Banca Comercială Română S.A.

Consolidated and Separate Financial Statements

(The Group and the Parent Bank)

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

31 December 2023

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To the Shareholders of Banca Comercială Română SA

Report on the audit of the consolidated and separate financial statements

Our opinion

In our opinion, the consolidated and separate financial statements give a true and fair view of the consolidated and separate financial position of Banca Comercială Română SA (the “Bank”) and its subsidiaries (together - the “Group”) as at 31 December 2023, and the Group's and Bank's consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and the National Bank of Romania (NBR) Order no. 27/2010 for approving accounting Regulations in accordance with International Financial Reporting Standards, republished and subsequent amendments (the “NBR Order 27/2010”).

Our opinion is consistent with our additional report to the Audit Committee dated 22 March 2024.

What we have audited

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

- the consolidated and separate statement of profit or loss for the year ended 31 December 2023;
- the consolidated and separate statement of other comprehensive income for the year ended 31 December 2023;
- the consolidated and separate statement of financial position as at 31 December 2023;
- the consolidated and separate statement of changes in equity for the year ended 31 December 2023;
- the consolidated and separate statement of cash flow for the year ended 31 December 2023; and
- the notes to the consolidated and separate financial statements, comprising material accounting policy information and other explanatory information.

The consolidated and separate financial statements as at 31 December 2023 are identified as follows:

• Total consolidated equity:	RON 12,477,554 thousand;
• Consolidated net result for the period:	RON 2,321,224 thousand.
• Total separate equity:	RON 12,485,266 thousand;
• Separate net result for the period:	RON 2,487,343 thousand.

The Bank’s registered office is in street Orhideelor, no. 15D, 2nd floor, Building The Bridge 1, Bucharest, district 6 and the Bank’s unique fiscal registration code is RO361757.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs), Regulation EU No 537/2014 of the European Parliament and of the Council and subsequent amendments (the

“Regulation 537/2014”) and Law 162/2017 regarding statutory audit of annual financial statements and annual consolidated financial statements and regarding changes to other regulations and subsequent amendments (the “Law 162/2017”). Our responsibilities under those standards are further described in the Auditor’s responsibilities for the audit of the consolidated and separate financial statements section of our report.

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

Independence

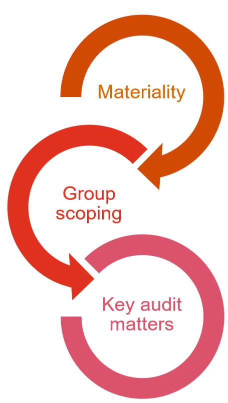
We are independent of the Group and the Bank in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code) and the ethical requirements of the Regulation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

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

The non-audit services that we have provided to the Group and the Bank in the period from 1 January 2023 to 31 December 2023, are disclosed in Note 43 "Audit fees and tax consultancy fees" to the consolidated and separate financial statements.

Our audit approach

Overview



Overall materiality for the consolidated financial statements of the Group and for the separate financial statements of the Bank: RON 157,017 thousand which represents 5% of Pre-tax result from continuing operations from the Bank’s separate statement of profit or loss for the year ended 31 December 2023.

We planned and scoped our audit for the year 2023 reflecting the Group’s current structure whereby the Bank represents a very significant part of the Group’s assets, liabilities and profit before tax. Hence we defined the Bank as the sole significant component within the Group and so it was subject to a full scope audit of its financial information.

Application of IFRS 9 in the calculation of expected credit losses for loans and advances to customers (“ECL”)

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

Materiality

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

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

Overall Group and Bank materiality	For both the Group and the Bank: RON 157,017 thousand
How we determined it	5% of Pre-tax result from continuing operations from the Bank's separate statement of profit or loss for the year ended 31 December 2023.
Rationale for the materiality benchmark applied	We chose pre-tax result from continuing operations as the benchmark because, in our view, it is the benchmark against which the performance of the Group and Bank is most commonly measured by their stakeholders, and it is a generally accepted benchmark. We chose 5%, which in our experience is an acceptable quantitative materiality threshold for this benchmark.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above RON 7,851 thousand as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Key audit matters

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

Key audit matter	How our audit addressed the key audit matter
Application of IFRS 9 in the calculation of expected credit losses for loans and advances to customers ("ECL")	
IFRS 9, "Financial Instruments", requires recognition of ECL allowances for all exposures from the time a loan is originated, based on the deterioration of credit risk since initial recognition. If the credit risk has not increased significantly (Stage 1), IFRS 9 requires allowances based on 12-month expected credit losses. If the credit risk has increased significantly since initial recognition (Stage 2) or if the loan is 'credit impaired' (Stage 3), IFRS 9 requires allowances based on lifetime expected credit losses. ECL allowance calculation for Stage 1, Stage 2 and non-significant Stage 3 loans and advances to customers is performed collectively; the key assumptions being the probability of a loan falling into arrears and subsequently entering into default ("PD"), criteria for significant increase in credit risk ("SICR"), exposure at the moment of default ("EAD"), the estimated loss from defaulted loans ("LGD") and credit conversion factor ("CCF"). Statistical models are used for determination of the key assumptions for incorporating forward-looking information ("FLI"). The FLI assessment considers a baseline forecast and two alternative scenarios (upside and downside) for selected macroeconomic variables. For significant loans and advances in Stage 3, the ECL allowance is calculated individually based on probability weighted scenarios of cash flow forecasts. The key assumptions are the expected cash flows (from both operating cash flows and recoveries from collateral) and the weighting attached to the different scenarios. The uncertainty inherent in the estimation of ECL for loans and advances, in particular the consideration of future economic conditions, have increased significantly starting 2022 due to the geopolitical and economic developments. Further impact was affected by implementation of the State support schemes (like IMM Invest Plus and Moratoria) or the ceiling for energy prices for eligible end consumers. These resulted in low default rates being observed and	In relation to application of the ECL statistical models, we assessed the compliance of the key methodologies and models with the IFRS 9 requirements. We engaged our credit risk technical experts to assist us in undertaking this assessment. We also assessed the changes in the ECL methodology, including the harmonisation with IRB and the updated macroeconomic model for standard corporate loan portfolio. We also assessed the reasonableness of selecting and using multiple macroeconomic scenarios, including the latest macroeconomic forecasts as well as the severity and magnitude of modelled scenarios. We tested the internal controls, including the new key controls relevant for the change in the ECL methodology and we also assessed the independent statistical models validation framework, validation results and overall governance for IFRS 9 models. We tested, on a sample basis, the key internal controls over the inputs of critical data (e.g. probability of default, loss given default, application of FLI) into source systems and the flow and transformation of data from the source systems to the ECL calculation engine. We performed detailed risk assessment analytics over the Bank's loan portfolio to identify possible areas of risk and better calibrate our audit procedures described below. We performed substantive testing over the critical data (cash repayments, forbearance and default status, valuation of collateral) used in the ECL calculation as at 31 December 2023. We tested a sample of the statistical models used by the management to determine key assumptions (probability of default, loss given default and exposure at default) to assess whether the calculation process was consistent with the IFRS 9 requirements and the Bank's own ECL methodology.

Key audit matter	How our audit addressed the key audit matter
delays in identifying a potential deterioration of the loan portfolio, hence negatively influencing the predictability of statistical credit risk models. Taking into account the significant increase in uncertainty in respect of the key inputs for the ECL, the Bank has addressed the related risk through a mix of measures, including: a) Following the initial BCR Internal Ratings-Based ("IRB") application request from March 2022, new IFRS 9 methodologies were developed, with an aim to harmonize, to the extent possible, the regulatory parameters with the ones used for ECL assessment; b) Update, throughout the year, of the FLI with the latest available macroeconomic forecasts and revision of the weighting applied to different scenarios; c) Update of post-model adjustments (overlays), through which sub-populations of exposures with perceived higher risk (e.g. debtors operating within industries particularly affected by the economic turbulence) are transferred into Stage 2, even though other restaging criteria are not observed. During 2023, the Bank introduced a new staging overlay due to fiscal measures adopted by the Government and applicable for individuals employed in construction, IT and public sector; and d) Update of the macroeconomic model for FLI component of the standard corporate loan portfolio. Considering (i) the significant judgement to be applied by the management in designing the overlays and determining and weighting of macroeconomic future scenarios, (ii) a high degree of uncertainty of future economic developments, which led to a high degree of the auditor judgement, (iii) the complexity and change of ECL models and interdependent assumptions and the resulting audit effort and (iv) the volume of ECL, we identified this area to be a key audit matter. "Material accounting policies", Note 13 "Financial assets at amortized cost" and Note 26	We verified that the key assumptions (EAD, PD, LGD) resulting from the statistical estimation models and approved by management were the same as the ones effectively implemented in the system and used for the ECL automated calculation. We reconciled the output from the automated ECL calculation engine with the audited financial statements. With regards to significant exposures of loans and advances to customers within Stage 3, for which ECL is assessed individually, we tested the management approval of the key inputs, assumptions and discounted cash-flows from both operating cash flows and recoveries from collateral that are used in the ECL calculation. We obtained the management approvals for the post model adjustments (overlays) and the criteria used for transferring exposures from Stage 1 to Stage 2 and we traced this information to relevant market information. We have also independently reperformed the application of the overlays criteria and tested on a sample basis key underlying input data. We tested the application of SICR criteria and default definition used for stage allocation of loans and advances to customers. We have selected a representative sample of individual analysed exposures, based on risk criteria and including both performing and non-performing debtors, and substantively tested the assessment performed by the Bank, and the ECL calculation for non-performing exposures. We have focused our testing on timely identification of SICR or impairment indicators.

Key audit matter	How our audit addressed the key audit matter
"Credit risk" to the consolidated and separate financial statements provide detailed information on the ECL for loans and advances to customers.	

How we tailored our Group audit scope

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

We planned and scoped our audit for the year 2023 reflecting the Group's current structure whereby the Bank represents the vast majority of the Group's assets (99%), liabilities (99%) and pre-tax result from continuing operations (105%). Hence, we defined the Bank as the sole significant component within the Group and so the Bank was subject to an audit of its complete financial information. We applied analytical procedures to the financial information of the three largest subsidiaries of the Group (BCR Banca pentru Locuinte, BCR Leasing IFN SA, BCR Chisinau SA) and on the remaining components no procedures were considered necessary.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's or the Bank's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and the Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

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

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

Report on other legal and regulatory requirements

Appointment

We were first appointed by Ordinary General Shareholders Meeting as auditors of Banca Comercială Română SA on 27 January 2017. Our appointment has been renewed annually by Ordinary General Shareholders Meeting representing a total period of uninterrupted engagement appointment of seven years, covering the financial years ended 31 December 2017 up to 31 December 2023.

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

We have been engaged as part of our audit engagement letter by the Management Board of the Bank to conduct a reasonable assurance engagement for the verification of compliance with the applicable requirements of the presentation of the consolidated financial statements of Banca Comercială Română SA's Group for the year ended 31 December 2023 in the digital files 549300ORLU6LN5YD8X90-2023-12-31-en (the "Presentation of the Consolidated Financial Statements").

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Description of a subject matter and applicable criteria

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

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

Responsibility of the Management Board and the Supervisory Board

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

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

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

Our responsibility

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

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

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

Quality control requirements and professional ethics

We apply International Standard on Quality Management 1, which requires the firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

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

Summary of the work performed

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

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

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

Conclusion

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

The financial auditor responsible for carrying out the audit resulting in this independent auditor's report is Ana-Maria Butucaru.

On behalf of

PricewaterhouseCoopers Audit S.R.L.

Audit firm

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

Refer to the original signed Romanian version

Ana-Maria Butucaru

Financial Auditor

registered with the Public Electronic Register of financial auditors and audit firms under no. AF3378

Bucharest, 22 March 2024

STATEMENT OF PROFIT OR LOSS

Consolidated and Separate for the year ended 31 December 2023

Statement of profit or loss

	Notes	Group		Bank	
in RON thousands		**31.12.2023**	**31.12.2022**	**31.12.2023**	**31.12.2022**
Net interest income	1	**3,656,406**	**2,948,748**	**3,476,006**	**2,767,309**
Interest income		5,897,924	3,977,510	5,860,443	3,888,023
Other similar income		137,822	76,989	2,068	2,682
Interest expenses		(2,353,145)	(1,085,570)	(2,360,740)	(1,103,445)
Other similar expense		(26,195)	(20,181)	(25,765)	(19,951)
Net fee and commission income	2	**1,012,615**	**944,240**	**966,148**	**897,686**
Fee and commission income		1,277,353	1,190,732	1,221,406	1,133,301
Fee and commission expense		(264,738)	(246,492)	(255,258)	(235,615)
Dividend income	3	5,103	3,804	65,976	26,808
Net trading result	4	539,745	595,841	522,792	579,217
Gains/(losses) from non-trading financial instruments mandatorily measured at fair value through profit or loss		2,874	22,235	2,874	22,235
Foreign currency translation		8,991	12,025	6,376	4,229
Net result from equity method investments	39	6,136	990	-	-
Rental income from investment properties and other operating leases	5	43,796	87,579	5,455	5,063
Personnel expenses	6	(1,072,385)	(895,947)	(991,002)	(828,548)
Other administrative expenses	6	(749,178)	(727,003)	(732,021)	(712,428)
Depreciation and amortisation	6	(245,444)	(257,089)	(226,780)	(206,586)
Other gains/(losses) from derecognition of financial instruments not measured at fair value through profit or loss		(2,282)	31	(2,282)	31
Net impairment gain/ (losses) on financial instruments	7,8	(46,308)	(393,777)	57,884	(349,430)
Other operating result, out of which	9	**(165,045)**	**(183,795)**	**(11,299)**	**14,978**
Other operating income		95,773	130,077	71,386	75,562
Other operating expense		(260,818)	(313,872)	(82,685)	(60,584)
Pre-tax result from continuing operations		**2,995,024**	**2,157,882**	**3,140,127**	**2,220,564**
Taxes on income	10	(673,800)	(411,963)	(652,784)	(390,548)
Net result for the period		**2,321,224**	**1,745,919**	**2,487,343**	**1,830,016**
Net result attributable to non-controlling interests		8	13	-	-
Net result attributable to owners of the parent		**2,321,216**	**1,745,906**	**2,487,343**	**1,830,016**

AUTHORISED PERSON,

Signature

Executive Vice-President,

Elke Meier

AUTHORISED PERSON,

Signature

Director Accounting Division,

Gina Badea

STATEMENT OF OTHER COMPREHENSIVE INCOME

Consolidated and Separate for the year ended 31 December 2023

Statement of other comprehensive income

	Group		Bank	
in RON thousands	**31.12.2023**	**31.12.2022**	**31.12.2023**	**31.12.2022**
Net result for the period	**2,321,224**	**1,745,919**	**2,487,343**	**1,830,016**
Other comprehensive income				
Items that will not be reclassified to profit or loss				
Actuarial gains/(losses) on defined benefit pension plans	(7,521)	(10,104)	(7,521)	(10,104)
Deferred taxes relating to items that will not be reclassified	1,203	1,617	1,203	1,617
Total items that will not be reclassified to profit or loss	**(6,318)**	**(8,487)**	**(6,318)**	**(8,487)**
Items that may be reclassified to profit or loss				
Debt instruments at fair value through other comprehensive income	343,156	(211,550)	342,320	(213,067)
Currency translation reserve	9,309	(2,447)	-	-
Deferred taxes relating to items that may be reclassified	(54,872)	33,909	(54,771)	34,091
Total items that may be reclassified to profit or loss	**297,593**	**(180,088)**	**287,549**	**(178,976)**
Total other comprehensive income	**291,275**	**(188,575)**	**281,231**	**(187,463)**
Total comprehensive income	**2,612,499**	**1,557,344**	**2,768,574**	**1,642,553**
Total comprehensive income attributable to non-controlling interests	8	13	-	-
Total comprehensive income attributable to owners of the parent	2,612,491	1,557,331	2,768,574	1,642,553

Please refer to Note 10 – Taxes on income for details regarding the deferred tax.
Please refer to Note 35 – Actuarial gains/(losses) on defined benefit pension plan.

AUTHORISED PERSON,

Signature
Executive Vice-President,

Elke Meier

AUTHORISED PERSON,

Signature
Director Accounting Division,

Gina Badea

BCR

STATEMENT OF FINANCIAL POSITION
Consolidated and Separate as at 31 December 2023

Statement of financial position

		Group		Bank	
in RON thousands	**Notes**	**31.12.2023**	**31.12.2022**	**31.12.2023**	**31.12.2022**
Assets					
Cash and cash equivalents	12	16,763,792	15,224,576	16,724,913	15,224,262
Financial assets held for trading		701,088	177,242	701,137	177,708
Derivative financial instruments	16	135,678	177,213	135,727	177,679
Debt securities held for trading	17,20	565,410	29	565,410	29
Non-trading financial assets mandatorily at fair value through profit or loss	18	79,363	67,179	79,363	67,179
Equity instruments		59,350	50,851	59,350	50,851
Debt securities		20,013	16,328	20,013	16,328
Financial assets at fair value through other comprehensive income	19,20	10,135,530	9,664,296	10,135,530	9,664,296
Debt securities	19,20	10,135,530	9,664,296	10,135,530	9,664,296
thereof pledged as collateral		115,714	180,325	115,714	180,325
Financial assets at amortised cost	13	74,818,710	68,046,211	76,486,958	69,264,841
Debt securities	13, 20	17,495,369	15,215,719	17,375,556	15,132,875
thereof pledged as collateral	22	262,429	386,866	883,837	1,121,147
Loans and advances to banks	13	2,125,746	148,344	2,142,421	156,699
Loans and advances to customers	13	55,197,595	52,682,148	56,968,981	53,975,267
Finance lease receivables	33	2,022,555	1,745,363	17,393	8,405
Property and equipment	29	1,025,930	1,029,207	843,919	820,797
Investment property	29	133,035	148,543	133,035	148,543
Intangible assets	31	454,257	394,847	430,798	377,240
Investments in joint ventures and associates	39	30,008	43,336	25,961	33,470
Current tax assets	10	1,110	222,026	-	219,164
Deferred tax assets	10	118,404	197,778	115,234	184,550
Assets held for sale and disposal group	44	745,408	749,318	55,383	51,499
Trade and other receivables	14	1,522,407	901,025	1,511,077	875,813
Investments in subsidiaries	38	-	-	588,105	500,943
Other assets	32	299,193	239,113	159,277	137,497
Total assets		**108,850,790**	**98,850,060**	**108,008,083**	**97,756,207**
Liabilities and Equity					
Financial liabilities held for trading		165,467	163,579	165,467	163,579
Derivative financial instruments	16	165,467	163,579	165,467	163,579
Financial liabilities measured at amortised cost	15	93,239,094	84,713,627	93,548,921	84,930,411
Deposits from banks	15	998,503	1,431,205	1,585,724	2,125,964
Borrowings and financing lines	15	650,435	648,189	152,934	189,261
Deposits from customers	15	78,481,853	75,588,537	78,724,676	75,609,053
Debt securities issued	15	10,170,143	5,424,406	10,170,143	5,424,406
Other financial liabilities	15	2,938,160	1,621,290	2,915,444	1,581,727
Lease liabilities	33	449,467	444,486	448,488	442,538
Provisions	35	1,013,883	1,000,507	883,960	885,531
Current tax liabilities	10	83,339	75,162	82,494	70,202
Deferred tax liabilities	10	21,801	19,443	-	-
Liabilities associated with assets held for sale and disposal group	44	560,644	568,508	-	-
Other liabilities	34	839,541	809,949	393,487	357,525
Total liabilities		**96,373,236**	**87,795,261**	**95,522,817**	**86,849,786**
Total equity	**37**	**12,477,554**	**11,054,799**	**12,485,266**	**10,906,421**
Attributable to non-controlling interest		56	63	-	-
Attributable to owners of the parent		12,477,498	11,054,736	12,485,266	10,906,421
Share capital		2,952,565	2,952,565	2,952,565	2,952,565
Additional equity instruments		741,555	741,555	741,555	741,555
Retained earnings		6,961,940	5,904,001	6,969,611	5,745,545
Other reserves		1,821,438	1,456,615	1,821,535	1,466,756
Total liabilities and equity		**108,850,790**	**98,850,060**	**108,008,083**	**97,756,207**

AUTHORISED PERSON,

Signature

Executive Vice-President,

Elke Meier

AUTHORISED PERSON,

Signature

Director Accounting Division,

Gina Badea

STATEMENT OF CHANGES IN EQUITY

Consolidated and Separate for the year ended 31 December 2023

Statement of changes in equity

											31.12.2023	Group
in RON thousands	Share capital	Share premium	Additional equity instruments	Retained earnings	Other reserves (1)	Fair value reserve	Currency translation reserve (2)	Actuarial gains/(losses) on defined benefit pension plans	Deferred tax	Equity attributable to owners of the parent	Equity attributable to non-controlling interests	Total
Total equity as of 31.12.2022	**2,952,565**	**395,483**	**741,555**	**5,904,001**	**1,243,074**	**(270,328)**	**(12,711)**	**68,718**	**32,379**	**11,054,736**	**63**	**11,054,799**
Dividends paid	-	-	-	(1,189,729)	-	-	-	-	-	(1,189,729)	(15)	(1,189,744)
Reclassification among components of equity	-	-	-	(73,548)	73,548	-	-	-	-	-	-	-
Total comprehensive income, of which	**-**	**-**	**-**	**2,321,216**	**-**	**343,156**	**9,309**	**(7,521)**	**(53,669)**	**2,612,491**	**8**	**2,612,499**
Net result for the period	-	-	-	2,321,216	-	-	-	-	-	2,321,216	8	2,321,224
Other comprehensive income	-	-	-	-	-	343,156	9,309	(7,521)	(53,669)	291,275	-	291,275
Total equity as of 31.12.2023	**2,952,565**	**395,483**	**741,555**	**6,961,940**	**1,316,622**	**72,828**	**(3,402)**	**61,197**	**(21,290)**	**12,477,498**	**56**	**12,477,554**

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

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

(1) Other reserves include legal reserves and general banking risk reserve as described in Note 37;
(2) Refers to translation of financial information of foreign operation to presentation currency;
(3) Capital increases include AT1 instruments issued as described in Note 37.

STATEMENT OF CHANGES IN EQUITY
Consolidated and Separate for the year ended 31 December 2023

Statement of changes in equity *(continued)*

31.12.2023 Bank

in RON thousands	Share capital	Share premium	Additional equity instruments	Retained earnings	Other reserves (1)	Fair value reserve	Actuarial gains/(losses) on defined benefit pension plans	Deferred tax	Total
Total equity as of 31.12.2022	**2,952,565**	**395,483**	**741,555**	**5,745,545**	**1,243,074**	**(273,246)**	**68,718**	**32,727**	**10,906,421**
Dividends paid	-	-	-	(1,189,729)	-	-	-	-	(1,189,729)
Reclassification among components of equity	-	-	-	(73,548)	73,548	-	-	-	-
Total comprehensive income, of which	**-**	**-**	**-**	**2,487,343**	**-**	**342,320**	**(7,521)**	**(53,568)**	**2,768,574**
Net result for the period	-	-	-	2,487,343	-	-	-	-	2,487,343
Other comprehensive income	-	-	-	-	-	342,320	(7,521)	(53,568)	281,231
Total equity as of 31.12.2023	**2,952,565**	**395,483**	**741,555**	**6,969,611**	**1,316,622**	**69,074**	**61,197**	**(20,841)**	**12,485,266**

(1) Other reserves include legal reserves and general banking risk reserve described Note 37.

31.12.2022 Bank

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

(1) Other reserves include legal reserves and general banking risk reserve described Note 37;
(2) Capital increases include AT1 instruments issued as described in Note 37.

