6,191

The amount of undrawn borrowing facilities that may be available for future operating activities is 0 (December 31, 2020: 486,940) and represents a stand by line concluded with the parent for contingency funding purposes as requested by the Romanian banking regulations on liquidity management. The stand by line with the parent was closed in May 2021.

(Amounts in thousands RON)

1. Corporate information

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

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

The ultimate parent is Société Générale S.A. as at December 31, 2021 (the "Parent"or "SG").

The Bank has as at December 31, 2021 499 units throughout the country (December 31, 2020: 584).

The average number of active employees of the Group during 2021 was 6,620 (2020: 7,063), and the number of active employees of the Group as of the period-end was 6,408 (December 31, 2020: 6,860).

The average number of active employees of the Bank during 2021 was 6,156 (2020: 6,528), and the number of active employees of the Bank as of the period-end was 5,974 (December 31, 2020: 6,357).

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

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

The shareholding structure of the Bank is as follows:

	December 31, 2021	December 31, 2020
Societe Generale	60.17%	60.17%
Fondul De Pensii Administrat Privat Nn/Nn Pensii S.A.F.P.A.P. S.A.	5.31%	5.31%
S.I.F. Oltenia	3.97%	4.11%
Fondul De Pensii Administrat Privat Azt Viitorul Tau	3.91%	4.26%
Fondul De Pensii Administrat Privat Metropolitan Life	3.17%	2.96%
S.I.F. Transilvania	2.52%	3.17%
Legal entities	16.58%	15.65%
Individuals	4.38%	4.37%
Total	**100.00%**	**100.00%**

2. Basis of preparation

a) Basis of preparation

In accordance with European Regulation 1606/2002 of July 19, 2002 on the application of International Accounting Standards, and Order of the National Bank of Romania Governor no. 27/2010 with subsequent amendments, BRD prepared the consolidated and separate financial statements for the year ended December 31, 2021 in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union ("EU").

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

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

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

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

b) Basis for consolidation

The consolidated financial statements comprise the financial statements of the credit institution and its subsidiaries as at December 31, 2021. The financial statements of the subsidiaries are prepared for the same reporting period, using consistent accounting policies.

A subsidiary is an entity over which the Bank exercises control. An investor controls an investee when it is exposed, or has rights to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The consolidated financial statements include the financial statements of BRD – Groupe Société Générale S.A. and the following subsidiaries: BRD Sogelease IFN S.A. (99.98% ownership, 2020: 99.98%), BRD Finance IFN S.A (49% ownership, 2020: 49%) and BRD Asset Management SAI SA (99.98% ownership, 2020: 99.98%).

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

(Amounts in thousands RON)

2. Basis of preparation

b) Basis for consolidation (continued)

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

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

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

Group

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

Bank

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

2. Basis of preparation (continued)

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

The accounting policies adopted are consistent with those of the previous financial year except for the following amended IFRSs which have been adopted by the Group/Bank as of 1 January 2021.

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

- **Interest Rate Benchmark Reform – Phase 2 – IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 (Amendments)**

In August 2020, the IASB published Interest Rate Benchmark Reform – Phase 2, Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16, completing its work in response to IBOR reform. The amendments provide temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR). In particular, the amendments provide for a practical expedient when accounting for changes in the basis for determining the contractual cash flows of financial assets and liabilities, to require the effective interest rate to be adjusted, equivalent to a movement in a market rate of interest. Also, the amendments introduce reliefs from discontinuing hedge relationships including a temporary relief from having to meet the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component. There are also amendments to IFRS 7 Financial Instruments: Disclosures to enable users of financial statements to understand the effect of interest rate benchmark reform on an entity's financial instruments and risk management strategy. While application is retrospective, an entity is not required to restate prior periods.

- **IFRS 16 Leases-Covid 19 Related Rent Concessions (Amendment)**

The amendment applies, retrospectively, to annual reporting periods beginning on or after 1 June 2020. Earlier application is permitted, including in financial statements not yet authorized for issue at 28 May 2020. IASB amended the standard to provide relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the covid-19 pandemic. The amendment provides a practical expedient for the lessee to account for any change in lease payments resulting from the covid-19 related rent concession the same way it would account for the change under IFRS 16, if the change was not a lease modification, only if all of the following conditions are met:

- The change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change.
- Any reduction in lease payments affects only payments originally due on or before 30 June 2021.
- There is no substantive change to other terms and conditions of the lease.

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

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

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

2. Basis of preparation (continued)

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

indefinitely pending the outcome of its research project on the equity method of accounting. The amendments have not yet been endorsed by the EU.

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

The amendments were initially effective for annual reporting periods beginning on or after January 1, 2022 with earlier application permitted. However, in response to the covid-19 pandemic, the Board has deferred the effective date by one year, i.e. 1 January 2023, to provide companies with more time to implement any classification changes resulting from the amendments. The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of financial position, debt and other liabilities with an uncertain settlement date should be classified as current or non-current. The amendments affect the presentation of liabilities in the statement of financial position and do not change existing requirements around measurement or timing of recognition of any asset, liability, income or expenses, nor the information that entities disclose about those items. Also, the amendments clarify the classification requirements for debt which may be settled by the company issuing own equity instruments.
In November 2021, the Board issued an exposure draft (ED), which clarifies how to treat liabilities that are subject to covenants to be complied with, at a date subsequent to the reporting period. In particular, the Board proposes narrow scope amendments to IAS 1 which effectively reverse the 2020 amendments requiring entities to classify as current, liabilities subject to covenants that must only be complied with within the next twelve months after the reporting period, if those covenants are not met at the end of the reporting period. Instead, the proposals would require entities to present separately all non-current liabilities subject to covenants to be complied with only within twelve months after the reporting period. Furthermore, if entities do not comply with such future covenants at the end of the reporting period, additional disclosures will be required. The proposals will become effective for annual reporting periods beginning on or after 1 January 2024 and will need be applied retrospectively in accordance with IAS 8, while early adoption is permitted. The Board has also proposed to delay the effective date of the 2020 amendments accordingly, such that entities will not be required to change current practice before the proposed amendments come into effect. These Amendments, including ED proposals, have not yet been endorsed by the EU.

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

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

- IFRS 3 Business Combinations (Amendments) update a reference in IFRS 3 to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations.
- IAS 16 Property, Plant and Equipment (Amendments) prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognise such sales proceeds and related cost in profit or loss.
- IAS 37 Provisions, Contingent Liabilities and Contingent Assets (Amendments) specify which costs a company includes in determining the cost of fulfilling a contract for the purpose of assessing whether a contract is onerous.

2. Basis of preparation (continued)

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

- Annual Improvements 2018-2020 make minor amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 9 Financial Instruments, IAS 41 Agriculture and the Illustrative Examples accompanying IFRS 16 Leases.

- **IFRS 16 Leases-Covid 19 Related Rent Concessions beyond 30 June 2021 (Amendment)**

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

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

The Amendments are effective for annual periods beginning on or after January 1, 2023 with earlier application permitted. The amendments provide guidance on the application of materiality judgements to accounting policy disclosures. In particular, the amendments to IAS 1 replace the requirement to disclose 'significant' accounting policies with a requirement to disclose 'material' accounting policies. Also, guidance and illustrative examples are added in the Practice Statement to assist in the application of the materiality concept when making judgements about accounting policy disclosures. The Amendments have not yet been endorsed by the EU.

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

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

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

The amendments are effective for annual periods beginning on or after January 1, 2023 with earlier application permitted. In May 2021, the Board issued amendments to IAS 12, which narrow the scope of the initial recognition exception under IAS 12 and specify how companies should account for deferred tax on transactions such as leases and decommissioning obligations. Under the amendments, the initial recognition exception does not apply to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences. It only applies if the recognition of a lease asset and lease liability (or decommissioning liability and decommissioning asset component) give rise to taxable and deductible temporary differences that are not equal. The Amendments have not yet been endorsed by the EU.

2. Basis of preparation (continued)

e) Significant accounting judgments and estimates

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

Fair value of financial instruments

Where the fair values of financial assets and financial liabilities recorded on the statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The inputs to these models are derived from observable market data where possible, but where observable market data are not available, judgment is required to establish fair values. The judgments include considerations of liquidity and model inputs such as volatility for longer dated derivatives and discount rates, prepayment rates and default rate assumptions for asset backed securities. The valuation of financial instruments is described in more detail in Note 44.

Expected credit losses on financial assets at amortised cost and FVOCI

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

The Bank's expected credit loss model (ECL) relies on several underlying assumptions regarding the choice of variable inputs and their interdependencies, which affect the level of allowances:

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

2. Basis of preparation (continued)

e) Significant accounting judgments and estimates (continued)

COVID - 19

The outbreak of the COVID-19 pandemic has prompted rapid social and economic responses worldwide. Within the EU, Member States have implemented a broad range of support measures aimed at minimizing the medium- and long-term economic impacts of the pandemic. The response included some forms of moratorium on payments of credit obligations (with the aim of supporting the operational and liquidity challenges faced by borrowers), introduced either jurisdiction-wide (legislative moratorium) or voluntary industry-wide or individual initiatives by institutions (non-legislative moratorium). In Romania, the moratorium reflects a combination of statewide legislation (GEO 37/2020, and GEO 227/2021) doubled by various initiatives of the banking system.

In addition to legislative moratorium provisions, the Bank has also designed internal deferral programs in order to support its debtors under the temporary distress. These measures fall into the non-legislative category.

For the eligible debtors the moratorium-related changes to the contract are not automatically considered forbearance measures, hence no automatically default trigger.

2. Basis of preparation (continued)

e) Significant accounting judgments and estimates (continued)

Provisions for other risks and charges

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

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

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

In case of litigations:

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

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

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

Please refer to note 24 and note 40 for more details.

f) Segment information

A segment is a component of the Group and Bank:

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

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

3. Summary of significant accounting policies

a) Recognition of income and expenses

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

i) Interest and similar income

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

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

ii) Fee and commission income

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

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

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

iii) Dividend income

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

iv) Net trading income

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

3. Summary of significant accounting policies (continued)

a) Recognition of income and expenses (continued)

v) Levies

IFRIC 21 "Levies" clarifies the accounting for a liability to pay a levy. For an entity, the obligating event that gives rise to a liability to pay a levy is the activity that triggers the payment of the levy, as identified by the legislation. The liability to pay a levy is recognised progressively if the obligating event occurs over a period of time. Furthermore, if an obligation to pay a levy is triggered when a minimum activity threshold is reached, the corresponding liability is recognised when that minimum activity threshold is reached.
The main related taxes which fall under the provisions of IFRIC 21 are as follows:

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

b) Financial instruments - recognition

i) Initial recognition and date of recognition

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

ii) Measurement categories of financial assets and liabilities

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

Starting 1 January 2018, in accordance with IFRS 9 classification, the Group classifies financial assets in the following measurement categories:

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

3. Summary of significant accounting policies (continued)

b) Financial instruments – recognition (continued)

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

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

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

Starting 1 January 2018, Group measures the equity instruments at fair value through profit and loss. Gains and losses on equity investments measured at fair value through profit and loss are included in the line "Net gains on financial assets measured at fair value through profit and loss" in the statement of profit and loss.

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

c) Financial instruments – classification and measurement

Starting 1 January 2018 the Group classifies its financial assets into one of the following categories based on the assessment of business model and SPPI characteristics, as follows:

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

1) Business model assessment

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

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

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

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

3. Summary of significant accounting policies (continued)

c) Financial instruments – classification and measurement (continued)

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

2) SPPI test

As a second step of its classification process the Group performs the assessment of the characteristics of the contractual cash flows aiming to identify whether the contractual cash flows are "solely payments of principal and interest on the principal amount outstanding" – SPPI test. The SPPI assessment is a one-off exercise and is performed at the initial recognition of the financial asset.

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

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

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

3) Debt instruments at FVOCI

These instruments largely comprise of treasury bonds.

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

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

3. Summary of significant accounting policies (continued)

c) Financial instruments – classification and measurement (continued)

4) Derivatives that are not designated accounting hedging instruments

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

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

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

5) Derivatives that are designated accounting hedging instruments

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

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

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

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

6) Financial assets and financial liabilities held for trading

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

3. Summary of significant accounting policies (continued)

c) Financial instruments – classification and measurement (continued)

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

7) Repurchase agreements

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

8) Borrowings

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

9) Financial guarantees, letter of credits and loan commitments

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

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

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

Undrawn loan commitments and letters of credits are commitments under which, over the duration of the commitment, the Bank is required to provide a loan with pre-specified terms to the customer. Similar to financial guarantee contracts, from 1 January 2018, these contracts are in the scope of the ECL requirements.

The nominal contractual value of financial guarantees, letters of credit and undrawn loan commitments, where the loan agreed to be provided is on market terms, are not recorded on in the statement of financial position. The nominal values of these instruments together with the corresponding ECLs are disclosed in Note 44 and in Note 24.

3. Summary of significant accounting policies (continued)

d) Financial assets - derecognition

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

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

Derecognition due to substantial modification of terms and conditions

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

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

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

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

Quantitative criteria:

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

3. Summary of significant accounting policies (continued)

d) Financial assets - derecognition (continued)

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

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

Derecognition other than for substantial modification

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

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

Write-offs

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

The Bank performs permanent write-offs (derecognition) under certain situations, such as:
- the financial assets are considered immaterial, thus do not justify the initiation of the recovery process;
- the collaterals which cover the receivables have a recovery value deemed immaterial and no other recovery sources could be identified;
- exhaustion of all legal means;
- end of the statute of limitation period for enforcement rights, etc.

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

3. Summary of significant accounting policies (continued)

e) Impairment model of financial assets

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

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

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

The ECL calculation considers both the number of days past due recorded by the receivables and the credit risk analysis performed for clients with granted loans.
For contract assets and trade receivables the Group applies the simplified approach for measuring the expected credit losses and recognizes lifetime expected credit losses in accordance to the provisions of IFRS 9 "Financial Instruments". Based on an assessment of historical information the Bank recognizes expected credit loss for contract assets and the trade receivables with more than 90 days past due for the entire exposure amount.

Overview of the ECL principles

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

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

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

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

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

3. Summary of significant accounting policies (continued)

e) Impairment model of financial assets (continued)

Staging criteria

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

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

- For Small Business, the staging criteria are:

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

- For Individuals and Professionals , the staging criteria are:

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

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

3. Summary of significant accounting policies (continued)

e) Impairment model of financial assets (continued)

ECL calculation techniques:

The key elements of ECL calculation are outlined below:

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

Forward-looking information

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

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

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

Impairment/default principles

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

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

(Amounts in thousands RON)

3. Summary of significant accounting policies (continued)

e) Impairment model of financial assets (continued)

Collateral valuation

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

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

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

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

f) Foreign currency translation

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

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as of the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. The exchange rates of the currencies with the most significant impact on the Group and Bank’s consolidated and separate financial statements as of December 31, 2021 and 2020 were as follows:

	31-Dec-21	31-Dec-20
RON/ EUR	4.9481	4.8694
RON/ USD	4.3707	3.966

g) Cash and cash equivalents

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

3. Summary of significant accounting policies (continued)

h) Leases

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

Group as a lessor

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

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

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognizes lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets. For short-term leases or leases for which the underlying asset is of low value, the related lease payments are recognized as an expense on a straight-line basis over the lease term (please see Note 34).

Right-of-use assets

The Group recognizes right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any re-measurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date. Right-of-use assets are depreciated on a straight-line basis over the lease term. The right-of-use assets are presented within Note 14.

Lease liabilities

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

3. Summary of significant accounting policies (continued)

i) Investment in associates and joint ventures

An associate is an enterprise in which the Group and Bank exercises significant influence and is neither a subsidiary nor a joint venture.
A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. The Group and Bank recognizes its interest in a joint venture as an investment and shall account for that investment using the equity method in accordance with IAS 28 Investments in Associates.
Associates and joint venture are accounted using the equity method for consolidation purposes and cost method for separate financial statements.

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

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

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

j) Tangible assets

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

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

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

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

Asset type	***Years***
Buildings and special constructions	10-40
Computers and equipment	3-5
Furniture and other equipment	15
Vehicles	5

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

3. Summary of significant accounting policies (continued)

j) Tangible assets (continued)

The carrying amount of tangible assets is reviewed for impairment at each statement of financial position date or whenever events or changes in circumstances indicate the carrying amount may not be recoverable. Where the carrying amount of a tangible asset is greater than the estimated recoverable amount, it is written down to its recoverable amount.
Tangible assets are derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement in the year the asset is derecognized.

k) Investment properties

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

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

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

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

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

l) Non-current assets held for sale

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

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

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

3. Summary of significant accounting policies (continued)

m) Goodwill

Goodwill acquired in a business combination is initially measured at cost being the excess of the cost of the business combination over the Group and Bank's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.

Goodwill is reviewed for impairment at each reporting date or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. Impairment is determined by assessing the recoverable amount of the cash-generating unit, to which the goodwill relates. Where the recoverable amount of cash-generating unit is less than the carrying amount, an impairment loss is recognized.

n) Intangible assets

Intangible assets are measured initially at cost. Following initial recognition intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses. All intangible assets of the Group and Bank carried as of December 31, 2021 and 2020 have finite useful lives and are amortized on a straight-line basis over the estimated useful life of up to 5 years. The amortization period and the amortization method are reviewed at least at each financial year end.

At each statement of financial position date or whenever events or changes in circumstances indicate the carrying value may not be recoverable, intangibles are reviewed for impairment. Where the carrying amount of an asset is greater than the estimated recoverable amount, it is written down to its recoverable amount by recognising impairment. An intangible asset is derecognized upon disposal (i.e., at the date the recipient obtains control) or when no future economic benefits are expected from its use or disposal. Any gain or loss arising upon derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit or loss.

o) Employee benefits

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

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

Post-employment benefits:
The Group and Bank has a contractual obligation to pay to retiring employees a benefit calculated taking into account the salary at the date of retirement and the number of years served by the individual. The cost of providing benefits under defined benefit plans is estimated annually using the projected unit credit actuarial valuation method and is recognized to the income statement on an accruals basis. Differences arising from changes in calculation assumptions (early retirements, discount rates, etc.) or differences between actuarial assumptions and real performance are recognized as actuarial gains and losses.

3. Summary of significant accounting policies (continued)

o) Employee benefits (continued)

Actuarial gains and losses, excluding amounts expensed as net interest on the net defined benefit liability are components used to re-measure the net defined benefit liability. These components are immediately and fully recognised as unrealised gains and losses and presented under Reserves from defined pension plan.

These items are subsequently never reclassified in income statement but transferred to retain earnings.

Where a new or amended plan comes into force, the past service cost is immediately recognized in profit or loss.

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

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

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

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

p) Taxation

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

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

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

Deferred income tax assets and liabilities are measured at the amount that is expected to be paid to or recovered from the tax authorities after taking into account the tax rates and legislation that have been enacted or substantially enacted until the statement of financial position date. Current and deferred tax assets and liabilities are offset when they arise from the same tax reporting entity and relate to the same tax authority and when the legal right to offset exists. Income tax relating to items recognized directly in equity is recognized in equity and not in the income statement.