STATEMENT OF CASH FLOW

Consolidated and Separate for the year ended 31 December 2023

Statement of cash flow

		Group		Bank	
in RON thousands	**Notes**	**31.12.2023**	**31.12.2022**	**31.12.2023**	**31.12.2022**
Net result for the period		**2,321,224**	**1,745,919**	**2,487,343**	**1,830,016**
Non-cash adjustments for items in net result for the period					
Depreciation, amortisation of assets	6	245,444	257,089	226,780	206,586
Allocation and release of impairment of loans	7,8	68,035	356,454	(53,932)	318,435
Gains/(losses) from the sale of tangible and intangible assets	29,31	(22,176)	(2,636)	(23,528)	(10,319)
Gains/(Losses) on disposal of assets held for sale and disposal group	44	21,276	96,574	(10,933)	(9,840)
Other provisions	35	5,855	(301,839)	(8,747)	(284,980)
Net impairment of subsidiaries	38	-	-	(97,359)	139,736
Impairment tangible and intangible assets	9	(1,488)	22,847	(7,288)	20,890
Impairment of assets held for sale and other assets		6,782	6,835	5,893	6,551
Current tax not paid	14	645,763	368,320	637,036	344,763
Deferred tax		28,037	-	15,748	-
Other adjustments		8,165	198,326	19,866	(34,875)
Adjustments for items in net profit/(loss) for the year		(3,661,421)	(2,948,749)	(3,541,982)	(2,790,371)
Interest income from operating activities		(5,354,422)	(3,524,685)	(5,202,944)	(3,376,963)
Interest expense for operating activities		1,687,104	876,674	1,865,467	901,607
Interest income from investing activities	1	(681,324)	(529,815)	(659,567)	(513,742)
Interest expense for financing activities	1	692,236	229,077	521,038	221,790
Dividend income from investing activities	3	(5,015)	-	(65,976)	(23,063)
Changes in assets and liabilities from operating activities after adjustment for non-cash components					
Financial assets - held for trading	16	(523,845)	1,680,517	(523,428)	1,680,517
Non-trading financial assets mandatorily at fair value through profit or loss	18	-	20,733	-	20,733
Financial assets at fair value through other comprehensive income	19,20	(115,897)	(2,104,316)	(115,231)	(2,074,462)
Financial assets at amortised cost		(5,144,158)	(6,950,255)	(5,343,079)	(6,661,592)
Loans and advances to banks	13	(1,973,220)	1,213,969	(1,908,111)	1,205,016
Loans and advances to customers	13	(2,880,451)	(7,864,092)	(3,427,340)	(7,869,443)
Finance lease receivables	33	(290,487)	(300,132)	(7,628)	2,835
Other assets from operating activities	32	(93,770)	54,583	(19,291)	123,616
Financial liabilities measured at amortised cost	15	4,372,838	5,445,502	4,492,113	5,182,657
Deposits from banks		(405,446)	1,040,292	(531,541)	556,312
Deposits from customers		3,461,416	3,643,037	3,689,936	3,887,542
Other financial liabilities		1,316,868	762,173	1,333,718	738,803
Income tax paid		(361,907)	(344,405)	(353,540)	(323,285)
Other liabilities from operating activities	34	21,848	(401,713)	43,482	35,188
Interest received from operating activities		5,500,926	3,651,283	5,436,704	3,591,382
Interest paid for operating activities		(2,255,205)	(1,084,291)	(2,439,780)	(1,130,821)
Cash flow from operating activities		**1,066,326**	**(233,222)**	**826,847**	**180,525**
Proceeds of disposal:		1,549,988	2,616,736	1,526,958	2,329,823
Debt securities at amortised cost	13	1,435,153	2,275,932	1,435,153	2,251,811
Property and equipment, intangible assets,investment properties and assets held for sale	29,31	113,168	340,804	90,138	78,012
Assets held for sale and disposal group	44	1,667	-	1,667	-
Acquisition of:		(3,875,383)	(2,414,823)	(3,851,823)	(2,299,279)
Debt securities at amortised cost	13	(3,612,225)	(2,165,586)	(3,612,225)	(2,067,308)
Property and equipment, intangible assets,investment properties and assets held for sale	29,31	(263,158)	(249,237)	(239,598)	(231,971)
Contribution to increase in share capital of subsidiaries and investements in associates	32	-	-	(10,000)	(167,500)
Interest received from investing activities	1	628,398	514,764	606,142	498,691
Dividends received from investing activities	3	5,015	-	65,976	23,063
Cash flow from investing activities		**(1,691,982)**	**716,677**	**(1,662,747)**	**384,798**
Capital increases	37	-	741,555	-	741,555
Dividends paid to equity holders of the parent	11	(1,144,291)	(963,452)	(1,144,291)	(963,452)
Dividends paid to non-controlling interests	11	(1,271)	(1,090)	(1,271)	(1,090)
Repayment of principal of lease liabilities (IFRS 16)	33	(192,237)	(112,613)	(171,740)	(95,827)
Debt securities issued	15	4,572,136	2,624,350	4,572,136	2,624,350
AT1 dividends		(44,168)	-	(44,168)	-
Inflows from other financing activities	29	-	235,440	-	4,891
Outflows from other financing activities	15	(25,488)	(932,189)	(45,504)	(557,388)
Interest paid for financing activities	1	(524,956)	(168,319)	(353,758)	(163,616)
Debt securities issued		(345,899)	(136,747)	(345,899)	(136,747)
Other financing activities		(179,057)	(9,688)	(7,859)	(4,985)
Subordinated loans		-	(21,884)	-	(21,884)
Cash flow from financing activities		**2,639,725**	**1,423,682**	**2,811,404**	**1,589,423**
Cash and cash equivalents at beginning of period	**12**	**15,224,576**	**13,317,439**	**15,224,262**	**13,069,516**
Cash flow from operating activities		1,066,326	(233,222)	826,847	180,525
Cash flow from investing activities		(1,691,982)	716,677	(1,662,747)	384,798
Cash flow from financing activities		2,639,725	1,423,682	2,811,404	1,589,423
Other non-cash movements in the statament of financial positions		(474,853)	-	(474,853)	-
Cash and cash equivalents at end of period	**12**	**16,763,792**	**15,224,576**	**16,724,913**	**15,224,262**

Notes to the group financial statements of BCR Group

Corporate information

Banca Comercială Română S.A. (the 'Bank' or 'BCR') together with its subsidiaries (the 'Group') offers a complex range of banking and other financial services, such as consumer credit and mortgage lending, investment banking, securities and derivatives trading, corporate finance, capital market and money market services, leasing and factoring mainly in Romania. As a result of the privatization process organized by the government of Romania, Erste Bank der oesterreichischen Sparkassen AG ('Erste Bank') purchased 61.88% of the share capital of the Bank pursuant to a share purchase agreement dated 21 December 2005. Until 31 December 2023, Erste Bank purchased further 38.01% from other shareholders (including employees) of the Bank, adding up to 99.8899%. Erste Bank is the direct parent of the Bank. Erste Bank is owned 100% by Erste Group Bank AG. The ultimate parent of the Group is Erste Group Bank AG.

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

Banca Comercială Română S.A. is incorporated and domiciled in Romania. Its registered office is at 15D, soseaua Orhideelor, The Bridge - Building 1, 2nd floor, Bucharest, Romania.

The consolidated financial statements for the year ended 31 December 2023 were pre-approved by the Management Board on 12 March 2024 and Supervisory Board on 22 March 2024.

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

Material accounting policies

The accounting policies apply to both the consolidated ('Group') and separate financial statements of the Bank.

a) Basis of preparation

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

The Bank and its subsidiaries which are incorporated in Romania maintain their books of account and prepare their statutory financial statements in accordance with Romanian Accounting Regulations and in the case of the Bank and its subsidiaries 'BCR Leasing IFN SA' and 'Banca pentru Locuinte' in accordance with IFRS and Romanian Banking Regulations. The foreign subsidiaries maintain their books of account and prepare their statutory financial statements in their presentation currencies and in accordance with the regulations of the countries in which they operate. Subsidiaries included in scope of consolidation are presented in Note 38.

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

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

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

Material accounting policies *(continued)*

b) Accounting and measurement methods

Foreign currency translation

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

i. Transactions and balances

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

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

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

ii. Group companies

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

c) Significant accounting judgements, assumptions and estimate

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

- Taxes on income and deferred tax assets (Note 10 - Taxes on income);
- Impairment of financial instruments (Chapter Financial instruments – Material accounting policies, Note 26 Credit risk);
- Provisions (Note 35 Provisions).

d) Application of amended and new IFRS/IAS

The following amendments of standards have become mandatory for the financial year 2023 and have been endorsed by the EU, but did not have material impact on the Group and Bank:

- IFRS 17: Insurance contracts;
- Amendments to IAS 1: Disclosure of Accounting Policies;
- Amendments to IAS 8: Definition of Accounting Estimates;
- Amendments to IAS 12: Deferred Tax related to Assets and Liabilities arising from a Single Transaction;
- Amendments to IAS 12: International Tax Reform — Pillar Two Model Rules.

Material accounting policies *(continued)*

IFRS 17 "Insurance Contracts" (issued on 18 May 2017 and effective for annual periods beginning on or after 1 January 2023)

IFRS 17 is a single principle-based standard to account for all types of insurance contracts, including reinsurance contracts that an insurer holds. The standard requires recognition and measurement of groups of insurance contracts at: (i) a risk-adjusted present value of the future cash flows (the fulfillment cash flows) that incorporate all of the available information about the fulfillment cash flows in a way that is consistent with observable market information; plus (if this value is a liability) or minus (if this value is an asset) (ii) an amount representing the unearned profit in the group of contracts (the contractual service margin). Insurers will be recognising the profit from a group of insurance contracts over the period they provide insurance coverage, and as they are released from risk. If a group of contracts is or becomes loss-making, an entity will be recognising the loss immediately.

No material impact for Group and the Bank was identified from the application of these amendments.

Amendments to IFRS 17 and an amendment to IFRS 4 (issued on 25 June 2020 and effective for annual periods beginning on or after 1 January 2023). The amendments include a number of clarifications intended to ease implementation of IFRS 17, simplify some requirements of the standard and transition. The amendments relate to eight areas of IFRS 17 and they are not intended to change the fundamental principles of the standard.
These amendments include scope exclusions for some credit card (or similar) contracts, and some loan contracts; presentation of insurance contract assets and liabilities in the statement of financial position in portfolios instead of groups; applicability of the risk mitigation option when mitigating financial risks using reinsurance contracts held and non-derivative financial instruments at fair value through profit or loss.
No material impact for Group and the Bank was identified from the application of these amendments.

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

No material impact for Group and the Bank was identified from the application of these amendments. However, amendment to IAS 1 resulted in a reduction in the disclosures of the accounting policies with focus on material information.

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

No material impact for Group and the Bank was identified from the application of these amendments.

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

No such cases identified during 2023.

Amendments to IAS 12 Income taxes: International Tax Reform – Pillar Two Model Rules (issued 23 May 2023).
In May 2023, the IASB issued narrow-scope amendments to IAS 12, 'Income Taxes'. This amendment was introduced in response to the imminent implementation of the Pillar Two model rules released by the Organisation for Economic Co-operation and Development's (OECD) as a result of international tax reform. The amendments provide a temporary exception from the requirement to recognise and disclose deferred taxes arising from enacted or substantively enacted tax law that implements the Pillar Two model rules. In accordance with IASB effective date, the companies may apply the exception immediately, but disclosure requirements are required for annual periods commencing on or after 1 January 2023.

Material accounting policies *(continued)*

Pillar Two legislation has been enacted Romania. The legislation will be effective for the Group's financial year beginning 1 January 2024.

The Group is in scope of the enacted legislation and has performed an assessment of the Group's potential exposure to Pillar Two income taxes. This assessment is based on the most recent information available regarding the financial performance of the constituent entities in the Group. Based on the assessment, the Pillar Two effective tax rate are above 15%.

Standards and interpretations not yet effective

The standards and amendments shown below were issued by the IASB but are not yet effective. They have been endorsed by the EU.

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

Classification of liabilities as current or non-current – Amendments to IAS 1 (originally issued on 23 January 2020 and subsequently amended on 15 July 2020 and 31 October 2022, ultimately effective for annual periods beginning on or after 1 January 2024). These amendments clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Liabilities are non-current if the entity has a substantive right, at the end of the reporting period, to defer settlement for at least twelve months. The guidance no longer requires such a right to be unconditional. The October 2022 amendment established that loan covenants to be complied with after the reporting date do not affect the classification of debt as current or non-current at the reporting date. Management's expectations whether they will subsequently exercise the right to defer settlement do not affect classification of liabilities. A liability is classified as current if a condition is breached at or before the reporting date even if a waiver of that condition is obtained from the lender after the end of the reporting period. Conversely, a loan is classified as non-current if a loan covenant is breached only after the reporting date. In addition, the amendments include clarifying the classification requirements for debt a company might settle by converting it into equity. 'Settlement' is defined as the extinguishment of a liability with cash, other resources embodying economic benefits or an entity's own equity instruments. There is an exception for convertible instruments that might be converted into equity, but only for those instruments where the conversion option is classified as an equity instrument as a separate component of a compound financial instrument.
The Group and the Bank are in process of assessing the impact of the amendments on its financial statements.

During 2023, the Group and the Bank have applied the same accounting policies as in 2022. Since starting with 01.01.2023, IFRS 17 was applicable and performance bonds are named as an example of insurance contracts, the Group analyzed these products in order to conclude whether there is transfer of significant insurance risk or not.
The conclusion was that the performance guarantees that are issued by BCR Group should be accounted for according to IFRS 9 as Loan Commitments.
Therefore, the Bank reclassified these products during 2023 from the off-balance category "Other Commitments" to the off-balance category "Loan commitments" with no significant impact in profit or loss.

Performance/ return

1. Net interest income

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

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

'Other similar income' captures interest-like sources of income resulting from financial leases, non-derivative financial assets measured at fair value through profit or loss and negative interest on financial liabilities.

1. Net interest income *(continued)*

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

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

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

	Group		Bank	
in RON thousands	**31.12.2023**	**31.12.2022**	**31.12.2023**	**31.12.2022**
Interest and other similar income				
Financial assets at amortised cost	5,460,337	3,722,551	5,431,951	3,644,746
Financial assets measured at fair value through other comprehensive income	437,587	254,959	428,492	243,277
Interest income	**5,897,924**	**3,977,510**	**5,860,443**	**3,888,023**
Finance lease receivables	136,160	74,521	405	215
Other assets	344	250	345	249
Negative interest from financial liabilities	1,318	2,218	1,318	2,218
Other similar income	**137,822**	**76,989**	**2,068**	**2,682**
Total interest and other similar income	**6,035,746**	**4,054,499**	**5,862,511**	**3,890,705**
Interest and other similar expense				
Financial liabilities measured at amortised cost	(2,353,145)	(1,085,570)	(2,360,740)	(1,103,445)
Interest expenses	**(2,353,145)**	**(1,085,570)**	**(2,360,740)**	**(1,103,445)**
Lease liabilities	(13,297)	(9,401)	(12,867)	(9,169)
Other liabilities	(12,887)	(7,905)	(12,887)	(7,905)
Negative interest from financial assets	(11)	(2,875)	(11)	(2,877)
Other similar expense	**(26,195)**	**(20,181)**	**(25,765)**	**(19,951)**
Total interest and other similar expense	**(2,379,340)**	**(1,105,751)**	**(2,386,505)**	**(1,123,396)**
Net interest income	**3,656,406**	**2,948,748**	**3,476,006**	**2,767,309**

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

2. Net fee and commission income

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

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

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

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

Fee income from providing transaction services

Fees arising from negotiating or participating in the negotiation of a transaction for a third party, such as the arrangement of the acquisition of shares or other securities or the purchase or sale of businesses, are recognized on completion of the underlying transaction. Fees or components of fees that are linked to a certain performance are recognized after fulfilling the corresponding criteria. Fees that are recognized when the service is provided are securities – brokerage, clearing and settlement, custody, payment services, customer resources distributed but not managed, structured finance.

When another party is involved in providing goods or services to a customer, the Group determines whether the nature of its promise is a performance obligation to provide the specified goods or services itself (i.e. the Group is a principal) or to arrange for those goods or services to be provided by the other party (i.e. the Group is an agent). This determination is made by identifying each specified (i.e. distinct) good or service promised to the customer in the contract and evaluation whether the entity obtains control of the specified goods or service before it is transferred to the customer (e.g. intermediation for insurance, pension and leasing products).

2. Net fee and commission income *(continued)*

When the Group is a principal , it recognizes as revenue the 'gross' amount paid by the customer for the specified good or service and records a corresponding expense for the commission or fee that it has to pay to any agent, in addition to the direct costs of satisfying the contract.

When the Group is an agent, it records as revenue the commission of fee earned for facilitating the transfer of the specified services. It records as revenue the 'net' consideration that it retained after paying the principal for the specified services that were provided to the customer.

				Group
in RON thousands	**31.12.2023**		**31.12.2022**	
	Income	**Expenses**	**Income**	**Expenses**
Securities - brokerage	**91,919**	**(24,307)**	**76,882**	**(10,105)**
Transfer orders	91,919	(24,307)	76,882	(10,105)
Clearing and settlement	9,850	(4,320)	8,951	(21,968)
Asset management	32,132	-	34,469	-
Custody	20,925	(5,127)	18,278	(4,527)
Payment services	**805,128**	**(199,288)**	**730,448**	**(165,847)**
Card business	345,725	(132,087)	263,617	(122,875)
Other	459,403	(67,201)	466,831	(42,972)
Customer resources distributed but not managed	**149,008**	**(7,738)**	**180,354**	**(8,498)**
Collective investment	34,410	-	39,428	-
Insurance products	113,098	(2,575)	94,769	-
Foreign exchange transactions	-	(5,163)	44,503	(8,498)
Other	1,500	-	1,654	-
Structured finance	3,674	-	2,515	-
Lending business	**151,359**	**(20,440)**	**83,264**	**(30,807)**
Guarantees given, guarantees received	21,718	(230)	28,061	(792)
Loan commitments given, loan commitments received	46,744	-	25,634	-
Other lending business	82,897	(20,210)	29,569	(30,015)
Other	13,358	(3,518)	55,571	(4,740)
Total fee and commission income and expenses	**1,277,353**	**(264,738)**	**1,190,732**	**(246,492)**
Net fee and commission income	**1,012,615**		**944,240**	

				Bank
in RON thousands	**31.12.2023**		**31.12.2022**	
	Income	**Expenses**	**Income**	**Expenses**
Securities - brokerage	**91,919**	**(24,307)**	**76,882**	**(10,105)**
Transfer orders	91,919	(24,307)	76,882	(10,105)
Clearing and settlement	9,858	(4,157)	8,966	(21,877)
Custody	20,925	(2,527)	18,278	(2,435)
Payment services	**799,379**	**(195,820)**	**723,964**	**(162,555)**
Card business	342,311	(129,353)	259,588	(120,316)
Other	457,068	(66,467)	464,376	(42,239)
Customer resources distributed but not managed	**136,026**	**(7,738)**	**169,236**	**(8,498)**
Collective investment	34,410	-	39,428	-
Insurance products	96,831	(2,575)	80,715	-
Foreign exchange transactions	-	(5,163)	44,504	(8,498)
Other	4,785	-	4,589	-
Structured finance	3,674	-	2,515	-
Lending business	**150,993**	**(19,501)**	**82,773**	**(28,744)**
Guarantees given, guarantees received	21,511	(64)	27,859	(39)
Loan commitments given, loan commitments received	46,795	-	25,635	-
Other lending business	82,687	(19,437)	29,279	(28,705)
Other	8,632	(1,208)	50,687	(1,401)
Total fee and commission income and expenses	**1,221,406**	**(255,258)**	**1,133,301**	**(235,615)**
Net fee and commission income	**966,148**		**897,686**	

3. Dividend income

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

	Group		**Bank**	
in RON thousands	**31.12.2023**	**31.12.2022**	**31.12.2023**	**31.12.2022**
Non-trading financial assets at fair value through profit or loss (i)	5,103	3,804	5,015	3,745
Dividend income from investment in subsidiaries and associates (ii)	-	-	60,961	23,063
Dividend income	**5,103**	**3,804**	**65,976**	**26,808**

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

(ii) Dividends received from subsidiaries and joint venture: BCR Leasing and BCR Payments Services.

4. Net trading result

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

	Group		Bank	
in RON thousands	31.12.2023	31.12.2022	31.12.2023	31.12.2022
Securities and derivatives trading	128,204	186,598	128,204	186,598
Foreign exchange transactions	411,541	409,243	394,588	392,619
Net trading result	**539,745**	**595,841**	**522,792**	**579,217**

5. Rental income from investment properties and other operating leases

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

	Group		Bank	
in RON thousands	31.12.2023	31.12.2022	31.12.2023	31.12.2022
Investment properties	2,989	2,852	3,523	3,361
Other operating leases	40,807	84,727	1,932	1,702
Rental income from investment properties and other operating leases	**43,796**	**87,579**	**5,455**	**5,063**

Operating leases are mainly from car fleets rentals and other buildings which do not meet the criteria for investment property. Reported decrease is in line with expectation of operating leasing business of the Group (see Note 38).

6. General administrative expenses

Personnel expenses

Personnel expenses include wages and salaries, bonuses, statutory and voluntary social security contributions, staff-related taxes, levies and cash-settled share-based payments.
They also include service costs for severance payments, pension.

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

The Bank and the subsidiaries in Romania, in the normal course of business make payments to the Romanian State funds on behalf of its Romanian employees for pension, health care and income tax and unemployment benefit. All employees of the Bank and of the subsidiaries in Romania are members and are also legally obliged to make defined contributions (included in the social security contributions) to the Romanian State pension plan (a State defined contribution plan). All relevant contributions to the Romanian State pension plan are recognized as an expense in the profit or loss as incurred. The Bank and its subsidiaries in Romania make payments to the Romanian state's funds on behalf of its Romanian employees for contributions due to the state social insurance budget, contributions due to the single health insurance fund. Contributions are paid by the employer. The amounts paid in 2023 to the Romanian State Pension Plan are RON 236,404 thousands for Group (2022: RON 196,115 thousands) and RON 224,594 thousands for the Bank (2022: RON 184,463 thousands). BCR pays the labour insurance contribution to the state funds, the contribution is relevant to the profit and loss account.

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

Depending on the amount, a pre-set % of the variable remuneration payment is allocated immediately (meaning upfront payment) and a pre-set % of the variable remuneration payment is deferred over the minimum five years for Management Board members and minimum four years (equal instalments) for all Executive Managers and Other Identified Staff. 50% of the entire variable remuneration has to be effected in cash and 50% in remuneration certificates. BCR uses a remuneration certificate as an alternative to non-monetary payment. The nominal value of a certificate shall be 1 leu (at granting date). The value of a certificate at the payment date shall be set based on its current price observing the calculation method detailed in the Remuneration Policy.

Other administrative expenses

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

6. General administrative expenses *(continued)*

Depreciation and amortisation

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

	Group		Bank	
in RON thousands	**31.12.2023**	**31.12.2022**	**31.12.2023**	**31.12.2022**
Personnel expenses (i)	(1,072,385)	(895,947)	(991,002)	(828,548)
Other administrative expenses (ii)	(749,178)	(727,003)	(732,021)	(712,428)
Depreciation and amortisation (iii)	(245,444)	(257,089)	(226,780)	(206,586)
Total	**(2,067,007)**	**(1,880,039)**	**(1,949,803)**	**(1,747,562)**
Personnel expenses	**(1,072,385)**	**(895,947)**	**(991,002)**	**(828,548)**
Wages and salaries	(1,005,895)	(850,507)	(930,833)	(787,202)
Compulsory social security	(29,260)	(25,341)	(24,519)	(21,638)
Long-term employee provisions	(1,747)	(1,060)	(1,747)	(1,046)
Other personnel expenses	(35,483)	(19,039)	(33,903)	(18,662)
Other administrative expenses	**(749,178)**	**(727,003)**	**(732,021)**	**(712,428)**
Payments into deposit insurance fund	(23,141)	(45,971)	(20,152)	(44,927)
IT expenses	(335,262)	(305,641)	(327,252)	(298,037)
Expenses for office space maintainance	(74,708)	(74,240)	(73,062)	(72,932)
Office operating expenses	(152,918)	(139,169)	(158,694)	(144,949)
Security services	(11,657)	(12,373)	(11,347)	(12,049)
Operating leases	(21,792)	(19,927)	(21,055)	(18,848)
Advertising / Marketing	(60,466)	(50,592)	(57,994)	(48,998)
Legal and consulting costs	(32,305)	(38,747)	(28,730)	(34,558)
Sundry administrative expenses	(36,929)	(40,343)	(33,735)	(37,130)
Depreciation and amortisation	**(245,444)**	**(257,089)**	**(226,780)**	**(206,586)**
Software and other intangible assets	(67,270)	(71,492)	(63,290)	(68,035)
Owner occupied real estate	(13,931)	(15,145)	(13,919)	(15,132)
Investment properties	(5,446)	(5,293)	(5,446)	(5,293)
Right of use assets	(86,804)	(78,603)	(82,637)	(70,682)
Office furniture and equipment and sundry property and equipment	(71,993)	(86,556)	(61,488)	(47,444)
General administrative expenses	**(2,067,007)**	**(1,880,039)**	**(1,949,803)**	**(1,747,562)**

(i) Personnel expenses increased in 2023 as compared to 2022 by RON 176,438 thousand at consolidated level mainly impacted by wage inflation in line with 2022 and 2023 Collective Labour Agreement.

The number of own employees of the Bank at 31 December 2023 was 5,046 employees (31 December 2022: 5,018 employees). The number of own employees of the Group at 31 December 2023 was 5,444 employees (31 December 2022: 5,430 employees).

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

Under the WeShare-Investment Plus part program all employees, who had been employed by an entity of the Group, from March/April 2023 until June 2023 (service condition) could voluntarily invest in Erste Group shares and receive free shares depending on the amount of their personal investment. The WeShare-Investment Plus part was settled in June 2023. The number of free shares, which were granted under this program for the period, is 29,591. Personnel expenses in the amount of RON 4,610 thousands were booked.

In June 2023 was implemented the WeShare-Participation part of 2022 program. All employees who have been employed by an entity of the Group for at least six months in 2022 and were still employed until the transfer of the shares in June 2023 (service condition) were entitled to receive shares in an equivalent amount of EUR 350. The number of free shares, which were granted under this program for the period, was 46,644. Personnel expenses in the amount of RON 12.423 thousands were booked for the period July 2022 – June 2023.

In the WeShare-Participation part all employees, who have been employed by an entity of the Group for at least six months in 2023 and are still employed until the transfer of the shares to the employees in 2024 (service condition) are entitled to receive shares in an equivalent amount of EUR 350. The number of shares granted is calculated using the on-grant date expected EGB share price on settlement date. The expected number of free shares, which are granted under this program for the period, is 44,198, considering the EGB estimated share price for settlement date June 2024. Based on the number of entitled employees, personnel expenses in the amount of RON 6,402 thousands were booked for the period July – December 2023;

(ii) Other administrative expenses for the Group in 2023 were slightly higher (+3% / 22,175 thousand) compared with 2022, mainly due to IT costs, marketing as well as inflationary pressure on tariffs (card issuing, cash processing, etc.), partly offset by lower contribution to Deposit Insurance Fund;

6. General administrative expenses *(continued)*

(iii) Depreciation and amortization for the Group in 2023 are lower vs. 2022 by RON 11,645 thousand mainly coming from BCR Fleet Management subsidiary (as a result of partial sale of the portfolio at the end of 2022 and update of useful life and residual value given the non-going concern basis the end of 2023), partly offset by higher IT depreciation (mainly infrastructure).

The key management remuneration for the Bank

	2023				2022			
in RON thousands	Expenses	Employer taxes	Accrued liability	Employer taxes	Expenses	Employer taxes	Accrued liability	Employer taxes
Short-term benefits	**14,567**	**173**	**-**	**-**	**14,944**	**204**	**-**	**-**
Salaries	9,317	132	-	-	9,094	127	-	-
Benefits in kind	5,250	41	-	-	5,850	77	-	-
Share-based compensation:	**2**	**-**	**24,810**	**558**	**-**	**-**	**22,286**	**501**
Cash-settled share-based compensation (bonus cash)	2	-	24,810	558	-	-	22,286	501

The actual cash out for share based compensation was of 6,136 thousands RON in 2023 and 4,823 thousands RON in 2022.

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

	2023	2022
Domestic	**5,403**	**5,215**
Banca Comerciala Romana	5,082	4,878
BCR Leasing IFN SA	146	135
BCR Banca pentru Locuinte SA	42	50
BCR Payments Services SRL	70	79
BCR Pensii, Societate de Administrare a Fondurilor de Pensii Private SA	51	51
BCR Fleet Management SRL	7	17
Suport Colect SRL	5	5
Abroad	**92**	**89**
BCR Chisinau SA	92	89
Total	**5,495**	**5,304**

7. Net impairment loss on financial instruments

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

	Group		Bank	
in RON thousands	**31.12.2023**	**31.12.2022**	**31.12.2023**	**31.12.2022**
Allocation to risk provisions	(79,221)	(449,306)	43,890	(371,484)
Financial assets at fair value through other comprehensive income	6,066	(5,252)	6,733	(3,732)
Financial assets at amortised cost (i)	(52,921)	(347,206)	53,724	(308,996)
Finance lease receivables	(13,295)	(32,126)	1,360	1,100
Allocation of provisions for commitments and guarantees given	(19,071)	(64,722)	(17,927)	(59,856)
Direct write-offs	(7,885)	(9,248)	(7,885)	(9,439)
Recoveries recorded directly to the income statement	42,509	63,903	23,594	30,612
Modification gains or losses	(1,711)	874	(1,715)	881
Net impairment gain/ (losses) on financial instruments	**(46,308)**	**(393,777)**	**57,884**	**(349,430)**

(i) At BCR Bank level, the releases of provisions were mainly the result of low non-performing loans (NPL) formation on corporate portfolio and very good cash recoveries from defaulted customers, partially offset by allocations from regular new defaults of retail customers. At the group level the impairment is a net allocation in amount of RON 46.3mn considering the intercompany transaction (mainly a reimbursement of a loan toward one of the bank's subsidiaries which was fully provided).