3. Summary of significant accounting policies (continued)

q) Provisions

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

r) Contingencies

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

s) Earnings per share

Basic earnings per share are calculated by dividing net profit/ (loss) for the reporting period attributable to ordinary equity holders of the parent by the weighted average number of shares outstanding during the year. As of December 31, 2021 and 2020 there were no dilutive equity instruments issued by the Group and Bank.

t) Dividends on ordinary shares

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

u) Related parties

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

v) Subsequent events

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

4. Segment information

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

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

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

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

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

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

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

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

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

(Amounts in thousands RON)

4. Segment information (continued)

Group

	December 31, 2021				December 31, 2020			
	Total	Retail	Non retail	Corporate Center	Total	Retail	Non retail	Corporate Center
Total assets	**69,063,297**	**23,148,761**	**10,987,709**	**34,926,827**	**63,557,745**	**22,108,317**	**8,601,580**	**32,847,847**
Loans and advances to customers, net & Finance lease receivables	34,136,470	23,148,761	10,987,709	-	30,709,897	22,108,317	8,601,580	-
Other assets	34,926,827	-	-	34,926,827	32,847,847	-	-	32,847,847
Total liabilities	**69,063,297**	**35,988,622**	**16,694,959**	**16,379,716**	**63,557,745**	**33,708,531**	**16,249,223**	**13,599,991**
Due to customers	52,683,581	35,988,622	16,694,959	-	49,957,754	33,708,531	16,249,223	-
Other liabilities	16,379,716	-	-	16,379,716	13,599,991	-	-	13,599,991

Bank

	December 31, 2021				December 31, 2020			
	Total	Retail	Non retail	Corporate Center	Total	Retail	Non retail	Corporate Center
Total assets	**67,015,263**	**22,070,310**	**10,113,546**	**34,831,407**	**61,634,585**	**21,096,342**	**7,776,679**	**32,761,564**
Loans and advances to customers, net	32,183,856	22,070,310	10,113,546	-	28,873,021	21,096,342	7,776,679	-
Other assets	34,831,407	-	-	34,831,407	32,761,564	-	-	32,761,564
Total liabilities	**67,015,263**	**35,988,622**	**16,929,264**	**14,097,377**	**61,634,585**	**33,708,531**	**16,443,595**	**11,482,459**
Due to customers	52,917,886	35,988,622	16,929,264	-	50,152,126	33,708,531	16,443,595	-
Other liabilities	14,097,377	-	-	14,097,377	11,482,459	-	-	11,482,459

(Amounts in thousands RON)

4. Segment information (continued)

Group

	2021				2020			
	Total	**Retail**	**Non retail**	**Corporate Center**	**Total**	**Retail**	**Non retail**	**Corporate Center**
Net interest income	2,084,187	1,405,248	458,250	220,689	2,086,928	1,390,394	452,123	244,410
Fees and commissions, net	764,780	550,128	223,207	(8,555)	711,416	506,277	213,603	(8,464)
Total non-interest income	268,723	101,661	85,745	81,317	289,662	85,939	74,919	128,804
Operating income	**3,117,690**	**2,057,037**	**767,202**	**293,451**	**3,088,006**	**1,982,609**	**740,645**	**364,750**
Total operating expenses	**(1,617,582)**	**(1,171,618)**	**(403,450)**	**(42,514)**	**(1,588,007)**	**(1,155,497)**	**(393,043)**	**(39,467)**
Cost of risk	145,656	20,143	141,853	(16,340)	(352,651)	(316,004)	(21,814)	(14,833)
Profit before income tax	**1,645,764**	**905,562**	**505,605**	**234,597**	**1,147,348**	**511,108**	**325,788**	**310,452**
Total income tax	(326,860)	(179,824)	(100,401)	(46,635)	(184,491)	(82,146)	(52,361)	(49,984)
Profit for the period	**1,318,904**	**725,738**	**405,204**	**187,962**	**962,857**	**428,962**	**273,427**	**260,468**
Cost Income Ratio	**51.9%**	**57.0%**	**52.6%**	**14.5%**	**51.4%**	**58.3%**	**53.1%**	**10.8%**

(Amounts in thousands RON)

4. Segment information (continued)

Bank

	2021				2020			
	Total	**Retail**	**Non retail**	**Corporate Center**	**Total**	**Retail**	**Non retail**	**Corporate Center**
Net interest income	1,953,108	1,324,361	401,691	227,057	1,956,653	1,302,878	403,724	250,052
Fees and commissions, net	726,595	522,718	218,778	(14,901)	674,289	476,437	210,131	(12,280)
Total non-interest income	270,736	101,477	80,355	88,904	295,590	85,597	70,792	139,201
Operating income	**2,950,439**	**1,948,555**	**700,824**	**301,060**	**2,926,532**	**1,864,911**	**684,647**	**376,973**
Total operating expenses	**(1,514,608)**	**(1,095,357)**	**(376,897)**	**(42,354)**	**(1,481,372)**	**(1,072,869)**	**(369,377)**	**(39,126)**
Cost of risk	159,233	18,961	156,609	(16,337)	(312,900)	(110,379)	(90,334)	(112,188)
Profit before income tax	**1,595,064**	**872,159**	**480,536**	**242,369**	**1,132,260**	**681,664**	**224,937**	**225,659**
Total income tax	(315,808)	(172,679)	(95,142)	(47,987)	(180,695)	(108,785)	(35,897)	(36,013)
Profit for the period	**1,279,256**	**699,480**	**385,394**	**194,382**	**951,565**	**572,879**	**189,040**	**189,647**
Cost Income Ratio	**51.3%**	**56.2%**	**53.8%**	**14.1%**	**50.6%**	**57.5%**	**54.0%**	**10.4%**

(Amounts in thousands RON)

5. Cash in hand

	Group		Bank	
	December 31, 2021	December 31, 2020	December 31, 2021	December 31, 2020
Cash in vaults	1,323,877	1,317,039	1,323,844	1,317,035
Cash in ATM	570,571	572,516	570,571	572,516
Total	**1,894,448**	**1,889,556**	**1,894,415**	**1,889,552**

6. Due from Central Bank

	Group		Bank	
	December 31, 2021	December 31, 2020	December 31, 2021	December 31, 2020
Current accounts	4,311,908	5,223,833	4,311,908	5,223,833
Total	**4,311,908**	**5,223,833**	**4,311,908**	**5,223,833**

7. Due from banks

	Group		Bank	
	December 31, 2021	December 31, 2020	December 31, 2021	December 31, 2020
Deposits at Romanian banks	124,453	31,642	124,453	31,641
Deposits at foreign banks	3,755,293	3,285,359	3,738,708	3,268,163
Current accounts at Romanian banks	1	1	1	1
Current accounts at foreign banks	507,149	706,131	507,149	706,131
Reverse repo	-	1,493,708	-	1,493,708
Bonds	151,046	-	151,046	-
Total	**4,537,941**	**5,516,842**	**4,521,357**	**5,499,644**

The Due from banks portfolio is classified as Stage 1. The Group and Bank registered an impairment allowance for Due from banks of 146 as at December 31, 2021 (December 31, 2020: 91).

8. Derivative and other financial instruments held for trading

Group

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

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

(Amounts in thousands RON)

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

Group

	December 31, 2020		
	Assets	**Liabilities**	**Notional (total)**
Interest rate swaps	81,970	22,571	5,610,596
Currency swaps	11,323	18,604	2,957,717
Forward foreign exchange contracts	23,724	17,399	1,610,565
Options	13,273	13,357	3,206,095
Total derivative financial instruments	**130,290**	**71,931**	**13,384,973**

	December 31, 2020	
	Assets	**Liabilities**
Treasury notes	1,274,558	147,527
Trading deposits	-	371,210
Repo/Reverse repo	995,517	9,001
Total financial assets and liabilities held for trading	**2,270,075**	**527,738**

Bank

	December 31, 2021		
	Assets	**Liabilities**	**Notional (total)**
Interest rate swaps	33,962	48,399	5,101,371
Currency swaps	8,386	4,593	3,012,164
Forward foreign exchange contracts	7,126	6,056	1,110,385
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Trading deposits	-	371,210
Reverse repo	995,517	9,001
Total financial assets and liabilities held for trading	**2,270,075**	**527,738**

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

The Group continue to apply hedge accounting (fair value hedge) as at December 31, 2021 and has 4 hedging relationships (4 hedging relationships as at December 31, 2020).

- The macro fair value hedge of interest rate risk associated with the current accounts initiated on September 30, 2013 was closed on March 29, 2021.

- On June 30, 2018, the Bank initiated two macro fair value hedges one in EUR and one in USD of interest rate risk associated with the current accounts, using several interest rate swaps (pay variable, receive fixed). The change in the fair value of the macro fair value hedge swaps offsets the change in the fair value of the hedged portion of the current accounts. The hedged items are represented by the portion of the current accounts portfolio equal to the swaps nominal values of:

- 126 million EUR yearly with a fixed interest rate of 0.42%, the remaining period of 6.5 years.
- 32 million EUR yearly with a fixed interest rate of -0.0125%, the remaining period of 1.5 years.
- 40 million EUR yearly with a fixed interest rate of 0.171%, the remaining period of 3.5 years.
- 28 million EUR yearly with a fixed interest rate of -0.0125%; the remaining period of 1.5 years.
- 28 million USD yearly with a fixed interest rate of 2.813%; the remaining period of 6.5 years.
- 12 million USD yearly with a fixed interest rate of 2.765%; the remaining period of 1.5 years.

- In October 30, 2020 the Bank initiated a macro fair value hedge of interest rate risk associated with the current accounts, using several interest rate swaps (pay variable, receive fixed). The change in the fair value of the macro fair value hedge swaps offsets the change in the fair value of the hedged portion of the current accounts. The hedged item is represented by the portion of the current accounts portfolio equal to the swaps nominal of 350 million EUR with a fixed interest rate of -0.403%. The remaining period for the hedging instrument is of 8.84 years.

- On September 30, 2021 the Bank initiated a macro fair value hedge of interest rate risk associated with the current accounts, using several interest rate swaps (pay variable, receive fixed). The change in the fair value of the macro fair value hedge swaps offsets the change in the fair value of the hedged portion of the current accounts. The hedged item is represented by the portion of the current accounts portfolio equal to the swaps nominal of 150 million EUR with a fixed interest rate of -0.337%. The remaining period for the hedging instrument is of 4.75 years.

(Amounts in thousands RON)

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

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

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

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

As at December 31, 2021, the accumulated amount of fair value hedge adjustments on the current accounts hedged item are included in the carrying amount and presented in due to customer line in the statement of financial position and amounts to -19,056. The change in value of the hedged item during the period is explained by the cumulated effect of a gain from revaluation in amount of 70,730 and of the exchange rate evolution effect in amount of -1,262. During 2021, the difference between the fair value of the hedging instrument and the hedged item represents an inefficiency in amount of 4,075, recognized in profit or loss in note 29.

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

	December 31, 2021		
	Assets	**Liabilities**	**Notional (total)**
Interest rate swaps	21,192	39,703	3,593,965

	December 31, 2020		
	Assets	**Liabilities**	**Notional (total)**
Interest rate swaps	47,931	1,132	3,386,881

IBOR reform Phase 2 provides temporary reliefs that allow the Bank’s hedging relationships to continue upon the replacement of an existing interest rate benchmark with an RFR. The reliefs require the Bank to amend the hedge designations and hedge documentation. The specific impact on the Bank’s hedging activities is being managed as part of the overall project to achieve IBOR reform described in note 42.2.

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

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

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

(Amounts in thousands RON)

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

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

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

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

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

9. Loans and advances to customers

	Group		**Bank**	
	December 31, 2021	**December 31, 2020**	**December 31, 2021**	**December 31, 2020**
Loans, gross	34,668,675	31,534,050	33,853,032	30,633,863
Loans impairment	(1,754,800)	(1,891,052)	(1,669,176)	(1,760,842)
Total	**32,913,875**	**29,642,998**	**32,183,856**	**28,873,021**

The structure of loans is the following:

	Group		**Bank**	
	December 31, 2021	**December 31, 2020**	**December 31, 2021**	**December 31, 2020**
Working capital loans	4,706,233	3,836,151	4,706,233	3,836,151
Loans for equipment	3,428,885	2,676,540	3,171,233	2,459,487
Trade activities financing	1,318,133	914,760	1,318,133	914,760
Acquisition of real estate, including mortgage for individuals	13,747,465	13,040,071	13,747,465	13,040,071
Consumer loans	9,104,171	9,121,155	8,546,180	8,438,022
Other	2,363,788	1,945,373	2,363,788	1,945,373
Total	**34,668,675**	**31,534,050**	**33,853,032**	**30,633,863**

During 2021 the gross loan portfolio increased by 3,219 million RON as compared with 31 December 2020.

As at 31 December 2021 the Bank's gross loan portfolio and movements were distributed as follows:

- Stage 1: 24,532 million RON, with a 3,564 million increase compared to 31 December 2020
- Stage 2: 8,164 million RON, with a 376 million RON decrease compared to 31 December 2020
- Stage 3: 1,098 million RON, with a 32 million RON increase compared to 31 December 2020
- POCI: 59 million RON, with 1 million decrease compared to 31 December 2020.

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

9. Loans and advances to customers (continued)

- Stage 1 increase driven by robust performance on both Retail and Non Retail segments

- The net decrease in Stage 2 portfolio reflects the effect of revised macroeconomic expectations, mainly on Non-Retail portfolio

- The Stage 3 and POCI evolution is characterized by a net inflow of 285 million RON from performing portfolios, offset by good recovery performance on already defaulted portfolios of 77 million RON, and portfolio sale and write-off in amount of 176 million RON.

As of December 31, 2021 the amortized cost of loans granted to the 20 largest corporate clients (groups of connected borrowers) amounts to 3,614,157 (December 31, 2020: 2,854,386), while the value of letters of guarantee and letters of credit issued in favour of these clients amounts for the Group and Bank to 4,961,898 (December 31, 2020: 3,491,353)

(Amounts in thousands RON)

9. Loans and advances to customers (continued)

Impairment allowance movement

Group

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

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

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

(Amounts in thousands RON)

9. Loans and advances to customers (continued)

Impairment allowance movement (continued)

Bank

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

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

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

(Amounts in thousands RON)

9. Loans and advances to customers (continued)

Impairment allowance movement (continued)

Group

	Retail lending				
	Stage 1	Stage 2	Stage 3	POCI	**Total**
Impairment allowance as at 1 st January 2020	177,032	331,521	573,551	3,391	**1,085,494**
New assets originated or purchased	69,156	18,390	794	19	**88,359**
Assets derecognised or repaid (excluding write offs)	(21,863)	(20,823)	(69,823)	(286)	**(112,796)**
Net provision movement for assets that did not change classification	(53,319)	81,678	8,691	1,147	**38,197**
Movements due to change in classification	(35,204)	183,091	152,477	296	**300,659**
Amounts written off	-	-	(95,839)	(631)	**(96,470)**
Other adjustments	451	3,377	3,030	19	**6,877**
Impairment allowance as at 31 December 2020	**136,253**	**597,234**	**572,879**	**3,955**	**1,310,321**

	Non-Retail lending				
	Stage 1	Stage 2	Stage 3	POCI	**Total**
Impairment allowance as at 1 st January 2020	36,035	64,211	366,292	38,987	**505,526**
New assets originated or purchased	29,587	25,036	1,349	52	**56,024**
Assets derecognised or repaid (excluding write offs)	(10,062)	(5,557)	(38,565)	(247)	**(54,431)**
Net provision movement for assets that did not change classification	20,161	6,340	(38,141)	(3,471)	**(15,112)**
Movements due to change in classification	(4,218)	67,169	48,583	(5,521)	**106,012**
Amounts written off	-	(0)	(19,700)	(338)	**(20,038)**
Other adjustments	1,109	511	1,089	40	**2,749**
Impairment allowance as at 31 December 2020	**72,612**	**157,710**	**320,906**	**29,502**	**580,730**

	Total				
	Stage 1	Stage 2	Stage 3	POCI	**Total**
Impairment allowance as at 1 st January 2020	213,067	395,732	939,843	42,378	**1,591,020**
New assets originated or purchased	98,743	43,426	2,143	71	**144,383**
Assets derecognised or repaid (excluding write offs)	(31,925)	(26,380)	(108,388)	(533)	**(167,226)**
Net provision movement for assets that did not change classification	(33,158)	88,018	(29,451)	(2,324)	**23,085**
Movements due to change in classification	(39,422)	250,260	201,059	(5,226)	**406,671**
Amounts written off	-	(0)	(115,539)	(969)	**(116,508)**
Other adjustments	1,560	3,888	4,120	59	**9,628**
Impairment allowance as at 31 December 2020	**208,865**	**754,944**	**893,787**	**33,457**	**1,891,052**

(Amounts in thousands RON)

9. Loans and advances to customers (continued)

Impairment allowance movement (continued)

Bank

	Retail lending				
	Stage 1	Stage 2	Stage 3	POCI	**Total**
Impairment allowance as at 1 st January 2020	157,955	322,838	503,580	3,391	**987,765**
New assets originated or purchased	69,055	18,342	794	19	**88,211**
Assets derecognised or repaid (excluding write offs)	(21,835)	(20,767)	(69,804)	(286)	**(112,692)**
Net provision movement for assets that did not change classification	(53,136)	81,591	5,796	1,147	**35,397**
Movements due to change in classification	(36,045)	183,438	129,186	296	**276,875**
Amounts written off	-	-	(95,545)	(631)	**(96,176)**
Other adjustments	444	3,377	3,011	19	**6,851**
Impairment allowance as at 31 December 2020	**116,439**	**588,819**	**477,017**	**3,955**	**1,186,230**

	Non-Retail lending				
	Stage 1	Stage 2	Stage 3	POCI	**Total**
Impairment allowance as at 1 st January 2020	35,587	61,187	365,211	38,987	**500,971**
New assets originated or purchased	29,349	24,695	1,349	52	**55,445**
Assets derecognised or repaid (excluding write offs)	(9,999)	(5,382)	(38,565)	(247)	**(54,192)**
Net provision movement for assets that did not change classification	21,914	5,227	(39,660)	(3,471)	**(15,990)**
Movements due to change in classification	(5,811)	68,682	48,401	(5,521)	**105,750**
Amounts written off	-	(0)	(19,700)	(338)	**(20,038)**
Other adjustments	1,074	486	1,065	40	**2,665**
Impairment allowance as at 31 December 2020	**72,115**	**154,895**	**318,100**	**29,502**	**574,612**

	Total				
	Stage 1	Stage 2	Stage 3	POCI	**Total**
Impairment allowance as at 1 st January 2020	193,542	384,025	868,791	42,378	**1,488,736**
New assets originated or purchased	98,405	43,037	2,143	71	**143,656**
Assets derecognised or repaid (excluding write offs)	(31,834)	(26,149)	(108,369)	(533)	**(166,885)**
Net provision movement for assets that did not change classification	(31,222)	86,818	(33,865)	(2,324)	**19,407**
Movements due to change in classification	(41,856)	252,120	177,587	(5,226)	**382,625**
Amounts written off	-	(0)	(115,245)	(969)	**(116,214)**
Other adjustments	1,519	3,862	4,075	59	**9,516**
Impairment allowance as at 31 December 2020	**188,554**	**743,714**	**795,117**	**33,457**	**1,760,842**

The sensitivity assessment of ECL to key inputs shows that a +/- 1 p.p. change in LGD would result in an increase/ decrease of ECL with 33.2 million RON.

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

- A change of +/- 1 p.p. of the optimistic scenario weight correlated with a -/+ 1 p.p. change in base scenario weight, will generate an ECL decrease/ increase of 0.2 million RON
- A change of +/- 1 p.p. of the pessimistic scenario weight correlated with a -/+ 1 p.p. change in base scenario weight, will generate an ECL increase/ decrease of 1.5 million RON.

(Amounts in thousands RON)

10. Finance lease receivables

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

	Group	
	December 31, 2021	**December 31, 2020**
Gross investment in finance lease:		
Under 1 year	561,433	496,655
Between 1 and 5 years	824,401	712,998
Higher than 5 years	8,625	9,135
	1,394,459	**1,218,788**
Unearned finance income	(82,656)	(71,568)
Net investment in finance lease	**1,311,803**	**1,147,220**
Net investment in finance lease:		
Under 1 year	528,107	462,601
Between 1 and 5 years	775,580	675,885
Higher than 5 years	8,115	8,734
	1,311,802	**1,147,220**

	December 31, 2021	**December 31, 2020**
Net investment in the lease	1,311,802	1,147,220
Accumulated allowance for uncollectible minimum lease payments receivable	(89,207)	(80,321)
Total	**1,222,595**	**1,066,899**

As at December 31, 2021 and December 31, 2020, the future minimum lease receipts regarding operating leases (rents) concluded by the Group and Bank as a lessor are:

	Group		Bank	
	December 31, 2021	**December 31, 2020**	**December 31, 2021**	**December 31, 2020**
Less than one year	393	519	393	519
Between one and five years	373	470	373	470
More than five years	184	252	184	252
Total	**950**	**1,241**	**950**	**1,241**

(Amounts in thousands RON)

10. Finance lease receivables (continued)

Impairment allowance movement

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

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

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

(Amounts in thousands RON)

10. Finance lease receivables (continued)

Impairment allowance movement (continued)

	Retail			
	Stage 1	Stage 2	Stage 3	**Total**
Impairment allowance as at 1 st January 2020	934	2,030	13,836	**16,800**
New assets originated or purchased	569	375	824	**1,769**
Assets derecognised or fully repaid (excluding write offs)	(72)	(264)	(191)	**(527)**
Movements due to change in classification	777	(1,170)	393	**-**
Net movement for assets that did not change classification	(946)	947	3,032	**3,032**
Amounts written off	-	-	(1,630)	**(1,630)**
Other adjustments	28	10	212	**250**
Impairment allowance as at 31 December 2020	**1,291**	**1,927**	**16,476**	**19,694**

	Non-retail			
	Stage 1	Stage 2	Stage 3	**Total**
Impairment allowance as at 1 st January 2020	2,701	11,436	40,319	**54,456**
New assets originated or purchased	1,013	6,739	88	**7,840**
Assets derecognised or fully repaid (excluding write offs)	(203)	(1,592)	(159)	**(1,954)**
Movements due to change in classification	4,634	(5,384)	749	**-**
Net movement for assets that did not change classification	(5,559)	5,113	2,204	**1,757**
Amounts written off	-	-	(1,459)	**(1,459)**
Other adjustments	123	41	(176)	**(11)**
Impairment allowance as at 31 December 2020	**2,710**	**16,352**	**41,566**	**60,627**

	Total			
	Stage 1	Stage 2	Stage 3	**Total**
Impairment allowance as at 1 st January 2020	3,636	13,465	54,155	**71,256**
New assets originated or purchased	1,583	7,114	912	**9,609**
Assets derecognised or fully repaid (excluding write offs)	(275)	(1,856)	(350)	**(2,481)**
Movements due to change in classification	5,411	(6,554)	1,143	**-**
Net movement for assets that did not change classification	(6,505)	6,060	5,235	**4,789**
Amounts written off	-	-	(3,089)	**(3,089)**
Other adjustments	151	51	36	**239**
Impairment allowance as at 31 December 2020	**4,000**	**18,280**	**58,042**	**80,322**

(Amounts in thousands RON)

11. Financial assets at fair value through profit or loss

	Group		Bank	
	December 31, 2021	December 31, 2020	December 31, 2021	December 31, 2020
Equity investments	6,947	39,747	6,947	39,747
Other securities	-	45,493	-	18,637
Total	**6,947**	**85,240**	**6,947**	**58,384**

Equity investments

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

In April 2021 the Bank sold to Societe Generale its entire interest into VISA shares through a bilateral stock purchase agreement, for a total price of 8,989,145 USD.

Other securities

In June 2021 the Group and Bank sold its entire investment in other securities for a total price of 21,562, 704 RON at Bank level and a total of 48,709,185 RON at Group level.

The Group fund units as at December 31, 2020:

December 31, 2020	Unit value RON	No of units	Market value
BRD Simfonia	46	483,269	22,091
BRD Obligatiuni	189	21,980	4,159
BRD Simplu	101	6,000	606
BRD Diverso	190	37,578	7,157
BRD Actiuni	231	44,358	10,266
BRD Global	186	6,514	1,214
Total			**45,493**

The Bank fund units as at December 31, 2020:

December 31, 2020	Unit value RON	No of units	Market value
BRD Diverso	190	37,578	7,157
BRD Actiuni	231	44,358	10,266
BRD Global	186	6,514	1,214
Total			**18,637**

12. Financial assets at fair value through other comprehensive income

Financial assets at fair value through other comprehensive income include treasury notes, respectively treasury discount notes and coupon bonds issued by the Ministry of Public Finance, in amount of 15,769,371 rated as very good according to internal rating, bonds issued by French State in amount of 3,389,311 and bonds issued by the Belgian State in amount of 705,143 rated as very good according to internal rating.