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

	Group		Bank	
in RON thousands	31.12.2023	31.12.2022	31.12.2023	31.12.2022
Opening balance of credit loss allowances	**(3,111,546)**	**(3,002,257)**	**(3,035,691)**	**(2,927,910)**
Allocationto risk provisions	(79,221)	(449,306)	43,890	(371,484)
(Increase)/ decrease attributable to POCI loans and write-offs	(49,661)	393,170	(76,688)	347,699
(Increase) due to passage of time (UWC)	(64,560)	(68,922)	(71,815)	(78,186)
CLA decreases due to sales	478	3,743	-	-
Other CLA changes	(89,420)	12,026	(86,784)	(5,810)
Closing balance of credit loss allowances (total)	**(3,393,930)**	**(3,111,546)**	**(3,227,088)**	**(3,035,691)**

Balance of credit loss allowance includes allowances for cash and cash equivalents in amount of RON 946 thousands for Group (2022: RON 1,775 thousands) and RON 1,050 thousands for the Bank (2022: RON 1,789 thousands).

9. Other operating result

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

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

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

	Group		Bank	
in RON thousands	31.12.2023	31.12.2022	31.12.2023	31.12.2022
Other income, of which:	**95,773**	**130,077**	**71,386**	**75,562**
Gain on disposal of property and equipment	21,648	-	23,000	-
Gain on disposal of investment properties	528	2,627	528	2,627
Gain on disposal of non-current assets held for sale and disposal group (ii)	-	-	10,933	9,840
Gains on other assets	22,556	43,914	5,107	19,510
Other income (iii)	51,041	83,536	31,818	35,893
Other expense, of which:	**(260,818)**	**(313,872)**	**(82,685)**	**(60,584)**
Other provisions - net (allocation)/release (iv)	36,158	366,561	36,838	344,836
Losses on other assets	(23,612)	(35,704)	(3,932)	(15,411)
Losses on non-current assets held for sale and disposal group (vi)	(21,276)	(96,574)	-	-
Impairment of subsidiaries - net (allocation)/release (i)	-	-	97,359	(139,736)
Impairment of tangible and intangible assets - net (allocation)/release (v)	1,488	(22,847)	7,288	(20,890)
Impairment of assets held for sale and other assets(vi)	(6,782)	(6,835)	(5,893)	(6,551)
Recovery and resolution fund	(47,347)	(58,621)	(46,815)	(57,677)
Insurance premiums	(62,511)	(73,129)	(58,115)	(54,721)
Other taxes	(30,107)	(30,561)	(21,837)	(26,029)
Other expenses (vii)	(106,829)	(356,162)	(87,578)	(84,405)
Total	**(165,045)**	**(183,795)**	**(11,299)**	**14,978**

(i) Impairment of subsidiaries is eliminated at Group level. For 2023, the Bank registered a release of impairment. Further details are presented in Note 38;
(ii) In 2023, the Bank sold the participation of Fondul de garantare a creditului rural IFN SA and in 2022 various lands and buildings held for sale;
(iii) Includes the income related to nonbanking activities, such as cash processing and transportations and car fleet management activities;
(iv) The movement in other provisions are presented in Note 35;
(v) The book value of fixed assets was adjusted to the recoverable amount based on an external valuator report in 2023, as a result of annual impairment test as presented in Note 29;
(vi) Losses on non-current assets held for sale and disposal group on Group level are mainly related to reclassification of BCR Chisinau subsidiary as assets held for sale and disposal group, being the net result of adjustment of the net assets to the net realisable value as described in Note 44;
(vii) Includes sundry expenses: litigations, penalties, inventory impairment, cash transportations. The increase at group level in 2022 is due to recognition of an expense for the binding liability related to ancillary amounts in respect of budgetary obligation of BpL in amount of RON 232,718 thousands, as an effect of the litigation case describe in Note 36.

10. Taxes on income

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

i. Current tax

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

ii. Deferred tax

Deferred tax assets are recognized for all deductible temporary differences.

The Group recognizes both deferred tax assets and liabilities within different entities across the Group which have no enforceable right to be compensated.

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

	Group		Bank	
in RON thousands	**31.12.2023**	**31.12.2022**	**31.12.2023**	**31.12.2022**
Current tax expense/income	**(645,763)**	**(368,320)**	**(637,036)**	**(344,762)**
Current period	(645,763)	(368,320)	(637,036)	(344,762)
Deferred tax expense/income	**(28,037)**	**(43,643)**	**(15,748)**	**(45,786)**
Current period	(28,037)	(43,643)	(15,748)	(45,786)
Taxes on income	**(673,800)**	**(411,963)**	**(652,784)**	**(390,548)**

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

	Group		Bank	
in RON thousands	**31.12.2023**	**31.12.2022**	**31.12.2023**	**31.12.2022**
Pre-tax profit/(loss)	**2,995,024**	**2,157,882**	**3,140,127**	**2,220,564**
Income tax expense for the financial year at the domestic statutory tax rate (16%)	(479,204)	(343,700)	(502,420)	(355,290)
Impact of tax-exempt income and other similar income (i)	324,135	391,662	306,036	282,401
Tax increases due to non-deductible expenses and similar elements (ii)	(579,273)	(505,265)	(516,942)	(362,874)
Impact of other elements (iii)	60,542	45,340	60,542	45,215
Income tax (expense) / release reported in the income statement	**(673,800)**	**(411,963)**	**(652,784)**	**(390,548)**
The effective tax rate	**22.50%**	**19.09%**	**20.79%**	**17.59%**

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

The increase of income tax from RON 390,548 thousands in 2022 to RON 652,784 thousands in 2023 for the Bank was mainly due to a significant increase of the pre-tax profit due to a strong operating profit and due to derecognition of tax asset booked in 2017 related to ANAF litigation in amount of RON 176,247 thousands (as presented in Note 36 Litigations).

Tax on Bank revenues

Starting with financial year 2024, in addition to the profit tax, the Bank is liable for turnover tax calculated by applying the following tax rates to the turnover:

- 2% for 1 January 2024 – 31 December 2025;
- 1% as of 1 January 2026.

To determine the fiscal result, the turnover tax is a non-deductible expense. The turnover tax is computed, declared and paid quarterly, up to and including the 25th day of the month following the quarter for which the payment is made, for quarters I–III, and up to and including 25 March of the following year, for quarter IV. The turnover is calculated as total interest income, fee and commission income, dividend income, net trading result and net gains on financial instruments and other income.

Reinvested profit

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

10. Taxes on income *(continued)*

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

The amount of RON 8,503 thousand represents the tax exemption on the reinvested profit booked in 2023. Thus, the reinvested profit in the amount of RON 53,145 thousand will be recorded in Other Reserves, after obtaining the approval of the General Meeting of Shareholders, according to the legal provisions. In the event that, in the future, it will be decided to use/distribute this reserve in any form, the tax exemption on the profit recorded in Other Reserves will be cancelled and the tax will be paid at that time.

Sponsorship

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

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

In 2023, the Bank paid 52,039 thousands RON for sponsorships (2022: RON 33,447 thousands) which allow to benefit from tax credit in an equal amount. Considering that the minimum amount established according to the Fiscal Code has not been used in full, additional RON 5 mn will be redirected.

The main elements similar to expenses considered by the Bank in 2023 consist of the deduction of the fiscal depreciation and the deduction of losses from selling of the fixed assets. The main element similar to revenues, considered by the Bank is in relation to the taxation of selling of the receivables.

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

Group

in RON thousands	2023			2022		
	Before-tax amount	Tax benefit/ (expense)	Net-of-tax amount	Before-tax amount	Tax benefit/ (expense)	Net-of-tax amount
Fair value reserve	72,828	(11,500)	61,328	(270,328)	43,372	(226,956)
Remeasurement of net gain/ (losses) on benefit plan	61,197	(9,790)	51,407	68,718	(10,993)	57,725
Currency translation reserve of foreign subsidiary	(3,402)	-	(3,402)	(12,711)	-	(12,711)
Other comprehensive income	**130,623**	**(21,290)**	**109,333**	**(214,321)**	**32,379**	**(181,942)**

Bank

in RON thousands	2023			2022		
	Before-tax amount	Tax benefit/ (expense)	Net-of-tax amount	Before-tax amount	Tax benefit/ (expense)	Net-of-tax amount
Fair value reserve	69,074	(11,050)	58,024	(273,246)	43,721	(229,525)
Remeasurement of net gain/ (losses) on benefit plans	61,197	(9,791)	51,406	68,718	(10,994)	57,724
Other comprehensive income	**130,271**	**(20,841)**	**109,430**	**(204,528)**	**32,727**	**(171,801)**

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

Major components for deferred tax assets and deferred tax liabilities

Group

					31.12.2023		
					Net variance 2023		
in RON thousands	Tax assets 2023	Tax assets 2022	Tax liabilities 2023	Tax liabilities 2022	Total	Through profit or loss	Through other comprehensive income
Temporary differences relate to the following items:							
Financial assets at fair value through other comprehensive income	(11,500)	43,372	-	-	(54,872)	-	(54,872)
Property and equipment (useful life in tax law different)	10,899	23,152	-	-	(12,253)	(12,253)	-
Long-term employee provisions (tax valuation different)	(9,790)	(10,993)	-	-	1,203	-	1,203
Other provisions (tax valuation different)	162,150	162,658	-	(450)	(58)	(58)	-
Intangible assets	(42,387)	(19,740)	-	-	(22,647)	(22,647)	-
Other	9,032	(671)	(21,801)	(18,993)	6,895	6,895	-
Total deferred taxes	**118,404**	**197,778**	**(21,801)**	**(19,443)**	**(81,732)**	**(28,063)**	**(53,669)**
Total current taxes	**1,110**	**222,026**	**(83,339)**	**(75,162)**	**(645,763)**	**(645,763)**	**-**
Total taxes	**119,514**	**419,804**	**(105,140)**	**(94,605)**	**(727,495)**	**(673,826)**	**(53,669)**

10. Taxes on income *(continued)*

in RON thousands	Tax assets 2023	Tax assets 2022	Tax liabilities 2023	Tax liabilities 2022	31.12.2023 Net variance 2023 Total	Through profit or loss	Bank Through other comprehensive income
Temporary differences relate to the following items:							
Financial assets at fair value through other comprehensive income	(11,052)	43,721	-	-	(54,773)	-	(54,773)
Property and equipment (useful life in tax law different)	14,462	24,669	-	-	(10,207)	(10,207)	-
Long-term employee provisions (tax valuation different)	(9,791)	(10,994)	-	-	1,203	-	1,203
Other provisions (tax valuation different)	162,956	163,588	-	-	(632)	(632)	-
Intangible assets	(41,341)	(36,167)	-	-	(5,174)	(5,174)	-
Other	-	(267)	-	-	267	267	-
Total deferred taxes	**115,234**	**184,550**	**-**	**-**	**(69,316)**	**(15,746)**	**(53,570)**
Total current taxes	**-**	**219,164**	**(82,494)**	**(70,202)**	**(637,036)**	**(637,036)**	**-**
Total taxes	**115,234**	**403,714**	**(82,494)**	**(70,202)**	**706,352)**	**(652,782)**	**(53,570)**

11. Dividends paid

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

During 2023, following the Decision of the Ordinary General Meeting of shareholders, BCR distributed dividends for financial year 2022 in amount of RON 1,145,561,239, ordinary dividends and EUR 8,940,740 (RON 44,168,140 equivalent) related to payment of AT1 dividends.

Financial instruments – Material accounting policies

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

A. Measurement methods for financial instruments

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

i. Amortised cost and effective interest rate

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

ii. Fair value

Details on valuation techniques applied for fair value measurement and on the fair value hierarchy are disclosed in Note 21 Fair value of financial assets and liabilities.

B. Classification and subsequent measurement of financial assets

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

- the business model for managing the financial assets and
- the cash flow characteristics of the financial assets.

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

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

C. Classification and subsequent measurement of financial liabilities

Financial liabilities are classified as measured at amortised cost unless they are measured at fair value through profit or loss. Interest expense is calculated by applying the EIR to the amortised cost of a financial liability. Further details on financial liabilities at amortised cost and financial liabilities at FVPL are in the notes: Note 15 Financial liabilities at amortised costs and section Financial instruments at fair value.

Financial instruments – Material accounting policies *(continued)*

D. Impairment of financial instruments

BCR Group recognises loss allowances for impairment on its debt instrument financial assets, other than those measured at FVPL, its lease receivables and its off-balance credit risk exposures arising from financial guarantees and irrevocable loan commitments.

The amount of the impairment loss is recognised as a loss allowance. For the purpose of the measurement of the amount of expected credit loss and recognition of interest income, BCR Group distinguishes between three stages of impairment.

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

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

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

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

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

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

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

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

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

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

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

E. Derecognition of financial instruments including treatment of contractual modifications

i. Derecognition of financial assets

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

Financial instruments – Material accounting policies *(continued)*

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Financial instruments – Material accounting policies *(continued)*

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

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

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

iii. Write-offs

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

BCR Group has specified criteria for writing off the unrecoverable balances in its loan business.

As a general rule, the write-off can only occur after all applicable and appropriate workout measures have been exhausted in order to recover the exposure towards the client to the largest extent possible.

Usually, write offs occurs in the following situations:

- If all possible and reasonable legal actions to achieve further recovery of the credit claim have been exhausted and the decision about the final closing of the case is made, the remaining exposure is written-off (debt forgiveness);
- the contractual rights of the relevant loan have been transferred to a third party, the respective exposure in default is sold and/or assigned without recourse; upon the derecognition due to sale the gross carrying amount is removed against the selling price and the existing credit loss allowance;
- in exceptional cases, when the value of the collateral is only minor or the marketability is not given and/or the costs for the realization of the collateral would exceed the proceeds from the collateral.

Still, during a final restructuring agreement aiming at restoration of the financial sustainability of the customer, the Bank may consent to conditional debt forgiveness. Usually this happens under the condition of a substantial participation from the owners' side (in particular equity injection from original owners and/or new investors). Also, the discount in an insolvency proceeding is treated as a contractual (conditional) debt forgiveness.

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

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

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

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

F. Significant accounting judgements, assumptions and estimates

i. SPPI assessment

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

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

Financial instruments – Material accounting policies *(continued)*

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

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

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

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

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

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

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

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

The quantitative significance threshold is set to 5% for the cumulative cash flow ratio (ratio between the simulated cash flow of the actual deal and the benchmark deal). If the significance thresholds are breached, the benchmark test is not passed and the financial asset must be measured at fair value through profit or loss.

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

ii. Business model assessment

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

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

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

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

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

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

Financial instruments – Material accounting policies *(continued)*

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

iii. Impairment of financial instruments

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

Financial instruments held at amortised cost

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

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

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

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

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

12. Cash and cash equivalents

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

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

	Group		Bank	
in RON thousands	**31.12.2023**	**31.12.2022**	**31.12.2023**	**31.12.2022**
Cash on hand	3,228,552	4,753,906	3,228,552	4,753,906
Mandatory cash balances and other cash with central banks (i)	7,372,323	7,720,723	7,372,313	7,720,721
Correspondent accounts and overnight placements with other banks	121,192	151,635	121,965	151,323
Overnight placements with central bank	6,041,725	2,598,312	6,002,083	2,598,312
Cash and cash equivalents	**16,763,792**	**15,224,576**	**16,724,913**	**15,224,262**

(i) The current accounts held by the Bank with National Bank of Romania ensure the compliance with minimum mandatory reserves requirements of National Bank. Mandatory reserve rates at the end of 2023 were for RON 8% (December 2022: 8%) and for foreign currencies 5% (December 2022: 5%). All cash and cash equivalents are in Stage 1, for more details please see Note 26.

13. Financial assets at amortised cost

13.1. Debt securities

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

31.12.2023 Group

in RON thousands	Gross carrying amount					Credit loss allowances					Carrying amount
	Stage 1	Stage 2	Stage 3	POCI	Total	Stage 1	Stage 2	Stage 3	POCI	Total	
Debt securities	**17,480,371**	**22,528**	**-**	**-**	**17,502,899**	**(7,494)**	**(36)**	**-**	**-**	**(7,530)**	**17,495,369**
General governments	17,480,371	22,528	-	-	17,502,899	(7,494)	(36)	-	-	(7,530)	17,495,369

31.12.2022 Group

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

31.12.2023 Bank

in RON thousands	Gross carrying amount					Credit loss allowances					Carrying amount
	Stage 1	Stage 2	Stage 3	POCI	Total	Stage 1	Stage 2	Stage 3	POCI	Total	
Debt securities	**17,360,506**	**22,529**	**-**	**-**	**17,383,035**	**(7,443)**	**(36)**	**-**	**-**	**(7,479)**	**17,375,556**
General governments	17,360,506	22,529	-	-	17,383,035	(7,443)	(36)	-	-	(7,479)	17,375,556

31.12.2022 Bank

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

The year-end total gross carrying amount of AC debt securities that were initially recognized (purchased) during the reporting period and not fully derecognized by 31 December 2023 amounts to RON 3,907,512 thousands at Group level, RON 3,767,454 thousands for the Bank (2022: RON 2,165,586 thousands for the Group, RON 2,067,308 thousands for the Bank.) The gross carring amount (GCA) of amortised cost (AC) debt securities that were held on 1 January 2023 and fully derecognized during the reporting period amounts to RON 1,533,858 thousands at Group level, RON 1,524,990 thousands for the Bank (2022: RON 2,275,932 thousands for the Group, RON 2,251,811 thousands for the Bank).

13.2. Loans and advances to banks

31.12.2023 Group

in RON thousands	Gross carrying amount					Credit loss allowances					Carrying amount
	Stage 1	Stage 2	Stage 3	POCI	Total	Stage 1	Stage 2	Stage 3	POCI	Total	
Loans and advances to banks	**2,125,779**	**-**	**-**	**-**	**2,125,779**	**(33)**	**-**	**-**	**-**	**(33)**	**2,125,746**
Credit institutions	2,125,779	-	-	-	2,125,779	(33)	-	-	-	(33)	2,125,746

31.12.2022 Group

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

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

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

31.12.2023 Bank

in RON thousands	Gross carrying amount					Credit loss allowances					Carrying amount
	Stage 1	Stage 2	Stage 3	POCI	Total	Stage 1	Stage 2	Stage 3	POCI	Total	
Loans and advances to banks	**2,133,920**	**9,035**	**-**	**-**	**2,142,955**	**(311)**	**(223)**	**-**	**-**	**(534)**	**2,142,421**
Credit institutions	2,133,920	9,035	-	-	2,142,955	(311)	(223)	-	-	(534)	2,142,421

31.12.2022 Bank

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

13.3. Loans and advances to customers

31.12.2023 Group

in RON thousands	Gross carrying amount					Credit loss allowances					Carrying amount
	Stage 1	Stage 2	Stage 3	POCI	Total	Stage 1	Stage 2	Stage 3	POCI	Total	
Loans and advances to customers	**44,161,649**	**12,086,842**	**1,425,397**	**351,818**	**58,025,706**	**(351,154)**	**(1,289,433)**	**(1,151,635)**	**(35,889)**	**(2,828,111)**	**55,197,595**
General governments	5,456,658	509,171	1,679	6,835	5,974,343	(5,665)	(33,176)	(838)	(19)	(39,698)	5,934,645
Other financial corporations	921,925	260,223	823	-	1,182,971	(5,651)	(10,317)	(653)	-	(16,621)	1,166,350
Non-financial corporations	15,400,716	6,424,189	452,980	188,535	22,466,420	(230,654)	(696,746)	(305,793)	(2,650)	(1,235,843)	21,230,577
Households	22,382,350	4,893,259	969,915	156,448	28,401,972	(109,184)	(549,194)	(844,351)	(33,220)	(1,535,949)	26,866,023

31.12.2022 Group

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

31.12.2023 Bank

in RON thousands	Gross carrying amount					Credit loss allowances					Carrying amount
	Stage 1	Stage 2	Stage 3	POCI	Total	Stage 1	Stage 2	Stage 3	POCI	Total	
Loans and advances to customers	**46,430,106**	**11,578,746**	**1,367,148**	**351,818**	**59,727,818**	**(336,580)**	**(1,270,535)**	**(1,115,833)**	**(35,889)**	**(2,758,837)**	**56,968,981**
General governments	5,456,660	509,171	1,679	6,835	5,974,345	(5,665)	(33,176)	(838)	(19)	(39,698)	5,934,647
Other financial corporations	4,609,799	247,500	586	-	4,857,885	(10,753)	(9,668)	(557)	-	(20,978)	4,836,907
Non-financial corporations	14,014,909	5,932,480	404,230	188,535	20,540,154	(211,513)	(678,835)	(279,281)	(2,650)	(1,172,279)	19,367,875
Households	22,348,738	4,889,595	960,653	156,448	28,355,434	(108,649)	(548,856)	(835,157)	(33,220)	(1,525,882)	26,829,552

31.12.2022 Bank

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

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

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

The movement in gross exposure is presented below:

31.12.2023 — Group

in RON thousands	Opening balance	Increases due to origination and acquisition	Decreases due to derecognition	Thereoff arising from: out of which writeoffs	Thereoff arising from: out of which repayments	Exchange-rate and other changes (+/-)	Closing Balance
Loans and advances to banks	148,606	2,084,963	(107,790)	-	(107,790)	-	2,125,779
Loans and advances to customers	55,330,253	13,837,378	(11,183,521)	(152,454)	(10,274,361)	41,596	58,025,706
Total	**55,478,859**	**15,922,341**	**(11,291,311)**	**(152,454)**	**(10,382,151)**	**41,596**	**60,151,485**

31.12.2022 — Group

in RON thousands	Opening balance	Increases due to origination and acquisition	Decreases due to derecognition	Thereoff arising from: out of which writeoffs	Thereoff arising from: out of which repayments	Exchange-rate and other changes (+/-)	Closing Balance
Loans and advances to banks	1,363,193	101,137	(1,315,724)	-	(1,315,724)	-	148,606
Loans and advances to customers	48,387,815	20,277,117	(13,333,655)	(153,123)	(11,832,670)	(1,023)	55,330,254
Total	**49,751,008**	**20,378,254**	**(14,649,379)**	**(153,123)**	**(13,148,394)**	**(1,023)**	**55,478,860**

31.12.2023 — Bank

in RON thousands	Opening balance	Increases due to origination and acquisition	Decreases due to derecognition	Thereoff arising from: out of which writeoffs	Thereoff arising from: out of which repayments	Exchange-rate and other changes (+/-)	Closing Balance
Loans an advances to banks	225,710	2,084,963	(167,718)	-	(167,718)	-	2,142,955
Loans and advances to customers	56,568,319	13,709,239	(10,591,336)	(125,428)	(9,709,215)	41,596	59,727,818
Total	**56,794,029**	**15,794,202**	**(10,759,054)**	**(125,428)**	**(9,876,933)**	**41,596**	**61,870,773**

31.12.2022 — Bank

in RON thousands	Opening balance	Increases due to origination and acquisition	Decreases due to derecognition	Thereoff arising from: out of which writeoffs	Thereoff arising from: out of which repayments	Exchange-rate and other changes (+/-)	Closing Balance
Loans and advances to banks	1,431,383	101,137	(1,306,810)	-	(1,306,810)	-	225,710
Loans and advances to customers	49,185,009	19,803,051	(12,418,655)	(107,653)	(10,936,667)	(1,085)	56,568,320
Total	**50,616,392**	**19,904,188**	**(13,725,465)**	**(107,653)**	**(12,243,477)**	**(1,085)**	**56,794,030**

In 2023 and 2022, the Group and the Bank derecognized a part of non-performing loan portfolio, as follows:

Group

in RON thousands	31.12.2023		31.12.2022	
Transfer of loans	**Gross carrying amount**	**Related allowance**	**Gross carrying amount**	**Related allowance**
Sale on balance loans	34,579	34,579	3,587	2,759
Write off on balance loans	152,454	152,454	153,123	153,123
Sales from previously writen off loans	-	-	18,719	18,719
Total exposure reduction from sale and write offs	**187,033**	**187,033**	**175,429**	**174,601**

Bank

in RON thousands	31.12.2023		31.12.2022	
Transfer of loans	**Gross carrying amount**	**Related allowance**	**Gross carrying amount**	**Related allowance**
Sale on balance loans	32,000	32,000	896	896
Write off on balance loans	125,428	125,428	107,653	107,653
Sales from previously writen off loans	-	-	18,719	18,719
Total exposure reduction from sale and write offs	**157,428**	**157,428**	**127,268**	**127,268**

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

14. Trade and other receivables

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

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

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

										31.12.2023	Group
in RON thousands	Gross carrying amount					Credit loss allowances					Carrying amount
	Stage 1	Stage 2	Stage 3	POCI	Total	Stage 1	Stage 2	Stage 3	POCI	Total	
General governments	70,839	2,531	276	90	**73,736**	(16)	(36)	(276)	(90)	**(418)**	**73,318**
Credit institutions	116,226	63,271	-	-	**179,497**	(201)	(2,761)	-	-	**(2,962)**	**176,535**
Other financial corporations	37,059	4,626	124	-	**41,809**	(49)	(238)	(113)	-	**(400)**	**41,409**
Non-financial corporations	975,254	161,027	31,660	521	**1,168,462**	(3,859)	(15,582)	(27,925)	(521)	**(47,887)**	**1,120,575**
Households	79,540	32,641	5,320	65	**117,566**	(28)	(1,607)	(5,303)	(58)	**(6,996)**	**110,570**
Total	**1,278,918**	**264,096**	**37,380**	**676**	**1,581,070**	**(4,153)**	**(20,224)**	**(33,617)**	**(669)**	**(58,663)**	**1,522,407**

										31.12.2022	Group
in RON thousands	Gross carrying amount					Credit loss allowances					Carrying amount
	Stage 1	Stage 2	Stage 3	POCI	Total	Stage 1	Stage 2	Stage 3	POCI	Total	
General governments	8,530	6,026	120	90	**14,766**	(11)	(28)	(120)	(90)	**(249)**	**14,517**
Credit institutions	105,842	88,183	-	-	**194,025**	(576)	(5,344)	-	-	**(5,920)**	**188,105**
Other financial corporations	61,653	4,089	90	-	**65,832**	(72)	(241)	(89)	-	**(402)**	**65,430**
Non-financial corporations	320,915	213,110	36,830	610	**571,465**	(4,438)	(8,341)	(34,872)	(610)	**(48,261)**	**523,204**
Households	85,949	25,592	4,194	70	**115,805**	(38)	(1,751)	(4,184)	(63)	**(6,036)**	**109,769**
Total	**582,889**	**337,000**	**41,234**	**770**	**961,893**	**(5,135)**	**(15,705)**	**(39,265)**	**(763)**	**(60,868)**	**901,025**

										31.12.2023	Bank
in RON thousands	Gross carrying amount					Credit loss allowances					Carrying amount
	Stage 1	Stage 2	Stage 3	POCI	Total	Stage 1	Stage 2	Stage 3	POCI	Total	
General governments	70,435	2,531	276	90	**73,332**	(16)	(36)	(276)	(90)	**(418)**	**72,914**
Credit institutions	116,226	63,275	-	-	**179,501**	(201)	(2,761)	-	-	**(2,962)**	**176,539**
Other financial corporations	36,817	4,598	88	-	**41,503**	(49)	(237)	(88)	-	**(374)**	**41,129**
Non-financial corporations	971,073	158,407	11,739	521	**1,141,740**	(3,702)	(15,479)	(11,739)	(521)	**(31,441)**	**1,110,299**
Households	79,222	32,589	5,182	65	**117,058**	(17)	(1,605)	(5,182)	(58)	**(6,862)**	**110,196**
Total	**1,273,773**	**261,400**	**17,285**	**676**	**1,553,134**	**(3,985)**	**(20,118)**	**(17,285)**	**(669)**	**(42,057)**	**1,511,077**

										31.12.2022	Bank
in RON thousands	Gross carrying amount					Credit loss allowances					Carrying amount
	Stage 1	Stage 2	Stage 3	POCI	Total	Stage 1	Stage 2	Stage 3	POCI	Total	
General governments	8,125	6,026	120	90	**14,361**	(11)	(28)	(120)	(90)	**(249)**	**14,112**
Credit institutions	105,710	88,188	-	-	**193,898**	(575)	(5,344)	-	-	**(5,919)**	**187,979**
Other financial corporations	60,870	4,076	89	-	**65,035**	(69)	(241)	(89)	-	**(399)**	**64,636**
Non-financial corporations	301,464	210,243	11,526	610	**523,843**	(4,130)	(8,017)	(11,439)	(610)	**(24,196)**	**499,647**
Households	85,651	25,561	4,058	70	**115,340**	(33)	(1,747)	(4,058)	(63)	**(5,901)**	**109,439**
Total	**561,820**	**334,094**	**15,793**	**770**	**912,477**	**(4,818)**	**(15,377)**	**(15,706)**	**(763)**	**(36,664)**	**875,813**

The year-end total gross carrying amount of trade receivables that were initially recognized (purchased) during the year 2023 and not fully derecognized by 31 December 2023 amounts to RON 469,446 thousands (2022: RON 565,896 thousands) at Group level, RON 460,012 thousands (2022: RON 552,218 thousands) at Bank level. The gross carrying amount of trade receivables that were held on 1 January 2023 and derecognized during the year 2023 amounts to RON 80,852 thousand at Group level (2022: RON 270,339 thousand), RON 80,792 thousands (2022: RON 269,660 thousands) at Bank level.