As at December 31, 2021, these financial assets at fair value through other comprehensive income are classified as Stage 1 and ECL impairment allowance amounts to 3,045 (December 31, 2020: 2,681).

(Amounts in thousands RON)

13. Investments in subsidiaries associates and joint ventures

Group

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

Group

Associates and joint ventures	%	December 31, 2019	Additions/ Reclassifications	Increase / (decrease) in net assets	December 31, 2020
BRD Asigurari de Viata SA	49.00%	27,492	-	222	27,714
BRD Fond de Pensii S.A.	49.00%	11,241	13,035	(13,123)	11,153
Fondul de Garantare a Creditului Rural	33.33%	18,737	-	37	18,774
ALD Automotive	20.00%	23,904	-	1,693	25,597
BRD Sogelease Asset Rental SRL	20.00%	1,031	-	225	1,256
Biroul de Credit S.A.	16.38%	3,169	-	(115)	3,054
CIT One SRL	33.33%	-	11,900	(334)	11,566
		85,574	**24,935**	**(11,395)**	**99,114**

(Amounts in thousands RON)

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

Bank

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

Bank

Associates and joint ventures	%	December 31, 2019	Additions/ Reclassifications	December 31, 2020
BRD Asigurari de Viata SA	49.00%	17,697	-	17,697
BRD Fond de Pensii S.A.	49.00%	20,565	13,034	33,599
Fondul de Garantare a Creditului Rural	33.33%	14,220	-	14,220
ALD Automotive	20.00%	11,873	-	11,873
Biroul de Credit S.A.	16.38%	729	-	729
CIT One SRL	33.33%	-	11,900	11,900
Total associates and joint ventures		**65,084**	**24,934**	**90,018**
BRD Sogelease IFN SA	99.98%	11,558	-	11,558
BRD Asset Management SAI SA	99.98%	4,321	-	4,321
BRD Finance Credite de Consum IFN SA	49.00%	53,019	-	53,019
Subsidiaries		**68,898**	**-**	**68,898**
Total associates and subsidiaries		**133,982**	**24,934**	**158,916**

As at September 30, 2020, BRD - Groupe Societe Generale signed a shareholders' agreement for entering the shareholding of CIT ONE S.A. with a participation share of 33.33%. As a result, as at 31 December 2020 the participation in CIT One S.A. is included in the scope of BRD Group consolidation through equity method, in accordance with IAS 28 "Investments in associates and joint ventures" and presented as a joint venture in accordance with IFRS 11 “Joint Agreements”. The cost of acquisition reflected in the financial statements for CIT One S.A. was in amount of 11,900.

In April 2020 the share capital of BRD Fond de Pensii SA was increased by 26.600 by issuing new shares but by keeping the shareholding percentages of shareholders. This transaction generated an increase in BRD Group participation in BRD Fond de Pensii SA by an amount of 13.035.

(Amounts in thousands RON)

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

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

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

(Amounts in thousands RON)

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

The subsidiaries and associates summary of financial position and income statement as at December 31, 2020 are as follows**:**

December 31, 2020	%	Current assets	Non-current assets	Net assets	% of net assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities	Revenue	Net profit/(loss)
Subsidiaries											
BRD Sogelease IFN SA	99.98%	694,019	816,097	236,881	n/a	1,510,116	460,033	813,201	1,273,234	66,688	16,610
BRD Finance Credite de Consum IFN SA	49.00%	197,389	496,409	96,268	n/a	693,798	336,358	261,172	597,530	128,131	1,573
BRD Asset Management SAI SA	99.98%	1,372	30,694	27,831	n/a	32,066	847	3,388	4,235	29,156	4,727
Associate											
ALD Automotive	20.00%	66,707	611,900	127,990	25,598	678,607	70,488	480,130	550,618	203,354	8,372
BRD Asigurari de Viata SA	49.00%	496,985	97,994	56,567	27,718	594,979	133,426	404,986	538,412	289,326	11,441
Fondul de Garantare a Creditului Rural	33.33%	779,467	5,461	56,314	18,770	784,928	49,696	678,918	728,614	16,056	3,826
Biroul de Credit S.A.	16.38%	18,482	741	18,663	3,056	19,223	560	-	560	11,204	4,007
BRD Fond de Pensii S.A.	49.00%	64,345	1,683	22,757	11,151	66,028	388	42,883	43,271	17,326	(25,623)
BRD Sogelease Asset Rental SRL	20.00%	19,514	25,413	6,279	1,256	44,927	5,333	33,315	38,648	26,606	1,508
CIT One S.A.	33.33%	35,605	40,508	34,699	11,565	76,113	28,380	13,034	41,414	118,345	(4,218)
Total					**99,114**						

(Amounts in thousands RON)

14. Property, plant and equipment

	Group						
	Land & Buildings	Investment properties	Office equipments	Materials and other assets	Construction in progress	Right of use	Total
Cost:							
as of December 31, 2019	**1,323,332**	**37,222**	**241,667**	**510,247**	**71,291**	**492,925**	**2,676,684**
Additions	131	-	1,102	224	78,064	34,134	113,655
Transfers	8,488	5,762	31,876	33,035	(79,161)	-	-
Disposals	(34,869)	(2,547)	(12,487)	(24,844)	(16,237)	(73,243)	(164,227)
as of December 31, 2020	**1,297,082**	**40,437**	**262,158**	**518,662**	**53,957**	**453,816**	**2,626,112**
Additions	-	-	918	10	85,220	112,934	199,082
Transfers	23,931	(1,219)	27,248	26,877	(76,837)	-	-
Transfers into/from inventory	(16,800)	(331)	-	-	-	-	(17,131)
Disposals	(39,770)	(644)	(10,688)	(60,002)	(7,169)	(45,354)	(163,627)
as of December 31, 2021	**1,264,443**	**38,243**	**279,636**	**485,547**	**55,171**	**521,396**	**2,644,436**
Depreciation and impairment:							
as of December 31, 2019	**(773,954)**	**(19,403)**	**(179,944)**	**(406,295)**	**-**	**(85,769)**	**(1,465,365)**
Depreciation	(37,489)	(656)	(28,289)	(32,815)	-	(91,120)	(190,369)
Impairment	611	-	-	339	(1,954)	-	(1,004)
Disposals	21,694	684	12,461	22,052	-	57,389	114,280
Transfers	3,346	(3,264)	(32)	(50)	-	-	-
as of December 31, 2020	**(785,792)**	**(22,639)**	**(195,804)**	**(416,769)**	**(1,954)**	**(119,500)**	**(1,542,458)**
Depreciation	(36,145)	(625)	(29,525)	(32,538)	-	(90,425)	(189,258)
Impairment	1,009	-	-	351	-	-	1,360
Disposals	32,442	610	10,612	56,587	-	69,249	169,500
Transfers	(723)	723	-	-	-	-	-
Transfers into/from inventory	4,831	-	-	-	-	-	4,831
as of December 31, 2021	**(784,378)**	**(21,931)**	**(214,717)**	**(392,369)**	**(1,954)**	**(140,676)**	**(1,556,025)**
Net book value:							
as of December 31, 2019	**549,378**	**17,819**	**61,723**	**103,952**	**71,291**	**407,156**	**1,211,319**
as of December 31, 2020	**511,290**	**17,798**	**66,354**	**101,893**	**52,003**	**334,316**	**1,083,654**
as of December 31, 2021	**480,065**	**16,312**	**64,919**	**93,178**	**53,217**	**380,720**	**1,088,411**

(Amounts in thousands RON)

14. Property, plant and equipment (continued)

The Group and Bank holds investment property as a consequence of the ongoing rationalisation of its retail branch network. Investment properties comprise a number of commercial properties that are leased to third parties. The investment properties have a fair value of 12,705 as at December 31, 2021 (December 31, 2020: 12,883). The fair value has been determined based on a valuation by an independent valuer in 2021. Rental income from investment property of 1,708 (December 31, 2020: 905) has been recognised in other income.

	Bank						
	Land & Buildings	Investment properties	Office equipments	Materials and other assets	Construction in progress	Right of use	Total
Cost:							
as of December 31, 2019	**1,313,220**	**37,222**	**233,669**	**509,650**	**71,292**	**476,704**	**2,641,756**
Additions	131	-	-	14	78,065	32,937	111,147
Transfers	8,489	5,762	31,876	33,036	(79,165)	-	(2)
Disposals	(34,869)	(2,547)	(12,385)	(24,608)	(16,237)	(73,242)	(163,888)
as of December 31, 2020	**1,286,971**	**40,437**	**253,160**	**518,092**	**53,955**	**436,399**	**2,589,013**
Additions	-	-	-	6	85,220	103,796	189,022
Transfers	23,931	(1,219)	27,248	26,877	(76,837)	-	-
Transfers into/from inventory	(16,800)	(331)	-	-	-	-	(17,131)
Disposals	(39,770)	(644)	(9,914)	(59,717)	(7,169)	(44,945)	(162,159)
as of December 31, 2021	**1,254,332**	**38,243**	**270,494**	**485,258**	**55,169**	**495,250**	**2,598,745**
Depreciation and impairment:							
as of December 31, 2019	**(768,981)**	**(19,403)**	**(174,038)**	**(406,025)**	**-**	**(80,218)**	**(1,448,665)**
Depreciation	(37,238)	(655)	(27,305)	(32,774)	-	(85,192)	(183,164)
Impairment	611	-	-	339	(1,954)	-	(1,004)
Disposals	21,694	684	12,385	22,049	-	57,391	114,203
Transfers	3,347	(3,264)	(32)	(51)	-	-	-
as of December 31, 2020	**(780,567)**	**(22,638)**	**(188,990)**	**(416,462)**	**(1,954)**	**(108,019)**	**(1,518,630)**
Depreciation	(35,894)	(625)	(28,387)	(32,375)	-	(84,695)	(181,976)
Impairment	1,009	-	-	351	-	-	1,360
Disposals	32,441	610	9,913	56,304	-	63,970	163,238
Transfers	(723)	723	-	-	-	-	-
Transfers into/from inventory	4,829	-	-	-	-	-	4,829
as of December 31, 2021	**(778,905)**	**(21,930)**	**(207,464)**	**(392,182)**	**(1,954)**	**(128,744)**	**(1,531,179)**
Net book value:							
as of December 31, 2019	**544,239**	**17,819**	**59,631**	**103,625**	**71,292**	**396,486**	**1,193,091**
as of December 31, 2020	**506,404**	**17,799**	**64,170**	**101,630**	**52,001**	**328,380**	**1,070,383**
as of December 31, 2021	**475,427**	**16,313**	**63,030**	**93,076**	**53,215**	**366,506**	**1,067,566**

(Amounts in thousands RON)

14. Property, plant and equipment (continued)

Group	Right-of-use assets			
	Land & Buildings	IT Office equipments	Cars and other assets	Total
as of January 1, 2021	**323,403**	**5,510**	**5,403**	**334,316**
Additions	91,995	1,470	10,837	104,302
Depreciation expense	(81,861)	(2,862)	(5,702)	(90,425)
Disposals and other decreases	(15,785)	-	-	(15,785)
Contractual changes	48,295	102	(85)	48,312
as of December 31, 2021	**366,047**	**4,220**	**10,453**	**380,720**

	Lease liabilities
as of January 1, 2021	**342,813**
Additions	104,302
Disposals and other decreases	(21,100)
Other movements (FX, other contractual changes)	56,872
Interest expense	4,618
Payments	(95,230)
as of December 31, 2021	**392,275**

Bank	Right-of-use assets			
	Land & Buildings	IT Office equipments	Cars and other assets	Total
as of January 1, 2021	**319,395**	**4,514**	**4,471**	**328,380**
Additions	91,683	1,470	10,643	103,796
Depreciation expense	(76,931)	(2,862)	(4,902)	(84,695)
Disposals and other decreases	(15,784)	-	-	(15,784)
Contractual changes	34,744	65	-	34,809
as of December 31, 2021	**353,107**	**3,187**	**10,212**	**366,506**

	Lease liabilities
as of January 1, 2021	**336,838**
Additions	103,796
Disposals and other decreases	(20,416)
Other movements (FX, other contractual changes)	42,879
Interest expense	4,450
Payments	(89,848)
as of December 31, 2021	**377,699**

(Amounts in thousands RON)

14. Property, plant and equipment (continued)

Group	Right-of-use assets			
	Land & Buildings	IT Office equipments	Cars and other assets	Total
as of January 1, 2020	**391,651**	**6,087**	**9,418**	**407,156**
Additions	8,625	598	557	9,780
Depreciation expense	(84,082)	(2,441)	(4,597)	(91,120)
Disposals and other decreases	(16,230)	351	25	(15,854)
Contractual changes	23,439	915	-	24,354
as of December 31, 2020	**323,403**	**5,510**	**5,403**	**334,316**

	Lease liabilities
as of January 1, 2020	**417,309**
Additions	9,779
Disposals and other decreases	(30,829)
Other movements (FX, other contractual changes)	16,513
Interest expense	4,959
Payments	(74,918)
as of December 31, 2020	**342,813**

Bank	Right-of-use assets			
	Land & Buildings	IT Office equipments	Cars and other assets	Total
as of January 1, 2020	**382,680**	**6,087**	**7,719**	**396,486**
Additions	8,586	598	431	9,615
Depreciation expense	(79,047)	(2,441)	(3,704)	(85,192)
Disposals and other decreases	(16,227)	351	25	(15,851)
Contractual changes	23,403	(81)	-	23,322
as of December 31, 2020	**319,395**	**4,514**	**4,471**	**328,380**

	Lease liabilities
as of January 1, 2020	**406,523**
Additions	9,614
Disposals and other decreases	(25,830)
Other movements (FX, other contractual changes)	10,851
Interest expense	4,848
Payments	(69,168)
as of December 31, 2020	**336,838**

(Amounts in thousands RON)

15. Goodwill

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

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

As at December 31, 2021, the branch had a number of 3,507 active customers (2020: 3,433), with loans representing approximately 14% from total loans managed by the network (2020: 13%) and with deposits representing about 11% of networks' deposits (2020: 13%). Most of the SMCC non-retail clients are large multinational and national customers.

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

16. Intangible assets

The balance of the intangible assets as of December 31, 2021 and December 31, 2020 represents mainly software.

	Group	Bank
Cost:		
as of December 31, 2019	**611,614**	**579,732**
Additions	117,645	116,377
Disposals	(427)	-
as of December 31, 2020	**728,832**	**696,109**
Additions	126,837	126,025
Disposals	(7,212)	(201)
as of December 31, 2021	**848,457**	**821,933**
Amortization:		
as of December 31, 2019	**(426,325)**	**(398,308)**
Amortization expense	(55,128)	(53,502)
as of December 31, 2020	**(481,453)**	**(451,810)**
Amortization expense	(51,673)	(50,468)
Disposals	5,732	-
as of December 31, 2021	**(527,394)**	**(502,278)**
Net book value:		
as of December 31, 2019	**185,289**	**181,424**
as of December 31, 2020	**247,379**	**244,299**
as of December 31, 2021	**321,063**	**319,655**

(Amounts in thousands RON)

17. Other assets

	Group		Bank	
	December 31, 2021	**December 31, 2020**	**December 31, 2021**	**December 31, 2020**
Advances to suppliers	66,480	49,052	-	-
Sundry receivable	143,706	134,640	133,450	124,725
Prepaid expenses	52,377	43,293	39,780	34,748
Repossessed assets	3,242	6,698	924	5,171
Other assets	5,451	16,276	2,756	9,931
Total	**271,256**	**249,959**	**176,910**	**174,575**

The sundry receivables balances includes various commissions, sundry debtors, dividends and are net of impairment allowance, which at Group level is 165,640 (December 31, 2020: 117,001) and at Bank level is 156,860 (December 31, 2020: 107,223).

As of December 31, 2021 the carrying value of repossessed assets for Group is 3,242 (December 31, 2020: 6,698). As of December 31, 2021 the carrying value of repossessed assets for Bank is 924 (December 31, 2020: 5,171). The residential buildings were reclassified into category Non-current assets held for sale and represent 4 residential buildings as at December 31, 2021.

Group

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

	Total (Stage3)
Impairment allowance as at 1 st January 2020	88,787
Additional expenses	52,176
Reversals of provisions	(21,420)
Receivables written off	(2,441)
Foreign exchange adjustments	(101)
Impairment allowance as at 31 December 2020	**117,001**

(Amounts in thousands RON)

17. Other assets (continued)

Bank

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

	Total (Stage3)
Impairment allowance as at 1 st January 2020	78,491
Additional expenses	51,460
Reversals of provisions	(19,769)
Receivables written off	(2,441)
Foreign exchange adjustments	(518)
Impairment allowance as at 31 December 2020	**107,223**

18. Due to banks

	Group		**Bank**	
	December 31, 2021	**December 31, 2020**	**December 31, 2021**	**December 31, 2020**
Demand deposits	156,810	173,678	156,810	173,678
Term deposits	-	25,333	-	25,333
Due to banks	**156,810**	**199,011**	**156,810**	**199,011**

19. Due to customers

	Group		**Bank**	
	December 31, 2021	**December 31, 2020**	**December 31, 2021**	**December 31, 2020**
Demand deposits	43,299,719	38,464,257	43,417,784	38,572,697
Term deposits	9,383,862	11,493,497	9,500,102	11,579,429
Due to customers	**52,683,581**	**49,957,754**	**52,917,886**	**50,152,126**

(Amounts in thousands RON)

20. Borrowed funds

	Group		Bank	
	December 31, 2021	December 31, 2020	December 31, 2021	December 31, 2020
Borrowings from related parties	3,737,904	1,408,308	2,227,448	190
Borrowings from international financial institutions	318,566	334,044	3,124	6,575
Total	**4,056,470**	**1,742,352**	**2,230,572**	**6,765**

Funds borrowed from related parties are senior unsecured and are used in the normal course of business. Borrowings from related parties includes a senior non-preferred loan from Societe Generale in amount of EUR 450,000,000, RON equivalent of 2,226,645,000 with an interest rate of EURIBOR3M+0.86% received in December 2021 and shall have an initial term of three years. The accrued interest to the senior non-preferred loan is in amount of RON 189,821.

21. Subordinated debt

Subordinated debt is in amount of EUR 100,000,000, RON 494,810,000 equivalent received from Societe Generale in December 2021, at EURIBOR3M+1.98%, and shall have an intial term of 10 years. The accrued interest to the subordinated debt is in amount of RON 211,518.

22. Taxation

Current income tax is calculated based on the taxable income as per the tax statement derived from the stand alone accounts of each consolidated entity. As of December 31, 2021 the Group has a current tax liability in total amount of 83,963 (December 31, 2020: 2,069) and 7,484 current tax asset (December 31, 2020: 48,019) and at Bank level a current tax liability in total amount of 79,979 (December 31, 2020: 0) and 7,484 current tax asset (December 31, 2020: 48,013).

For the adjustment in retained earnings regarding defined benefit obligation please see explanation in Statement of changes in equity and Note 24 Other liabilities.

The deferred tax liability/asset is reconciled as follows:

	Group December 31, 2021				
	Temporary differences Asset / (Liability)	Consolidated Statement of Financial Position Asset / (Liability)	Consolidated Income Statement (Expense) / Income	Consolidated OCI (Expense) / Income	Retained earnings
Elements generating deferred tax					
Defined benefit obligation	54,752	(8,760)	-	(154)	(5,706)
Investments and other securities	(481,722)	77,076	-	226,856	-
Tangible and intangible assets	(82,368)	13,179	(8,460)	-	
Provisions and other liabilities	(616,221)	98,595	(4,826)	-	
Taxable items	**(1,125,559)**				
Deferred tax		**180,089**	**(13,286)**	**226,701**	**(5,706)**

(Amounts in thousands RON)

22. Taxation (continued)

	Bank December 31, 2021				
	Temporary differences Asset / (Liability)	**Individual Statement of Financial Position Asset / (Liability)**	**Individual Income Statement (Expense) / Income**	**Consolidated OCI (Expense) / Income**	**Retained earnings**
Elements generating deferred tax					
Defined benefit obligation	54,752	(8,760)	-	(154)	(5,706)
Investments and other securities	(481,722)	77,076	-	226,857	-
Tangible and intangible assets	(82,561)	13,210	(8,457)	-	-
Provisions and other liabilities	(529,050)	84,648	(8,459)	-	-
Taxable items	**(1,038,581)**				
Deferred tax		**166,173**	**(16,916)**	**226,702**	**(5,706)**

	Group December 31, 2020			
	Temporary differences Asset / (Liability)	**Consolidated Statement of Financial Position Asset / (Liability)**	**Consolidated Income Statement (Expense) / Income**	**Consolidated OCI (Expense) / Income**
Elements generating deferred tax				
Defined benefit obligation	18,122	(2,900)	-	785
Investments and other securities	936,130	(149,781)	-	(119,856)
Tangible and intangible assets	(135,245)	21,639	(1,099)	-
Provisions and other liabilities	(646,378)	103,421	3,595	-
Taxable items	**172,629**			
Deferred tax		**(27,620)**	**2,496**	**(119,071)**

	Bank December 31, 2020			
	Temporary differences Asset / (Liability)	**Individual Statement of Financial Position Asset / (Liability)**	**Individual Income Statement (Expense) / Income**	**Consolidated OCI (Expense) / Income**
Elements generating deferred tax				
Defined benefit obligation	18,122	(2,900)	-	785
Investments and other securities	936,130	(149,781)	-	(119,856)
Tangible and intangible assets	(135,416)	21,667	(1,098)	-
Provisions and other liabilities	(581,916)	93,107	(851)	-
Taxable items	**236,920**			
Deferred tax		**(37,907)**	**(1,949)**	**(119,071)**

Movement in deferred tax is as follows:

	Group	**Bank**
Deferred tax asset, net as of December 31, 2019	**88,955**	**83,113**
Deferred tax recognized in other comprehensive income	(119,071)	(119,071)
Deferred tax recognized in profit and loss	2,496	(1,949)
Deferred tax liability, net as of December 31, 2020	**(27,620)**	**(37,907)**
Deferred tax recognized in other comprehensive income	226,702	226,702
Deferred tax recognized in profit and loss	(13,286)	(16,916)
Deferred tax recognized in retained earnings	(5,706)	(5,706)
Deferred tax asset, net as of December 31, 2021	**180,089**	**166,172**

(Amounts in thousands RON)

22. Taxation (continued)

Reconciliation of total tax charge

	Group		Bank	
	2021	2020	2021	2020
Profit before income tax	**1,645,763**	**1,147,348**	**1,595,064**	**1,132,260**
Income tax (16%)	263,322	183,576	255,210	181,162
Fiscal credit	(7,994)	(23,243)	(5,210)	(19,093)
Income tax without basis	35,625	-	35,625	-
Non-deductible elements	48,155	40,639	36,225	23,903
Non-taxable elements	(12,248)	(16,480)	(6,042)	(5,277)
Expense from income tax at effective tax rate	**326,860**	**184,492**	**315,808**	**180,695**
Effective tax rate	19.9%	16.1%	19.8%	16.0%

Recognition of deferred tax asset is based on the management's profit forecasts, which indicates that it is probable that future taxable profits will be available against which the deferred tax assets can be utilised.

At the Bank level, as at December 31, 2021, permanent non-deductible elements include the impact of provisions for overdue commissions 9,535 (December 31, 2020: 8,011), sponsorship expenses with an impact of 1,099 (December 31, 2020: 1,406), and debt sales and other operations with limited deductibility in amount of 15,142 (December 31, 2020: 9,503); permanent non-taxable elements are mainly a result of releases for provisions for over-due commissions in amount of 1,833 (December 31, 2020: 3,010), provisions and risk and charges/litigations 572 (December 31, 2020: 730) and dividends income with an impact of 3,257 (December 31, 2020: 1,132).

During October 2011, the Bucharest Court of Appeal has rendered its first decision in the claim BRD filed, in August 2017, as the Bank disagrees on fiscal authorities findings regarding the tax deductibility of some provisions booked for fraudulent loans or associated losses following a tax audit of the corporate income tax for years 2010-2015, which resulted in an amount of 43.1 MRON paid to fiscal authorities in 2016. The court has partially admitted the claim of BRD, canceling the additional corporate income tax reassessment for the year 2010 amounting to 7.5 MRON.

Following this decision, the Bank has assessed that the chances to obtain a favorable decision regarding the entire amount paid decreased significantly. Consequently during Q4 2021, a decrease in amount of 35.6 MRON in the receivable was recognized against a current tax expense. Nevertheless, the decision is not final, being subject to appeal on points of law with the High Court.

As at 31 December 2021 the receivable from fiscal authorities amounting to 7.5 MRON was presented as current tax asset based on economic substance (December 31, 2020 prior period amount i.e. 43.1 MRON was reclassified from other assets to current tax assets).

(Amounts in thousands RON)

23. Provisions

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

Financial guarantees and loan commitments provisions movement

Group	**Retail lending**			
	Stage 1	Stage 2	Stage 3	**Total**
Provision as at 1 st January 2021	3,924	3,080	3,255	**10,259**
New commitments originated or purchased	8,116	1,226	335	**9,677**
Commitments derecognised or transferred into assets	(909)	(514)	(171)	**(1,594)**
Net provision movement not resulting from changes in classification	(6,969)	120	(4)	**(6,853)**
Movements due to change in classification	(793)	(781)	(45)	**(1,619)**
Other adjustments	5	1	1	**7**
Provision as at 31 December 2021	**3,374**	**3,132**	**3,371**	**9,877**

	Non-Retail			
	Stage 1	Stage 2	Stage 3	**Total**
Provision as at 1 st January 2021	32,754	52,854	272,841	**358,449**
New commitments originated or purchased	63,972	21,279	562	**85,813**
Commitments derecognised or transferred into assets	(18,583)	(9,421)	(13,271)	**(41,275)**
Net provision movement not resulting from changes in classification	(14,258)	(15,298)	(64,048)	**(93,604)**
Movements due to change in classification	8,447	(24,658)	941	**(15,270)**
Other adjustments	284	512	3,762	**4,558**
Provision as at 31 December 2021	**72,616**	**25,268**	**200,787**	**298,671**

	Total			
	Stage 1	Stage 2	Stage 3	**Total**
Provision as at 1 st January 2021	36,678	55,934	276,097	**368,709**
New commitments originated or purchased	72,088	22,505	897	**95,490**
Commitments derecognised or transferred into assets	(19,492)	(9,935)	(13,442)	**(42,869)**
Net provision movement not resulting from changes in classification	(21,227)	(15,178)	(64,052)	**(100,457)**
Movements due to change in classification	7,654	(25,439)	896	**(16,889)**
Other adjustments	289	513	3,763	**4,565**
Provision as at 31 December 2021	**75,990**	**28,400**	**204,159**	**308,549**

(Amounts in thousands RON)

23. Provisions (continued)

Financial guarantees and loan commitments provisions movement (continued)

Bank	Retail lending			
	Stage 1	Stage 2	Stage 3	**Total**
Provision as at 1 st January 2021	3,913	3,080	3,255	**10,248**
New commitments originated or purchased	8,109	1,217	335	**9,661**
Commitments derecognised or transferred into assets	(897)	(514)	(171)	**(1,582)**
Net provision movement not resulting from changes in classification	(6,968)	121	(4)	**(6,851)**
Movements due to change in classification	(793)	(781)	(45)	**(1,619)**
Other adjustments	1	2	1	**4**
Provision as at 31 December 2021	**3,365**	**3,125**	**3,371**	**9,861**

	Non-Retail			
	Stage 1	Stage 2	Stage 3	**Total**
Provision as at 1 st January 2021	32,727	52,784	285,417	**370,928**
New commitments originated or purchased	63,947	20,749	562	**85,258**
Commitments derecognised or transferred into assets	(18,556)	(9,285)	(13,271)	**(41,112)**
Net provision movement not resulting from changes in classification	(14,258)	(15,297)	(64,048)	**(93,603)**
Movements due to change in classification	8,447	(24,655)	941	**(15,267)**
Other adjustments	282	453	2,414	**3,149**
Provision as at 31 December 2021	**72,589**	**24,749**	**212,015**	**309,353**

	Total			
	Stage 1	Stage 2	Stage 3	**Total**
Provision as at 1 st January 2021	36,640	55,864	288,672	**381,176**
New commitments originated or purchased	72,056	21,966	897	**94,919**
Commitments derecognised or transferred into assets	(19,453)	(9,799)	(13,442)	**(42,694)**
Net provision movement not resulting from changes in classification	(21,226)	(15,176)	(64,052)	**(100,454)**
Movements due to change in classification	7,654	(25,436)	896	**(16,886)**
Other adjustments	283	455	2,415	**3,153**
Provision as at 31 December 2021	**75,954**	**27,874**	**215,386**	**319,214**

(Amounts in thousands RON)

23. Provisions (continued)

Financial guarantees and loan commitments provisions movement (continued)

Group	**Retail lending**			
	Stage 1	Stage 2	Stage 3	**Total**
Provision as at 1 st January 2020	2,166	2,045	2,555	**6,766**
New commitments originated or purchased	5,659	1,302	124	**7,085**
Commitments derecognised or transferred into assets	(339)	(621)	(211)	**(1,171)**
Net provision movement not resulting from changes in classification	(3,757)	231	(264)	**(3,790)**
Movements due to change in classification	193	121	1,040	**1,354**
Other adjustments	2	2	11	**15**
Provision as at 31 December 2020	**3,924**	**3,080**	**3,255**	**10,259**

	Non-Retail			
	Stage 1	Stage 2	Stage 3	**Total**
Provision as at 1 st January 2020	10,190	31,173	328,242	**369,605**
New commitments originated or purchased	20,558	17,531	7,987	**46,076**
Commitments derecognised or transferred into assets	(4,841)	(1,326)	(81,044)	**(87,211)**
Net provision movement not resulting from changes in classification	8,180	(9,089)	13,643	**12,734**
Movements due to change in classification	(1,542)	14,459	2,230	**15,147**
Other adjustments	209	106	1,783	**2,098**
Provision as at 31 December 2020	**32,754**	**52,854**	**272,841**	**358,449**

	Total			
	Stage 1	Stage 2	Stage 3	**Total**
Provision as at 1 st January 2020	12,356	33,218	330,798	**376,372**
New commitments originated or purchased	26,217	18,833	8,111	**53,161**
Commitments derecognised or transferred into assets	(5,180)	(1,947)	(81,255)	**(88,382)**
Net provision movement not resulting from changes in classification	4,423	(8,858)	13,379	**8,944**
Movements due to change in classification	(1,349)	14,580	3,270	**16,501**
Other adjustments	211	108	1,794	**2,113**
Provision as at 31 December 2020	**36,678**	**55,934**	**276,097**	**368,709**

(Amounts in thousands RON)

23. Provisions (continued)

Financial guarantees and loan commitments provisions movement (continued)

Bank	Retail lending			
	Stage 1	Stage 2	Stage 3	**Total**
Provision as at 1 st January 2020	2,160	2,037	2,555	**6,752**
New commitments originated or purchased	5,647	1,302	124	**7,073**
Commitments derecognised or transferred into assets	(333)	(613)	(211)	**(1,157)**
Net provision movement not resulting from changes in classification	(3,756)	231	(264)	**(3,789)**
Movements due to change in classification	193	121	1,040	**1,354**
Other adjustments	2	2	11	**15**
Provision as at 31 December 2020	**3,913**	**3,080**	**3,255**	**10,248**

	Non-Retail			
	Stage 1	Stage 2	Stage 3	**Total**
Provision as at 1 st January 2020	10,105	31,113	341,449	**382,667**
New commitments originated or purchased	20,531	17,400	7,987	**45,918**
Commitments derecognised or transferred into assets	(4,755)	(1,191)	(81,044)	**(86,990)**
Net provision movement not resulting from changes in classification	8,193	(9,094)	13,643	**12,742**
Movements due to change in classification	(1,556)	14,477	2,230	**15,151**
Other adjustments	209	79	1,152	**1,440**
Provision as at 31 December 2020	**32,727**	**52,784**	**285,417**	**370,928**

	Total			
	Stage 1	Stage 2	Stage 3	**Total**
Provision as at 1 st January 2020	12,265	33,150	344,004	**389,419**
New commitments originated or purchased	26,178	18,702	8,111	**52,991**
Commitments derecognised or transferred into assets	(5,088)	(1,804)	(81,255)	**(88,147)**
Net provision movement not resulting from changes in classification	4,437	(8,863)	13,379	**8,953**
Movements due to change in classification	(1,363)	14,598	3,270	**16,505**
Other adjustments	211	81	1,163	**1,455**
Provision as at 31 December 2020	**36,640**	**55,864**	**288,672**	**381,176**

(Amounts in thousands RON)

23. Provisions (continued)

The line Provisions includes also Other provisions representing provisions for litigation in amount of 20,030 as of December 30, 2021 (15,491 as of December 31, 2020) and provisions for risks related to banking activity in amount of 12,594 as of December 30, 2021 (10,359 as of December 31, 2020).

The movement in other provisions is as follows:

Group	TOTAL
Carrying value as of December 31,2019	**52,005**
Additional expenses	35,890
Reversals of provisions	(11,700)
Usage	(2,802)
Carrying value as of December 31,2020	**73,393**
Additional expenses	14,164
Reversals of provisions	(8,877)
Usage	(4,043)
Carrying value as of December 31, 2021	**74,637**

Bank	
Carrying value as of December 31,2019	**47,075**
Additional expenses	19,725
Reversals of provisions	(9,645)
Usage	(2,739)
Carrying value as of December 31,2020	**54,416**
Additional expenses	13,562
Reversals of provisions	(8,410)
Usage	(4,037)
Carrying value as of December 31, 2021	**55,531**

24. Other liabilities

	Group		Bank	
	December 31, 2021	**December 31, 2020**	**December 31, 2021**	**December 31, 2020**
Sundry creditors	205,589	235,462	136,574	178,249
Other payables to State budget	52,261	48,366	50,733	46,994
Deferred income	32,809	24,045	32,809	24,045
Payables to employees	143,776	154,132	124,445	145,250
Creditors - Lease liabilities	392,275	342,813	377,699	336,838
Total	**826,710**	**804,818**	**722,260**	**731,376**

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

Payables to employees include, among other, gross bonuses, amounting 71,305 as of December 31, 2021 (December 31, 2020: 61,122) and post-employment benefits amounting 31,678 as of December 31, 2021 (December 31, 2020: 65,651).

(Amounts in thousands RON)

24. Other liabilities (continued)

Post-employment benefit plan

This is a defined benefit plan under which the amount of benefit that an employee is entitled to receive on retirement depends on years of service and salary. The plan covers substantially all the employees and the benefits are unfunded. A full actuarial valuation by a qualified independent actuary is carried out annually. During 2021, the movements in defined benefit obligation is generated by the service cost and benefits paid, resulting in a change of obligation carrying value: 31,678 as of December 30, 2021 from 65,651 as of December 31, 2020.

Movement in defined benefits obligations

Movement in defined benefits obligations

	December 31, 2021	December 31, 2020
Opening defined benefit obligation	**65,651**	**57,584**
Total service cost	4,342	4,408
Benefits paid	(1,159)	(1,734)
Interest cost on benefit obligation	106	487
Past service cost	(632)	-
Actuarial (gains) / losses arising from changes in demographic assumptions	30	1
Actuarial (gains) / losses arising from changes in financial assumptions	(995)	4,905
Other increases or (decreases)	(35,665)	-
Closing defined benefit obligation	**31,678**	**65,651**

Main actuarial assumptions

	December 31, 2021	December 31, 2020
Discount rate	0.66%	0.36%
Long term inflation rate	2.02%	1.25%
Average remaining working period (years)	12	12

Following the IFRIC clarification approach adopted by IASB in May 2021 concerning IAS19 standard on post-employment benefits liability calculation, the Group decided to revise the accounting policy for calculating the amount of the liability for the concerned plans.
IFRIC's clarification stipulates that the cost of the benefit should be recognized over the period preceding retirement age that allows the employee to obtain the maximum benefit. The BRD retirement indemnity plan includes a capped entitlement and therefore falls within the scope of this IFRIC clarification.
The impact of this change in accounting policy corresponding to the previous reporting periods was reflected in the opening balances as of 1 January 2021. The amount of the liability was decreased by 35,665 and a corresponding impact in retained earnings was recognized, together with an increase in the amount of deferred tax asset of 5,706.

The restated balance as of 31 December 2020 for defined benefit obligation should have been 29,986 as compared to 65,651, while the impact in Profit and Loss for the period ended 2020, with respect to total service cost, should have been 3,539 as compared to 4,408.

Sensitivities on the defined benefit obligation

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

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

(Amounts in thousands RON)

24. Other liabilities (continued)

Post-employment benefit plan (continued)

- If the discount rate used were 0.5% higher, then the defined benefit obligation would be lower by about 4.73% meaning 30,180.
- If the discount rate used were 0.5% lower, then the defined benefit obligation would be higher by about 5.04% meaning 33,274.
- If the salary increase rate used were 0.5% higher, then the defined benefit obligation would be higher by about 4.94% meaning 33,243.

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

25. Share capital

The nominal share capital, as registered with the Registry of Commerce is 696,901 (2020: 696,901). Included in the share capital there is an amount of 1,818,721 (2020: 1,818,721) representing hyperinflation restatement surplus.

Share capital as of December 31, 2021 represents 696,901,518 (2020: 696,901,518) authorized common shares, issued and fully paid. The nominal value of each share is RON 1 (2020: RON 1). During 2021 and 2020, the Bank did not buy back any of its own shares.

26. Interest and similar income

	Group		Bank	
	2021	**2020**	**2021**	**2020**
Interest on loans	1,617,869	1,698,566	1,521,489	1,591,178
Interest on finance lease	51,675	47,803	-	-
Interest on deposit with banks	19,645	23,371	18,998	22,703
Interest on financial assets at FVOCI	526,898	475,466	526,898	475,466
Interest from hedging instruments	18,142	16,205	18,142	16,205
Total	**2,234,229**	**2,261,411**	**2,085,527**	**2,105,552**

The interest income on loans includes the accrued interest on net (after impairment allowance) impaired loans in amount of 58,337 for Group (2020: 69,913) and 52,690 for Bank (2020: 62,028).

27. Interest and similar expense

	Group		Bank	
	2021	**2020**	**2021**	**2020**
Interest on term deposits	68,583	80,140	69,220	80,873
Interest on demand deposits	57,246	61,763	58,339	63,173
Interest on borrowings	19,595	27,627	410	5
Interest expense on lease liabilities	4,618	4,953	4,450	4,848
Total	**150,042**	**174,483**	**132,419**	**148,899**

(Amounts in thousands RON)

28. Fees and commissions, net

	Group		Bank	
	2021	2020	2021	2020
Services	622,464	569,814	607,220	558,386
Management fees	107,879	108,595	107,879	108,595
Packages	57,174	51,322	57,174	51,322
Transfers	73,166	71,295	73,166	71,295
OTC withdrawal	72,081	55,535	72,081	55,535
Cards	217,898	199,675	217,898	199,675
Brokerage and custody	52,513	43,478	52,513	43,478
Other	41,753	39,914	26,509	28,486
Loan activity	105,933	110,008	82,993	84,309
Off balance sheet	36,382	31,594	36,382	31,594
Total	**764,779**	**711,416**	**726,595**	**674,289**

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

	Group		Bank	
	2021	2020	2021	2020
FX position revaluation	(7,682)	9,912	(7,682)	9,912
FX Spot	190,027	165,964	189,045	164,488
Gain on instruments held for trading	28,100	46,360	28,100	46,360
Derivative financial instruments	34,853	50,058	34,853	50,058
Gain/ (loss) on interest rate derivatives	(2,775)	(1,582)	(2,775)	(1,582)
Gain/ (loss) on currency and interest swap	5,520	(3,682)	5,520	(3,682)
Gain on forward foreign exchange contracts	22,619	53,201	22,619	53,201
Gain on currency options	3,444	3,538	3,444	3,538
Gain/ (loss) on hedging	4,075	(504)	4,075	(504)
Other	1,970	(913)	1,970	(913)
Gain on derivative, other financial instruments held for trading and foreign exchange	**245,298**	**272,295**	**244,316**	**270,818**

30. Other income/expense from banking activities

	Group		Bank	
	2021	2020	2021	2020
Dividend income	-	-	15,966	-
Provision for litigations	(4,548)	1,006	(4,539)	1,007
Held for sale fixed assets expenses	(1,582)	(11,555)	-	(9,236)
Other income/(expenses)	(1,593)	6,595	(7,727)	1,662
Total income / (expense) from banking activity	**(7,723)**	**(3,954)**	**3,700**	**(6,567)**

For the Bank, other income includes dividends from subsidiaries in amount 15,966 as of December 31, 2021 and 0 as of December 2020, income from banking activities offered to the clients and income from non-banking activities, such as income from rentals. The income from rental of investment properties, for the Bank, is 1,708 (2020: 905).

(Amounts in thousands RON)

31. Contribution to Guarantee Scheme and Resolution Fund

According to the Romanian legislation (Law no. 311/2015 on Deposit Guarantee Schemes and the Bank Deposit Guarantee Fund), the deposits of individuals and certain entities, including small and medium enterprises and large companies are covered up to EUR 100,000 by the Bank Deposit Guarantee Fund ("Fund").

Each credit institution participating to deposit guarantee scheme shall pay the annual contribution as determined and notified by the Fund. The amount of the contribution refers to the total covered deposits at the end of the previous year and reflects also the degree of risk associated to each credit institution in the scheme.

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

For the year 2021 the expense related to the Deposit Guarantee Fund amounts to 11,547 (2020: 14,403).

According to Law no. 312/2015 on recovery and resolution of credit institution and investment firms, each credit institution shall pay an annual contribution to Bank Resolution Fund as determined and notified by the National Bank of Romania.

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

For the year 2021 the expense related to the Bank Resolution Fund was 37,949 (2020: 29,088).

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

32. Personnel expenses

	Group		Bank	
	2021	**2020**	**2021**	**2020**
Salaries	738,028	754,871	690,825	705,384
Social security	17,920	17,702	16,422	16,641
Bonuses	66,963	47,643	55,471	44,595
Post-employment benefits	3,816	4,895	3,816	4,895
Capitalisation of internal projects	(31,131)	(22,992)	(31,131)	(22,992)
Other	33,095	31,504	29,867	30,697
Total	**828,692**	**833,621**	**765,270**	**779,220**

In 2021, the expense related to the Bank defined benefit plan contribution was 4,583 (December 31, 2020: 5,138).

(Amounts in thousands RON)

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

	Group		Bank	
	2021	2020	2021	2020
Depreciation and impairment	187,273	190,187	179,990	182,980
Amortisation	51,673	55,128	50,468	53,502
Total	**238,946**	**245,315**	**230,458**	**236,482**

The difference as at December 31, 2021 between the amount presented in note 14 and the amount presented in note 33 represents depreciation of investment property in total amount of 625 (December 31, 2020: 656).

34. Other operating expense

	Group		Bank	
	2021	2020	2021	2020
Administrative expenses	405,398	388,322	384,858	368,089
Publicity and sponsorships	29,742	26,521	29,667	26,216
Other expenses	65,420	50,932	54,971	28,069
Total	**500,560**	**465,775**	**469,496**	**422,374**

Administrative expenses include for the Bank maintenance expenses, various utilities such as energy and telecommunication, expenses related to short-term leases of 5,913 (December 31, 2020: 6,823) and to leases of low-value assets of 3,866 (December 31, 2020: 3,347). This line also includes audit fees amounting 3,069 for Group (out of which statutory audit in amount of 2,023, other audit fees in amount of 966 and other non-audit services in amount of 80) and 2,223 for Bank (out of which statutory audit in amount of 1,562, other audit fees in amount of 581 and other non-audit services in amount of 80).