The 31 December 2023 balance of the amounts related to physical cash collected from BCR clients but not processed was presented in trade and other receivables (RON 667,007 thousands) following a more detailed analysis of the nature of balances in the industry practice and also regulatory guidance available.

15. Financial liabilities measured at amortised cost

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

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

Deposits from banks

	Group		Bank	
in RON thousands	**31.12.2023**	**31.12.2022**	**31.12.2023**	**31.12.2022**
Current accounts / overnight deposits	486,083	437,342	478,812	470,760
Term deposits from other banks	141,726	814,067	157,220	817,396
Repurchase agreements	370,694	179,796	949,692	837,808
Deposits from banks	**998,503**	**1,431,205**	**1,585,724**	**2,125,964**
Borrowings and financing lines	650,435	648,189	152,934	189,261
Total	**1,648,938**	**2,079,394**	**1,738,658**	**2,315,225**

Borrowings and financing lines

Maturity of financing lines is between January 2024 and September 2030, the interest rates are fixed or variable in a range between 3.502 % - 5.261 %.

Liabilities from financing activities			**Group**
in RON thousands	**Other borrowed funds**	**Subordinated debt**	**Total**
Borrowings at 01.01.2022	**849,192**	**503,964**	**1,353,156**
Cash flow	(211,848)	(516,474)	(728,322)
Foreign exchange adjustments	(122)	(221)	(343)
Accrued interest	10,967	12,731	23,698
Borrowings at 31.12.2022	**648,189**	**-**	**648,189**
Cash flow	(25,488)	-	(25,488)
Foreign exchange adjustments	2,376	-	2,376
Accrued interest	25,358	-	25,358
Borrowings at 31.12.2023	**650,435**	**-**	**650,435**

Liabilities from financing activities			**Bank**
in RON thousands	**Other borrowed funds**	**Subordinated debt**	**Total**
Borrowings at 01.01.2022	**246,763**	**503,964**	**750,727**
Cash flow	(62,892)	(516,474)	(579,366)
Foreign exchange adjustments	14	(221)	(207)
Accrued interest	5,376	12,731	18,107
Borrowings at 31.12.2022	**189,261**	**-**	**189,261**
Cash flow	(45,504)	-	(45,504)
Foreign exchange adjustments	840	-	840
Accrued interest	8,337	-	8,337
Borrowings at 31.12.2023	**152,934**	**-**	**152,934**

Debt securities issued

	Group		Bank	
in RON thousands	**31.12.2023**	**31.12.2022**	**31.12.2023**	**31.12.2022**
Subordinated debt securities issued	1,252,349	1,243,102	1,252,349	1,243,102
Senior non-preferred bonds	8,322,190	3,675,893	8,322,190	3,675,893
Other debt securities issued	595,604	505,411	595,604	505,411
Debt securities issued	**10,170,143**	**5,424,406**	**10,170,143**	**5,424,406**

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

In April 2018, BCR's Extraordinary Shareholders General Meeting has approved the extension of the Debt Issuing Programme (DIP) for a period of 10 years, as well as new bond structures (e.g. subordinated notes, Minimum requirement for eligible liabilities (MREL) notes). In 2019,

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

the debt issuance programme has been integrated into the Multi Issuer Programme (MIP) arranged by Erste Group Bank and is approved by Financial Market Authority (Austria) and listed on the Vienna Stock Exchange.

In 2023, 3 bond issues (2022: 3) were executed under the MIP with a total volume of RON 4.56bn equiv. (2022: 1.38bn), as follows: Senior Non-Preferred new bonds, with a total volume of RON equiv. 4.46bn, out of which 1 Green Senior Non-Preferred Eurobond in total amount of EUR 700m (listed on the Vienna and Bucharest Stock Exchange) and 1 Senior Non Preferred bond RON 1bn (listed on the Bucharest Stock Exchange), and 1 Green Senior Preferred bond with a volume of USD 20m (2022: 0), listed on the Vienna Stock Exchange.

As of 31 December 2023, BCR had 10 bond issues outstanding under the Multi Issuer Programme, in total amount of RON 8.55bn RON, out of which 7 bonds listed on the Bucharest Stock Exchange (www.bvb.ro), one issue listed in the Vienna Stock Exchange (https://www.wienerborse.at/en/search/?q=BCR) and 2 issues listed both on Bucharest Stock Exchange and Vienna Stock Exchange.

The proceeds of the Green Bond are used to finance and/or refinance the loans and investments of the Issuer dedicated to the financing of Eligible Green Projects (i.e. (i) Green Buildings (Residential), (ii) Green Buildings (Commercial) and (iii) Renewable Energy) with environmental benefits ("Green Loans") in accordance with the Erste Group Sustainable Finance Framework dated April 2021 (as amended and/or replaced periodically). Green Loans are identified and reported in accordance with Sustainable Finance Guidelines of Erste Group, available to define and identify assets and investments that can be considered as environmental and/or social eligible to mobilize funds for a transition towards a low carbon economy. Loans are classified and measued in accordance with Financial assets measured at amortised cost policy.

The summary of the bonds is presented below:

ISIN	Issue date	Maturity date	Category	Type	Currency	Issue value	Paying Agent	Listing Venue
ROEAZVK5DFP8	12/16/2019	12/16/2026	SENIOR	NON-PREFERRED	RON	600,000,000	BCR	BVB
RO1AQREPLMW7	5/21/2021	5/21/2028	SENIOR	NON-PREFERRED	RON	1,000,000,000	BCR	BVB
ROMU2ND4VHC6	10/14/2021	10/14/2028	SENIOR	PREFERRED	RON	500,000,000	BCR	BVB, VSE
ROPQT4NGMLM3	12/09/2021	12/09/2028	SENIOR	NON-PREFERRED	RON	600,000,000	BCR	BVB
RO451CMZH2K1	3/31/2022	3/31/2027	SENIOR	NON-PREFERRED	RON	351,500,000	BCR	BVB
ROPC9F84ZSG4	6/14/2022	6/14/2027	SENIOR	NON-PREFERRED	RON	702,000,000	BCR	BVB
ROGJ5KD9L1W9	10/06/2022	10/06/2028	SENIOR	NON-PREFERRED	RON	334,000,000	BCR	BVB
AT0000A32YQ4	03/07/2023	12/15/2029	SENIOR	PREFERRED	USD	20,000,000	EGB	VSE
AT0000A34CN3	5/19/2023	5/19/2027	SENIOR	NON-PREFERRED	EUR	700,000,000	EGB	VSE, BVB
ROM2PE1DEUG5	12/11/2023	12/11/2029	SENIOR	NON-PREFERRED	RON	1,000,000,000	BCR	BVB

Deposits from customers

	Group		Bank	
in RON thousands	**31.12.2023**	**31.12.2022**	**31.12.2023**	**31.12.2022**
Overnight deposits	44,942,196	45,484,991	45,193,360	45,531,008
Savings deposits	2,902,660	2,409,777	2,902,510	2,409,022
Other financial corporations	32,080	20,509	32,080	20,509
Non-financial corporations	510,938	480,314	510,938	480,314
Households	2,359,642	1,908,954	2,359,492	1,908,199
Non-savings deposits	42,039,536	43,075,214	42,290,850	43,121,986
General governments	5,198,234	4,861,448	5,198,234	4,861,448
Other financial corporations	1,181,386	1,232,382	1,401,479	1,269,042
Non-financial corporations	14,141,643	14,478,714	14,169,025	14,488,827
Households	21,518,273	22,502,670	21,522,112	22,502,669
Term deposits	33,539,657	30,103,546	33,531,316	30,078,045
Deposits with agreed maturity	33,539,657	30,103,546	33,531,316	30,078,045
Savings deposits	383,862	214,171	216,633	194,675
Households	383,862	214,171	216,633	194,675
Non-savings deposits	33,155,795	29,889,375	33,314,683	29,883,370
General governments	3,358,747	4,111,924	3,358,747	4,111,924
Other financial corporations	1,020,240	2,468,226	1,092,660	2,544,933
Non-financial corporations	10,491,234	9,211,951	10,581,541	9,323,913
Households	18,285,574	14,097,274	18,281,735	13,902,600
Deposits from customers	**78,481,853**	**75,588,537**	**78,724,676**	**75,609,053**
General governments	8,556,981	8,973,372	8,556,981	8,973,372
Other financial corporations	2,233,706	3,721,117	2,526,219	3,834,484
Non-financial corporations	25,143,815	24,170,979	25,261,504	24,293,054
Households	42,547,351	38,723,069	42,379,972	38,508,143

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

Other financial liabilities

	Group		Bank	
in RON thousands	**31.12.2023**	**31.12.2022**	**31.12.2023**	**31.12.2022**
Intrabanking settlement liabilities	1,567,912	557,473	1,567,916	557,473
Settlement liabilities due to clients	855,590	506,450	851,811	506,204
Client accounts for securities transactions	204,264	128,561	204,264	128,561
Financial liabilities - suppliers	214,990	223,580	196,281	184,069
Other financial liabilities	95,404	205,226	95,172	205,420
Total other financial liabilities	**2,938,160**	**1,621,290**	**2,915,444**	**1,581,727**

Financial instruments at fair value

Financial instruments at fair value through profit or loss

Financial assets whose contractual cash flows are not considered as SPPI are automatically measured at FVPL. In the business of BCR Group, this concerns certain debt securities being measured at fair value because the contractual cash flows have not passed the SPPI test.

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

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

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

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

Financial liabilities at FVPL consist of financial liabilities held for trading.

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

16. Derivatives

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

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

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

						Group
		2023			2022	
in RON thousands	**Notional amount**	**Fair value**		**Notional amount**	**Fair value**	
		Positive	**Negative**		**Positive**	**Negative**
Derivatives held in Trading book	**9,143,731**	**135,039**	**137,671**	**7,639,367**	**176,211**	**158,092**
Interest rate instruments and related derivatives	7,668,889	132,697	133,762	4,863,130	146,012	143,510
Foreign exchange trading and related derivatives	1,474,842	2,342	3,909	2,776,237	30,199	14,582
Derivatives held in Banking Book	**2,562,252**	**639**	**27,796**	**2,483,502**	**1,002**	**5,487**
Foreign exchange trading and related derivatives	2,562,252	639	27,796	2,483,502	1,002	5,487
Total	**11,705,983**	**135,678**	**165,467**	**10,122,869**	**177,213**	**163,579**

16. Derivatives *(continued)*

Bank

in RON thousands	2023 Notional amount	2023 Fair value Positive	2023 Fair value Negative	2022 Notional amount	2022 Fair value Positive	2022 Fair value Negative
Derivatives held in Trading book	**9,248,197**	**135,088**	**137,671**	**7,772,946**	**176,677**	**158,092**
Interest rate instruments and related derivatives	7,668,889	132,697	133,762	4,863,130	146,012	143,510
Foreign exchange trading and related derivatives	1,579,308	2,391	3,909	2,909,816	30,665	14,582
Derivatives held in Banking Book	**2,562,252**	**639**	**27,796**	**2,483,502**	**1,002**	**5,487**
Foreign exchange trading and related derivatives	2,562,252	639	27,796	2,483,502	1,002	5,487
Total	**11,810,449**	**135,727**	**165,467**	**10,256,448**	**177,679**	**163,579**

17. Other financial assets held for trading

	Group		Bank	
in RON thousands	**31.12.2023**	**31.12.2022**	**31.12.2023**	**31.12.2022**
Debt securities	565,410	29	565,410	29
General governments (i)	565,410	29	565,410	29
Debt securities held for trading	**565,410**	**29**	**565,410**	**29**

(i) Debt securities include treasury bills and bonds denominated in RON. The amount increased at the end of 2023 due to aquisition of investments in treasury bills and bonds, both issued by Ministry of Public Finance.

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

	Group		Bank	
in RON thousands	**31.12.2023**	**31.12.2022**	**31.12.2023**	**31.12.2022**
	Mandatorily at fair value		Mandatorily at fair value	
Equity instruments	59,350	50,851	59,350	50,851
Debt securities	20,013	16,328	20,013	16,328
Other financial corporations	20,013	16,328	20,013	16,328
Non-trading financial assets mandatorily at fair value through profit or loss	**79,363**	**67,179**	**79,363**	**67,179**

19. Financial assets at fair value through other comprehensive income

Debt instrument financial assets are measured at fair value through other comprehensive income (FVOCI) if their contractual cash flows are SPPI-compliant and they are held within a business model whose objective is achieved by both to collect contractual cash flows and sell the assets (they relate to various business objectives such as fulfilling internal/external liquidity risk requirements and efficient placement of the structural liquidity surplus, strategic positions decided by the Management Board, initiation and fostering of client relationships, substitution of loan business or other yield-enhancement activities). In the statement of financial position, they are included as 'Debt securities' under the line 'Financial asset at fair value through other comprehensive income'.

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

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

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

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

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

31.12.2023 Group

in RON thousands	Gross carrying amount				Credit loss allowances				Accumulated other fair value changes	Carrying amount
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total		
Debt securities	**10,044,867**	**26,308**	**-**	**10,071,175**	**(7,089)**	**(196)**	**-**	**(7,285)**	**64,355**	**10,135,530**
General governments	9,596,911	-	-	9,596,911	(6,625)	-	-	(6,625)	55,809	9,652,720
Credit institutions	447,956	26,308	-	474,264	(464)	(196)	-	(660)	8,546	482,810
Total	**10,044,867**	**26,308**	**-**	**10,071,175**	**(7,089)**	**(196)**	**-**	**(7,285)**	**64,355**	**10,135,530**

31.12.2022 Group

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

31.12.2023 Bank

in RON thousands	Gross carrying amount				Credit loss allowances				Accumulated other fair value changes	Carrying amount
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total		
Debt securities	**10,044,901**	**26,308**	**-**	**10,071,209**	**(4,557)**	**(196)**	**-**	**(4,753)**	**64,321**	**10,135,530**
General governments	9,596,945	-	-	9,596,945	(4,093)	-	-	(4,093)	55,775	9,652,720
Credit institutions	447,956	26,308	-	474,264	(464)	(196)	-	(660)	8,546	482,810
Total	**10,044,901**	**26,308**	**-**	**10,071,209**	**(4,557)**	**(196)**	**-**	**(4,753)**	**64,321**	**10,135,530**

31.12.2022 Bank

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

The year-end total gross carrying amount of FVOCI debt securities that were initially recognized (purchased) during the year 2023 and not fully derecognized by 31 December 2023 amounts to RON 4,505,984 thousands (2022: RON 3,275,404 thousands) at Group level, RON 4,425,632 thousands (2022: RON 3,214,168 thousands) at Bank level. The gross carrying amount of FVOCI debt securities that were held on 1 January 2023 and derecognized during the year 2023 amounts to RON 4,153,391 thousand at Group level (2022: RON 1,509,958 thousand), RON 4,150,349 thousands (2022: RON 1,508,573 thousands) at Bank level.

Financial instruments - other disclosure matters

20. Securities

Group

in RON thousands	2023 Financial Assets				2022 Financial Assets			
	Financial assets at amortised cost	Trading financial assets	Financial assets mandatorilymeasured at fair value through profit or loss	Financial assets at fair value through other comprehensive income	Financial assets at amortised cost	Trading financial assets	Financial assets mandatorilymeasured at fair value through profit or loss	Financial assets at fair value through other comprehensive income
Bonds and other interest-bearing securities	**17,495,369**	**565,410**	**20,013**	**10,135,530**	**15,215,719**	**29**	**16,328**	**9,664,296**
Listed	16,791,783	565,410	-	9,792,933	15,215,719	29	-	9,351,597
Unlisted	703,586	-	20,013	342,597	-	-	16,328	312,699
Equity related securities	**-**	**-**	**59,350**	**-**	**-**	**-**	**50,851**	**-**
Listed	-	-	8,680	-	-	-	5,034	-
Unlisted	-	-	50,670	-	-	-	45,817	-
Total	**17,495,369**	**565,410**	**79,363**	**10,135,530**	**15,215,719**	**29**	**67,179**	**9,664,296**

20. Securities *(continued)*

Bank

in RON thousands	2023 Financial Assets				2022 Financial Assets			
	Financial assets at amortised cost	Trading financial assets	Financial assets mandatorily measured at fair value through profit or loss	Financial assets at fair value through other comprehensive income	Financial assets at amortised cost	Trading financial assets	Financial assets mandatorily measured at fair value through profit or loss	Financial assets at fair value through other comprehensive income
Bonds and other interest-bearing securities	**17,375,556**	**565,410**	**20,013**	**10,135,530**	**15,132,875**	**29**	**16,328**	**9,664,296**
Listed	16,690,388	565,410	-	9,792,933	15,132,875	29	-	9,351,597
Unlisted	685,168	-	20,013	342,597	-	-	16,328	312,699
Equity related securities	**-**	**-**	**59,350**	**-**	**-**	**-**	**50,851**	**-**
Listed	-	-	8,680	-	-	-	5,034	-
Unlisted	-	-	50,670	-	-	-	45,817	-
Total	**17,375,556**	**565,410**	**79,363**	**10,135,530**	**15,132,875**	**29**	**67,179**	**9,664,296**

21. Fair value of financial assets and liabilities

Financial assets and financial liabilities measured at fair value are categorized under the three levels of the IFRS fair value hierarchy.

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

The fair value is best evidenced by a quoted market price if such exists. Credit Value Adjustment/Debt Value Adjustment is included in the fair value of derivatives, not representing a significant amount both at 31 December 2023 and 31 December 2022.

Level 1 of the fair value hierarchy

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

Level 2 of the fair value hierarchy

In case a market quote is used for valuation but due to restricted liquidity the market does not qualify as active (derived from available market liquidity indicators) the instrument is classified as level 2.

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

Level 3 of the fair value hierarchy

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

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

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

31.12.2023

in RON thousands	Group					Bank				
	Carrying amount	Fair value	Fair value hierarhy			Carrying amount	Fair value	Fair value hierarhy		
			Level 1	Level 2	Level 3			Level 1	Level 2	Level 3
Assets										
Financial assets at amortised cost	74,818,710	74,215,584	16,560,461	321,688	57,333,435	76,486,958	75,944,895	16,444,954	315,755	59,184,186
Loans and advances to banks	2,125,746	2,124,873	-	-	2,124,873	2,142,421	2,141,765	-	-	2,141,765
Loans and advances to customers	55,197,595	55,207,238	-	-	55,207,238	56,968,981	57,041,097	-	-	57,041,097
Debt securities	17,495,369	16,883,473	16,560,461	321,688	1,324	17,375,556	16,762,033	16,444,954	315,755	1,324
Finance lease receivables	2,022,555	2,024,196	-	-	2,024,196	17,393	17,393	-	-	17,393
Trade and other receivables	1,522,407	1,523,997	-	-	1,523,997	1,511,077	1,512,668	-	-	1,512,668
Liabilities										
Financial liabilities measured at amortised cost	93,239,094	93,022,688	-	10,054,378	82,968,310	93,548,921	93,330,833	-	10,054,378	83,276,455
Deposits from banks, borrowings and financial lines	1,648,938	1,635,795	-	-	1,635,795	1,738,658	1,723,830	-	-	1,723,830
Deposits from customers	78,481,853	78,298,143	-	-	78,298,143	78,724,676	78,540,968	-	-	78,540,968
Debt securities in issue	10,170,143	10,150,590	-	10,054,378	96,212	10,170,143	10,150,590	-	10,054,378	96,212
Other financial liabilities	2,938,160	2,938,160	-	-	2,938,160	2,915,444	2,915,445	-	-	2,915,445
Lease liabilities	449,467	449,467	-	-	449,467	448,488	448,488	-	-	448,488
Financial guarantees and commitments	**-**	**434,577**	-	-	**434,577**	-	**435,948**	-	-	**435,948**
Financial guarantees	-	(5,718)	-	-	(5,718)	-	(6,185)	-	-	(6,185)
Irrevocable commitments	-	440,295	-	-	440,295	-	442,133	-	-	442,133

31.12.2022

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

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

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

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

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

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

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

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

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

Group

in RON thousands	Quoted market prices in active markets Level 1		Marked to model based on observable market data Level 2		Marked to model based on non-observable inputs Level 3		Total	
Assets	**31.12.2023**	**31.12.2022**	**31.12.2023**	**31.12.2022**	**31.12.2023**	**31.12.2022**	**31.12.2023**	**31.12.2022**
Financial assets - held for trading	**565,410**	**29**	**135,678**	**177,213**	**-**	**-**	**701,088**	**177,242**
Derivative financial instruments	-	-	135,678	177,213	-	-	135,678	177,213
Debt securities held for trading	565,410	29	-	-	-	-	565,410	29
Non-trading financial assets at fair value through profit or loss	**8,680**	**4,034**	**-**	**-**	**70,683**	**63,145**	**79,363**	**67,179**
Equity instruments	8,680	4,034	-	-	50,670	46,817	59,350	50,851
Debt securities	-	-	-	-	20,013	16,328	20,013	16,328
Financial assets at fair value through other comprehensive income	**9,464,173**	**8,059,029**	**640,335**	**1,550,411**	**31,022**	**54,856**	**10,135,530**	**9,664,296**
Debt securities	9,464,173	8,059,029	640,335	1,550,411	31,022	54,856	10,135,530	9,664,296
Total assets	**10,038,263**	**8,063,092**	**776,013**	**1,727,624**	**101,705**	**118,001**	**10,915,981**	**9,908,717**
Liabilities								
Financial liabilities held for trading	-	-	165,466	163,579	-	-	165,467	163,579
Derivative financial instruments	-	-	165,466	163,579	-	-	165,467	163,579
Total liabilities	**-**	**-**	**165,466**	**163,579**	**-**	**-**	**165,467**	**163,579**

Bank

in RON thousands	Quoted market prices in active markets Level 1		Marked to model based on observable market data Level 2		Marked to model based on non-observable inputs Level 3		Total	
Assets	**31.12.2023**	**31.12.2022**	**31.12.2023**	**31.12.2022**	**31.12.2023**	**31.12.2022**	**31.12.2023**	**31.12.2022**
Financial assets - held for trading	**565,410**	**29**	**135,727**	**177,679**	**-**	**-**	**701,137**	**177,708**
Derivative financial instruments	-	-	135,727	177,679	-	-	135,727	177,679
Debt securities held for trading	565,410	29	-	-	-	-	565,410	29
Non-trading financial assets at fair value through profit or loss	**8,680**	**4,034**	**-**	**-**	**70,683**	**63,145**	**79,363**	**67,179**
Equity instruments	8,680	4,034	-	-	50,670	46,817	59,350	50,851
Debt securities	-	-	-	-	20,013	16,328	20,013	16,328
Financial assets at fair value through other comprehensive income	**9,464,173**	**8,059,029**	**665,998**	**1,550,411**	**5,359**	**54,856**	**10,135,530**	**9,664,296**
Debt securities	9,464,173	8,059,029	665,998	1,550,411	5,359	54,856	10,135,530	9,664,296
Total assets	**10,038,263**	**8,063,092**	**801,725**	**1,728,090**	**76,042**	**118,001**	**10,916,030**	**9,909,183**
Liabilities								
Financial liabilities held for trading	-	-	165,466	163,579	-	-	165,467	163,579
Derivative financial instruments	-	-	165,466	163,579	-	-	165,467	163,579
Total liabilities	**-**	**-**	**165,466**	**163,579**	**-**	**-**	**165,467**	**163,579**

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

Financial assets held for trading position has increased during 2023 compared 2022 mostly due to an increase in the government bonds portfolio.

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

- equity instruments, in principal minority interests classified as level 3 instruments for which the fair value is determined based on internal assessment. The most common valuation methods used in the evaluation of minority interest are: Quoted price in active markets, Expert opinion or Recent transaction value, Discounted Cash Flow Method / Dividend Discount Model, the adjusted Net Asset Value, Simplified income approach;
- Visa Inc Preferred Share equity for which fair value is computed based on internal assessment for class C.

Financial assets at fair value through other comprehensive income include:

- Debt securities issued by Ministry of Finance which are actively traded classified on level 1 and 2;
- One debt securities issued by the Ministry of Finance, which is theoretically priced is presented on level 3.

Valuation of level 3 financial instruments

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

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

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

As at December 2023, the fair valuation of VISA Inc class C preferred shares was based on reasonable assumptions and estimations and was consequently classified in level 3. The sale of shares is limited to certain conditions which may restrict the conversion of preferred shares into tradable VISA Inc shares. Due to these limiting conditions, and in order to reflect the potential price volatility of Class A common shares and the limited liquidity of preferred shares the fair value of the preferred shares was capped based on assumptions compared to free tradable VISA Inc. class A common shares. The price of class C preferred shares was determined based on the conversion ratio of 1: 3,645 and an additional haircut of 27.07% was applied.