35. Cost of risk

	Group		Bank	
	2021	2020	2021	2020
Net impairment allowance for loans	70,015	454,747	63,548	426,620
Net impairment allowance for sundry debtors	68,742	31,280	68,730	31,051
Net impairment allowance for finance lease	16,025	13,512	-	-
Income from recoveries of derecognized receivables & sales of bad debts	(250,742)	(153,684)	(236,522)	(147,961)
Write-offs	14,662	16,409	9,764	12,726
Financial guarantee and loan contracts provisions	(64,722)	(9,777)	(65,117)	(9,700)
Net impairment allowance for debt securities	364	164	364	164
Total	**(145,656)**	**352,651**	**(159,233)**	**312,900**

The net cost of risk registered an income of 146 million for the Group and 159 million for the Bank.

(Amounts in thousands RON)

36. Cash and cash equivalents details

Cash and cash equivalents:

For the purpose of the cash flow statements, cash and cash equivalents comprise cash in hand, current accounts and short term placements at other banks. The amounts in transit in amount of 114,327 (December 31, 2020: 111,608) and loans to banks, with more than 90 days maturity from the date of acquisition in amount of 0 (December 31, 2020: 18,327) for the Bank and also the ones amounting 16,585 (December 31, 2020: 35,523) for the Group are excluded. The Group and Bank did not include in cash and cash equivalents the amounts representing minimum compulsory reserve held at National Bank of Romania.

	Group		Bank	
	December 31, 2021	December 31, 2020	December 31, 2021	December 31, 2020
Cash in hand	1,894,448	1,889,556	1,894,415	1,889,552
Current accounts and deposits with banks	4,407,030	5,369,711	4,407,030	5,369,709
Total	**6,301,478**	**7,259,266**	**6,301,445**	**7,259,261**

Impairment and provisions adjustment for non-cash items:

	Group		Bank	
	2021	2020	2021	2020
Net impairment allowance for loans	70,015	454,747	63,548	426,620
Net impairment allowance for sundry debtors	68,742	31,280	68,730	31,051
Net impairment allowance for financial leases	16,025	13,512	-	-
Write-offs	14,662	16,409	9,764	12,726
Financial guarantee and loan contracts provisions	(64,722)	(9,777)	(65,117)	(9,700)
Net movement in other provisions	1,244	21,388	1,115	7,341
Net impairment allowance for debt securities	364	165	364	164
Total	**106,330**	**527,724**	**78,404**	**468,202**

37. Other commitments

	Group		Bank	
	December 31, 2021	December 31, 2020	December 31, 2021	December 31, 2020
Tangible non-current assets	7,159	5,410	7,159	5,410
Intangible non-current assets	19,553	29,891	19,553	29,891
Commitments relating to short-term and low value leases	17,297	23,433	17,297	23,433
Total	**44,009**	**58,734**	**44,009**	**58,734**

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

As at December 31, 2021 and December 31, 2020 the future minimum lease payments regarding rents concluded by the Group and Bank as a lessee are:

	Group		Bank	
	December 31, 2021	December 31, 2020	December 31, 2021	December 31, 2020
Less than one year	9,033	11,058	9,033	11,058
Between one and five years	5,910	8,560	5,910	8,560
More than five years	55	58	55	58
Total	**14,999**	**19,676**	**14,999**	**19,676**

(Amounts in thousands RON)

38. Related parties

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

	Group							
	2021				2020			
	Parent	Other related parties	Associates & Joint ventures	Key management of the institution	Parent	Other related parties	Associates & Joint ventures	Key management of the institution
Assets	**87,078**	**36,250**	**9,671**	**8,920**	**1,181,497**	**28,378**	**6,504**	**7,578**
Nostro accounts	14,158	23,812	-	-	71,819	13,747	-	-
Deposits	16,585	-	-	-	38,059	-	-	-
Loans	-	12,362	7,119	8,915	990,562	14,546	3,370	7,570
Derivative financial instruments	54,762	2	-	4	79,027	-	-	7
Other assets	1,573	73	2,551	1	2,031	85	3,134	1
Liabilities	**4,328,132**	**93,454**	**92,845**	**15,505**	**1,571,169**	**180,148**	**77,027**	**14,857**
Loro accounts	44	8,938	-	-	114	616	-	-
Deposits	-	83,792	78,609	15,505	68,245	178,284	70,196	14,857
Borrowings	3,737,904	-	-	-	1,408,309	-	-	-
Subordinated borrowings	495,022	-	-	-	-	-	-	-
Derivative financial instruments	62,415	2	-	-	41,522	-	-	-
Other liabilities	32,747	721	14,236	-	52,980	1,248	6,831	-
Commitments	**7,896,555**	**181,197**	**79,232**	**971**	**8,693,844**	**168,417**	**37,794**	**1,014**
Total commitments granted	120,406	71,018	18,138	537	139,000	75,170	-	577
Total commitments received	165,066	103,322	31,789	210	694,906	85,211	11,924	215
Uncommitted facilities granted	12,969	5,868	29,305	-	-	8,036	25,870	-
Notional amount of foreign exchange transactions	3,585,978	990	-	224	3,589,333	-	-	222
Notional amount of interest rate derivatives	4,012,136	-	-	-	4,270,606	-	-	-
Income statement	**(73,666)**	**(6,196)**	**2,850**	**170**	**11,372**	**(7,006)**	**25,185**	**135**
Interest and commision revenues	21,500	7,131	23,350	237	22,710	6,287	26,747	187
Interest and commission expense	(25,300)	(3,374)	(6,765)	(38)	(31,951)	(2,859)	(783)	(37)
Net (loss) on interest rate derivatives	(51,304)	-	-	(4)	(2,091)	-	-	(2)
Net gain on foreign exchange derivatives	15,731	-	-	-	43,931	-	-	-
Dividend income	-	-	3,349	-	-	-	6,191	-
Other income	389	(308)	1,429	-	1,072	(229)	75	-
Other expenses	(34,683)	(9,644)	(18,513)	(26)	(22,299)	(10,205)	(7,045)	(13)

(Amounts in thousands RON)

38. Related parties (continued)

	Bank									
	2021					**2020**				
	Parent	**Other related parties**	**Subsidiaries**	**Associates & Joint ventures**	**Key management of the institution**	**Parent**	**Other related parties**	**Subsidiaries**	**Associates & Joint ventures**	**Key management of the institution**
Assets	**70,493**	**36,250**	**48,378**	**7,673**	**8,920**	**1,143,439**	**28,378**	**44,560**	**4,589**	**7,578**
Nostro accounts	14,158	23,812	-	-	-	71,819	13,747	-	-	-
Loans	-	12,362	45,078	7,119	8,915	990,562	14,546	42,555	3,370	7,570
Derivative financial instruments	54,762	2	-	-	4	79,027	-	-	-	7
Other assets	1,573	73	3,300	553	1	2,031	85	2,005	1,218	1
Liabilities	**2,813,630**	**93,425**	**235,571**	**92,012**	**15,505**	**161,894**	**180,133**	**194,979**	**76,040**	**14,857**
Loro accounts	44	8,938	-	-	-	114	616	-	-	-
Deposits	-	83,792	234,828	78,609	15,505	68,245	178,284	194,778	70,196	14,857
Borrowings	2,226,835	-	-	-	-	-	-	-	-	-
Subordinated borrowings	495,022	-	-	-	-	-	-	-	-	-
Lease payable	-	-	613	-	-	-	-	190	-	-
Derivative financial instruments	62,415	2	-	-	-	41,522	-	-	-	-
Other liabilities	29,315	692	130	13,403	-	52,014	1,233	11	5,844	-
Commitments	**7,896,555**	**181,197**	**91,131**	**79,232**	**971**	**8,693,844**	**168,417**	**90,141**	**37,794**	**1,014**
Total commitments granted	120,406	71,018	25,691	18,138	537	139,000	75,170	25,144	-	577
Total commitments received	165,066	103,322	-	31,789	210	694,906	85,211	-	11,924	215
Uncommitted facilities granted	12,969	5,868	65,441	29,305	-	-	8,036	64,997	25,870	-
Notional amount of foreign exchange transactions	3,585,978	990	-	-	224	3,589,333	-	-	-	222
Notional amount of interest rate derivatives	4,012,136	-	-	-	-	4,270,606	-	-	-	-
Income statement	**(53,239)**	**(6,295)**	**38,423**	**(6,829)**	**170**	**36,551**	**(7,408)**	**17,865**	**14,339**	**135**
Interest and commision revenues	20,853	6,344	19,980	12,285	237	22,042	5,339	17,056	14,494	187
Interest and commission expense	(5,461)	(3,374)	(1,736)	(6,762)	(38)	(6,612)	(2,859)	(2,143)	(778)	(37)
Net (loss) on interest rate derivatives	(51,304)	-	-	-	(4)	(2,091)	-	-	-	(2)
Net gain on foreign exchange derivatives	15,731	-	61	-	-	43,931	-	57	-	-
Dividend income	-	-	15,966	3,349	-	-	-	-	6,191	-
Other income	389	(308)	(276)	1,353	-	1,072	(229)	(256)	(0)	-
Other expenses	(33,447)	(8,956)	4,429	(17,053)	(26)	(21,791)	(9,659)	3,152	(5,568)	(13)

(Amounts in thousands RON)

38. Related parties (continued)

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

The Bank has collateral received from SG Paris regarding derivative instruments in total amount of 1,826 at December 31, 2021 (December 31, 2020: 47,088).

As of December 31, 2021 the Board of Directors and Managing Committee members own 21,730 shares (2020: 301,730).

Key management personnel benefits for 2021 and 2020:

	Group		**Bank**	
	2021	**2020**	**2021**	**2020**
Short-term benefits	17,790	16,838	13,821	13,028
Long-term benefits	5,460	3,868	5,022	3,583

39. Interest in unconsolidated structured entities

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

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

In June 2021 the Group and Bank sold its entire investment in other securities (unconsolidated structured entities) for a total price of 21,562,704 RON at Bank level and a total of 48,709,185 RON at Group level.

(Amounts in thousands RON)

39. Interest in unconsolidated structured entities (continued)

Interests in unconsolidated structured entities and size of structured entities in 2020:

Name of structured enitity	Carrying amount of financial assets recognised in the reporting institution's balance sheet	Of which: liquidity support drawn	Fair value of liquidity support drawn	Carrying amount of financial liabilities recognised in the reporting institution's sheet	Nominal amount of off-balance sheet items given by the reporting institution	Of which: Nominal amount of loan commitments given	Losses incurred by the reporting institution in the current period	Maximum exposure to loss	Total balance sheet of the structured entity (size)
BRD Simfonia	272,122	249,267	269,981	29,454	-	-	-	272,122	2,110,024
BRD Obligatiuni	29,474	25,303	27,440	6,195	-	-	-	29,474	130,505
BRD Simplu	607	-	-	11,260	-	-	-	607	111,649
BRD Actiuni	10,266	-	-	5,781	-	-	-	10,266	169,353
BRD Diverso	49,627	42,466	43,281	6,292	-	-	-	49,627	278,470
BRD Global	1,214	-	-	3,540	-	-	-	1,214	27,653

Breakdown of interests in unconsolidated structured entities in 2020:

Name of structured enitity	Selected financial assets recognised in the reporting institution's balance sheet						Selected equity and financial liabilites recognised in the reporting					Off-balance sheet items	
	of which: defaulted	Derivatives	Equity instruments	Debt securities	Loans and advances	Total	Equity instruments issued	Derivatives	Deposits	Debt securities issued	Total	of which: defaulted	Total
BRD Simfonia	-	764	22,091	-	249,267	272,122	-	4,956	24,498	-	29,454	-	-
BRD Obligatiuni	-	12	4,159	-	25,303	29,474	-	307	5,888	-	6,195	-	-
BRD Simplu	-	1	606	-	-	607	-	15	11,245	-	11,260	-	-
BRD Actiuni	-	-	10,266	-	-	10,266	-	4	5,777	-	5,781	-	-
BRD Diverso	-	4	7,157	-	42,466	49,627	-	214	6,078	-	6,292	-	-
BRD Global	-	-	1,214	-	-	1,214	-	-	3,540	-	3,540	-	-

(Amounts in thousands RON)

40. Contingencies

As of December 31, 2021 the Bank is the defendant in a number of lawsuits arising in the course of business, amounting to approximately 689,921 (December 31, 2020: 741,664). The amounts disclosed represent the additional potential loss in the event of a negative court decision, the amounts not being provisioned. The management believes that the ultimate resolution of these matters will not have a material adverse effect on the Group's overall financial position and performance. The Bank already booked a provision of 21,202 (December 31, 2020: 16,711) and the Group 40,308 (December 31, 2020: 35,689) in relation with the litigations.

41. Earnings per share

Basic earnings per share are calculated by dividing net profit/(loss) for the reporting period attributable to ordinary equity holders of the parent by the weighted average number of shares outstanding during the year. As of December 31, 2021 and December 31, 2020 there were no dilutive equity instruments issued by the Group and Bank.

	Group		**Bank**	
	2021	**2020**	**2021**	**2020**
Ordinary shares on market	696,901,518	696,901,518	696,901,518	696,901,518
Profit attributable to shareholders	1,309,686	962,055	1,279,256	951,565
Earnings per share (in RON)	1.8793	1.3805	1.8356	1.3654

42. Risk management

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

Risk governance relies on the three lines of defense model, which reinforces segregation of duties between various control functions.
The *first line* of defense is represented by the business units, which are primarily responsible for the ongoing management of the risks arisen in conducting their daily activities, taking into account the Bank's risk appetite and its existing policies, procedures and controls.
The *second line* of defense is represented by the independent functions overseeing risks, which are responsible for further identifying, measuring, monitoring and reporting risks, while ensuring the compliance with internal and external requirements and providing support to the business/operational functions in executing their duties.
The *third line* of defense is represented by the internal audit function which provides independent review and objective assurance on the quality and effectiveness of the Bank's internal control system, the first and second lines of defense and the risk governance framework.

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

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

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

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

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

42. Risk management (continued)

42.1 Credit risk

Credit risk represents current or future risk of negative impact on profits and capital arising from a debtor's failure to fulfil the contractual obligations or failure to perform as agreed. The credit risk is inherent to traditional banking products - loans, commitments to lend and other contingent liabilities such as letters of credit - and to fair value derivative contracts (refer to the Notes 8, 9, 10, 12 and 40).

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

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

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

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

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

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

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

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

(Amounts in thousands RON)

42. Risk management (continued)

42.1 Credit risk (continued)

Maximum exposure to credit risk before considering any collaterals or guarantees

	Group	
	December 31, 2021	December 31, 2020
ASSETS		
Due from Central Bank	4,311,908	5,223,833
Due from banks	4,537,941	5,516,842
Derivatives and other financial instruments held for trading	2,274,924	2,400,365
Loans, gross	34,668,675	31,534,050
Impairment allowance for loans	(1,754,800)	(1,891,052)
Loans and advances to customers	32,913,875	29,642,998
Finance lease receivables	1,222,595	1,066,899
Financial assets at fair value through profit and loss	6,947	85,240
Financial assets at fair value through other comprehensive income	19,863,825	15,943,470
Other assets	115,317	91,433
Total assets	**65,247,332**	**59,971,080**
Letters of guarantee granted	5,427,857	4,877,225
Financing commitments granted	5,834,265	4,148,139
Total commitments granted	**11,262,122**	**9,025,364**
Total credit risk exposure	**76,509,454**	**68,996,444**

	Bank	
	December 31, 2021	December 31, 2020
ASSETS		
Due from Central Bank	4,311,908	5,223,833
Due from banks	4,521,357	5,499,644
Derivatives and other financial instruments held for trading	2,274,924	2,400,365
Loans, gross	33,853,032	30,633,863
Impairment allowance for loans	(1,669,176)	(1,760,842)
Loans and advances to customers	32,183,856	28,873,021
Financial assets at fair value through profit and loss	6,947	58,384
Financial assets at fair value through other comprehensive income	19,863,825	15,943,470
Other assets	105,060	81,518
Total assets	**63,267,877**	**58,080,235**
Letters of guarantee granted	5,441,448	4,890,263
Financing commitments granted	5,344,315	3,725,475
Total commitments granted	**10,785,763**	**8,615,738**
Total credit risk exposure	**74,053,640**	**66,695,973**

(Amounts in thousands RON)

42. Risk management (continued)

42.1 Credit risk (continued)

Analyses of the inputs to the ECL model under multiple economic scenarios

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

Expected losses are computed based on three macroeconomic scenarios, each with a corresponding weight: optimistic (10%), baseline (50%) and stress scenario (40%). The table below shows the values of the key forward looking economic variables/ assumptions used in the base, optimistic and stress economic scenario for the ECL calculation.

The Bank presents the estimation of key drivers for 2021 because these scenarios have produced effects during the year and have been used in the computation of ECL as at 31st of December 2021.

December, 31 2021

Key drivers	ECL Scenario	2021	2022	2023
GDP growth [%]				
	Baseline/ Central	7	2	3
	Stress	5	-0.5	1.1
	Optimistic	7	3	5
Unemployment rate [%]				
	Baseline/ Central	5.5	6	5.5
	Stress	5.5	7.1	6.9
	Optimistic	5.5	5.4	4.6
Exchange rate RON/EUR [RON]				
	Baseline/ Central	4.9	5	5
	Stress	5	5.7	6.1
	Optimistic	4.9	5.1	5.2

(Amounts in thousands RON)

42. Risk management (continued)

42.1 Credit risk (continued)

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

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

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

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

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

Analysis of due from banks by credit rating

	Group		Bank	
	2021	**2020**	**2021**	**2020**
Internal rating grade				
Very good grade	4,240,203	5,478,889	4,223,619	5,461,691
Good grade	273,361	31,732	273,361	31,732
Standard grade	14,798	452	14,798	452
Not rated internally	9,725	5,860	9,725	5,860
Total	**4,538,087**	**5,516,933**	**4,521,503**	**5,499,735**
Less allowance	(146)	(91)	(146)	(91)
Net Carying amount	**4,537,941**	**5,516,842**	**4,521,357**	**5,499,644**

(Amounts in thousands RON)

42. Risk management (continued)

42.1 Credit risk (continued)

Sector analysis of loans granted and impairment allowance

Group

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

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

(Amounts in thousands RON)

42. Risk management (continued)

42.1 Credit risk (continued)

Sector analysis of loans granted and impairment allowance (continued)

Bank

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

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

(Amounts in thousands RON)

42. Risk management (continued)

42.1 Credit risk (continued)

Sector analysis of loans granted and impairment allowance (continued)

Group	December 31, 2020									
%	Stage 1		Stage 2		Stage 3		POCI		Total	
	Gross carrying amount	Impairment allowance	Gross carrying amount	Impairment allowance	Gross carrying amount	Impairment allowance	Gross carrying amount	Impairment allowance	Gross carrying amount	Impairment allowance
Individuals	69.3%	62.8%	75.7%	77.1%	64.0%	61.4%	42.9%	9.5%	70.8%	66.9%
Agriculture, forestry and fishing	2.0%	3.0%	2.5%	2.1%	1.5%	1.1%	0.1%	0.1%	2.1%	1.7%
Mining and quarrying	0.1%	0.1%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.1%	0.0%
Manufacturing	4.4%	5.1%	6.8%	4.1%	4.3%	5.2%	3.7%	2.3%	5.0%	4.7%
Electricity, gas, steam and air conditioning supply	2.7%	3.9%	1.3%	3.6%	0.2%	0.3%	0.0%	0.0%	2.2%	2.0%
Water supply	0.5%	0.8%	0.1%	0.2%	0.3%	0.3%	0.0%	0.0%	0.4%	0.3%
Construction	1.0%	1.1%	0.5%	0.3%	10.3%	12.5%	1.4%	0.6%	1.2%	6.2%
Wholesale and retail trade	7.6%	8.2%	2.7%	1.6%	4.6%	5.2%	5.3%	9.4%	6.1%	4.2%
Transport and storage	1.4%	2.0%	1.8%	2.2%	0.6%	0.7%	0.0%	0.0%	1.5%	1.4%
Accommodation and food service activities	0.6%	0.9%	0.5%	0.9%	3.4%	2.8%	0.6%	0.5%	0.7%	1.8%
Information and communication	2.2%	2.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	1.5%	0.3%
Financial institutions	1.7%	2.4%	3.1%	1.1%	0.0%	0.0%	0.0%	0.0%	2.0%	0.7%
Real estate activities	1.2%	1.7%	2.7%	3.7%	1.2%	1.5%	45.3%	77.7%	1.7%	3.7%
Professional, scientific and technical activities	0.4%	0.4%	0.3%	0.3%	3.1%	4.0%	0.0%	0.0%	0.4%	2.0%
Administrative and support service activities	0.1%	0.1%	0.1%	0.1%	0.5%	0.6%	0.0%	0.0%	0.1%	0.3%
Public administration and defence, compulsory social security	4.2%	4.3%	0.7%	0.7%	5.5%	3.7%	0.0%	0.0%	3.3%	2.5%
Education	0.0%	0.0%	0.4%	0.7%	0.0%	0.0%	0.0%	0.0%	0.1%	0.3%
Human health services and social work activities	0.5%	0.8%	0.6%	0.7%	0.3%	0.4%	0.7%	0.0%	0.6%	0.6%
Arts, entertainment and recreation	0.0%	0.0%	0.2%	0.5%	0.3%	0.4%	0.0%	0.0%	0.1%	0.4%
Other services	0.2%	0.5%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.1%	0.0%
Total	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**

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

(Amounts in thousands RON)

42. Risk management (continued)

42.1 Credit risk (continued)

Sector analysis of loans granted and impairment allowance (continued)