Movements in Level 3 of financial instruments carried at fair value

Group

in RON thousands	Balance	Gain/(loss) in profit or loss	Gain/(loss) in other comprehensive income	Purchases	Transfers into Level 3	Transfers out of Level 3	Exchange rate differences	Balance
Assets	**01.01.2023**							**31.12.2023**
Non-trading financial assets at fair value through profit or loss	**63,145**	**(66)**	**-**	**10,000**	**-**	**(2,396)**	**-**	**70,683**
Equity instruments	46,817	(3,751)	-	10,000	-	(2,396)	-	50,670
Debt securities	16,328	3,685	-	-	-	-	-	20,013
Financial assets at fair value through other comprehensive income	**54,856**	**-**	**-**	**25,164**	**5,359**	**(54,856)**	**499**	**31,022**
Debt securities	54,856	-	-	25,164	5,359	(54,856)	499	31,022
Total assets	**118,001**	**(66)**	**-**	**35,164**	**5,359**	**(57,252)**	**499**	**101,705**

Group

in RON thousands	Balance	Gain/(loss) in profit or loss	Gain/(loss) in other comprehensive income	Purchases	Transfers into Level 3	Transfers out of Level 3	Exchange rate differences	Balance
Assets	**01.01.2022**							**31.12.2022**
Financial assets - held for trading	**900**	**454**	**-**	**-**	**-**	**(1,354)**	**-**	**-**
Derivative financial instruments	900	454	-	-	-	(1,354)	-	-
Non-trading financial assets at fair value through profit or loss	**62,839**	**21,373**	**-**	**-**	**-**	**(21,039)**	**(28)**	**63,145**
Equity instruments	32,207	14,861	-	-	-	(253)	2	46,817
Debt securities	30,632	6,512	-	-	-	(20,786)	(30)	16,328
Financial assets at fair value through other comprehensive income	**28,326**	**-**	**(139)**	**49,803**	**-**	**(23,134)**	**-**	**54,856**
Debt securities	28,326	-	(139)	49,803	-	(23,134)	-	54,856
Total assets	**92,065**	**21,827**	**(139)**	**49,803**	**-**	**(45,527)**	**(28)**	**118,001**

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

Bank

in RON thousands	Balance	Gain/(loss) in profit or loss	Gain/(loss) in other comprehensive income	Purchases	Transfers into Level 3	Transfers out of Level 3	Exchange rate differences	Balance
Assets	**01.01.2023**							**31.12.2023**
Non-trading financial assets at fair value through profit or loss	**63,145**	**(66)**	**-**	**10,000**	**-**	**(2,396)**	**-**	**70,683**
Equity instruments	46,817	(3,751)	-	10,000	-	(2,396)	-	50,670
Debt securities	16,328	3,685	-	-	-	-	-	20,013
Financial assets at fair value through other comprehensive income	**54,856**	**-**	**-**	**-**	**5,359**	**(54,856)**	**-**	**5,359**
Debt securities	54,856	-	-	-	5,359	(54,856)	-	5,359
Total assets	**118,001**	**(66)**	**-**	**10,000**	**5,359**	**(57,252)**	**-**	**76,042**

Bank

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

Unobservable inputs and sensitivity analysis for Level 3 measurements

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

Range of unobservable valuation parameters used in Level 3 measurement

Financial assets	Type of instrument	Valuation technique	Significant unobservable inputs	Range of unobservable inputs (weighted average)
Dec-23				
Financial assets at FVOCI	Fixed and variable coupon bonds	Discounted cash flow	Credit Spread	1.57%
Financial assets at FVOCI / at FVPL	Non-trading equity instruments (participations)	Dividend Discount Model; Simplified Income Approach	Beta relevered	Industries: Insurance (General) 0.97; Financial Svcs. (Non-bank & Insurance) 1.05
			Country risk premium	Romania 2.35%-2.69%
		Adjusted Net Asset Value	Adjusted Equity	Depending on accounting equity of investment.

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

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

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

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

	Bank	
	Fair value changes	
	Positive	Negative
in RON ths	**Dec. 2023**	**Dec. 2023**
Debt securities	100	(133)
Other comprehensive income	100	(133)
Equity instruments	12,826	(9,009)
Income statement	12,826	(9,009)
Total	**12,926**	**(9,142)**
Income statement	12,826	(9,009)
Other comprehensive income	100	(133)

22. Encumbered assets

	Group		Bank	
in RON thousands	**31.12.2023**	**31.12.2022**	**31.12.2023**	**31.12.2022**
Financial assets at amortised cost	262,429	386,866	883,837	1,121,147
Financial assets at fair value through other comprehensive income	115,714	180,325	115,714	180,325
Total	**378,143**	**567,191**	**999,551**	**1,301,472**

On 31 December 2023, government bonds with a total book value of RON 262,429 thousands (31 December 2022: RON 386,866 thousands) have been used as pledge for funding received from International Financial Institutions and to ensure final settlement of interbank multilateral clearing operations according to NBR regulations for the settlement of transactions through ROCLEAR Bucharest, NBR's Clearing House, and Visa and MasterCard card transactions.

Encumbered assets include securities used for repo transactions (see further details in note 23) and securities pledged as collateral for various purposes, as described above.

23. Transfers of financial assets

Repurchase transactions

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

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

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

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

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

23. Transfers of financial assets *(continued)*

Within the Group there have been transfers of financial assets through repurchase transactions, therefore RON 621,408 thousands (2022: RON 347,416 thousands) of these have been eliminated at consolidated level. The remaining amount au group level are RON 378,143 thousands (2022: RON 567,191 thousands).

				Bank
in RON thousands	Carrying amount of transferred assets	Carrying amount of associated liabilities	Carrying amount of transferred assets	Carrying amount of associated liabilities
Repurchase agreements	31.12.2023		31.12.2022	
Financial assets at fair value through other comprehensive income	115,714	115,554	180,325	179,796
Financial assets at amortised cost	883,837	834,138	734,282	658,012
Total	**999,551**	**949,692**	**914,607**	**837,808**

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

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

				Bank
in RON thousands	Fair value of transferred assets	Fair value of associated liabilities	Fair value of transferred assets	Fair value of associated liabilities
Repurchase agreements	31.12.2023		31.12.2022	
Financial assets at fair value through other comprehensive income	115,738	115,738	180,343	180,343
Financial assets at amortised cost	861,671	861,671	682,973	682,973
Total	**977,409**	**977,409**	**863,316**	**863,316**

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

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

As at 31 December 2023, reverse repurchase transactions in amount of RON 2,015,296 thousands were concluded (2022: nill). The Bank received as collateral financial assets consisting in bonds. The fair value of collateral as of December 31, 2023 was in amount of RON 2,054,454 thousands (31.12.2022: nill). The Bank hass the right to sell or repledge the assets in the absence of default situation of the owner of the collateral.

Risk and capital management

24. Risk management

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

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

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

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

Risk governance structure

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

The Risk Governance structure is presented below:

Supervisory Board

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

The Risk and Compliance Committee of the Supervisory Board

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

Audit Committee of the Supervisory Board

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

Management Board

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

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

Risk Committee

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

24. Risk management *(continued)*

Credit Committee

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

Sustainability Committee

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

Risk management organization

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

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

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

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

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

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

The main roles of the Risk Management function are:

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

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

Reports include information on aspects such as:

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

24. Risk management *(continued)*

As of 31.12.2023, the risk management function is consolidated under Risk Functional Line, coordinated by the Chief Risk Officer and consists from the following divisions: Retail Risk Management Division, Corporate Risk Management Division, Strategic Risk Management Division, Security Management and Business Continuity Division, Compliance Division, Legal Division.

Group-wide risk and capital management

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

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

The risk management framework enables an increased focus on holistic risk management and ensures comprehensive, cross-risk Group-wide risk portfolio steering. Also, it drives key strategic cross-risk initiatives to establish greater cohesion between the risk strategy including the risk appetite and limit steering. ERM involves all risk functions and key divisions to strengthen risk oversight group-wide, covering capital (RWA and ICAAP), credit, liquidity (ILAAP), market, operational and other risks.

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

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

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

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

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

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

25. Own funds and capital requirements

Own funds disclosure

Regulatory Requirements

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

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

	Group		Bank	
in RON thousands	**31.12.2023**	**31.12.2022**	**31.12.2023**	**31.12.2022**
Common equity tier 1 capital (CET1)	8,809,026	8,814,547	8,714,691	8,679,492
Additional tier 1 capital (AT1)	741,555	741,555	741,555	741,555
Tier 1 Capital	9,550,581	9,556,102	9,456,246	9,421,047
Tier 2 Capital	1,243,650	1,236,850	1,243,650	1,236,850
Total own funds	**10,794,231**	**10,792,952**	**10,699,896**	**10,657,897**
Risk Weighted Exposure Amounts For Credit, Counterparty Credit And Dilution Risks And Free Deliveries	43,585,347	38,974,223	40,147,246	36,004,262
Total Risk Exposure Amount for Position, Foreign Exchange and Commodities Risks	412,391	333,891	85,940	85,991
Total Risk Exposure Amount for Operational Risk	7,813,608	7,922,119	7,264,220	7,492,439
Total Risk Exposure Amount for Credit Valuation Adjustment	92,909	145,472	92,909	145,472
Total Risk Exposure amount for settlement	-	74	-	74
Total Risk Exposure Amount	**51,904,255**	**47,375,779**	**47,590,315**	**43,728,238**
Capital Ratios				
CET 1 Capital ratio	16.97%	18.61%	18.31%	19.85%
T1 Capital ratio	18.40%	20.17%	19.87%	21.54%
Total capital ratio	20.80%	22.78%	22.48%	24.37%

For 2022 comparatives were updated with the final figures, as approved by GSM on 24th April 2023.

During 2022 and 2023, the Group and also the Bank were fully compliant with the limits imposed by the above regulations.

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

Starting with 30 June 2022, BCR Group applied the transitory measures described in article 468 related to unrealized gains and losses for financial assets measured at fair value through other comprehensive income. The full impact related to this is considered in the calculation of own funds and capital ratios. Starting with 1st of January 2023, the application of the above article ended.

26. Credit Risk

ESG Risk Management

Environmental, Social and Governance (ESG) risks continued to be among top priorities in 2023. BCR integrated ESG factors in the risk management and industry strategy framework. The ESG Factor Heatmap is used for small and medium companies as a screening instrument to identify certain segments (out of the existing segmentation) that may be exposed to ESG risk factors and determine those industries which are more vulnerable to ESG risks. The Bank establishes industry strategies and lending standards to support the steering of the portfolio under considerations of ESG risks.

For large corporate the Bank conducts a systemic ESG analysis via an internal digital ESG Assessment questionnaire. The questionnaire is a mandatory prerequisite in the loan origination and monitoring process. Through this comprehensive assessment, BCR is able to determine to which extent a client's ESG strategy is aligned with the Bank's industry strategies and how certain ESG factors may have a positive or negative impact on the financial performance of clients. Questions cover various dimensions, such as current and targeted greenhouse gas emissions, impact of carbon prices on profitability, EU Taxonomy aligned and eligible financial data, waste, water consumption, biodiversity, physical risk impact, workers and human rights, governance topics and compliance with minimum safeguards. The questionnaire forms an integral part of the credit application and is updated at least annually, allowing the Bank to understand the client's business model in the context of carbon transition.

BCR acknowledges the additional challenges caused by ESG risks and is in the process of analyses how these risks can be incorporated into expected credit loss measurement. In the Risk Materiality Assessment, climate and environment related risks are overall assessed as medium. This assessment is driven by the transition risk as a share of the portfolio still has high greenhouse gas emissions and would therefore be exposed to increased risk in the event of a disorderly transition scenario.

26. Credit risk *(continued)*

Definition

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

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

Internal rating system

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

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

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

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

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

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

Credit risk classification

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

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

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

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

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

26. Credit risk *(continued)*

The materiality of 90 days past due credit obligation is applied for on-balance exposure at client level and assessed daily against the group-wide defined materiality threshold (except the local regulator has defined different thresholds) for the:

- retail exposures: absolute limit on client level of 150 RON and relative 1% on client level
- non-retail exposures: absolute limit on client level of 1000 RON and relative 1% on client level

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

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

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

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

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

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

Credit risk review and monitoring

Credit risk exposure relates to the following statement of financial position items:

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

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

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

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

26. Credit risk *(continued)*

- netting effects;
- other credit enhancements;
- credit risk mitigating transactions.

The gross carrying amount of the credit risk exposure of the Group increased by RON 9,805,541 thousands from almost RON 107,832,775 thousands as of 31 December 2022 to approximately RON 117,638,316 thousands as of 31 December 2023.

The gross carrying amount of the credit risk exposure of the Bank increased by RON 10,557,538 thousands, from almost RON 106,675,177 thousands as of 31 December 2022 to approximately RON 117,232,715 thousands as of 31 December 2023.

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

	Group				Bank			
in RON thousands	Credit risk exposure	Credit loss allowances	Adjustments*	Carrying amount	Credit risk exposure	Credit loss allowances	Adjustments*	Carrying amount
				31.12.2023				
On balance exposures	**93,014,718**	**(3,001,218)**	**64,323**	**90,086,295**	**91,739,960**	**(2,814,962)**	**64,323**	**88,994,073**
Cash and cash balances - demand deposits to central banks and credit institutions	121,205	(12)	-	121,193	122,097	(132)	-	121,965
Debt instruments held for trading	701,088	-	-	701,088	701,137	-	-	701,137
Non-trading debt instruments at FVPL	20,013	-	-	20,013	20,013	-	-	20,013
Debt securities	20,013	-	-	20,013	20,013	-	-	20,013
Debt instruments at FVOCI	10,071,207	(8,472)	64,323	10,135,530	10,071,206	(4,752)	64,323	10,135,530
Debt securities	10,071,207	(8,472)	64,323	10,135,530	10,071,206	(4,752)	64,323	10,135,530
Debt instruments at AC	77,654,384	(2,835,674)	-	74,818,710	79,253,807	(2,766,848)	-	76,486,958
Debt securities	17,502,898	(7,529)	-	17,495,369	17,383,035	(7,478)	-	17,375,556
Loans and advances to banks	2,125,778	(32)	-	2,125,746	2,142,955	(534)	-	2,142,421
Loans and advances to customers	58,025,708	(2,828,113)	-	55,197,595	59,727,817	(2,758,836)	-	56,968,981
Trade and other receivables	1,581,064	(58,657)	-	1,522,407	1,553,133	(42,056)	-	1,511,077
Finance lease receivables	2,102,889	(80,334)	-	2,022,555	18,567	(1,174)	-	17,393
Debt instruments held for sale in disposal groups	762,868	(18,069)	-	744,799	-	-	-	-
Off balance-sheet exposures	**24,623,598**	**(411,030)**	**-**	**-**	**25,492,755**	**(411,202)**	**-**	**-**
Financial guarantees	2,373,590	(35,416)	-	-	2,552,878	(36,739)	-	-
Loan commitments	19,553,072	(375,614)	-	-	20,233,218	(374,463)	-	-
Other commitments (i)	2,696,936	-	-	-	2,706,659	-	-	-
Total	**117,638,316**	**(3,412,248)**	**64,323**	**90,086,295**	**117,232,715**	**(3,226,164)**	**64,323**	**88,994,073**

	Group				Bank			
in RON thousands	Credit risk exposure	Credit loss allowances	Adjustments*	Carrying amount	Credit risk exposure	Credit loss allowances	Adjustments*	Carrying amount
				31.12.2022				
On balance exposures	**84,542,334**	**(2,827,465)**	**(284,946)**	**81,444,498**	**83,160,165**	**(2,728,207)**	**(284,947)**	**80,158,714**
Cash and cash balances - demand deposits to central banks and credit institutions	151,722	(87)	-	151,635	151,424	(101)	-	151,323
Debt instruments held for trading	177,242	-	-	177,242	177,708	-	-	177,708
Non-trading debt instruments at FVPL	16,328	-	-	16,328	16,328	-	-	16,328
Debt securities	16,328	-	-	16,328	16,328	-	-	16,328
Debt instruments at FVOCI	9,949,242	(14,575)	(284,946)	9,664,296	9,949,242	(11,702)	(284,947)	9,664,296
Debt securities	9,949,242	(14,575)	(284,946)	9,664,296	9,949,242	(11,702)	(284,947)	9,664,296
Debt instruments at AC	70,709,818	(2,663,607)	-	68,046,211	71,942,064	(2,677,223)	-	69,264,841
Debt securities	15,230,959	(15,240)	-	15,215,719	15,148,034	(15,159)	-	15,132,875
Loans and advances to banks	148,605	(261)	-	148,344	225,710	(69,011)	-	156,699
Loans and advances to customers	55,330,254	(2,648,106)	-	52,682,148	56,568,320	(2,593,053)	-	53,975,267
Trade and other receivables	961,886	(60,861)	-	901,025	912,474	(36,661)	-	875,813
Finance lease receivables	1,813,104	(67,741)	-	1,745,363	10,925	(2,520)	-	8,405
Debt instruments held for sale in disposal groups	762,992	(20,594)	-	742,398	-	-	-	-
Off balance-sheet exposures	**23,290,441**	**(405,936)**	**-**	**-**	**23,515,012**	**(407,404)**	**-**	**-**
Financial guarantees	19,246	(14,883)	-	-	19,246	(14,883)	-	-
Loan commitments	15,238,600	(289,465)	-	-	15,453,710	(290,911)	-	-
Other commitments (i)	8,032,595	(101,589)	-	-	8,042,056	(101,610)	-	-
Total	**107,832,775**	**(3,233,401)**	**(284,946)**	**81,444,498**	**106,675,177**	**(3,135,611)**	**(284,947)**	**80,158,714**

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

(i) In case of other commitments, provisions are calculated in accordance with IAS 37 only in case of defaulted customers.

26. Credit risk *(continued)*

During 2023, the Bank reclassified performance guarantees from the off-balance category "Other Commitments" to the off-balance category "Loan commitments" , as a result of applying IFRS 17.

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

Credit loss allowances do not include provisions for cash at central banks (2023: RON 1,050 thousands in case of Bank and RON 946 thousands in case of Group), but include provisions for debt instruments held for sale in disposal groups in amount of RON 18,069 thousands in case of BCR Group.

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

Breakdown of credit risk exposure

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

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

Credit risk exposure by industry and risk category

					Group
in RON thousands	Low risk	Management attention	Substandard	Non-performing	Total
			31.12.2023		
Natural Resources & Commodities	2,939,621	2,962,083	200,980	254,084	6,356,768
Energy	8,878,278	1,130,720	207,688	63,503	10,280,189
Construction and building materials	3,252,779	3,452,305	620,646	193,876	7,519,606
Automotive	674,737	477,223	67,692	21,702	1,241,354
Cyclical Consumer Products	1,474,729	756,642	231,331	54,226	2,516,928
Non-Cyclical Consumer Products	2,058,183	1,768,402	162,850	43,060	4,032,495
Machinery	446,671	456,543	133,360	28,009	1,064,583
Transportation	2,879,725	1,090,388	143,092	135,777	4,248,982
TMT and Paper & Packaging	349,446	334,343	49,193	39,173	772,155
Healthcare & Services	1,035,330	784,265	243,781	16,539	2,079,915
Hotels, Gaming & Leisure Industry	221,334	145,445	51,696	13,836	432,311
Real Estate	3,546,432	103,374	116,841	5,500	3,772,147
Public Sector	35,999,302	197,629	3,094	297	36,200,322
Financial Institutions	5,893,765	389,878	56,421	1,107	6,341,171
Private Households	26,036,586	2,926,198	785,761	1,030,633	30,779,178
Other	212	-	-	-	212
Total	**95,687,130**	**16,975,438**	**3,074,426**	**1,901,322**	**117,638,316**

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

26. Credit risk *(continued)*

Bank

in RON thousands	Low risk	Management attention	Substandard	Non-performing	Total
			31.12.2023		
Natural Resources & Commodities	2,201,551	2,795,327	187,559	222,358	5,406,795
Energy	8,708,269	1,127,301	207,172	61,887	10,104,629
Construction and building materials	2,700,131	3,399,373	612,342	166,344	6,878,190
Automotive	658,293	555,477	67,692	21,568	1,303,030
Cyclical Consumer Products	867,205	663,899	227,717	31,232	1,790,053
Non-Cyclical Consumer Products	2,016,554	1,767,969	162,850	42,861	3,990,234
Machinery	436,083	456,543	133,360	28,009	1,053,995
Transportation	1,761,481	947,223	137,023	91,229	2,936,956
TMT and Paper & Packaging	287,871	331,663	48,868	38,177	706,579
Healthcare & Services	866,922	772,533	238,159	11,280	1,888,894
Hotels, Gaming & Leisure Industry	146,984	139,161	49,843	10,971	346,959
Real Estate	3,370,384	91,217	114,498	446	3,576,545
Public Sector	35,876,316	62,021	3,034	297	35,941,668
Financial Institutions	10,143,845	332,061	118,480	3,930	10,598,316
Private Households	25,979,478	2,924,567	785,019	1,020,806	30,709,870
Total	**96,021,367**	**16,366,335**	**3,093,616**	**1,751,395**	**117,232,713**

Bank

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

With 81.3%, the low risk exposure has the highest share in total credit risk exposure, while management attention represents 14.4% for BCR Group as of December 2023. The substandard exposure contributes 2.6% and the non-performing category with 1.6%. Similar structure can be observed in case of BCR standalone.

Credit risk exposure by region and risk category

Group

in RON thousands	Low risk	Management attention	Substandard	Non-performing	Total
			31.12.2023		
Core markets	**92,029,663**	**16,767,936**	**3,015,731**	**1,867,705**	**113,681,035**
Austria	1,052,236	98	2	17,761	1,070,097
Croatia	-	-	-	1	1
Romania	90,835,093	16,767,836	3,006,684	1,849,939	112,459,552
Serbia	-	-	-	1	1
Slovakia	7	-	9,045	-	9,052
Czech Republic	9,150	-	-	-	9,150
Hungary	133,177	2	-	3	133,182
Other EU	**2,806,517**	**3,834**	**6,576**	**25,219**	**2,842,146**
Other industrialised countries	**544,099**	**198**	**1**	**214**	**544,512**
Emerging markets	**306,851**	**203,470**	**52,118**	**8,184**	**570,623**
Southeastern Europe/CIS	300,526	203,395	3	7,941	511,865
Asia	2,869	43	1	2	2,915
Latin America	292	-	-	2	294
Middle East/Africa	3,164	32	52,114	239	55,549
Total	**95,687,130**	**16,975,438**	**3,074,426**	**1,901,322**	**117,638,316**

26. Credit risk *(continued)*

Group

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

Bank

in RON thousands	Low risk	Management attention	Substandard	Non-performing	Total
			31.12.2023		
Core markets	**92,875,079**	**16,362,177**	**3,034,921**	**1,725,639**	**113,997,816**
Austria	1,008,500	98	2	17,761	1,026,361
Croatia	-	-	-	1	1
Romania	91,724,245	16,362,077	3,025,874	1,707,873	112,820,069
Serbia	-	-	-	1	1
Slovakia	7	-	9,045	-	9,052
Czech Republic	9,150	-	-	-	9,150
Hungary	133,177	2	-	3	133,182
Other EU	**2,595,664**	**3,834**	**6,576**	**25,219**	**2,631,293**
Other industrialised countries	**544,099**	**198**	**1**	**214**	**544,512**
Emerging markets	**6,525**	**126**	**52,118**	**323**	**59,092**
Southeastern Europe/CIS	200	51	3	80	334
Asia	2,869	43	1	2	2,915
Latin America	292	-	-	2	294
Middle East/Africa	3,164	32	52,114	239	55,549
Total	**96,021,367**	**16,366,335**	**3,093,616**	**1,751,395**	**117,232,713**

Bank

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

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

Credit risk exposure increased in absolute figures mainly in Romania with RON 7,699,304 thousands from RON 104,760,248 thousands in 2022 to RON 112,459,552 thousands in 2023 in case of Group. The increase in exposure in main market - Romania registered at Group level is also observed at Bank level: increase with RON 8,449,575 thousands from RON 104,370,494 thousands in 2022 to RON 112,820,069 thousands in 2023. In total, BCR Group's core markets and the EU accounted for 99.1% (2022: 99.1%) of credit risk exposure.

26. Credit risk *(continued)*

Credit risk exposure by business segment and risk category

in RON thousands	Low risk	Management attention	Substandard	Non-performing	Total
					Group
			31.12.2023		
Retail	27,094,482	3,839,473	1,661,113	1,177,069	33,772,137
Corporates	35,128,078	13,037,747	1,358,934	716,908	50,241,667
Group Markets	2,934,137	21,739	53,936	1,054	3,010,866
Asset/Liability Management and Local Corporate Center	30,530,433	76,479	443	6,291	30,613,646
Total	**95,687,130**	**16,975,438**	**3,074,426**	**1,901,322**	**117,638,316**

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

in RON thousands	Low risk	Management attention	Substandard	Non-performing	Total
					Bank
			31.12.2023		
Retail	25,930,577	3,679,834	1,637,066	1,109,255	32,356,732
Corporates	32,094,945	12,495,063	1,339,622	631,973	46,561,603
Group Markets	3,233,460	53,714	65,183	1,054	3,353,411
Asset/Liability Management and Local Corporate Center	34,762,385	137,724	51,745	9,113	34,960,967
Total	**96,021,367**	**16,366,335**	**3,093,616**	**1,751,395**	**117,232,713**

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

Low risk exposure has a significant share in total credit risk exposure (Bank: 81.9% and Group: 81.3%) as of December 2023, lower than 2022 (Bank: 81.7% and Group: 81.6%).

Non-performing risk category has stagnated in 2023, for both Bank (2023: 1.5% and 2022: 1.6%) and Group (2023: 1.6% and 2022: 1.6%). This evolution is reflecting the continuous workout efforts to diminish the non-performing stock through recoveries, healings and write-offs, fully offsetting new defaulted exposures.

Main types of collateral

The following types of collateral are accepted:

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

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

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

26. Credit risk *(continued)*

Credit risk exposure by financial instrument and collateral

Group

in RON thousands	Total credit risk exposure	Collateral total	Collateralised by			Credit risk exposure net of collateral	IFRS9 impairment relevant		
			Guarantees	Real estate	Other		Neither past due nor credit impaired	Past due but not credit impaired	Credit impaired
	31.12.2023								
Cash and cash balances - demand deposits to central banks and credit institutions	121,205	-	-	-	-	121,205	121,205	-	-
Debt instruments held for trading	701,088	-	-	-	-	701,088	-	-	-
Non-trading debt instruments at FVPL	20,013	-	-	-	-	20,013	-	-	-
Debt instruments at FVOCI	10,071,207	-	-	-	-	10,071,206	10,071,207	-	-
Debt instruments at AC	**81,338,337**	**31,101,394**	**7,874,401**	**17,216,171**	**6,010,821**	**50,236,943**	**76,625,159**	**2,946,399**	**1,766,779**
Debt securities	17,502,898	-	-	-	-	17,502,898	17,502,898	-	-
Loans and advances to banks	2,125,778	2,015,296	-	-	2,015,296	110,482	2,125,778	-	-
Loans and advances to customers	58,025,708	27,433,944	7,873,951	17,209,672	2,350,321	30,591,764	53,530,427	2,833,099	1,662,182
Trade and other receivables	1,581,064	5,092	450	750	3,892	1,575,972	1,534,823	8,192	38,049
Finance lease receivables	2,102,889	1,647,062	-	5,749	1,641,312	455,827	1,931,233	105,108	66,548
Debt instruments held for sale in disposal groups	762,868	-	-	-	-	762,868	762,868	-	-
Off balance-sheet exposures	24,623,598	5,469,034	482,796	352,377	4,633,862	19,154,564	21,768,633	23,486	134,543
out of which: other commitments	2,696,936	1,582,410	-	9,622	1,572,788	1,114,526	-	-	-
Total	**117,638,316**	**36,570,428**	**8,357,197**	**17,568,548**	**10,644,683**	**81,067,887**	**109,349,072**	**2,969,885**	**1,901,322**

Group

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

Bank

in RON thousands	Total credit risk exposure	Collateral total	Collateralised by			Credit risk exposure net of collateral	IFRS9 impairment relevant		
			Guarantees	Real estate	Other		Neither past due nor credit impaired	Past due but not credit impaired	Credit impaired
	31.12.2023								
Cash and cash balances - demand deposits to central banks and credit institutions	122,097	-	-	-	-	122,097	122,097	-	-
Debt instruments held for trading	701,137	-	-	-	-	701,137	-	-	-
Non-trading debt instruments at FVPL	20,013	-	-	-	-	20,013	-	-	-
Debt instruments at FVOCI	10,071,206	-	-	-	-	10,071,206	10,071,206	-	-
Debt instruments at AC	**80,825,507**	**27,926,280**	**7,874,401**	**17,209,703**	**2,842,176**	**52,899,227**	**76,539,884**	**2,668,739**	**1,616,884**
Debt securities	17,383,035	-	-	-	-	17,383,035	17,383,035	-	-
Loans and advances to banks	2,142,955	2,015,296	-	-	2,015,296	127,659	2,142,955	-	-
Loans and advances to customers	59,727,817	25,909,784	7,873,951	17,208,963	826,870	33,818,033	55,467,250	2,664,460	1,596,107
Trade and other receivables	1,553,133	1,200	450	740	10	1,551,933	1,530,900	4,279	17,954
Finance lease receivables	18,567	-	-	-	-	18,567	15,744	-	2,823
Debt instruments held for sale in disposal groups	-	-	-	-	-	-	-	-	-
Off balance-sheet exposures	25,492,754	5,470,871	482,796	352,377	4,635,698	20,021,884	22,628,101	23,486	134,509
out of which: other commitments	2,706,659	1,584,247	-	9,622	1,574,625	1,122,412	-	-	-
Total	**117,232,714**	**33,397,151**	**8,357,197**	**17,562,080**	**7,477,874**	**83,835,564**	**109,361,288**	**2,692,225**	**1,751,393**

26. Credit risk *(continued)*

Bank

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

Development of Credit Loss Allowances (CLA)

The following tables give an overview over the development of credit loss allowances per balance sheet line item. The movement in gross exposure are presented in Note 13.1.

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

31.12.2023 Group

in RON thousands	Opening balance	Increases due to origination and acquisition	Decreases due to derecognition	Net changes due to change in credit risk	Transfers between Stage 1 and Stages 2/3	Net changes due to modifications without derecognition	Decrease in allowance account due to write-offs and POCI loans	Exchange-rate and other changes (+/-)	Closing Balance
Debt securities									
Stage 1	**(15,001)**	**(9,216)**	**6,026**	**9,843**	**16**	**-**	**-**	**838**	**(7,494)**
Central banks	-	(758)	-	-	-	-	-	758	-
General governments	(15,001)	(8,458)	6,026	9,843	16	-	-	80	(7,494)
Stage 2	**(239)**	**-**	**-**	**239**	**(36)**	**-**	**-**	**-**	**(36)**
General governments	(239)	-	-	239	(36)	-	-	-	(36)
Total	**(15,240)**	**(9,216)**	**6,026**	**10,082**	**(20)**	**-**	**-**	**838**	**(7,530)**

31.12.2022 Group

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

31.12.2023 Bank

in RON thousands	Opening balance	Increases due to origination and acquisition	Decreases due to derecognition	Net changes due to change in credit risk	Transfers between Stage 1 and Stages 2/3	Net changes due to modifications without derecognition	Decrease in allowance account due to write-offs and POCI loans	Exchange-rate and other changes (+/-)	Closing Balance
Debt securities									
Stage 1	**(14,920)**	**(4,773)**	**3,053**	**9,198**	**16**	**-**	**-**	**(17)**	**(7,443)**
General governments	(14,920)	(4,773)	3,053	9,198	16	-	-	(17)	(7,443)
Stage 2	**(239)**	**-**	**-**	**239**	**(36)**	**-**	**-**	**-**	**(36)**
General governments	(239)	-	-	239	(36)	-	-	-	(36)
Total	**(15,159)**	**(4,773)**	**3,053**	**9,437**	**(20)**	**-**	**-**	**(17)**	**(7,479)**

26. Credit risk *(continued)*

31.12.2022 Bank

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

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

In column 'Transfers between stages' CLA net changes due to changes in credit risk that triggered re-assignments of the related AC debt securities from Stage 1 (on 1 January 2023 or initial recognition date) to Stages 2 or 3 at 31 December 2023 or vice-versa are reported. The effects of transfers from Stage 1 to Stages 2 or 3 on the related CLAs are adverse and presented in lines attributable to Stages 2 or 3. The effects of transfers from Stages 2 or 3 to Stage 1 on the related CLAs are favourable and presented in line 'Stage 1'.
Any other changes in credit risk which do not trigger a transfer between Stage 1 and Stage 2 or 3 or vice-versa are disclosed in column 'Net changes due to change in credit risk (net)'.

The movements in allowances loans and advances to banks:

31.12.2023 Group

in RON thousands	Opening balance	Increases due to origination and acquisition	Decreases due to derecognition	Net changes due to change in credit risk	Transfers between Stage 1 and Stages 2/3	Net changes due to modifications without derecognition	Decrease in allowance account due to write-offs and POCI loans	Exchange-rate and other changes (+/-)	Closing Balance
Loans and advances to banks									
Stage 1	**(262)**	**(14,947)**	**16,127**	**(1,513)**	**554**	**-**	**-**	**8**	**(33)**
Central banks	-	1	-	(1)	-	-	-	-	-
Credit institutions	(262)	(14,948)	16,127	(1,512)	554	-	-	8	(33)
Stage 2	**-**	**(1)**	**-**	**225**	**(217)**	**-**	**-**	**(7)**	**-**
Credit institutions	-	(1)	-	225	(217)	-	-	(7)	-
Total	**(262)**	**(14,948)**	**16,127**	**(1,288)**	**337**	**-**	**-**	**1**	**(33)**

31.12.2022 Group

in RON thousands	Opening balance	Increases due to origination and acquisition	Decreases due to derecognition	Net changes due to change in credit risk	Transfers between Stage 1 and Stages 2/3	Net changes due to modifications without derecognition	Decrease in allowance account due to write-offs and POCI loans	Exchange-rate and other changes (+/-)	Closing Balance
Loans and advances to banks									
Stage 1	**(878)**	**(7,621)**	**5,569**	**2,661**	**1**	**-**	**-**	**6**	**(262)**
Central banks	(657)	1	-	656	-	-	-	-	-
Credit institutions	(221)	(7,622)	5,569	2,005	1	-	-	6	(262)
Stage 2	**(2)**	**-**	**3**	**101**	**(20)**	**-**	**-**	**(82)**	**-**
Credit institutions	(2)	-	3	101	(20)	-	-	(82)	-
Total	**(880)**	**(7,621)**	**5,572**	**2,762**	**(19)**	**-**	**-**	**(76)**	**(262)**

31.12.2023 Bank

in RON thousands	Opening balance	Increases due to origination and acquisition	Decreases due to derecognition	Net changes due to change in credit risk	Transfers between Stage 1 and Stages 2/3	Net changes due to modifications without derecognition	Decrease in allowance account due to write-offs and POCI loans	Exchange-rate and other changes (+/-)	Closing Balance
Loans and advances to banks									
Stage 1	**(2,073)**	**(14,948)**	**16,127**	**21**	**554**	**-**	**-**	**8**	**(311)**
Credit institutions	(2,073)	(14,948)	16,127	21	554	-	-	8	(311)
Stage 2	**-**	**(1)**	**-**	**2**	**(217)**	**-**	**-**	**(7)**	**(223)**
Credit institutions	-	(1)	-	2	(217)	-	-	(7)	(223)
Stage 3	**(66,938)**	**-**	**66,878**	**60**	**-**	**-**	**-**	**-**	**-**
Credit institutions	(66,938)	-	66,878	60	-	-	-	-	-
Total	**(69,011)**	**(14,949)**	**83,005**	**83**	**337**	**-**	**-**	**1**	**(534)**

26. Credit risk *(continued)*

31.12.2022 Bank

in RON thousands	Opening balance	Increases due to origination and acquisition	Decreases due to derecognition	Net changes due to change in credit risk	Transfers between Stage 1 and Stages 2/3	Net changes due to modifications without derecognition	Decrease in allowance account due to write-offs and POCI loans	Exchange-rate and other changes (+/-)	Closing Balance
Loans and advances to banks									
Stage 1	**(878)**	**(7,622)**	**5,569**	**851**	**1**	**-**	**-**	**6**	**(2,073)**
Central banks	(657)	-	-	657	-	-	-	-	-
Credit institutions	(221)	(7,622)	5,569	194	1	-	-	6	(2,073)
Stage 2	**(165)**	**-**	**3**	**264**	**(20)**	**-**	**-**	**(82)**	**-**
Credit institutions	(165)	-	3	264	(20)	-	-	(82)	-
Stage 3	**(68,336)**	**-**	**5,130**	**(3,732)**	**-**	**-**	**-**	**-**	**(66,938)**
Credit institutions	(68,336)	-	5,130	(3,732)	-	-	-	-	(66,938)
Total	**(69,379)**	**(7,622)**	**10,702**	**(2,617)**	**(19)**	**-**	**-**	**(76)**	**(69,011)**

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

Any changes in credit risk which do not trigger a transfer between Stage 1 and Stage 2 or 3 or vice-versa are disclosed in column 'Net changes due to change in credit risk'.

The movements in allowances - loans and advances to customers:

31.12.2023 Group

in RON thousands	Opening balance	Increases due to origination and acquisition (1)	Decreases due to derecognition (2)	Net changes due to change in credit risk	Transfers between Stage 1 and Stages 2/3 (3)	Net changes due to modifications without derecognition (4)	Decrease in allowance account due to write-offs and POCI loans (5)	Exchange-rate and other changes (+/-)	Closing Balance
Loans and advances to customers									
Stage 1	**(236,621)**	**(174,226)**	**71,407**	**(124,235)**	**113,596**	**4**	**7**	**(1,086)**	**(351,154)**
General governments	(4,308)	(320)	1,260	(2,474)	178	-	-	(1)	(5,665)
Other financial corporations	(2,438)	(1,192)	433	(2,513)	93	-	-	(34)	(5,651)
Non-financial corporations	(120,364)	(115,819)	53,953	(107,931)	60,511	-	-	(1,004)	(230,654)
Households	(109,511)	(56,895)	15,761	(11,317)	52,814	4	7	(47)	(109,184)
Stage 2	**(1,301,973)**	**(73,610)**	**143,684**	**619,836**	**(677,108)**	**777**	**328**	**(1,367)**	**(1,289,433)**
General governments	(7,933)	(8,102)	9	(11,626)	(1,210)	(4,314)	-	-	(33,176)
Other financial corporations	(33,582)	-	11	24,099	(834)	-	-	(11)	(10,317)
Non-financial corporations	(410,438)	(42,912)	67,596	41,709	(356,626)	4,555	-	(630)	(696,746)
Households	(850,020)	(22,596)	76,068	565,654	(318,438)	536	328	(726)	(549,194)
Stage 3	**(1,062,712)**	**-**	**110,074**	**(179,892)**	**(148,134)**	**948**	**129,151**	**(1,070)**	**(1,151,635)**
General governments	(2,824)	-	-	(600)	-	-	2,586	-	(838)
Other financial corporations	(8,174)	-	-	(362)	(60)	-	7,943	-	(653)
Non-financial corporations	(288,961)	-	67,178	(68,866)	(36,762)	33	20,102	1,483	(305,793)
Households	(762,753)	-	42,896	(110,064)	(111,312)	915	98,520	(2,553)	(844,351)
POCI	**(46,799)**	**-**	**1,911**	**5,125**	**-**	**(8)**	**4,058**	**(176)**	**(35,889)**
General governments	(51)	-	-	-	-	32	-	-	(19)
Non-financial corporations	(1,966)	-	406	(1,020)	-	(3)	-	(67)	(2,650)
Households	(44,782)	-	1,505	6,145	-	(37)	4,058	(109)	(33,220)
Total	**(2,648,105)**	**(247,836)**	**327,076**	**320,834**	**(711,646)**	**1,721**	**133,544**	**(3,699)**	**(2,828,111)**

31.12.2022 Group

in RON thousands	Opening balance	Increases due to origination and acquisition (1)	Decreases due to derecognition (2)	Net changes due to change in credit risk	Transfers between Stage 1 and Stages 2/3 (3)	Net changes due to modifications without derecognition (4)	Decrease in allowance account due to write-offs and POCI loans (5)	Exchange-rate and other changes (+/-)	Closing Balance
Loans and advances to customers									
Stage 1	**(238,303)**	**(174,402)**	**63,557**	**43,236**	**67,124**	**18**	**13**	**2,136**	**(236,621)**
General governments	(2,775)	(1,239)	179	(666)	192	-	-	1	(4,308)
Other financial corporations	(2,484)	(1,620)	1	1,642	2,569	-	-	(2,546)	(2,438)
Non-financial corporations	(125,615)	(112,405)	52,150	13,990	47,093	-	-	4,423	(120,364)
Households	(107,429)	(59,138)	11,227	28,270	17,270	18	13	258	(109,511)
Stage 2	**(965,758)**	**(47,551)**	**147,157**	**51,652**	**(493,818)**	**2,389**	**186**	**3,770**	**(1,301,973)**
General governments	(9,220)	-	260	1,136	(216)	107	-	-	(7,933)
Other financial corporations	(2,583)	-	-	2,542	(29,305)	-	-	(4,236)	(33,582)
Non-financial corporations	(409,680)	(30,337)	81,921	84,889	(145,512)	177	-	8,104	(410,438)
Households	(544,275)	(17,214)	64,976	(36,915)	(318,785)	2,105	186	(98)	(850,020)
Stage 3	**(1,348,009)**	**-**	**81,197**	**39,165**	**(235,907)**	**(1,054)**	**401,637**	**259**	**(1,062,712)**
General governments	(8,908)	-	2,224	860	-	-	3,000	-	(2,824)
Other financial corporations	(8,141)	-	-	(34)	-	-	-	1	(8,174)
Non-financial corporations	(582,485)	-	34,852	29,963	(85,711)	(159)	314,588	(9)	(288,961)
Households	(748,475)	-	44,121	8,376	(150,196)	(895)	84,049	267	(762,753)
POCI	**(65,674)**	**-**	**2,538**	**14,915**	**-**	**(521)**	**2,054**	**(111)**	**(46,799)**
General governments	(2,161)	-	-	2,240	-	-	-	(130)	(51)
Non-financial corporations	(10,985)	-	491	8,438	-	16	31	43	(1,966)
Households	(52,528)	-	2,047	4,237	-	(537)	2,023	(24)	(44,782)
Total	**(2,617,744)**	**(221,953)**	**294,449**	**148,968**	**(662,601)**	**832**	**403,890**	**6,054**	**(2,648,105)**

26. Credit risk *(continued)*

31.12.2023 Bank

in RON thousands	Opening balance	Increases due to origination and acquisition (1)	Decreases due to derecognition (2)	Net changes due to change in credit risk	Transfers between Stage 1 and Stages 2/3 (3)	Net changes due to modifications without derecognition (4)	Decrease in allowance account due to write-offs and POCI loans (5)	Exchange-rate and other changes (+/-)	Closing Balance
Loans and advances to customers									
Stage 1	**(217,828)**	**(159,104)**	**71,042**	**(141,532)**	**111,321**	**-**	**7**	**(486)**	**(336,580)**
General governments	(4,308)	(320)	1,260	(2,474)	178	-	-	(1)	(5,665)
Other financial corporations	(5,779)	(1,093)	433	(4,351)	71	-	-	(34)	(10,753)
Non-financial corporations	(98,786)	(101,177)	53,731	(123,277)	58,401	-	-	(405)	(211,513)
Households	(108,955)	(56,514)	15,618	(11,430)	52,671	-	7	(46)	(108,649)
Stage 2	**(1,296,995)**	**(73,077)**	**142,775**	**623,000**	**(666,006)**	**774**	**328**	**(1,334)**	**(1,270,535)**
General governments	(7,933)	(8,102)	9	(11,626)	(1,210)	(4,314)	-	-	(33,176)
Other financial corporations	(33,565)	-	11	24,447	(550)	-	-	(11)	(9,668)
Non-financial corporations	(406,327)	(42,380)	66,850	45,159	(346,081)	4,555	-	(611)	(678,835)
Households	(849,170)	(22,595)	75,905	565,020	(318,165)	533	328	(712)	(548,856)
Stage 3	**(1,031,430)**	**-**	**109,595**	**(171,241)**	**(140,584)**	**949**	**119,678**	**(2,800)**	**(1,115,833)**
General governments	(2,824)	-	-	(600)	-	-	2,586	-	(838)
Other financial corporations	(8,131)	-	-	(343)	(26)	-	7,943	-	(557)
Non-financial corporations	(274,984)	-	66,980	(56,708)	(29,366)	33	15,145	(381)	(279,281)
Households	(745,491)	-	42,615	(113,590)	(111,192)	916	94,004	(2,419)	(835,157)
POCI	**(46,799)**	**-**	**1,911**	**5,125**	**-**	**(8)**	**4,058**	**(176)**	**(35,889)**
General governments	(51)	-	-	-	-	32	-	-	(19)
Non-financial corporations	(1,966)	-	406	(1,020)	-	(3)	-	(67)	(2,650)
Households	(44,782)	-	1,505	6,145	-	(37)	4,058	(109)	(33,220)
Total	**(2,593,052)**	**(232,181)**	**325,323**	**315,352**	**(695,269)**	**1,715**	**124,071**	**(4,796)**	**(2,758,837)**

31.12.2022 Bank

in RON thousands	Opening balance	Increases due to origination and acquisition (1)	Decreases due to derecognition (2)	Net changes due to change in credit risk	Transfers between Stage 1 and Stages 2/3 (3)	Net changes due to modifications without derecognition (4)	Decrease in allowance account due to write-offs and POCI loans (5)	Exchange-rate and other changes (+/-)	Closing Balance
Loans and advances to customers									
Stage 1	**(223,947)**	**(159,672)**	**62,904**	**37,885**	**65,345**	**-**	**13**	**(356)**	**(217,828)**
General governments	(2,775)	(1,239)	179	(666)	192	-	-	1	(4,308)
Other financial corporations	(7,410)	(1,420)	1	3,039	2,557	-	-	(2,546)	(5,779)
Non-financial corporations	(107,419)	(98,466)	51,865	7,438	45,681	-	-	2,115	(98,786)
Households	(106,343)	(58,547)	10,859	28,074	16,915	-	13	74	(108,955)
Stage 2	**(958,529)**	**(47,413)**	**145,143**	**49,841**	**(487,965)**	**2,400**	**186**	**(658)**	**(1,296,995)**
General governments	(9,219)	-	260	1,135	(216)	107	-	-	(7,933)
Other financial corporations	(2,500)	-	-	2,456	(29,285)	-	-	(4,236)	(33,565)
Non-financial corporations	(405,208)	(30,235)	81,609	83,642	(140,299)	177	-	3,987	(406,327)
Households	(541,602)	(17,178)	63,274	(37,392)	(318,165)	2,116	186	(409)	(849,170)
Stage 3	**(1,299,068)**	**-**	**79,087**	**52,175**	**(234,980)**	**(998)**	**378,061**	**(5,707)**	**(1,031,430)**
General governments	(8,908)	-	2,224	860	-	-	3,000	-	(2,824)
Other financial corporations	(8,141)	-	-	9	-	-	-	1	(8,131)
Non-financial corporations	(559,838)	-	34,848	44,766	(84,864)	(159)	296,067	(5,804)	(274,984)
Households	(722,181)	-	42,015	6,540	(150,116)	(839)	78,994	96	(745,491)
POCI	**(65,674)**	**-**	**2,538**	**14,915**	**-**	**(521)**	**2,054**	**(111)**	**(46,799)**
General governments	(2,161)	-	-	2,240	-	-	-	(130)	(51)
Non-financial corporations	(10,985)	-	491	8,438	-	16	31	43	(1,966)
Households	(52,528)	-	2,047	4,237	-	(537)	2,023	(24)	(44,782)
Total	**(2,547,218)**	**(207,085)**	**289,672**	**154,816**	**(657,600)**	**881**	**380,314**	**(6,832)**	**(2,593,052)**

(1) Increases of CLA due to the initial recognition of loans and advances to customers at AC during the current reporting period are disclosed. According to the Bank's principles for stage 2 allocation, events such as transfer of the client to workout department, forbearance or client's inclusion to the watch list of EWS (Early Warning Signals) represents evidence for significant increase in credit risk on client level, meaning that all financial assets of the client are transferred into Stage 2 (including newly originated ones);
(2) releases of CLA following the derecognition of the related loans and advances to customers at AC are reported;
(3) changes in credit risk that triggered re-assignments of the related AC loans and advances to customers from Stage 1 at 1 January 2023 (or initial recognition date, if later) to Stages 2 or 3 at 31 December 2023 or vice-versa are reported. The effects of transfers from Stage 1 to Stages 2 or 3 on the related CLAs are adverse (incremental year-on-year allocations) and presented in lines attributable to Stages 2 or 3.The effects of transfers from Stages 2 or 3 to Stage 1 on the related CLAs are favourable (incremental year-on-year releases) and presented in the line Stage 1;
(4) reflects the effect on CLA arising from contractual modifications of loans and advances to customers at AC which do not trigger their full derecognition;
(5) the use of CLA triggered by full or partial write-offs of AC loans and advances to customers is reported in columns 'Write-offs'.

The reconciliation between movement in allowances and net impairment loss is presented in Note 8.

26. Credit risk *(continued)*

Transfers between impairment stages (gross exposures) for loans and advances to customers are presented below:

31.12.2023 Group

in RON thousands	Transfers between Stage 1 and Stage 2		Transfers between Stage 2 and Stage 3		Transfers between Stage 1 and Stage 3	
	To Stage 2 from Stage 1	To Stage 1 from Stage 2	To Stage 3 from Stage 2	To Stage 2 from Stage 3	To Stage 3 from Stage 1	To Stage 1 from Stage 3
General governments	208,180	238,117	1,155	-	-	-
Other financial corporations	9,975	323,399	585	-	123	-
Non-financial corporations	3,277,409	1,330,235	171,621	33,324	69,088	82
Households	2,385,259	2,623,537	183,717	24,799	117,975	12,093
Total	**5,880,823**	**4,515,288**	**357,078**	**58,123**	**187,186**	**12,175**

31.12.2022 Group

in RON thousands	Transfers between Stage 1 and Stage 2		Transfers between Stage 2 and Stage 3		Transfers between Stage 1 and Stage 3	
	To Stage 2 from Stage 1	To Stage 1 from Stage 2	To Stage 3 from Stage 2	To Stage 2 from Stage 3	To Stage 3 from Stage 1	To Stage 1 from Stage 3
General governments	137,176	320,233	-	-	-	-
Other financial corporations	443,115	865	109	-	-	-
Non-financial corporations	3,204,710	578,977	156,825	12,196	27,841	584
Households	3,287,074	1,066,276	127,632	27,634	104,197	7,086
Total	**7,072,075**	**1,966,351**	**284,566**	**39,830**	**132,038**	**7,670**

31.12.2023 Bank

in RON thousands	Transfers between Stage 1 and Stage 2		Transfers between Stage 2 and Stage 3		Transfers between Stage 1 and Stage 3	
	To Stage 2 from Stage 1	To Stage 1 from Stage 2	To Stage 3 from Stage 2	To Stage 2 from Stage 3	To Stage 3 from Stage 1	To Stage 1 from Stage 3
General governments	208,180	238,117	1,155	-	-	-
Other financial corporations	946	323,276	435	-	28	-
Non-financial corporations	2,821,597	1,275,827	145,425	31,159	43,119	82
Households	2,380,932	2,621,909	183,696	24,718	117,975	12,093
Total	**5,411,655**	**4,459,129**	**330,711**	**55,877**	**161,122**	**12,175**

31.12.2022 Bank

in RON thousands	Transfers between Stage 1 and Stage 2		Transfers between Stage 2 and Stage 3		Transfers between Stage 1 and Stage 3	
	To Stage 2 from Stage 1	To Stage 1 from Stage 2	To Stage 3 from Stage 2	To Stage 2 from Stage 3	To Stage 3 from Stage 1	To Stage 1 from Stage 3
General governments	137,176	320,233	-	-	-	-
Other financial corporations	442,658	-	-	-	-	-
Non-financial corporations	3,013,051	490,172	131,830	8,990	23,939	204
Households	3,278,723	1,059,233	127,129	27,465	104,123	6,899
Total	**6,871,608**	**1,869,638**	**258,959**	**36,455**	**128,062**	**7,103**

The above transfers include stage changes against the opening of the financial year or initial recognition of the impairment stage.