Bank	December 31, 2020									
%	Stage 1		Stage 2		Stage 3		POCI		Total	
	Gross carrying amount	Impairment allowance	Gross carrying amount	Impairment allowance	Gross carrying amount	Impairment allowance	Gross carrying amount	Impairment allowance	Gross carrying amount	Impairment allowance
Individuals	68.8%	59.2%	76.1%	77.1%	61.1%	57.5%	42.9%	9.5%	70.5%	65.0%
Agriculture, forestry and fishing	1.6%	3.1%	2.3%	2.0%	0.8%	0.7%	0.1%	0.1%	1.8%	1.5%
Mining and quarrying	0.1%	0.1%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.1%	0.0%
Manufacturing	4.5%	5.6%	6.9%	4.2%	4.8%	5.8%	3.7%	2.3%	5.2%	5.0%
Electricity, gas, steam and air conditioning supply	2.7%	4.3%	1.3%	3.6%	0.2%	0.3%	0.0%	0.0%	2.2%	2.1%
Water supply	0.5%	0.9%	0.1%	0.2%	0.3%	0.3%	0.0%	0.0%	0.4%	0.3%
Construction	1.1%	1.2%	0.5%	0.3%	11.4%	14.1%	1.4%	0.6%	1.2%	6.7%
Wholesale and retail trade	7.8%	9.1%	2.7%	1.7%	5.0%	5.8%	5.3%	9.4%	6.3%	4.5%
Transport and storage	1.2%	2.0%	1.5%	2.0%	0.6%	0.6%	0.0%	0.0%	1.2%	1.3%
Accommodation and food service activities	0.7%	1.0%	0.5%	0.9%	3.7%	3.2%	0.6%	0.5%	0.7%	1.9%
Information and communication	2.3%	2.3%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	1.6%	0.3%
Financial institutions	2.0%	2.6%	3.1%	1.1%	0.0%	0.0%	0.0%	0.0%	2.2%	0.7%
Real estate activities	1.2%	1.9%	2.7%	3.7%	1.3%	1.7%	45.3%	77.7%	1.7%	4.0%
Professional, scientific and technical activities	0.4%	0.5%	0.2%	0.3%	3.5%	4.5%	0.0%	0.0%	0.4%	2.2%
Administrative and support service activities	0.2%	0.1%	0.1%	0.1%	0.5%	0.7%	0.0%	0.0%	0.2%	0.4%
Public administration and defence, compulsory social security	4.3%	4.8%	0.7%	0.7%	6.1%	4.1%	0.0%	0.0%	3.4%	2.7%
Education	0.0%	0.0%	0.5%	0.7%	0.0%	0.0%	0.0%	0.0%	0.1%	0.3%
Human health services and social work activities	0.6%	0.9%	0.6%	0.7%	0.3%	0.4%	0.7%	0.0%	0.6%	0.6%
Arts, entertainment and recreation	0.0%	0.0%	0.2%	0.5%	0.3%	0.4%	0.0%	0.0%	0.1%	0.4%
Other services	0.2%	0.5%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.1%	0.1%
Total	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**

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

(Amounts in thousands RON)

42. Risk management (continued)

42.1 Credit risk (continued)

Analysis of collateral coverage – Loans and advances

Group

December 31, 2021

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

December 31, 2020

	Over -collateralized exposure	Collaterals & Guarantees	Under-collateralized exposure	Collaterals & Guarantees
Non-retail lending	1,401,321	3,459,451	7,045,813	1,449,468
Retail lending	13,897,018	22,310,395	9,189,897	710,863
Small business lending	297,204	758,185	458,647	161,782
Consumer lending	17,255	43,501	8,076,982	1,397
Residential mortgages	13,582,559	21,508,709	654,268	547,684
Total	**15,298,339**	**25,769,846**	**16,235,710**	**2,160,331**
out of which non-performing				
Non-retail lending	184,751	472,789	243,150	131,305
Retail lending	263,398	534,762	425,416	50,940
Small business lending	12,471	51,204	13,183	2,243
Consumer lending	681	1,085	339,449	4
Residential mortgages	250,246	482,472	72,784	48,693
Total	**448,149**	**1,007,551**	**668,567**	**182,245**

(Amounts in thousands RON)

42. Risk management (continued)

42.1 Credit risk (continued)

Analysis of collateral coverage – Loans and advances (continued)

Bank

December 31, 2021

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

December 31, 2020

	Over - collateralized exposure	Collaterals & Guarantees	Under- collateralized exposure	Collaterals & Guarantees
Non-retail lending	1,279,127	3,270,785	7,072,163	1,435,207
Retail lending	13,823,236	22,181,550	8,459,336	707,788
Small business lending	223,422	629,341	453,763	158,707
Consumer lending	17,255	43,501	7,351,306	1,397
Residential mortgages	13,582,559	21,508,709	654,268	547,684
Total	**15,102,364**	**25,452,335**	**15,531,499**	**2,142,995**
out of which non-performing				
Non-retail lending	182,392	468,374	240,413	130,080
Retail lending	263,398	534,762	425,416	50,940
Small business lending	12,471	51,204	13,183	2,243
Consumer lending	681	1,085	339,449	4
Residential mortgages	250,246	482,472	72,784	48,693
Total	**445,791**	**1,003,135**	**665,830**	**181,020**

(Amounts in thousands RON)

42. Risk management (continued)

42.1 Credit risk (continued)

Analysis of collateral coverage for finance lease receivables

December 31, 2021

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

December 31, 2020

	Over - collateralized exposure	Collaterals & Guarantees	Under- collateralized exposure	Collaterals & Guarantees
Non-retail lending	725,409	1,096,658	70,395	46,633
Retail lending	324,564	517,283	26,852	12,735
Small business lending (retail) & residential	324,411	517,005	26,681	12,651
Consumer lending	154	279	171	85
Total	**1,049,973**	**1,613,941**	**97,247**	**59,368**

(Amounts in thousands RON)

42. Risk management (continued)

42.1 Credit risk (continued)

Rating analysis of loans

Group

	Retail lending December 31, 2021				
	Stage 1	Stage 2	Stage 3	POCI	Total
Gross carrying amount					
Internal rating grade					
Very good grade	9,582,650	5,962	-	-	9,588,612
Good grade	5,070,420	4,713,135	-	-	9,783,555
Standard grade	970,014	1,407,731	-	-	2,377,746
Sub-standard grade	-	652,675	-	15,793	668,468
Non- performing	-	-	756,316	13,903	770,220
(out of which) Individual assessment	-	-	32,639	454	33,092
Not rated internally	615,749	17,196	72,168	-	705,113
Total	16,238,832	6,796,699	828,484	29,697	23,893,712
Less allowance	(133,801)	(457,955)	(602,990)	(3,874)	(1,198,620)
Net Carying amount	**16,105,031**	**6,338,744**	**225,495**	**25,822**	**22,695,092**

	Non-Retail lending December 31, 2021				
	Stage 1	Stage 2	Stage 3	POCI	Total
Gross carrying amount					
Internal rating grade					
Very good grade	422,745	-	-	-	422,745
Good grade	5,669,791	746,615	-	-	6,416,406
Standard grade	2,829,625	314,204	-	-	3,143,829
Sub-standard grade	38,449	378,575	-	1,337	418,361
Non- performing	-	-	345,992	27,495	373,487
(out of which) Individual assessment	-	-	305,958	26,915	332,873
Not rated internally	133	-	-	-	133
Total	8,960,744	1,439,393	345,992	28,832	10,774,962
Less allowance	(175,459)	(100,572)	(255,406)	(24,742)	(556,180)
Net Carying amount	**8,785,285**	**1,338,820**	**90,586**	**4,090**	**10,218,782**

	Total December 31, 2021				
	Stage 1	Stage 2	Stage 3	POCI	Total
Gross carrying amount					
Internal rating grade					
Very good grade	10,005,395	5,962	-	-	10,011,357
Good grade	10,740,211	5,459,750	-	-	16,199,961
Standard grade	3,799,639	1,721,935	-	-	5,521,574
Sub-standard grade	38,449	1,031,249	-	17,131	1,086,829
Non- performing	-	-	1,102,309	41,398	1,143,707
(out of which) Individual assessment	-	-	338,596	27,369	365,965
Not rated internally	615,882	17,196	72,168	-	705,246
Total	25,199,576	8,236,092	1,174,477	58,529	34,668,674
Less allowance	(309,260)	(558,527)	(858,396)	(28,617)	(1,754,800)
Net Carying amount	**24,890,317**	**7,677,565**	**316,081**	**29,912**	**32,913,874**

(Amounts in thousands RON)

42. Risk management (continued)

42.1 Credit risk (continued)

Rating analysis of loans (continued)

Bank

Retail lending

December 31, 2021

	Stage 1	Stage 2	Stage 3	POCI	Total
Gross carrying amount					
Internal rating grade					
Very good grade	9,582,650	5,962	-	-	9,588,612
Good grade	5,070,420	4,713,135	-	-	9,783,555
Standard grade	970,014	1,407,731	-	-	2,377,746
Sub-standard grade	-	652,675	-	15,793	668,468
Non- performing	-	-	756,316	13,903	770,220
(out of which) Individual assessment	-	-	32,639	454	33,092
Not rated internally	345	-	-	-	345
Total	15,623,428	6,779,503	756,316	29,697	23,188,944
Less allowance	(118,916)	(451,772)	(544,071)	(3,875)	(1,118,634)
Net Carying amount	**15,504,512**	**6,327,731**	**212,245**	**25,821**	**22,070,310**

Non-Retail lending

December 31, 2021

	Stage 1	Stage 2	Stage 3	POCI	Total
Gross carrying amount					
Internal rating grade					
Very good grade	422,745	-	-	-	422,745
Good grade	5,708,101	743,744	-	-	6,451,844
Standard grade	2,738,943	303,762	-	-	3,042,705
Sub-standard grade	38,449	337,317	-	1,337	377,104
Non- performing	-	-	342,062	27,495	369,557
(out of which) Individual assessment	-	-	305,958	26,915	332,873
Not rated internally	133	-	-	-	133
Total	8,908,371	1,384,823	342,062	28,832	10,664,088
Less allowance	(175,057)	(97,758)	(252,985)	(24,742)	(550,542)
Net Carying amount	**8,733,314**	**1,287,065**	**89,077**	**4,090**	**10,113,546**

Total

December 31, 2021

	Stage 1	Stage 2	Stage 3	POCI	Total
Gross carrying amount					
Internal rating grade					
Very good grade	10,005,395	5,962	-	-	10,011,357
Good grade	10,778,520	5,456,879	-	-	16,235,399
Standard grade	3,708,957	1,711,493	-	-	5,420,450
Sub-standard grade	38,449	989,992	-	17,131	1,045,572
Non- performing	-	-	1,098,378	41,398	1,139,776
(out of which) Individual assessment	-	-	338,596	27,369	365,965
Not rated internally	478	-	-	-	478
Total	24,531,799	8,164,326	1,098,378	58,529	33,853,032
Less allowance	(293,973)	(549,531)	(797,056)	(28,617)	(1,669,176)
Net Carying amount	**24,237,826**	**7,614,795**	**301,322**	**29,912**	**32,183,855**

(Amounts in thousands RON)

42. Risk management (continued)

42.1 Credit risk (continued)

Rating analysis of loans (continued)

Group	Retail lending December 31, 2020				
	Stage 1	Stage 2	Stage 3	POCI	Total
Gross carrying amount					
Internal rating grade					
Very good grade	11,168,748	10,792	-	-	11,179,540
Good grade	2,809,964	4,030,807	-	-	6,840,771
Standard grade	889,118	1,718,855	-	-	2,607,973
Sub-standard grade	-	929,590	-	14,308	943,898
Non- performing	-	-	676,735	12,080	688,815
(out of which) Individual assessment	-	-	47,792	-	47,792
Not rated internally	695,003	17,883	113,032	-	825,918
Total	15,562,833	6,707,926	789,767	26,388	23,086,915
Less allowance	(136,252)	(597,234)	(572,879)	(3,955)	(1,310,320)
Net Carying amount	**15,426,581**	**6,110,692**	**216,888**	**22,434**	**21,776,595**

	Non-Retail lending December 31, 2020				
	Stage 1	Stage 2	Stage 3	POCI	Total
Gross carrying amount					
Internal rating grade					
Very good grade	427,956	-	-	-	427,956
Good grade	3,462,227	876,300	-	-	4,338,527
Standard grade	2,233,275	611,507	-	-	2,844,783
Sub-standard grade	3,524	404,444	-	-	407,968
Non- performing	-	-	394,964	32,936	427,901
(out of which) Individual assessment	-	-	333,215	31,089	364,304
Total	6,126,982	1,892,252	394,964	32,936	8,447,135
Less allowance	(72,613)	(157,710)	(320,906)	(29,502)	(580,731)
Net Carying amount	**6,054,370**	**1,734,542**	**74,059**	**3,434**	**7,866,404**

	Total December 31, 2020				
	Stage 1	Stage 2	Stage 3	POCI	Total
Gross carrying amount					
Internal rating grade					
Very good grade	11,596,704	10,792	-	-	11,607,496
Good grade	6,272,191	4,907,107	-	-	11,179,298
Standard grade	3,122,393	2,330,362	-	-	5,452,755
Sub-standard grade	3,524	1,334,034	-	14,308	1,351,866
Non- performing	-	-	1,071,699	45,017	1,116,716
(out of which) Individual assessment	-	-	381,007	31,089	412,096
Not rated internally	695,003	17,883	113,032	-	825,918
Total	21,689,815	8,600,178	1,184,731	59,325	31,534,050
Less allowance	(208,865)	(754,945)	(893,785)	(33,457)	(1,891,051)
Net Carying amount	**21,480,950**	**7,845,233**	**290,947**	**25,868**	**29,642,999**

(Amounts in thousands RON)

42. Risk management (continued)

42.1 Credit risk (continued)

Rating analysis of loans (continued)

Bank	**Retail lending December 31, 2020**				
	Stage 1	Stage 2	Stage 3	POCI	Total
Gross carrying amount					
Internal rating grade					
Very good grade	11,168,748	10,792	-	-	11,179,540
Good grade	2,809,964	4,030,807	-	-	6,840,771
Standard grade	889,118	1,718,855	-	-	2,607,973
Sub-standard grade	-	929,590	-	14,308	943,898
Non- performing	-	-	676,735	12,080	688,815
(out of which) Individual assessment	-	-	47,792	-	47,792
Not rated internally	21,567	9	-	-	21,576
Total	14,889,396	6,690,053	676,735	26,388	22,282,572
Less allowance	(116,439)	(588,818)	(477,017)	(3,956)	(1,186,230)
Net Carying amount	**14,772,957**	**6,101,234**	**199,718**	**22,433**	**21,096,342**

	Non-Retail lending December 31, 2020				
	Stage 1	Stage 2	Stage 3	POCI	Total
Gross carrying amount					
Internal rating grade					
Very good grade	427,956	-	-	-	427,956
Good grade	3,486,630	872,874	-	-	4,359,504
Standard grade	2,160,477	592,937	-	-	2,753,414
Sub-standard grade	3,524	384,088	-	-	387,612
Non- performing	-	-	389,869	32,936	422,805
(out of which) Individual assessment	-	-	333,215	31,089	364,304
Total	6,078,587	1,849,899	389,869	32,936	8,351,291
Less allowance	(72,116)	(154,895)	(318,100)	(29,502)	(574,612)
Net Carying amount	**6,006,472**	**1,695,004**	**71,769**	**3,434**	**7,776,679**

	Total December 31, 2020				
	Stage 1	Stage 2	Stage 3	POCI	Total
Gross carrying amount					
Internal rating grade					
Very good grade	11,596,704	10,792	-	-	11,607,496
Good grade	6,296,593	4,903,681	-	-	11,200,275
Standard grade	3,049,595	2,311,792	-	-	5,361,387
Sub-standard grade	3,524	1,313,677	-	14,308	1,331,509
Non- performing	-	-	1,066,604	45,017	1,111,620
(out of which) Individual assessment	-	-	381,007	31,089	412,096
Not rated internally	21,567	9	-	-	21,576
Total	20,967,984	8,539,951	1,066,604	59,325	30,633,863
Less allowance	(188,555)	(743,714)	(795,117)	(33,457)	(1,760,842)
Net Carying amount	**20,779,429**	**7,796,237**	**271,487**	**25,868**	**28,873,021**

(Amounts in thousands RON)

42. Risk management (continued)

42.1 Credit risk (continued)

Rating analysis of Finance Lease receivables

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

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

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

(Amounts in thousands RON)

42. Risk management (continued)

42.1 Credit risk (continued)

Rating analysis of Finance Lease receivables:

	Retail December 31, 2020			
	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount				
Not rated internally	297,769	27,393	26,255	351,417
Total	297,769	27,393	26,255	351,417
Less allowance	(1,291)	(1,927)	(16,476)	(19,694)
Net Carying amount	**296,478**	**25,466**	**9,779**	**331,722**

	Non-Retail December 31, 2020			
	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount				
Internal rating grade				
Good grade	156,700	23,927	-	180,627
Standard grade	334,382	139,176	-	473,558
Sub-standard grade	-	75,005	-	75,005
Non- performing	-	-	61,493	61,493
Not rated internally	-	4,989	132	5,121
Total	491,082	243,097	61,625	795,803
Less allowance	(2,710)	(16,351)	(41,566)	(60,627)
Net Carying amount	**488,372**	**226,745**	**20,060**	**735,177**

	Total December 31, 2020			
	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount				
Internal rating grade				
Good grade	156,700	23,927	-	180,627
Standard grade	334,382	139,176	-	473,558
Sub-standard grade	-	75,005	-	75,005
Non- performing	-	-	61,493	61,493
Not rated internally	297,769	32,382	26,387	356,538
Total	788,850	270,490	87,880	1,147,220
Less allowance	(4,001)	(18,279)	(58,042)	(80,321)
Net Carying amount	**784,850**	**252,211**	**29,838**	**1,066,899**

42. Risk management (continued)

42.1 Credit risk (continued)

Guarantees and other credit commitments

Guarantees and letters of credit

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

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

(Amounts in thousands RON)

42. Risk management (continued)

42.1 Credit risk (continued)

Credit related commitments

Financing commitments represent unused amounts of approved credit facilities.

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

	Group		Bank	
	December 31, 2021	**December 31, 2020**	**December 31, 2021**	**December 31, 2020**
Letters of guarantee granted	5,427,857	4,877,225	5,441,448	4,890,263
Financing commitments granted	5,834,265	4,148,139	5,344,315	3,725,475
Total commitments granted	**11,262,122**	**9,025,364**	**10,785,763**	**8,615,738**
Uncommitted facilities granted	**9,317,203**	**9,048,662**	**9,382,644**	**9,113,659**
Letters of guarantee received	20,033,701	15,592,838	20,033,701	15,592,838
Financing commitments received	-	486,940	-	486,940
Total commitments received	**20,033,701**	**16,079,778**	**20,033,701**	**16,079,778**

42.2 Market risk

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

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

Trading Book related market risks

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

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

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

42. Risk management (continued)

42.2 Market risk (continued)

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

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

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

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

The process of monitoring the limit compliance blends together the daily metrics report with the monthly analysis of the trading book activitity, and the quarterly summaries submitted to the General Management.

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

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

Value at Risk (VAR)

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

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

(Amounts in thousands RON)

42. Risk management (continued)

42.2 Market risk (continued)

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

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

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

	Begin of year	End of year	Minimum	Average	Maximum
2020	0.21	0.60	0.13	0.43	0.71
2021	0.59	0.18	0.18	0.47	0.71

Stressed VAR (SVAR)

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

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

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

	Begin of year	End of year	Minimum	Average	Maximum
2020	1.43	1.80	0.70	1.75	3.37
2021	1.77	0.97	0.92	2.25	3.82

Stress test assessment

<u>Methodology</u>

The stress test assessment is one of the main pillars of the market risk management framework, being complementary to VaR and compensating the limitation of the historical VaR methodology. While the VaR model considers historical movements of the risk factors occurred in the past, the stress testing environment incubates theoretical hypothesis or market event-specific scenario describing large, abrupt changes of the underlying risk factors. On a daily basis, a range of hypothetical models picturing extreme shocks are mixed with various historical scenarios and are applied for the entire trading book portfolio of the Bank.
A global stress test metric is computed and compared against the approved limit, derived from the market risk appetite stated in Bank's strategy.

The various stress test scenarios are subject to review and improvement, the accuracy of the assumptions used under the active patterns being regularly monitored. The hypothesis validation aims to certify that the

(Amounts in thousands RON)

42. Risk management (continued)

42.2 Market risk (continued)

shocks applied are still harsh enough and they model an unlikely event, otherwise timely detecting the necessity to recalibrate them.

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

STRESS TEST ASSESSMENT - KEY NEGATIVE FIGURES (IN MEUR)

	Begin of year	End of year	Minimum	Average	Maximum
2020	5.70	11.01	2.25	9.53	14.49
2021	10.85	2.43	0.01	8.68	14.32

Foreign exchange risk

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

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

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

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

2020	Group			Bank		
Currency	Change in currency rate %	Effect on profit before tax	Effect on equity	Change in currency rate %	Effect on profit before tax	Effect on equity
EUR	+5	1,405	10,891	+5	1,851	10,891
Other	+5	(1,836)	729	+5	1,819	729

(Amounts in thousands RON)

42. Risk management (continued)

42.2 Market risk (continued)

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

	Group December 31, 2021				Bank December 31, 2021			
ASSETS	**Total**	**RON**	**EUR**	**Other**	**Total**	**RON**	**EUR**	**Other**
Cash in hand	1,894,448	1,731,877	116,866	45,705	1,894,415	1,731,844	116,866	45,705
Due from Central Bank	4,311,908	3,275,829	1,036,079	-	4,311,908	3,275,829	1,036,079	-
Due from banks	4,537,941	344,039	2,099,967	2,093,936	4,521,357	327,454	2,099,967	2,093,936
Derivatives and other financial instruments held for trading	2,274,924	1,158,528	1,026,348	90,047	2,274,924	1,158,528	1,026,348	90,047
Loans and advances to customers	32,913,875	23,835,074	8,829,246	249,555	32,183,856	23,348,736	8,585,564	249,556
Financial lease receivables	1,222,595	76,305	1,146,290	-	-	-	-	-
Financial assets at fair value through profit and loss	6,947	6,258	689	-	6,947	6,259	688	-
Financial assets at fair value through other comprehensive income	19,863,825	13,125,421	6,507,270	231,134	19,863,825	13,125,421	6,507,270	231,134
Investments in subsidiaries, associates and joint ventures	107,205	107,205	-	-	158,916	158,916	-	-
Goodwill	50,130	50,130	-	-	50,130	50,130	-	-
Current tax assets	7,484	7,484	-	-	7,484	7,484	-	-
Deferred tax asset	180,089	180,089	-	-	166,173	166,173	-	-
Non current assets and other assets	1,691,926	1,669,053	15,555	7,317	1,575,328	1,560,509	8,041	6,778
Total assets	**69,063,297**	**45,567,293**	**20,778,311**	**2,717,694**	**67,015,263**	**44,917,283**	**19,380,823**	**2,717,156**
LIABILITIES								
Due to banks	156,810	107,629	27,633	21,548	156,810	107,629	27,633	21,548
Due to customers	52,683,581	32,876,873	16,968,766	2,837,942	52,917,886	33,087,454	16,992,489	2,837,942
Debt issued and borrowed funds	4,056,470	409,779	3,646,691	-	2,230,572	3,737	2,226,835	-
Subordinated debt	495,022	-	495,022	-	495,022	-	495,022	-
Derivative financial instruments	498,651	440,295	58,356	-	498,651	440,295	58,356	-
Current tax liability	83,963	83,963	-	-	79,979	79,979	-	-
Other liabilities	1,209,895	662,090	509,515	38,290	1,097,005	560,068	499,605	37,332
Shareholders' equity	9,878,905	9,878,905	-	-	9,539,338	9,539,338	-	-
Total liabilities and shareholders' equity	**69,063,297**	**44,459,533**	**21,705,983**	**2,897,779**	**67,015,263**	**43,818,500**	**20,299,940**	**2,896,822**
Position		**1,107,760**	**(927,673)**	**(180,085)**		**1,098,783**	**(919,116)**	**(179,668)**
Position off BS		(1,134,046)	955,100	178,946		(1,134,046)	955,100	178,946
Position total		**(26,286)**	**27,428**	**(1,139)**		**(35,263)**	**35,985**	**(722)**

(Amounts in thousands RON)

42. Risk management (continued)

42.2 Market risk (continued)

	Group December 31, 2020				Bank December 31, 2020			
ASSETS	**Total**	**RON**	**EUR**	**Other**	**Total**	**RON**	**EUR**	**Other**
Cash in hand	1,889,556	1,698,321	143,907	47,328	1,889,552	1,698,317	143,907	47,328
Due from Central Bank	5,223,833	4,217,380	1,006,453	-	5,223,833	4,217,380	1,006,453	-
Due from banks	5,516,842	137,670	4,017,546	1,361,626	5,499,644	120,472	4,017,546	1,361,626
Derivatives and other financial instruments held for trading	2,400,365	1,324,568	957,760	118,036	2,400,365	1,324,568	957,760	118,036
Loans and advances to customers	29,642,998	21,082,433	8,358,736	201,829	28,873,021	20,515,065	8,156,127	201,829
Financial lease receivables	1,066,899	96,268	970,631	-	-	-	-	-
Financial assets at fair value through profit and loss	85,240	51,515	639	33,086	58,384	24,659	639	33,086
Financial assets at fair value through other comprehensive income	15,943,470	11,914,771	3,809,000	219,698	15,943,470	11,914,771	3,809,000	219,698
Investments in associates and subsidiares	99,114	99,114	-	-	158,916	158,916	-	-
Goodwill	50,130	50,130	-	-	50,130	50,130	-	-
Current tax assets	48,019	48,019	-	-	48,013	48,013	-	-
Deferred tax asset	10,287	10,287	-	-	-	-	-	-
Non current assets and other assets	1,580,992	1,551,875	22,915	6,202	1,489,257	1,464,530	18,593	6,134
Total assets	**63,557,745**	**42,282,352**	**19,287,588**	**1,987,806**	**61,634,585**	**41,536,822**	**18,110,025**	**1,987,738**
LIABILITIES								
Due to banks	199,011	113,979	42,360	42,672	199,011	113,979	42,360	42,672
Due to customers	49,957,754	31,083,760	15,967,661	2,906,333	50,152,126	31,235,970	16,009,819	2,906,337
Debt issued and borrowed funds	1,742,352	524,531	1,217,821	-	6,765	6,765	-	-
Derivative financial instruments	599,669	589,491	10,178	-	599,669	589,491	10,178	-
Current tax liability	2,069	2,069	-	-	-	-	-	-
Deffered tax liability	37,907	37,907	-	-	37,907	37,907	-	-
Other liabilities	1,246,918	667,643	544,372	34,904	1,166,964	598,536	533,561	34,867
Shareholders' equity	9,772,065	9,772,065	-	-	9,472,143	9,472,143	-	-
Total liabilities and shareholders' equity	**63,557,745**	**42,791,444**	**17,782,393**	**2,983,909**	**61,634,585**	**42,054,791**	**16,595,918**	**2,983,876**
Position		**(509,092)**	**1,505,195**	**(996,103)**		**(517,969)**	**1,514,107**	**(996,138)**
Position off BS		484,608	(1,477,085)	992,477		484,608	(1,477,085)	992,477
Position total		**(24,484)**	**28,110**	**(3,626)**		**(33,361)**	**37,022**	**(3,661)**

(Amounts in thousands RON)

42. Risk management (continued)

42.2 Market risk (continued)

Interest rate risk

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

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

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

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

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

December 31, 2020		December 31, 2020	
Change in interest rate (b.p)	Sensitivity (MRON)	Change in interest rate (b.p)	Sensitivity (MRON)
10	21	10	20
(10)	(26)	(10)	(25)

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

(Amounts in thousands RON)

42. Risk management (continued)

42.2 Market risk (continued)

Interest rate risk (continued)

Group December 31, 2021	0-1 months	1-3 months	3-12 months	1-5 years	Over 5 years	Total
ASSETS						
Cash in hand	63,181	126,294	568,324	1,136,649	-	1,894,448
Due from Central Bank	861,723	1,316,196	477,000	1,072,128	584,861	4,311,908
Due from banks	2,473,482	1,897,258	151,048	12,553	3,600	4,537,941
Derivatives and other financial instruments held for trading	1,506,590	63,920	300,146	317,986	86,282	2,274,924
Loans and advances to customers	10,616,886	12,362,673	3,247,430	5,940,665	746,221	32,913,875
Financial lease receivables	47,478	317,891	372,746	481,957	2,523	1,222,595
Financial assets at fair value through profit and loss	1	-	-	6,946	-	6,947
Financial assets at fair value through other comprehensive income	(368,864)	489,747	3,761,335	6,227,630	9,753,977	19,863,825
Investments in subsidiaries, associates and joint ventures	76	-	10,892	43,569	52,668	107,205
Goodwill	418	836	3,760	20,052	25,065	50,130
Current tax assets	-	-	-	7,484	-	7,484
Deferred tax asset	3,001	6,003	27,013	144,071	-	180,089
Non current assets and other assets	21,998	37,205	201,100	969,418	462,205	1,691,926
Total assets	**15,225,969**	**16,618,022**	**9,120,796**	**16,381,109**	**11,717,403**	**69,063,297**
Liabilities						
Due to banks	156,810	-	-	-	-	156,810
Due to customers	12,140,823	3,297,766	8,163,886	18,021,889	11,059,216	52,683,581
Debt issued and borrowed funds	60,862	2,936,834	391,609	667,165	-	4,056,470
Subordinated debt	212	494,810	-	-	-	495,022
Derivative financial instruments	498,651	-	-	-	-	498,651
Current tax liability	-	83,963	-	-	-	83,963
Other liabilities	488,182	15,449	76,772	467,538	161,953	1,209,895
Total liabilities	**13,345,539**	**6,828,822**	**8,632,268**	**19,156,593**	**11,221,169**	**59,184,392**
Total shareholders' equity	**(377,824)**	**-**	**3,253,939**	**3,112,351**	**3,890,439**	**9,878,905**
Net position	**1,880,430**	**9,789,200**	**(2,765,411)**	**(5,887,834)**	**(3,394,207)**	

(Amounts in thousands RON)

42. Risk management (continued)

42.2 Market risk (continued)

Interest rate risk (continued)

Group December 31, 2020	0-1 months	1-3 months	3-12 months	1-5 years	Over 5 years	Total
ASSETS						
Cash in hand	63,593	126,531	566,477	1,132,955	-	1,889,556
Due from Central Bank	2,865,692	663,697	406,200	832,707	455,537	5,223,833
Due from banks	3,708,922	1,631,660	159,507	12,553	4,200	5,516,842
Derivatives and other financial instruments held for trading	1,080,435	278,602	260,113	650,301	130,914	2,400,365
Loans and advances to customers	8,734,879	11,625,514	3,290,845	5,539,493	452,267	29,642,998
Finance lease receivables	36,979	351,255	359,041	318,881	743	1,066,899
Financial assets at fair value through profit and loss	33,087	-	-	52,153	-	85,240
Financial assets at fair value through other comprehensive income	1,053,766	513,240	1,789,406	4,769,853	7,817,204	15,943,470
Investments in associates and subsidiares	839	1,679	7,555	40,295	48,745	99,114
Goodwill	418	836	3,760	20,052	25,065	50,130
Current tax assets	-	4,911	-	43,108	-	48,019
Deferred tax asset	171	343	1,543	8,230	-	10,287
Non current assets and other assets	19,402	36,925	145,154	920,949	458,562	1,580,992
Total assets	**17,598,183**	**15,235,193**	**6,989,601**	**14,341,529**	**9,393,238**	**63,557,745**
Liabilities						
Due to banks	174,586	24,347	78	-	-	199,011
Due to customers	11,070,449	7,841,339	8,659,469	13,098,011	9,288,486	49,957,754
Debt issued and borrowed funds	115,061	572,719	361,851	692,569	152	1,742,352
Derivative financial instruments	599,669	-	-	-	-	599,669
Current tax liability	-	2,069	-	-	-	2,069
Deffered tax liability	632	1,264	5,686	30,326	-	37,907
Other liabilities	436,102	47,244	98,876	518,923	145,773	1,246,918
Total liabilities	**12,396,498**	**8,488,982**	**9,125,960**	**14,339,829**	**9,434,411**	**53,785,680**
Total shareholders' equity	**805,640**	**-**	**1,538,949**	**3,301,100**	**4,126,375**	**9,772,065**
Net position	**4,396,045**	**6,746,211**	**(3,675,307)**	**(3,299,399)**	**(4,167,549)**	

(Amounts in thousands RON)

42. Risk management (continued)

42.2 Market risk (continued)

Interest rate risk (continued)

Bank **December 31, 2021**	**0-1 months**	**1-3 months**	**3-12 months**	**1-5 years**	**Over 5 years**	**Total**
ASSETS						
Cash in hand	63,147	126,294	568,324	1,136,649	-	1,894,415
Due from Central Bank	861,723	1,316,196	477,000	1,072,128	584,861	4,311,908
Due from banks	2,473,051	1,897,258	151,048	-	-	4,521,357
Derivatives and other financial instruments held for trading	1,506,590	63,920	300,146	317,986	86,282	2,274,924
Loans and advances to customers	10,604,353	12,212,066	3,116,306	5,509,957	741,174	32,183,856
Financial assets at fair value through profit and loss	0	-	-	6,946	-	6,947
Financial assets at fair value through other comprehensive income	(368,864)	489,747	3,761,335	6,227,630	9,753,977	19,863,825
Investments in subsidiaries, associates and joint ventures	0	-	15,892	63,566	79,458	158,916
Goodwill	418	836	3,760	20,052	25,065	50,130
Current tax assets	-	-	-	7,484	-	7,484
Deferred tax asset	2,770	5,539	24,926	132,938	-	166,173
Non current assets and other assets	14,726	40,780	183,509	874,109	462,204	1,575,328
Total assets	**15,157,914**	**16,152,636**	**8,602,246**	**15,369,445**	**11,733,022**	**67,015,263**
Liabilities						
Due to banks	156,810	-	-	-	-	156,810
Due to customers	12,236,715	3,364,012	8,212,721	18,040,051	11,064,388	52,917,886
Debt issued and borrowed funds	412	2,226,665	728	2,766	-	2,230,572
Subordinated debt	212	494,810	-	-	-	495,022
Derivative financial instruments	498,651	-	-	-	-	498,651
Current tax liability	-	79,979	-	-	-	79,979
Other liabilities	472,075	14,451	72,279	376,246	161,953	1,097,005
Total liabilities	**13,364,874**	**6,179,917**	**8,285,728**	**18,419,064**	**11,226,341**	**57,475,924**
Total shareholders' equity	**(401,602)**	**-**	**3,222,360**	**2,986,036**	**3,732,545**	**9,539,338**
Net position	**2,194,642**	**9,972,719**	**(2,905,842)**	**(6,035,653)**	**(3,225,863)**	

(Amounts in thousands RON)

42. Risk management (continued)

42.2 Market risk (continued)

Interest rate risk (continued)

Bank **December 31, 2020**	**0-1 months**	**1-3 months**	**3-12 months**	**1-5 years**	**Over 5 years**	**Total**
ASSETS						
Cash in hand	63,589	126,531	566,477	1,132,955	-	1,889,552
Due from Central Bank	2,865,692	663,697	406,200	832,707	455,537	5,223,833
Due from banks	3,708,477	1,631,660	159,507	-	-	5,499,644
Derivatives and other financial instruments held for trading	1,080,435	278,602	260,113	650,301	130,914	2,400,365
Loans and advances to customers	8,585,399	11,595,486	3,152,662	5,090,196	449,278	28,873,021
Financial assets at fair value through profit and loss	33,086	-	-	25,298	-	58,384
Financial assets at fair value through other comprehensive income	1,053,766	513,240	1,789,406	4,769,853	7,817,204	15,943,470
Investments in associates and subsidiares	1,324	2,649	11,919	63,566	79,458	158,916
Goodwill	418	836	3,760	20,052	25,065	50,130
Current tax assets	-	4,905	-	43,108	-	48,013
Non current assets and other assets	19,282	38,564	130,428	842,421	458,562	1,489,257
Total assets	**17,411,468**	**14,856,169**	**6,480,472**	**13,470,457**	**9,416,019**	**61,634,585**
Liabilities						
Due to banks	174,586	24,347	78	-	-	199,011
Due to customers	11,166,599	7,880,035	8,696,909	13,115,097	9,293,486	50,152,126
Debt issued and borrowed funds	0	3	627	5,982	152	6,765
Derivative financial instruments	599,669	-	-	-	-	599,669
Deffered tax liability	632	1,264	5,686	30,326	-	37,907
Other liabilities	430,497	46,640	86,850	457,203	145,773	1,166,964
Total liabilities	**12,371,983**	**7,952,289**	**8,790,151**	**13,608,608**	**9,439,411**	**52,162,442**
Total shareholders' equity	**789,030**	**-**	**1,510,618**	**3,187,776**	**3,984,719**	**9,472,143**
Net position	**4,250,455**	**6,903,880**	**(3,820,297)**	**(3,325,927)**	**(4,008,112)**	

42. Risk management (continued)

42.2 Market risk (continued)

Interest rate risk (continued)

IBOR reform

Following the decision by global regulators to phase out IBORs and replace them with alternative reference rates, the Bank has established a project to manage the transition for any of its contracts that could be affected. The project is sponsored by Finance and Financial Markets DGAs and is being led by senior representatives from functions across the Bank including Financial Markets, Corporate and Retail Marketing teams, Legal, Finance, Risk, Operations and IT. The project provides regular progress updates to the Steering Committee which includes the Management Committee members. The Bank has in place plans, processes and procedures to support the transition of interest rate benchmarks that will cease to be available after 30 June 2023 to alternative reference rates.

IBOR reform exposes the Bank to various risks, which the project is managing and monitoring closely. These risks include but are not limited to the following:

• Legal / compliance risks related to migration to RFRs of Libor indexed transactions with maturity over 30.06.2023
• Operational risks arising from changes to the Bank's IT systems and processes related to migration to RFRs indexed production
• Accounting risk if the Bank's hedging relationships fail and from unrepresentative income statement volatility as financial instruments transition to RFRs

The Bank's exposure to significant IBORs subject to reform that will not expire before 30.06.2023 are the following:

- LIBORUSD loans in amount of 247,410 USD, with an initial maturity of 14.8 years /residual maturity of 5.8 years;
- LIBORUSD interest rate swaps having a notional amount of 38,000,000 USD and an initial maturity of 10 years/residual maturity of 6.5 years.

42. Risk management (continued)

42.3 Liquidity risk

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

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

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

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

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

The maturity structure of the Group's and the Bank's assets and liabilities as of December 31, 2021 and 2020 is as follows:

(Amounts in thousands RON)

42. Risk management (continued)

42.3 Liquidity risk (continued)

Group

December 31, 2021	Total	0-1 months	1-3 months	3-12 months	1-5 years	Over 5 years
ASSETS						
Cash in hand	1,894,448	63,181	126,294	568,324	1,136,649	-
Due from Central Bank	4,311,908	1,222,801	136,297	602,632	1,512,364	837,814
Due from banks	4,537,941	2,473,482	1,897,258	151,048	12,553	3,600
Derivatives and other financial instruments held for trading	2,274,924	2,274,924	-	-	-	-
Loans and advances to customers	32,913,875	1,254,092	1,097,803	5,360,714	14,789,786	10,411,480
Financial lease receivables	1,222,595	38,279	85,661	372,463	722,490	3,702
Financial assets at fair value through profit and loss	6,947	-	-	-	6,947	-
Financial assets at fair value through other comprehensive income	19,863,825	18,364,192	40,675	302,411	494,474	662,073
Investments in subsidiaries, associates and joint ventures	107,205	-	-	10,155	40,619	56,431
Goodwill	50,130	418	836	3,760	20,052	25,065
Current tax assets	7,484	-	-	-	7,484	-
Deferred tax asset	180,089	3,001	6,003	27,013	144,072	-
Non current assets and other assets	1,691,926	21,998	37,205	201,100	969,418	462,204
Total assets	**69,063,297**	**25,716,367**	**3,428,032**	**7,599,620**	**19,856,908**	**12,462,369**
LIABILITIES						
Due to banks	156,810	156,810	-	-	-	-
Due to customers	52,683,581	6,529,139	3,472,156	8,972,287	21,223,231	12,486,769
Debt issued and borrowed funds	4,056,470	59,359	158,761	582,177	3,256,174	-
Subordinated debt	495,022	212	-	-	-	494,810
Derivative financial instruments	498,651	498,651	-	-	-	-
Current tax liability	83,963	-	83,963	-	-	-
Other liabilities	1,209,895	165,220	35,184	124,648	722,890	161,953
Total liabilities	**59,184,391**	**7,409,389**	**3,750,063**	**9,679,113**	**25,202,294**	**13,143,532**
Total shareholders equity	**9,878,905**	**(377,824)**	**-**	**3,253,939**	**3,112,351**	**3,890,439**
Gap		**18,684,802**	**(322,031)**	**(5,333,431)**	**(8,457,738)**	**(4,571,602)**
Cumulative gap		**18,684,802**	**18,362,771**	**13,029,340**	**4,571,602**	**0**

(Amounts in thousands RON)

42. Risk management (continued)

42.3 Liquidity risk (continued)

Group

December 31, 2020	Total	0-1 months	1-3 months	3-12 months	1-5 years	Over 5 years
ASSETS						
Cash in hand	1,889,556	63,593	126,531	566,477	1,132,955	-
Due from Central Bank	5,223,833	2,441,365	147,900	622,849	1,270,924	740,794
Due from banks	5,516,842	4,196,272	1,285,522	18,294	12,553	4,201
Derivatives and other financial instruments held for trading	2,400,365	2,354,992	45,373	-	-	-
Loans and advances to customers	29,642,998	986,472	1,067,393	5,023,720	12,825,064	9,740,348
Financial lease receivables	1,066,899	32,146	77,281	341,225	585,527	30,720
Financial assets at fair value through profit and loss	85,240	-	-	-	85,240	-
Financial assets at fair value through other comprehensive income	15,943,470	14,763,368	40,483	144,386	397,490	597,742
Investments in associates and subsidiares	99,114	803	1,604	7,220	38,508	50,979
Goodwill	50,130	418	836	3,760	20,051	25,066
Current tax assets	48,019	-	4,911	-	43,108	-
Deferred tax asset	10,287	171	343	1,543	8,230	-
Non current assets and other assets	1,580,992	19,402	36,925	145,154	920,949	458,562
Total assets	**63,557,745**	**24,859,003**	**2,835,102**	**6,874,628**	**17,340,599**	**11,648,412**
LIABILITIES						
Due to banks	199,011	174,586	-	24,425	-	-
Due to customers	49,957,754	6,107,192	3,897,373	9,233,077	19,817,978	10,902,134
Debt issued and borrowed funds	1,742,352	48,651	146,928	516,566	1,030,207	-
Derivative financial instruments	599,669	599,669	-	-	-	-
Current tax liability	2,069	-	2,069	-	-	-
Deffered tax liability	37,907	632	1,264	5,686	30,326	-
Other liabilities	1,246,918	(54)	60,099	151,824	830,385	204,663
Shareholders' equity	**53,785,680**	**6,930,676**	**4,107,732**	**9,931,579**	**21,708,896**	**11,106,797**
Total shareholders equity	**9,772,065**	**805,640**	**-**	**1,538,949**	**3,301,100**	**4,126,375**
Gap		**17,122,688**	**(1,272,630)**	**(4,595,900)**	**(7,669,397)**	**(3,584,760)**
Cumulative gap		**17,122,688**	**15,850,058**	**11,254,158**	**3,584,761**	**2**

(Amounts in thousands RON)