26. Credit risk *(continued)*

The movements in allowances for financial assets at amortised cost – trade and other receivables:

31.12.2023 Group

in RON thousands	Opening balance	Increases due to origination and acquisition	Decreases due to derecognition	Net changes due to change in credit risk	Transfers between Stage 1 and Stages 2/3	Net changes due to modifications without derecognition	Decrease in allowance account due to write-offs and POCI loans	Exchange-rate and other changes (+/-)	Closing Balance
Stage 1	**(5,135)**	**(8,066)**	**5,235**	**(201)**	**3,976**	**-**	**35**	**3**	**(4,153)**
General governments	(11)	(152)	245	(118)	20	-	-	-	(16)
Credit institutions	(576)	(1,923)	2,297	(1)	-	-	-	2	(201)
Other financial corporations	(72)	(51)	36	38	-	-	-	-	(49)
Non-financial corporations	(4,438)	(5,813)	2,599	(103)	3,894	-	1	1	(3,859)
Households	(38)	(127)	58	(17)	62	-	34	-	(28)
Stage 2	**(15,705)**	**-**	**6,302**	**(1)**	**(11,021)**	**-**	**202**	**(1)**	**(20,224)**
General governments	(28)	-	96	(23)	(81)	-	-	-	(36)
Credit institutions	(5,344)	-	-	2,583	-	-	-	-	(2,761)
Other financial corporations	(241)	-	2	2	(1)	-	-	-	(238)
Non-financial corporations	(8,341)	-	5,912	(2,449)	(10,744)	-	41	(1)	(15,582)
Households	(1,751)	-	292	(114)	(195)	-	161	-	(1,607)
Stage 3	**(39,265)**	**-**	**2,455**	**(10,232)**	**(2,156)**	**-**	**15,265**	**316**	**(33,617)**
General governments	(120)	-	1	(161)	-	-	4	-	(276)
Other financial corporations	(89)	-	-	(35)	-	-	11	-	(113)
Non-financial corporations	(34,872)	-	1,543	(7,699)	(1,711)	-	14,494	320	(27,925)
Households	(4,184)	-	911	(2,337)	(445)	-	756	(4)	(5,303)
POCI	**(763)**	**-**	**114**	**(42)**	**-**	**-**	**22**	**-**	**(669)**
General governments	(90)	-	-	-	-	-	-	-	(90)
Non-financial corporations	(610)	-	114	(37)	-	-	12	-	(521)
Households	(63)	-	-	(5)	-	-	10	-	(58)
Total	**(60,868)**	**(8,066)**	**14,106**	**(10,476)**	**(9,201)**	**-**	**15,524**	**318**	**(58,663)**

31.12.2022 Group

in RON thousands	Opening balance	Increases due to origination and acquisition	Decreases due to derecognition	Net changes due to change in credit risk	Transfers between Stage 1 and Stages 2/3	Net changes due to modifications without derecognition	Decrease in allowance account due to write-offs and POCI loans	Exchange-rate and other changes (+/-)	Closing Balance
Stage 1	**(7,790)**	**(13,316)**	**7,009**	**4,316**	**4,610**	**-**	**29**	**7**	**(5,135)**
General governments	(197)	(270)	842	(388)	2	-	-	-	(11)
Credit institutions	(1)	(727)	179	(27)	-	-	-	-	(576)
Other financial corporations	(10)	(172)	20	90	-	-	-	-	(72)
Non-financial corporations	(7,545)	(12,030)	5,908	4,662	4,558	-	2	7	(4,438)
Households	(37)	(117)	60	(21)	50	-	27	-	(38)
Stage 2	**(6,875)**	**-**	**3,011**	**(10,214)**	**(5,801)**	**-**	**224**	**3,950**	**(15,705)**
General governments	(6)	-	5	(4)	(23)	-	-	-	(28)
Credit institutions	(2,285)	-	-	(3,059)	-	-	-	-	(5,344)
Other financial corporations	(3)	-	1	(235)	(4)	-	-	-	(241)
Non-financial corporations	(3,392)	-	2,704	(6,034)	(5,601)	-	31	3,951	(8,341)
Households	(1,189)	-	301	(882)	(173)	-	193	(1)	(1,751)
Stage 3	**(48,095)**	**-**	**9,089**	**117**	**(2,424)**	**-**	**2,150**	**(102)**	**(39,265)**
General governments	(91)	-	10	(33)	(6)	-	-	-	(120)
Other financial corporations	(32)	-	3	(66)	(4)	-	10	-	(89)
Non-financial corporations	(44,164)	-	8,385	264	(986)	-	1,731	(102)	(34,872)
Households	(3,808)	-	691	(48)	(1,428)	-	409	-	(4,184)
POCI	**(770)**	**-**	**23**	**(83)**	**-**	**-**	**66**	**1**	**(763)**
General governments	(90)	-	-	-	-	-	-	-	(90)
Non-financial corporations	(608)	-	13	(80)	-	-	64	1	(610)
Households	(72)	-	10	(3)	-	-	2	-	(63)
Total	**(63,530)**	**(13,316)**	**19,132**	**(5,864)**	**(3,615)**	**-**	**2,469**	**3,856**	**(60,868)**

31.12.2023 Bank

in RON thousands	Opening balance	Increases due to origination and acquisition	Decreases due to derecognition	Net changes due to change in credit risk	Transfers between Stage 1 and Stages 2/3	Net changes due to modifications without derecognition	Decrease in allowance account due to write-offs and POCI loans	Exchange-rate and other changes (+/-)	Closing Balance
Stage 1	**(4,818)**	**(7,712)**	**5,234**	**(655)**	**3,925**	**-**	**35**	**6**	**(3,985)**
General governments	(11)	(152)	245	(118)	20	-	-	-	(16)
Credit institutions	(575)	(1,923)	2,297	(2)	-	-	-	2	(201)
Other financial corporations	(69)	(51)	36	35	-	-	-	-	(49)
Non-financial corporations	(4,130)	(5,480)	2,598	(538)	3,843	-	1	4	(3,702)
Households	(33)	(106)	58	(32)	62	-	34	-	(17)
Stage 2	**(15,377)**	**-**	**6,300**	**(1,042)**	**(10,202)**	**-**	**202**	**1**	**(20,118)**
General governments	(28)	-	96	(23)	(81)	-	-	-	(36)
Credit institutions	(5,344)	-	-	2,583	-	-	-	-	(2,761)
Other financial corporations	(241)	-	2	2	-	-	-	-	(237)
Non-financial corporations	(8,017)	-	5,910	(3,477)	(9,937)	-	41	1	(15,479)
Households	(1,747)	-	292	(127)	(184)	-	161	-	(1,605)
Stage 3	**(15,706)**	**-**	**2,420**	**(4,802)**	**(610)**	**-**	**1,097**	**316**	**(17,285)**
General governments	(120)	-	1	(161)	-	-	4	-	(276)
Other financial corporations	(89)	-	-	(10)	-	-	11	-	(88)
Non-financial corporations	(11,439)	-	1,541	(2,321)	(166)	-	326	320	(11,739)
Households	(4,058)	-	878	(2,310)	(444)	-	756	(4)	(5,182)
POCI	**(763)**	**-**	**114**	**(42)**	**-**	**-**	**22**	**-**	**(669)**
General governments	(90)	-	-	-	-	-	-	-	(90)
Non-financial corporations	(610)	-	114	(37)	-	-	12	-	(521)
Households	(63)	-	-	(5)	-	-	10	-	(58)
Total	**(36,664)**	**(7,712)**	**14,068**	**(6,541)**	**(6,887)**	**-**	**1,356**	**323**	**(42,057)**

26. Credit risk *(continued)*

31.12.2022 Bank

in RON thousands	Opening balance	Increases due to origination and acquisition	Decreases due to derecognition	Net changes due to change in credit risk	Transfers between Stage 1 and Stages 2/3	Net changes due to modifications without derecognition	Decrease in allowance account due to write-offs and POCI loans	Exchange-rate and other changes (+/-)	Closing Balance
Stage 1	**(7,592)**	**(12,866)**	**7,006**	**4,105**	**4,499**	**-**	**29**	**1**	**(4,818)**
General governments	(197)	(270)	842	(388)	2	-	-	-	(11)
Credit institutions	(1)	(727)	179	(26)	-	-	-	-	(575)
Other financial corporations	(10)	(88)	20	9	-	-	-	-	(69)
Non-financial corporations	(7,358)	(11,667)	5,905	4,540	4,447	-	2	1	(4,130)
Households	(26)	(114)	60	(30)	50	-	27	-	(33)
Stage 2	**(6,713)**	**-**	**3,011**	**(11,034)**	**(4,815)**	**-**	**224**	**3,950**	**(15,377)**
General governments	(6)	-	5	(4)	(23)	-	-	-	(28)
Credit institutions	(2,285)	-	-	(3,059)	-	-	-	-	(5,344)
Other financial corporations	(3)	-	1	(236)	(3)	-	-	-	(241)
Non-financial corporations	(3,288)	-	2,704	(6,799)	(4,616)	-	31	3,951	(8,017)
Households	(1,131)	-	301	(936)	(173)	-	193	(1)	(1,747)
Stage 3	**(31,545)**	**-**	**8,993**	**7,404**	**(2,187)**	**-**	**1,731**	**(102)**	**(15,706)**
General governments	(91)	-	10	(33)	(6)	-	-	-	(120)
Other financial corporations	(32)	-	3	(66)	(4)	-	10	-	(89)
Non-financial corporations	(27,748)	-	8,347	7,501	(749)	-	1,312	(102)	(11,439)
Households	(3,674)	-	633	2	(1,428)	-	409	-	(4,058)
POCI	**(770)**	**-**	**23**	**(83)**	**-**	**-**	**66**	**1**	**(763)**
General governments	(90)	-	-	-	-	-	-	-	(90)
Non-financial corporations	(608)	-	13	(80)	-	-	64	1	(610)
Households	(72)	-	10	(3)	-	-	2	-	(63)
Total	**(46,620)**	**(12,866)**	**19,033**	**392**	**(2,503)**	**-**	**2,050**	**3,850**	**(36,664)**

The movements in allowances for financial assets at fair value through other comprehensive income – debt securities:

Allowances for financial assets at fair value through other comprehensive income — 31.12.2023 Group

in RON thousands	Opening balance	Increases due to origination and acquisition	Decreases due to derecognition	Net changes due to change in credit risk	Transfers between Stage 1 and Stages 2/3	Net changes due to modifications without derecognition	Decrease in allowance account due to write-offs and POCI loans	Exchange-rate and other changes (+/-)	Closing Balance
Debt securities									
Stage 1	**(11,451)**	**(7,371)**	**7,121**	**4,300**	**141**	**-**	**-**	**171**	**(7,089)**
General governments	(11,022)	(7,025)	7,023	4,227	-	-	-	172	(6,625)
Credit institutions	(333)	(346)	98	72	46	-	-	(1)	(464)
Non-financial corporations	(96)	-	-	1	95	-	-	-	-
Stage 2	**(1,761)**	**-**	**568**	**1,761**	**(761)**	**-**	**-**	**(3)**	**(196)**
Credit institutions	(1,761)	-	-	1,761	(193)	-	-	(3)	(196)
Non-financial corporations	-	-	568	-	(568)	-	-	-	-
Total	**(13,212)**	**(7,371)**	**7,689**	**6,061**	**(620)**	**-**	**-**	**168**	**(7,285)**

Allowances for financial assets at fair value through other comprehensive income — 31.12.2022 Group

in RON thousands	Opening balance	Increases due to origination and acquisition	Decreases due to derecognition	Net changes due to change in credit risk	Transfers between Stage 1 and Stages 2/3	Net changes due to modifications without derecognition	Decrease in allowance account due to write-offs and POCI loans	Exchange-rate and other changes (+/-)	Closing Balance
Debt securities									
Stage 1	**(8,953)**	**(7,626)**	**4,065**	**(894)**	**251**	**-**	**-**	**1,706**	**(11,451)**
Central banks	(1,377)	-	-	-	-	-	-	1,377	-
General governments	(7,576)	(7,304)	4,065	(536)	-	-	-	329	(11,022)
Credit institutions	-	(322)	-	(167)	156	-	-	-	(333)
Non-financial corporations	-	-	-	(191)	95	-	-	-	(96)
Stage 2	**(718)**	**-**	**-**	**1,436**	**(2,479)**	**-**	**-**	**-**	**(1,761)**
Credit institutions	-	-	-	-	(1,761)	-	-	-	(1,761)
Non-financial corporations	(718)	-	-	1,436	(718)	-	-	-	-
Total	**(9,671)**	**(7,626)**	**4,065**	**542**	**(2,228)**	**-**	**-**	**1,706**	**(13,212)**

Allowances for financial assets at fair value through other comprehensive income — 31.12.2023 Bank

in RON thousands	Opening balance	Increases due to origination and acquisition	Decreases due to derecognition	Net changes due to change in credit risk	Transfers between Stage 1 and Stages 2/3	Net changes due to modifications without derecognition	Decrease in allowance account due to write-offs and POCI loans	Exchange-rate and other changes (+/-)	Closing Balance
Debt securities									
Stage 1	**(9,941)**	**(4,906)**	**5,610**	**4,318**	**142**	**-**	**-**	**220**	**(4,557)**
General governments	(9,512)	(4,560)	5,512	4,246	-	-	-	221	(4,093)
Credit institutions	(333)	(346)	98	72	46	-	-	(1)	(464)
Non-financial corporations	(96)	-	-	-	96	-	-	-	-
Stage 2	**(1,761)**	**-**	**568**	**1,761**	**(761)**	**-**	**-**	**(3)**	**(196)**
Credit institutions	(1,761)	-	-	1,761	(193)	-	-	(3)	(196)
Non-financial corporations	-	-	568	-	(568)	-	-	-	-
Total	**(11,702)**	**(4,906)**	**6,178**	**6,079**	**(619)**	**-**	**-**	**217**	**(4,753)**

26. Credit risk *(continued)*

Allowances for financial assets at fair value through other comprehensive income

								31.12.2022	Bank
in RON thousands	Opening balance	Increases due to origination and acquisition	Decreases due to derecognition	Net changes due to change in credit risk	Transfers between Stage 1 and Stages 2/3	Net changes due to modifications without derecognition	Decrease in allowance account due to write-offs and POCI loans	Exchange-rate and other changes (+/-)	Closing Balance
Debt securities									
Stage 1	**(7,548)**	**(6,173)**	**4,037**	**(803)**	**250**	**-**	**-**	**296**	**(9,941)**
General governments	(7,548)	(5,851)	4,037	(446)	-	-	-	296	(9,512)
Credit institutions	-	(322)	-	(167)	156	-	-	-	(333)
Non-financial corporations	-	-	-	(190)	94	-	-	-	(96)
Stage 2	**(718)**	**-**	**-**	**1,435**	**(2,478)**	**-**	**-**	**-**	**(1,761)**
Credit institutions	-	-	-	-	(1,761)	-	-	-	(1,761)
Non-financial corporations	(718)	-	-	1,435	(717)	-	-	-	-
Total	**(8,266)**	**(6,173)**	**4,037**	**632**	**(2,228)**	**-**	**-**	**296**	**(11,702)**

The movements in allowances for finance lease are presented below:

								31.12.2023	Group
in RON thousands	Opening balance	Increases due to origination and acquisition	Decreases due to derecognition	Net changes due to change in credit risk	Transfers between Stage 1 and Stages 2/3	Net changes due to modifications without derecognition	Decrease in allowance account due to write-offs and POCI loans	Exchange-rate and other changes (+/-)	Closing Balance
Stage 1	**(23,479)**	**(12,650)**	**117**	**18,083**	**2,366**	**-**	**-**	**(160)**	**(15,723)**
General governments	(12)	(34)	-	18	-	-	-	-	(28)
Other financial corporations	(307)	(87)	7	272	7	-	-	(13)	(121)
Non-financial corporations	(22,783)	(12,150)	110	17,510	2,261	-	-	(147)	(15,199)
Households	(377)	(379)	-	283	98	-	-	-	(375)
Stage 2	**(6,315)**	**-**	**33**	**(4,612)**	**(15,355)**	**-**	**-**	**(57)**	**(26,306)**
Other financial corporations	(38)	-	8	(126)	(190)	-	-	-	(346)
Non-financial corporations	(5,383)	-	25	(5,145)	(14,860)	-	-	(57)	(25,420)
Households	(894)	-	-	659	(305)	-	-	-	(540)
Stage 3	**(37,944)**	**-**	**94**	**1,368**	**(2,600)**	**-**	**3,386**	**(2,606)**	**(38,302)**
Other financial corporations	(20)	-	-	(182)	-	-	-	-	(202)
Non-financial corporations	(37,883)	-	94	1,884	(2,470)	-	3,386	(2,606)	(37,595)
Households	(41)	-	-	(334)	(130)	-	-	-	(505)
Total	**(67,738)**	**(12,650)**	**244**	**14,839**	**(15,589)**	**-**	**3,386**	**(2,823)**	**(80,331)**

								31.12.2022	Group
in RON thousands	Opening balance	Increases due to origination and acquisition	Decreases due to derecognition	Net changes due to change in credit risk	Transfers between Stage 1 and Stages 2/3	Net changes due to modifications without derecognition	Decrease in allowance account due to write-offs and POCI loans	Exchange-rate and other changes (+/-)	Closing Balance
Stage 1	**(18,809)**	**(13,211)**	**380**	**6,050**	**2,107**	**-**	**-**	**4**	**(23,479)**
General governments	(42)	1	-	29	-	-	-	-	(12)
Credit institutions	-	-	-	(5)	5	-	-	-	-
Other financial corporations	(254)	(194)	11	106	20	-	-	4	(307)
Non-financial corporations	(18,237)	(12,615)	367	5,752	1,950	-	-	-	(22,783)
Households	(276)	(403)	2	168	132	-	-	-	(377)
Stage 2	**(7,618)**	**-**	**87**	**7,640**	**(6,427)**	**-**	**-**	**3**	**(6,315)**
General governments	(3)	-	-	-	-	-	-	3	-
Credit institutions	-	-	-	10	(10)	-	-	-	-
Other financial corporations	(119)	-	-	163	(82)	-	-	-	(38)
Non-financial corporations	(6,616)	-	87	7,040	(5,894)	-	-	-	(5,383)
Households	(880)	-	-	427	(441)	-	-	-	(894)
Stage 3	**(30,373)**	**-**	**2,035**	**(25,272)**	**(4,011)**	**-**	**21,475**	**(1,798)**	**(37,944)**
Other financial corporations	(11)	-	-	(9)	-	-	-	-	(20)
Non-financial corporations	(30,310)	-	2,035	(25,139)	(4,011)	-	21,340	(1,798)	(37,883)
Households	(52)	-	-	(124)	-	-	135	-	(41)
Total	**(56,800)**	**(13,211)**	**2,502**	**(11,582)**	**(8,331)**	**-**	**21,475**	**(1,791)**	**(67,738)**

26. Credit risk *(continued)*

								31.12.2023	Bank
in RON thousands	**Opening balance**	**Increases due to origination and acquisition**	**Decreases due to derecognition**	**Net changes due to change in credit risk**	**Transfers between Stage 1 and Stages 2/3**	**Net changes due to modifications without derecognition**	**Decrease in allowance account due to write-offs and POCI loans**	**Exchange-rate and other changes (+/-)**	**Closing Balance**
Stage 1	**(6)**	**-**	**-**	**6**	**-**	**-**	**-**	**(13)**	**(13)**
Other financial corporations	(5)	-	-	6	-	-	-	(13)	(12)
Non-financial corporations	(1)	-	-	-	-	-	-	-	(1)
Stage 2	**(3)**	**-**	**-**	**(5)**	**-**	**-**	**-**	**-**	**(8)**
Other financial corporations	(2)	-	-	(3)	-	-	-	-	(5)
Non-financial corporations	(1)	-	-	(2)	-	-	-	-	(3)
Stage 3	**(2,512)**	**-**	**-**	**1,358**	**-**	**-**	**-**	**-**	**(1,154)**
Credit institutions	(2,512)	-	-	1,358	-	-	-	-	(1,154)
Total	**(2,521)**	**-**	**-**	**1,359**	**-**	**-**	**-**	**(13)**	**(1,175)**

								31.12.2022	Bank
in RON thousands	**Opening balance**	**Increases due to origination and acquisition**	**Decreases due to derecognition**	**Net changes due to change in credit risk**	**Transfers between Stage 1 and Stages 2/3**	**Net changes due to modifications without derecognition**	**Decrease in allowance account due to write-offs and POCI loans**	**Exchange-rate and other changes (+/-)**	**Closing Balance**
Stage 1	**(12)**	**-**	**-**	**2**	**-**	**-**	**-**	**4**	**(6)**
Other financial corporations	(12)	-	-	3	-	-	-	4	(5)
Non-financial corporations	-	-	-	(1)	-	-	-	-	(1)
Stage 2	**(3)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(3)**
Other financial corporations	(3)	-	-	1	-	-	-	-	(2)
Non-financial corporations	-	-	-	(1)	-	-	-	-	(1)
Stage 3	**(3,609)**	**-**	**-**	**1,097**	**-**	**-**	**-**	**-**	**(2,512)**
Credit institutions	(3,609)	-	-	1,097	-	-	-	-	(2,512)
Total	**(3,624)**	**-**	**-**	**1,099**	**-**	**-**	**-**	**4**	**(2,521)**

In column ‘Increases due to originations and acquisition’ increases of CLA due to the initial recognition of finance lease receivables during the current reporting period are disclosed. Releases of CLA following the derecognition of the related finance lease receivables are reported in column ‘Decreases due to derecognitions’.

In column ‘Transfers between stages’ CLA net changes due to changes in credit risk that triggered re-assignments of the related finance lease receivables from Stage 1 as of 1 January 2023 or initial recognition date to Stages 2 or 3 as of 31 December 2023 or vice-versa are reported. The effects of transfers from Stage 1 to Stages 2 or 3 on the related CLAs are adverse and presented in lines attributable to Stages 2 or 3. The effects of transfers from Stages 2 or 3 to Stage 1 on the related CLAs are favourable and presented in line ‘Stage 1’.

Any other changes in credit risk which do not trigger a transfer between Stage 1 and Stage 2 or 3 or vice-versa are disclosed in column ‘Other changes in credit risk (net)’.

Transfers between stages

					31.12.2023	Group
	Transfers between Stage 1 and Stage 2		**Transfers between Stage 2 and Stage 3**		**Transfers between Stage 1 and Stage 3**	
in RON thousands	**To Stage 2 from Stage 1**	**To Stage 1 from Stage 2**	**To Stage 3 from Stage 2**	**To Stage 2 from Stage 3**	**To Stage 3 from Stage 1**	**To Stage 1 from Stage 3**
Other financial corporations	6,171	304	153	42	-	-
Non-financial corporations	712,576	100,625	23,666	5,786	14,945	5,491
Households	6,089	1,271	783	346	610	-
Total	**724,836**	**102,200**	**24,602**	**6,174**	**15,555**	**5,491**

					31.12.2022	Group
	Transfers between Stage 1 and Stage 2		**Transfers between Stage 2 and Stage 3**		**Transfers between Stage 1 and Stage 3**	
in RON thousands	**To Stage 2 from Stage 1**	**To Stage 1 from Stage 2**	**To Stage 3 from Stage 2**	**To Stage 2 from Stage 3**	**To Stage 3 from Stage 1**	**To Stage 1 from Stage 3**
Other financial corporations	1,287	1,318	98	26	-	-
Non-financial corporations	128,448	86,525	20,473	8,097	23,547	370
Households	3,019	5,794	312	54	-	-
Total	**132,754**	**93,637**	**20,883**	**8,177**	**23,547**	**370**

26. Credit risk *(continued)*

Movement in allowances for loan commitments and financial guarantees

						2023	Group
in RON thousands	Opening balance	Increases due to origination and acquisition	Decreases due to derecognition	Transfers between Stage 1 and Stages 2/3	Other changes in credit risk (net)	Exchange-rate and other changes (+/-)	Closing Balance
Stage 1	38,812	93,778	(21,673)	(48,804)	12,987	16,918	92,018
Stage 2	231,653	-	(106,585)	144,645	(48,665)	18,301	239,349
Defaulted	33,882	1,990	(15,121)	4,613	5,840	48,460	79,664
Total	**304,347**	**95,768**	**(143,379)**	**100,454**	**(29,838)**	**83,679**	**411,031**

						2022	Group
in RON thousands	Opening balance	Increases due to origination and acquisition	Decreases due to derecognition	Transfers between Stage 1 and Stages 2/3	Other changes in credit risk (net)	Exchange-rate and other changes (+/-)	Closing Balance
Stage 1	47,139	64,035	(16,517)	(33,683)	(22,103)	(59)	38,812
Stage 2	107,957	-	(57,647)	136,761	44,541	41	231,653
Defaulted	76,876	609	(15,046)	8,328	(39,665)	2,780	33,882
Total	**231,972**	**64,644**	**(89,210)**	**111,406**	**(17,227)**	**2,762**	**304,347**

						2023	Bank
in RON thousands	Opening balance	Increases due to origination and acquisition	Decreases due to derecognition	Transfers between Stage 1 and Stages 2/3	Other changes in credit risk (net)	Exchange-rate and other changes (+/-)	Closing Balance
Stage 1	38,305	88,797	(17,547)	(48,804)	14,848	16,752	92,351
Stage 2	233,586	-	(106,526)	144,368	(50,563)	18,323	239,188
Defaulted	33,902	1,990	(15,121)	4,603	5,832	48,458	79,664
Total	**305,793**	**90,787**	**(139,194)**	**100,167**	**(29,883)**	**83,533**	**411,203**

						2022	Bank
in RON thousands	Opening balance	Increases due to origination and acquisition	Decreases due to derecognition	Transfers between Stage 1 and Stages 2/3	Other changes in credit risk (net)	Exchange-rate and other changes (+/-)	Closing Balance
Stage 1	48,251	61,129	(16,500)	(33,605)	(21,091)	121	38,305
Stage 2	112,811	-	(57,646)	136,459	41,812	150	233,586
Defaulted	76,876	609	(15,046)	8,328	(39,645)	2,780	33,902
Total	**237,938**	**61,738**	**(89,192)**	**111,182**	**(18,924)**	**3,051**	**305,793**

In column ‘increases due to origination and acquisition’ increases of CLA due to the initial recognition of loan commitments and financial guarantees during the current reporting period are disclosed. Releases of CLA following the derecognition of the related loan commitments and financial guarantees are reported in column ‘Decreases due to derecognitions’.

In the column ‘Transfers between stage 1 and Stages 2/3’ CLA net changes due to changes in credit risk that triggered re-assignments of the related loan commitments and financial guarantees from Stage 1 (on 1 January 2023 or initial recognition date) to Stages 2 or defaulted on 31 December 2023 or vice-versa are reported. The effects of transfers from Stage 1 to Stages 2 or Defaulted on the related CLAs are adverse and presented in lines attributable to Stages 2 or Defaulted. The effects of transfers from Stages 2 or Defaulted to Stage 1 on the related CLAs are favourable and presented in line ‘Stage 1’. The P&L-neutral effect from cross-stage transferring of the related CLA amounts recognized prior to stage re-assignments are presented above in column ‘Other changes in credit risk (net)’. This column also captures the passage-of-time adverse effect (‘unwinding’) over the lifetime expected cash shortfalls of defaulted loan commitments and financial guarantees.

Measurement of expected credit loss

The Expected Credit Loss (ECL) model

The general principles and standards for expected credit loss measurement are governed by internal policies, methodologies and procedures. According to IFRS 9, credit loss allowances are calculated for all components of the credit risk exposure which are measured at amortised cost (AC) or at fair value through other comprehensive income and include other demand deposits, debt securities, loans and advances to customers as well as finance lease and trade receivables. Provisions for loan commitments and financial guarantees are calculated if they meet the applicable IFRS 9 respective definitions.