42. Risk management (continued)

42.3 Liquidity risk (continued)

Bank

December 31, 2021	Total	0-1 months	1-3 months	3-12 months	1-5 years	Over 5 years
ASSETS						
Cash in hand	1,894,415	63,147	126,294	568,324	1,136,650	-
Due from Central Bank	4,311,908	1,222,801	136,297	602,632	1,512,364	837,814
Due from banks	4,521,357	2,473,051	1,897,258	151,048	-	-
Derivatives and other financial instruments held for trading	2,274,924	2,274,924	-	-	-	-
Loans and advances to customers	32,183,856	1,243,477	1,066,351	5,220,479	14,248,575	10,404,974
Financial assets at fair value through profit and loss	6,947	-	-	-	6,947	-
Financial assets at fair value through other comprehensive income	19,863,825	18,364,192	40,675	302,411	494,474	662,073
Investments in subsidiaries, associates and joint ventures	158,916	-	-	15,892	63,566	79,458
Goodwill	50,130	418	836	3,760	20,052	25,065
Current tax assets	7,484	-	-	-	7,484	-
Deferred tax asset	166,173	2,770	5,539	24,926	132,938	-
Non current assets and other assets	1,575,328	20,390	40,780	183,509	868,445	462,204
Total assets	**67,015,263**	**25,665,169**	**3,314,030**	**7,072,981**	**18,491,495**	**12,471,588**
LIABILITIES						
Due to banks	156,810	156,810	-	-	-	-
Due to customers	52,917,886	6,626,489	3,537,427	9,021,191	21,240,830	12,491,950
Debt issued and borrowed funds	2,230,572	412	20	728	2,229,411	-
Subordinated debt	495,022	212	-	-	-	494,810
Derivative financial instruments	498,651	498,651	-	-	-	-
Current tax liability	79,979	-	79,979	-	-	-
Other liabilities	1,097,005	149,113	34,186	120,155	631,598	161,953
Total liabilities	**57,475,924**	**7,431,686**	**3,651,612**	**9,142,074**	**24,101,838**	**13,148,713**
Total shareholders equity	**9,539,338**	**(375,999)**	**(868)**	**3,218,454**	**2,965,206**	**3,732,545**
Gap		**18,609,482**	**(336,714)**	**(5,287,548)**	**(8,575,550)**	**(4,409,671)**
Cumulative gap		**18,609,482**	**18,272,768**	**12,985,220**	**4,409,670**	**(1)**

(Amounts in thousands RON)

42. Risk management (continued)

42.3 Liquidity risk (continued)

Bank

December 31, 2020	Total	0-1 months	1-3 months	3-12 months	1-5 years	Over 5 years
ASSETS						
Cash in hand	1,889,552	63,589	126,531	566,477	1,132,955	-
Due from Central Bank	5,223,833	2,441,365	147,900	622,849	1,270,924	740,794
Due from banks	5,499,644	4,195,827	1,285,522	18,295	-	-
Derivatives and other financial instruments held for trading	2,400,365	2,354,992	45,373	-	-	-
Loans and advances to customers	28,873,021	953,976	1,069,453	4,851,921	12,269,685	9,727,985
Financial assets at fair value through profit and loss	58,384	0	-	-	58,384	-
Financial assets at fair value through other comprehensive income	15,943,470	14,763,368	40,483	144,386	397,490	597,742
Investments in associates and subsidiares	158,916	1,324	2,649	11,919	63,567	79,457
Goodwill	50,130	418	836	3,760	20,052	25,065
Current tax assets	48,013	-	4,905	-	43,108	-
Non current assets and other assets	1,489,257	19,282	38,564	130,428	842,421	458,562
Total assets	**61,634,585**	**24,794,143**	**2,762,215**	**6,350,036**	**16,098,586**	**11,629,605**
LIABILITIES						
Due to banks	199,011	174,586	-	24,425	-	-
Due to customers	50,152,126	6,205,397	3,934,778	9,270,719	19,834,090	10,907,142
Debt issued and borrowed funds	6,765	3	6	650	6,106	-
Derivative financial instruments	599,669	599,669	-	-	-	-
Deffered tax liability	37,907	632	1,264	5,686	30,326	-
Other liabilities	1,166,964	(4,976)	59,473	139,694	768,109	204,663
Total liabilities	**52,162,442**	**6,975,312**	**3,995,521**	**9,441,174**	**20,638,631**	**11,111,805**
Total shareholders equity	**9,472,143**	**789,030**	**0**	**1,510,618**	**3,187,776**	**3,984,719**
Gap		**17,029,801**	**(1,233,305)**	**(4,601,756)**	**(7,727,821)**	**(3,466,919)**
Cumulative gap		**17,029,801**	**15,796,495**	**11,194,739**	**3,466,918**	**(1)**

(Amounts in thousands RON)

42. Risk management (continued)

42.3 Liquidity risk (continued)

Future undiscounted cash flows

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

Group

December 31, 2021	Total	0-1 months	1-3 months	3-12 months	1-5 years	Over 5 years
LIABILITIES						
Due to banks	156,920	156,920	-	-	-	-
Due to customers	52,955,145	6,558,316	3,505,892	9,085,502	21,248,979	12,556,458
Debt issued and borrowed funds	4,231,071	60,822	165,087	612,418	3,343,048	49,696
Subordinated debt	495,233	423	-	-	-	494,810
Derivative financial instruments	478,742	404,599	5,296	25,531	37,758	5,559
Current tax liability	83,963	-	83,963	0	0	0
Other liabilities except for fair values of derivatives	1,115,560	70,885	35,184	124,648	722,890	161,953
Letters of guarantee granted	5,427,857	5,427,857	-	-	-	-
Financing commitments granted	5,834,265	5,834,265	-	-	-	-
Total liabilities	**70,778,757**	**18,514,087**	**3,795,422**	**9,848,099**	**25,352,674**	**13,268,476**

Group

December 31, 2020	Total	0-1 months	1-3 months	3-12 months	1-5 years	Over 5 years
LIABILITIES						
Due to banks	199,826	174,682	177	24,968	-	-
Due to customers	49,971,237	6,126,363	3,897,321	9,231,665	19,815,420	10,900,468
Debt issued and borrowed funds	1,771,658	50,257	150,313	527,380	1,043,612	95
Derivative financial instruments	616,800	527,851	17,327	12,331	46,296	12,995
Current tax liability	2,069	-	2,069	-	-	-
Deffered tax liability	37,907	632	1,264	5,686	30,326	-
Other liabilities except for fair values of derivatives	1,246,918	(54)	60,099	151,824	830,385	204,663
Letters of guarantee granted	4,877,225	4,877,225	-	-	-	-
Financing commitments granted	4,148,139	4,148,139	-	-	-	-
Total liabilities	**62,871,780**	**15,905,095**	**4,128,570**	**9,953,854**	**21,766,039**	**11,118,221**

(Amounts in thousands RON)

42. Risk management (continued)

42.3 Liquidity risk (continued)

Future undiscounted cash flows (continued)

Bank

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

Bank

December 31, 2020	Total	0-1 months	1-3 months	3-12 months	1-5 years	Over 5 years
LIABILITIES						
Due to banks	199,826	174,682	177	24,968	-	-
Due to customers	50,171,487	6,224,758	3,934,778	9,270,719	19,834,090	10,907,142
Debt issued and borrowed funds	6,765	3	6	650	6,106	-
Derivative financial instruments	610,775	527,851	16,922	11,209	42,822	11,971
Deffered tax liability	37,907	632	1,264	5,686	30,326	-
Other liabilities except for fair values of derivatives	1,166,964	(4,976)	59,473	139,694	768,109	204,663
Letters of guarantee granted	4,890,263	4,890,263	-	-	-	-
Financing commitments granted	3,725,475	3,725,475	-	-	-	-
Total liabilities	**60,809,462**	**15,538,688**	**4,012,619**	**9,452,926**	**20,681,452**	**11,123,776**

42. Risk management (continued)

42.4 Operational risk

Operational risk is defined as the risk of loss resulting from inadequate or failed internal processes, personnel or systems, or from external events. It includes the following sub-categories: legal risk, risk related to information technology, communication and security risk, conduct risk and model risk, but excludes the strategic risk.
The Group's operational risk management system was developed and strengthened over the years and allows:

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

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

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

In 2021, the operational risk strategy focused on the following axes:

- Enhancement of operational risk culture (including clients' risk awareness about main threats)
- Improvement of Operational Risk Management tools, by: (i) running the RCSA exercise having a process-based approach; (ii) KRIs continuous analysis and calibration in order to ensure a proper monitoring of risk areas; (iii) adapting of the existing outsourced contracts to latest regulatory changes;
- Improvement of the control environment
- Review of the Information Security and IT risk management Framework in order to improve the capability to assess the risks and respond to security and IT incidents.
- Continuously updating the business continuity mechanisms and crisis management framework, based on the annual Business Impact Analysis' results
- Operational risk assessment of the pandemic crisis effects (i.e. new operational flows, new way of working)

(Amounts in thousands RON)

43. Capital management

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

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

Group's and Bank's own funds comprises Tier 1 and Tier 2 capital. Starting December 2021 a subordinated loan in total amount of 100 million EUR was included as Tier 2 capital.

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

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

	Group		Bank	
	2021	**2020**	**2021**	**2020**
Eligible CET1	*7,183*	*8,867*	*6,932*	*8,615*
Eligible CET1 after adjustments	*7,220*	*9,671*	*6,969*	*9,420*
Total Tier 1 capital	6,513	9,056	6,262	8,808
Total Tier 2 capital	495	-	495	-
TOTAL OWN FUNDS	**7,007**	**9,056**	**6,757**	**8,808**
Total capital requirement	**2,509**	**2,223**	**2,368**	**2,088**
Credit risk (including counterparty risk)	28,753	24,647	27,067	23,082
Market risk	132	229	138	229
Operational risk	2,211	2,752	2,125	2,630
CVA risk	266	160	266	160
Total risk exposure amount	**31,362**	**27,787**	**29,596**	**26,102**
Regulatory CAR	22.34%	32.59%	22.83%	33.74%
Tier 1 ratio	20.77%	32.59%	21.16%	33.74%

BRD Group regulatory own funds as at December 31, 2021 amounted to RON 7,007 million (excluding current year net result and the exceptional dividend payment from 2019 and 2020 retained earnings of RON 1.68m approved by the GSM on 24th of February 2022) compared to RON 9,056 million as at December 31, 2020 (own funds at December 31, 2020 include the full 2019 net year result and 94.5% of 2020 net result, as dividend distribution restrictions were imposed in 2020 by European regulators, among which NBR, as an answer to the uncertainties generated by the Covid-19 unfolding).

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

44. Fair value

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

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

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

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

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

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

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

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

(Amounts in thousands RON)

44. Fair value (continued)

	Group				Bank			
	December 31, 2021				December 31, 2021			
Assets measured at fair value	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Financial assets								
Derivative financial instruments								
Interest rate swaps	-	33,962	-	**33,962**	-	33,962	-	**33,962**
Currency swaps	-	8,386	-	**8,386**	-	8,386	-	**8,386**
Forward foreign exchange contracts	-	7,126	-	**7,126**	-	7,126	-	**7,126**
Options	-	-	35,214	**35,214**	-	-	35,214	**35,214**
	-	**49,474**	**35,214**	**84,688**	**-**	**49,474**	**35,214**	**84,688**
Financial assets at fair value through other comprehensive income	19,863,825	-	-	**19,863,825**	19,863,825	-	-	**19,863,825**
Equity investments (listed)	2,898	-	-	**2,898**	2,898	-	-	**2,898**
Equity investments (not listed)	-	-	4,049	**4,049**	-	-	4,049	**4,049**
Total	**19,866,723**	**-**	**4,049**	**19,870,772**	**19,866,723**	**-**	**4,049**	**19,870,772**
Other financial instruments held for trading	2,190,236	-	-	**2,190,236**	2,190,236	-	-	**2,190,236**
Total	**22,056,959**	**49,474**	**39,263**	**22,145,696**	**22,056,959**	**49,474**	**39,263**	**22,145,696**
Assets for which fair value is disclosed								
Cash in hand	1,894,448	-	-	**1,894,448**	1,894,415	-	-	**1,894,415**
Due from Central Bank	4,311,908	-	-	**4,311,908**	4,311,908	-	-	**4,311,908**
Due from banks	4,537,941	-	-	**4,537,941**	4,521,357	-	-	**4,521,357**
Loans and advances to customers	-	-	33,164,250	**33,164,250**	-	-	32,465,118	**32,465,118**
Financial lease receivables	-	-	1,218,394	**1,218,394**	-	-	-	**-**
Total	**10,744,297**	**-**	**34,382,643**	**45,126,940**	**10,727,680**	**-**	**32,465,118**	**43,192,798**

(Amounts in thousands RON)

44. Fair value (continued)

	Group				Bank			
	December 31, 2021				December 31, 2021			
Liabilities measured at fair value	**Level 1**	**Level 2**	**Level 3**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial liabilities								
Derivative financial instruments								
Interest rate swaps	-	48,399	-	**48,399**	-	48,399	-	**48,399**
Currency swaps	-	4,593	-	**4,593**	-	4,593	-	**4,593**
Forward foreign exchange contracts	-	6,056	-	**6,056**	-	6,056	-	**6,056**
Options	-	-	35,258	**35,258**	-	-	35,258	**35,258**
Total	**-**	**59,048**	**35,258**	**94,306**	**-**	**59,048**	**35,258**	**94,306**
Other financial instruments held for trading	404,345	-	-	**404,345**	404,345	-	-	**404,345**
Total	**404,345**	**59,048**	**35,258**	**498,651**	**404,345**	**59,048**	**35,258**	**498,651**
Liabilities for which fair value is disclosed								
Due to banks	156,810	-	-	**156,810**	156,810	-	-	**156,810**
Due to customers	-	52,685,690	-	**52,685,690**	-	52,920,005	-	**52,920,005**
Borrowed funds	-	4,056,470	-	**4,056,470**	-	2,230,572	-	**2,230,572**
Subordinated debt	-	495,022	-	**495,022**	-	495,022	-	**495,022**
Total	**156,810**	**57,237,182**	**-**	**57,393,992**	**156,810**	**55,645,599**	**-**	**55,802,409**

(Amounts in thousands RON)

44. Fair value (continued)

	Group				Bank			
	December 31, 2020				December 31, 2020			
Assets measured at fair value	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Financial assets								
Derivative financial instruments								
Interest rate swaps	-	81,970	-	**81,970**	-	81,970	-	**81,970**
Currency swaps	-	11,323	-	**11,323**	-	11,323	-	**11,323**
Forward foreign exchange contracts	-	23,724	-	**23,724**	-	23,724	-	**23,724**
Options	-	-	13,273	**13,273**	-	-	13,273	**13,273**
	-	**117,017**	**13,273**	**130,290**	**-**	**117,017**	**13,273**	**130,290**
Financial assets at fair value through other comprehensive income	15,943,470	-	-	**15,943,470**	15,943,470	-	-	**15,943,470**
Equity investments (listed)	2,626	-	-	**2,626**	2,626	-	-	**2,626**
Equity investments (not listed)	-	-	37,121	**37,121**	-	-	37,121	**37,121**
Other securities quoted	-	45,493	-	**45,493**	-	18,637	-	**18,637**
Total	**15,946,096**	**45,493**	**37,121**	**16,028,710**	**15,946,096**	**18,637**	**37,121**	**16,001,854**
Other financial instruments held for trading	2,270,075	-	-	**2,270,075**	2,270,075	-	-	**2,270,075**
Total	**18,216,171**	**162,510**	**50,394**	**18,429,075**	**18,216,171**	**135,654**	**50,394**	**18,402,219**
Assets for which fair value is disclosed								
Cash in hand	1,889,556	-	-	**1,889,556**	1,889,552	-	-	**1,889,552**
Due from Central Bank	5,223,833	-	-	**5,223,833**	5,223,833	-	-	**5,223,833**
Due from banks	5,516,842	-	-	**5,516,842**	5,499,644	-	-	**5,499,644**
Loans and advances to customers	-	-	29,844,021	**29,844,021**	-	-	29,160,124	**29,160,124**
Financial lease receivables	-	-	1,067,860	**1,067,860**	-	-	-	**-**
Total	**12,630,231**	**-**	**30,911,881**	**43,542,112**	**12,613,029**	**-**	**29,160,124**	**41,773,153**

(Amounts in thousands RON)

44. Fair value (continued)

	Group				Bank			
	December 31, 2020				December 31, 2020			
Liabilities measured at fair value	**Level 1**	**Level 2**	**Level 3**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial liabilities								
Derivative financial instruments								
Interest rate swaps	-	22,571	-	**22,571**	-	22,571	-	**22,571**
Currency swaps	-	18,604	-	**18,604**	-	18,604	-	**18,604**
Forward foreign exchange contracts	-	17,399	-	**17,399**	-	17,399	-	**17,399**
Options	-	-	13,357	**13,357**	-	-	13,357	**13,357**
Total	**-**	**58,574**	**13,357**	**71,931**	**-**	**58,574**	**13,357**	**71,931**
Other financial instruments held for trading	527,738	**-**	**-**	**527,738**	527,738	**-**	**-**	**527,738**
Total	**527,738**	**58,574**	**13,357**	**599,669**	**527,738**	**58,574**	**13,357**	**599,669**
Liabilities for which fair value is disclosed								
Due to banks	199,011	-	-	**199,011**	199,011	-	-	**199,011**
Due to customers	-	49,959,911	-	**49,959,911**	-	50,154,291	-	**50,154,291**
Borrowed funds	-	1,742,352	-	**1,742,352**	-	6,765	-	**6,765**
Total	**199,011**	**51,702,263**	**-**	**51,901,274**	**199,011**	**50,161,056**	**-**	**50,360,067**

44. Fair value (continued)

Financial instruments measured at fair value

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

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

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

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

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

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

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

44. Fair value (continued)

Equities

These assets are valued using models which sometimes only incorporate data observable in the market and at other times use both observable and non-observable data. The non-observable inputs to the models include assumptions regarding the financial performance of the investee.
The fair value of equity instruments not listed classified as at fair value through profit and loss and consisting of ordinary shares of other entities is determined by using the net assets of the entities as at the end of the last closed reporting period. The entities net assets represent the best estimation of the current replacement cost that would be paid in order to replace the holding as it consists of the initial capital investment adjusted by the financial performance of the entity.

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

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

Financial assets

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

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

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

Financial liabilities

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

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

(Amounts in thousands RON)

44. Fair value (continued)

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

	Group				Bank			
	December 31, 2021		December 31, 2020		December 31, 2021		December 31, 2020	
	Carrying value	Fair value	Carrying value	Fair value	Carrying value	Fair value	Carrying value	Fair value
Financial assets								
Cash in hand	1,894,448	1,894,448	1,889,556	1,889,556	1,894,415	1,894,415	1,889,552	1,889,552
Due from Central Bank	4,311,908	4,311,908	5,223,833	5,223,833	4,311,908	4,311,908	5,223,833	5,223,833
Due from banks	4,537,941	4,537,941	5,516,842	5,516,842	4,521,357	4,521,357	5,499,644	5,499,644
Loans and advances to customers	32,913,875	33,164,250	29,642,998	29,844,021	32,183,856	32,465,118	28,873,021	29,160,124
Financial lease receivables	1,222,595	1,218,394	1,066,899	1,067,860	-	-	-	-
	44,880,767	**45,126,940**	**43,340,128**	**43,542,112**	**42,911,536**	**43,192,798**	**41,486,050**	**41,773,153**
Financial liabilities								
Due to banks	156,810	156,810	199,011	199,011	156,810	156,810	199,011	199,011
Due to customers	52,683,581	52,685,690	49,957,754	49,959,911	52,917,886	52,920,005	50,152,126	50,154,291
Borrowed funds	4,056,470	4,056,470	1,742,352	1,742,352	2,230,572	2,230,572	6,765	6,765
Subordinated debt	495,022	495,022	-	-	495,022	495,022	-	-
	57,391,883	**57,393,992**	**51,899,117**	**51,901,274**	**55,800,290**	**55,802,409**	**50,357,902**	**50,360,067**

(Amounts in thousands RON)

44. Fair value (continued)

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

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

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

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

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

Movement in level 3:

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

	Equity investments (not listed)	Options (A)	Options (L)
Closing balance as at December 31, 2019	**65,776**	**23,448**	**23,569**
Acquisitions	-	2,639	2,639
Sales	(37,368)	(1,686)	(1,686)
Reimbursements	-	(4,588)	(4,589)
Gain losses from change in fair value	11,912	(6,540)	(6,576)
Translation differences	(3,199)	-	-
Closing balance as at December 31, 2020	**37,121**	**13,273**	**13,357**
Acquisitions	-	12,227	12,227
Sales	(35,434)	(34)	(34)
Reimbursements	-	(5,020)	(5,020)
Gain losses from change in fair value	1,373	14,768	14,728
Translation differences	989	-	-
Closing balance as at December 31, 2021	**4,049**	**35,214**	**35,258**

In September 2020 the Bank converted part of Visa shares from type C into type A, and afterwards in November 2020 sold the Visa shares type A at a price of 9.2 Million USD.

In April 2021 the Bank sold to Société Générale its entire interest into VISA shares through a bilateral stock purchase agreement, for a total price of 8.9 Million USD.

45. Subsequent events

In the context of the conflict between Russia and Ukraine, started on February 24, 2022, the EU, USA, UK and other countries imposed various sanctions against Russia, including financing restrictions on certain Russian banks and state-owned companies as well as personal sanctions against a number of individuals. Considering the geopolitical tensions, since February 2022, there has been an increase volatility in financial markets including exchange rates. It is expected that these events affects the activities and supply chain in various sectors of the economy and could result in further increases in energy, commodities and food prices.

The Bank does not have direct exposures to related parties and/or key customers or suppliers from those countries.

The Bank regards these events as non-adjusting events taking place after the end of the current reporting period, the quantitative effect of which on future periods cannot be estimated at the moment with a sufficient degree of confidence. Currently, the Bank is analyzing the possible impact of changing micro- and macroeconomic conditions on the Bank's financial position and results of operations for future periods.