26. Credit risk *(continued)*

According to the IFRS 9, there are three main stages outlined for expected credit loss (ECL) determination:

- A financial instrument that is not credit-impaired on initial recognition or for which credit risk has not increased significantly since initial recognition is classified in Stage 1. Financial instruments in Stage 1 have their ECL measured at an amount equal to the portion of lifetime expected credit losses that result from default events possible within the next 12 months;
- If a significant increase in credit risk (SICR) since initial recognition is identified but the exposure is not yet deemed to be credit-impaired, the financial instrument is moved to Stage 2. Instruments in Stage 2 have their ECL measured based on lifetime ('LT') expected credit losses arising from default events that are possible over the expected life of the instrument. In the case of drawings by non-defaulted customers on previously committed credit lines, depending on the development of credit risk between the commitment date and the drawing date, the whole exposure (on-balance and off-balance) is categorised as either Stage 1 or Stage 2.
- If the financial instrument is considered credit-impaired, it is moved to Stage 3. Instruments in Stage 3 have their ECL measured based on lifetime expected credit losses;
- Purchased or originated credit-impaired (POCI) financial instruments are those financial instruments that are credit-impaired on initial recognition. Their ECL is always measured on LT basis.

The key judgments and assumptions adopted by the Group in addressing the requirements of the standard are presented below:

Significant increase in credit risk determination

In the area of expected credit loss (ECL) modelling and calculation of ensuring credit loss allowances (CLA), the Group has concluded that one of the key drivers of the impact from applying the ECL model required by IFRS 9 is the assessment of significant increase in credit risk (SICR) for exposures that are not identified as credit-impaired as at the reporting date. In this respect, across portfolios and product types, quantitative and qualitative criteria are defined for assessing SICR, including the 30 days-past-due (DPD) criteria as a backstop.

Quantitative criteria

Quantitative SICR indicators include adverse changes in lifetime probability of default with significance being assessed by comparison to the thresholds. The Bank has established thresholds for significant increases in credit risk based on both a percentage (relative) and absolute change in PD compared to initial recognition. SICR occurs for a particular financial instrument, when both the relative and the absolute thresholds are breached.

The relative measure is calculated as a ratio between current annualised LT PD and annualised LT PD value on initial recognition, considering remaining maturity of the instrument. The breach means that such ratio has reached or is higher than the established threshold. These relative thresholds for SICR assessment are established at PD segment level or client rating level.

Relative thresholds for SICR assessment

Romania	Threshold intervals	
	Min	Max
31.12.2023	1.06	3.37
31.12.2022	1.13	3.37

There are certain portfolios where SICR quantitative criteria are assessed based on the ratings rather than PDs. The main rule in those cases is that downgrading of the ratings would lead to a positive conclusion on SICR. These rules are applied primarily to leasing and factoring business receivables.

The relative thresholds in place since the IFRS9 implementation were kept stable as one of the most significant estimates in ECL measurement. In the fourth quarter of 2022, the process of splitting the corporate portfolio into Group (large) Corporates and Local Corporates was initiated and it triggered in 2023 thresholds' recalibration for these portfolios. Moreover, the methodological update of PD model in the fourth quarter of 2023 led to the thresholds' recalibration for all local portfolios.

The absolute threshold refers to difference of LT PD on initial recognition and current LT PD. It is set to a maximum of 50 bps and serves as a back-stop for migrations between the best ratings (LT PDs considered for remaining maturity). In such cases, relative thresholds may be breached, however overall LT PD is very low, and therefore SICR is not positively concluded.

26. Credit risk *(continued)*

Qualitative criteria

Some of the main qualitative SICR criteria used include:

- forbearance-type flags (identification of regulatory forbearance);
- work-out transfer flag (when account starts being monitored by work-out department);
- information from early-warning-system (if it is not sufficiently considered in rating) and;
- fraud indicators.

The assignment of some of the qualitative indicators inherently relies on experienced credit risk judgment being exercised adequately and timely. The related group-wide and entity-level credit risk controlling policies and procedures ensure the necessary governance framework. These indicators are used internally for identification of insolvency or increased probability that a borrower will enter bankruptcy and there is increased risk of default in the foreseeable future.

Besides the qualitative indicators defined on client level, the assessment of significant increase in credit risk is performed on portfolio level if the increase in credit risk on individual instrument or client level is only available with a certain time lag or is observable exclusively on portfolio level.

BCR has introduced additional portfolio level SICR assessment criteria, known as staging overlays,due to the war in Ukraine (implemented in 2022) to reflect concerns related to a potential energy crisis and supply-chain disruptions. In 2023, the bank introduced another staging overlays addressing a higher credit risk of private individuals employed in sector such as IT, construction, agriculture and public sector that were subject to new fiscal amendments. More details about stage overlays were included in section Collective assessment.

Backstop

A backstop is applied and the financial instruments are considered to have experienced a SICR if the borrower is more than 30 days past due on contractual payments. As observed during validation, this does not represent a major trigger for Stage 2 classification.

Low credit risk exemption

The ‘low credit risk exemption’ allowed by IFRS 9 for ‘investment grade’ assets or other assets deemed ‘low risk’ (and resulting in 12 months expected credit losses being calculated irrespective of SICR quantitative measures) has been implemented with limitations in Group. Thus, the potential activation of this exemption is limited to particular types of debt instruments (sovereign bonds) and counterparty categories, and only if supported by sufficient ‘low risk’ evidence. On this basis, the ‘low risk exemption’ is expected to be occasionally applied only to banks and sovereigns. As of 31 December 2023, the Group registered low credit risk exposures for sovereign clients with PD of 0.1% in amount of RON 35,558,590 thousands (2022: RON 30,516,058 thousands).

Purchased or Originated Credit Impaired (‘POCI’) exposures

POCI includes financial instruments which were credit-impaired at initial recognition, irrespective of whether they are still credit-impaired at the reporting date. Expected credit losses against POCI exposures are always calculated on a lifetime basis and are reflected in the credit-adjusted effective interest rate at initial recognition. As a result, no loss allowance is recognised at inception. Subsequently, only adverse changes in lifetime expected credit losses after the initial recognition are recognised as loss allowance, whilst favourable changes are recognised as impairment gains increasing the gross carrying amount of the POCI financial assets.

Credit-impaired assets

Stage 3 includes financial instruments which are credit-impaired at the reporting date but were not credit-impaired at initial recognition. In principle, a financial instrument becomes credit-impaired when the customer defaults. The default definition applied in the Group has been developed in accordance with EBA/GL/2016/07 ‘Guidelines on the application of the definition of default under Article 178 of Regulation (EU) No 575/2013. The Group generally applies a customer view in applying the default definition, which leads to an impairment of all claims even if the customer defaults only on one of several transactions (‘pulling effect’). On the other side, an upgrade to a non-defaulted rating grade implies that the total exposure ceases to be impaired.

Measurement of expected credit loss

The measurement of ECLs is a probability-weighted average estimate of credit losses that reflect the time value of money. A credit loss is the difference between the cash flows that are due to the Group in accordance with the contractual terms of the instrument and the cash flows that the Group expects to receive (i.e. cash shortfalls) discounted at the original effective interest rate (‘EIR’) of the same instrument, or the credit-adjusted EIR in case of purchased or originated credit impaired assets.

26. Credit risk *(continued)*

For the purposes of measuring ECL, the Group estimates expected cash shortfalls, which reflect the cash flows expected from all possible sources including collateral and other credit enhancements that are part of the contractual terms. In the case of a collateralized financial instrument, the estimated expected cash flows related to the collateral reflects the amount and timing of cash flows that are expected from foreclosure on the collateral less the discounted costs of obtaining and selling the collateral. ECL is calculated over the residual period over which the Bank is exposed to credit risk. The residual period is defined based on the substantive terms of the instrument, including the Group's ability to demand repayment or cancellation and the customer's ability to require extension. However, for revolving credit facilities (i.e. those that include both a loan and an undrawn commitment component) the period of exposure is determined in accordance with the Group's expected credit risk management actions to mitigate credit risk, including terminating or limiting credit exposure. In doing so, the Group considers its normal credit risk mitigation process, its past practice, future intentions and expected credit risk mitigation actions.

For exposures to non-defaulted customers (i.e. in Stage 1 and Stage 2) the Bank determines ECL on a collective basis irrespective of the significance of the customer. The calculation of ECL for non-defaulted customers requires grouping the related exposures into homogenous groups on the basis of shared credit risk characteristics. The grouping criteria may differ on the customer segment (retail, corporate) and include product type, collateral type, repayment type, loan to value band or credit rating band/rating method. The calculation of credit loss allowances is done on a monthly basis on a single exposure level and in the contractual currency of the exposure.

ECL is determined as the product of exposure at default ('EAD') that also includes a credit conversion factor in case of off balance sheet exposures, probability of default ('PD') and loss given default ('LGD'), discounted with the original EIR, as follows:

- PD represents the likelihood of a borrower defaulting on its financial obligation (as per definition of default below), either over the next 12 month ('1Y PD') or over the remaining lifetime ('LT PD');
- EAD is based on the amounts the Group expects to be owed at the time of default, over next 12 months ('1Y EAD') or over remaining lifetime ('LT EAD'). The estimation includes current balance, expected repayments and expected drawings up to the current contractual limit by the time of default, should it occur;
- LGD represents the Group's expectation of the extent of loss on defaulted exposures. LGD varies by type of counterparty, type and seniority of claim and availability of collateral or other credit support. LGD is expressed as a percentage loss per unit exposure at the time of default (EAD).

Following the successfully initial BCR IRB application from March 2022, new IFRS 9 methodologies were developed in order to meet an IRB requirement in terms of capital parameters usage. These methodologies aimed to harmonize the regulatory parameters with the ones used for internal purposes and were adopted for the purposes of deriving the final IFRS 9 lifetime curves used for ECL determination, resulting in an ECL increase of RON 40 million in 2023. Also, part of the regular macro-economics models re-calibration process, in June 2023, the model applied to the Standard Corporate portfolio was recalibrated leading to an ECL increase of RON 112 million.

Lifetime parameters

The LT PD is developed through observation of historical defaults from initial recognition through the lifetime of the loans. It is assumed to be the same across all assets in the same portfolio and rating band. The 1Y and LT EADs are determined based on the expected payment profiles, which vary by different product types. The LT EAD calculation utilizes repayment schedule or repayment type (annuity, linear, bullet). In the case of undrawn commitments, a credit conversion factor is estimated for reflecting the expected credit exposure in the EAD. The LGD is estimated as a life-time curve for any point in time, based on the historical loss observations.

The risk parameters used in the ECL calculation take into account available information at the reporting date about past events, current conditions and forecasts on future economic trends. Generally, the risk parameters applied in the calculation of IFRS 9 ECL differ from the risk parameters compliant with capital requirement regulations, calculated on a through-the-cycle basis.

26. Credit risk *(continued)*

Credit risk exposure by region and IFRS 9 treatment

Group

in RON thousands	Stage 1	Stage 2	Stage 3	POCI	Credit risk exposure (AC and FVOCI)	Not subject to IFRS 9 impairment	Total
				31.12.2023			
Core markets	**90,880,611**	**17,446,333**	**1,635,224**	**362,574**	**110,324,742**	**3,356,293**	**113,681,035**
Austria	792,416	64,509	17,761	-	874,686	195,411	1,070,097
Croatia	-	-	1	-	1	-	1
Romania	89,945,868	17,372,770	1,617,458	362,574	109,298,670	3,160,882	112,459,552
Serbia	-	-	1	-	1	-	1
Slovakia	-	9,052	-	-	9,052	-	9,052
Czech Republic	9,150	-	-	-	9,150	-	9,150
Hungary	133,177	2	3	-	133,182	-	133,182
Other EU	**2,780,498**	**16,911**	**25,168**	**160**	**2,822,737**	**19,409**	**2,842,146**
Other industrialised countries	**522,498**	**360**	**214**	**-**	**523,072**	**21,440**	**544,512**
Emerging markets	**412,747**	**128,799**	**8,184**	**-**	**549,730**	**20,893**	**570,623**
Southeastern Europe/CIS	378,732	125,192	7,941	-	511,865	-	511,865
Asia	276	16	2	-	294	2,621	2,915
Latin America	291	1	2	-	294	-	294
Middle East/Africa	33,448	3,590	239	-	37,277	18,272	55,549
Total	**94,596,354**	**17,592,403**	**1,668,790**	**362,734**	**114,220,281**	**3,418,035**	**117,638,316**

Group

in RON thousands	Stage 1	Stage 2	Stage 3	POCI	Credit risk exposure (AC and FVOCI)	Not subject to IFRS 9 impairment	Total
				31.12.2022			
Core markets	**78,017,732**	**18,619,785**	**1,508,069**	**285,727**	**98,431,313**	**7,050,091**	**105,481,404**
Austria	60,024	220,093	18,975	-	299,092	279,354	578,446
Croatia	-	-	1	-	1	-	1
Romania	77,957,530	18,258,916	1,489,091	285,727	97,991,264	6,768,984	104,760,248
Serbia	10	-	1	-	11	-	11
Slovakia	81	8,389	-	-	8,470	253	8,723
Czech Republic	30	-	-	-	30	1,500	1,530
Hungary	57	132,387	1	-	132,445	-	132,445
Other EU	**633,913**	**8,512**	**21,691**	**110**	**664,226**	**677,187**	**1,341,413**
Other industrialised countries	**6,968**	**719**	**17**	**-**	**7,704**	**455,629**	**463,333**
Emerging markets	**366,501**	**128,742**	**8,123**	**-**	**503,366**	**43,259**	**546,625**
Southeastern Europe/CIS	350,127	128,263	7,925	-	486,315	-	486,315
Asia	761	4	1	-	766	1,027	1,793
Latin America	9	-	1	-	10	1	11
Middle East/Africa	15,604	475	196	-	16,275	42,231	58,506
Total	**79,025,114**	**18,757,758**	**1,537,900**	**285,837**	**99,606,609**	**8,226,166**	**107,832,775**

Bank

in RON thousands	Stage 1	Stage 2	Stage 3	POCI	Credit risk exposure (AC and FVOCI)	Not subject to IFRS 9 impairment	Total
				31.12.2023			
Core markets	**92,517,452**	**16,258,571**	**1,493,156**	**362,574**	**110,631,753**	**3,366,063**	**113,997,816**
Austria	748,680	64,509	17,761	-	830,950	195,411	1,026,361
Croatia	-	-	1	-	1	-	1
Romania	91,626,445	16,185,008	1,475,390	362,574	109,649,417	3,170,652	112,820,069
Serbia	-	-	1	-	1	-	1
Slovakia	-	9,052	-	-	9,052	-	9,052
Large Corporates	9,150	-	-	-	9,150	-	9,150
Hungary	133,177	2	3	-	133,182	-	133,182
Other EU	**2,572,554**	**14,001**	**25,168**	**160**	**2,611,883**	**19,410**	**2,631,293**
Other industrialised countries	**522,498**	**360**	**214**	**-**	**523,072**	**21,440**	**544,512**
Emerging markets	**34,255**	**3,621**	**323**	**-**	**38,199**	**20,893**	**59,092**
Southeastern Europe/CIS	240	14	80	-	334	-	334
Asia	276	16	2	-	294	2,621	2,915
Latin America	291	1	2	-	294	-	294
Middle East/Africa	33,448	3,590	239	-	37,277	18,272	55,549
Total	**95,646,759**	**16,276,553**	**1,518,861**	**362,734**	**113,804,907**	**3,427,806**	**117,232,713**

26. Credit risk *(continued)*

Bank

in RON thousands	Stage 1	Stage 2	Stage 3	POCI	Credit risk exposure (AC and FVOCI)	Not subject to IFRS 9 impairment	Total
				31.12.2022			
Core markets	**77,835,122**	**18,448,262**	**1,442,976**	**285,729**	**98,012,089**	**7,060,013**	**105,072,102**
Austria	40,481	220,093	18,970	-	279,544	279,354	558,898
Croatia	-	-	1	-	1	-	1
Romania	77,794,463	18,087,393	1,424,003	285,729	97,591,588	6,778,906	104,370,494
Serbia	10	-	1	-	11	-	11
Slovakia	81	8,389	-	-	8,470	253	8,723
Czech Republic	30	-	-	-	30	1,500	1,530
Hungary	57	132,387	1	-	132,445	-	132,445
Other EU	**356,631**	**8,512**	**21,691**	**110**	**386,944**	**677,188**	**1,064,132**
Other industrialised countries	**6,968**	**719**	**17**	**-**	**7,704**	**455,629**	**463,333**
Emerging markets	**19,726**	**12,420**	**204**	**-**	**32,350**	**43,260**	**75,610**
Southeastern Europe/CIS	3,353	11,941	6	-	15,300	-	15,300
Asia	761	4	1	-	766	1,027	1,793
Latin America	10	-	1	-	11	-	11
Middle East/Africa	15,602	475	196	-	16,273	42,233	58,506
Total	**78,218,447**	**18,469,913**	**1,464,888**	**285,839**	**98,439,087**	**8,236,090**	**106,675,177**

Stage 1 and Stage 2 comprise not impaired credit risks while Stage 3 includes impaired credit risks. POCI (purchased or originated credit impaired) consists of credit risks already impaired when purchased or originated.

The defaulted part of POCI amounted to RON 232,533 thousands (2022: RON 134,083 thousands), the non-defaulted part to RON 130,200 thousands (2022: RON 151,756 thousands) in case of both BCR standalone and BCR Group.

Credit risk exposure and IFRS 9 treatment by business segment

Group

in RON thousands	Credit risk exposure					Credit loss allowances				NPE coverage ratio		
	Stage 1	Stage 2	Stage 3	POCI	Not subject to IFRS 9 impairment	Stage 1	Stage 2	Stage 3	POCI	Stage 2	Stage 3	POCI
						31.12.2023						
Retail	25,704,556	6,771,420	1,130,935	164,471	753	(154,684)	(742,557)	(964,837)	(33,889)	11%	85%	21%
Corporates	36,246,825	10,640,653	530,510	198,263	2,625,416	(327,720)	(824,913)	(328,837)	(5,306)	8%	62%	3%
Group Markets	2,267,906	8,639	1,054	-	733,268	(2,503)	(3,221)	(316)	-	37%	30%	
Asset/Liability Management and Local Corporate Center	30,377,067	171,691	6,291	-	58,598	(12,023)	(4,851)	(6,593)	-	3%	105%	
Total	**94,596,354**	**17,592,403**	**1,668,790**	**362,734**	**3,418,035**	**(496,930)**	**(1,575,542)**	**(1,300,583)**	**(39,195)**	**8.96%**	**77.94%**	**10.81%**

Group

in RON thousands	Credit risk exposure					Credit loss allowances				NPE coverage ratio		
	Stage 1	Stage 2	Stage 3	POCI	Not subject to IFRS 9 impairment	Stage 1	Stage 2	Stage 3	POCI	Stage 2	Stage 3	POCI
						31.12.2022						
Retail	23,747,745	7,392,292	998,747	191,059	24,025	(124,683)	(1,015,593)	(816,031)	(45,619)	14%	82%	24%
Corporates	28,029,164	11,096,392	533,672	94,778	6,644,087	(200,308)	(529,695)	(344,577)	(9,656)	5%	65%	10%
Group Markets	1,781,404	88,844	70	-	1,512,322	(1,295)	(5,585)	(9)	-	6%	13%	
Asset/Liability Management and Local Corporate Center	25,466,801	180,230	5,411	-	45,732	(26,513)	(6,774)	(5,474)	-	4%	101%	
Total	**79,025,114**	**18,757,758**	**1,537,900**	**285,837**	**8,226,166**	**(352,799)**	**(1,557,647)**	**(1,166,091)**	**(55,275)**	**8.30%**	**75.82%**	**19.34%**

Bank

in RON thousands	Credit risk exposure					Credit loss allowances				NPE coverage ratio		
	Stage 1	Stage 2	Stage 3	POCI	Not subject to IFRS 9 impairment	Stage 1	Stage 2	Stage 3	POCI	Stage 2	Stage 3	POCI
						31.12.2023						
Retail	24,834,164	6,294,221	1,063,121	164,473	752	(140,016)	(721,274)	(924,395)	(33,889)	11%	87%	21%
Corporates	33,566,141	9,726,214	445,573	198,261	2,625,416	(283,442)	(798,959)	(278,840)	(5,306)	8%	63%	3%
Group Markets	2,574,935	34,382	1,054	-	743,040	(3,121)	(3,821)	(316)	-	11%	30%	
Asset/Liability Management and Local Corporate Center	34,671,519	221,736	9,113	-	58,598	(18,790)	(6,248)	(7,747)	-	3%	85%	
Total	**95,646,759**	**16,276,553**	**1,518,861**	**362,734**	**3,427,806**	**(445,369)**	**(1,530,302)**	**(1,211,298)**	**(39,195)**	**9.40%**	**79.75%**	**10.81%**

Bank

in RON thousands	Credit risk exposure					Credit loss allowances				NPE coverage ratio		
	Stage 1	Stage 2	Stage 3	POCI	Not subject to IFRS 9 impairment	Stage 1	Stage 2	Stage 3	POCI	Stage 2	Stage 3	POCI
						31.12.2022						
Retail	23,618,233	7,386,554	981,061	191,061	24,022	(124,455)	(1,015,350)	(798,456)	(45,619)	14%	81%	24%
Corporates	24,176,907	10,754,230	408,877	94,778	6,644,087	(127,534)	(518,018)	(269,365)	(9,656)	5%	66%	10%
Group Markets	1,805,665	88,926	90	-	1,522,249	(1,309)	(5,586)	(29)	-	6%	32%	
Asset/Liability Management and Local Corporate Center	28,617,642	240,203	74,860	-	45,732	(34,693)	(9,008)	(74,923)	-	4%	100%	
Total	**78,218,447**	**18,469,913**	**1,464,888**	**285,839**	**8,236,090**	**(287,991)**	**(1,547,962)**	**(1,142,773)**	**(55,275)**	**8.38%**	**78.01%**	**19.34%**

26. Credit risk *(continued)*

Incorporation of Forward Looking Information (FLI)

Parameters are determined to reflect the risk as a ‘point-in-time’ measure and with consideration of forward-looking information (FLI). This approach considers a baseline forecast and a number of alternative scenarios for selected macroeconomic variables. The alternative scenarios are derived, together with their probabilities of occurrence, as a deviation from baseline forecasts. The baseline forecasts are, with a few exceptions, internally determined by BCR’s research department. Given multiple scenarios, the ‘neutral’ PDs (and, with a few exceptions, also LGDs) are adjusted using macro models that link relevant macroeconomic variables with risk drivers.

The same macro-shift models as for external and internal stress test are used. Forward-looking information is incorporated for first three years of ECL measurement and has at least a yearly frequency of update.

Thus, the unbiased probability weighted ECL considering FLI is derived using the weights representing the probability of occurrence of each macroeconomic scenario. Typical macroeconomic variables may include real gross domestic product, unemployment rate, inflation rate, production price index, wages and market interest rates. The selection of variables also depends on the availability of reliable forecasts for the given local market. The main indicators are GDP development for Corporate and wages for Retail.

In addition, economic effects of the war in Ukraine led to increasing inflation and/or interest rates, as well as uncertainty about energy carriers' availability and their prices. The Bank adjusted macro-shift models to properly reflect expected effects of those into credit risk parameters.

The Bank reviewed the scenarios used in forward looking information in the last quarter of 2023 according to the disclosed forecasts for baseline, downside and upside scenarios and decided to increase to 50% probability of occurrence assigned to baseline forecast due to more stable macroeconomic forecasts than as compared wich the ones observed during previous year.

Baseline, upside and downside scenarios of GDP growth by geographic region

		Probability weights	GDP growth in %		
31.12.2023	Scenario	2024-2026	2024	2025	2026
	Upside	1%	4.5	6.0	7.2
Romania	Baseline	50%	1.4	2.9	4.1
	Downside	49%	(3.0)	(1.0)	0.6

31.12.2022	Scenario	2023-2025	2023	2024	2025
	Upside	1%	5.7	8.3	7.8
Romania	Baseline	40%	2.7	5.3	4.8
	Downside	59%	(3.0)	0.2	2.8

Baseline, upside and downside scenarios of the inflation development

	Baseline scenario			Scenario weighted outcome		
31.12.2023	2024	2025	2026	2024	2025	2026
GDP growth	1.4	2.9	4.1	(0.7)	1.0	2.4
Interest Rate (ROBOR 3M)	6.3	5.3	4.3	7.7	6.7	5.7
Inflation (CPI)	6.6	4.3	3.2	8.2	5.4	3.8

	Baseline scenario			Scenario weighted outcome		
31.12.2022	2023	2024	2025	2023	2024	2025
GDP growth	2.70	5.30	4.80	(0.60)	2.30	3.70
Interest Rate (ROBOR 3M)	7.30	6.00	4.50	9.30	8.90	8.10
Inflation (CPI)	10.50	5.80	3.40	11.80	7.60	4.20

ECL for Stage 3 or POCI

ECL on Stage 3 or POCI exposures are calculated individually or collectively. The individual approach is applied in case of exposures to significant defaulted customers and consists of the individual assessment of the difference between the gross carrying amount and the net present value of the expected cash flows which are estimated by workout or risk managers. More than one scenario of expected future cash flows shall be considered in ECL calculation to ensure the unbiased and probability weighted result. In accordance with internal workout processes, the following scenarios should be accounted for: approved workout strategy (base scenario), alternative base case (if applicable), contingency scenario (e.g. bankruptcy/liquidation) and exit scenario (e.g. NPL sale).

26. Credit risk *(continued)*

The discounting of the cash flows is based on the effective interest rate (POCI: credit-adjusted effective interest rate). However, for financial guarantees the discount rate shall reflect the current market assessment of the time value of money and the risks that are specific to the cash flows which in Group's implementation means using a risk free rate as a proxy. A defaulted customer is classified as individually significant if the total on- and off-balance exposure exceeds a predefined materiality limit. The materiality limit on client level is 400,000 EUR (2023: RON equivalent 1,990 thousands) for non-retail clients and 250,000 EUR (2023: RON equivalent 1,244 thousands) for retail clients. Otherwise, the customer is considered as insignificant and a rule-based approach is used for the calculation of the related credit loss allowance. Under this approach, credit loss allowances are calculated as the product of gross carrying amount and LGD, where the LGD depends on characteristics such as time in default or the stage of the workout process, collateralization level. Specifically for retail clients ECL calculation is based on Expected Loss Best Estimates (ELBE) model, depending on the client's payment behaviour, the following categories can be assigned: cooperative, non-cooperative and average. The cooperative reflects the good payments behaviour of the client for which high recovery rates are expected, whereas the non-cooperative reflects low recovery expectations.

Collective assessment

War in Ukraine and energy crisis

The Ukraine-Russia war, intensified challenges for both risk and business divisions: a rally in energy prices on the one hand and disruptions in supply chains on the other hand. The first ones had implications on various industries, mainly those with energy intensive production processes, but also impacting segments with high fuel cost shares. Issues with supply chains are managed by affected clients with diverse measures aiming to safeguard the business activity and liquidity, in some cases also by ensuring back-up/liquidity financing. Developments as mentioned above are reflected in the regular updates of the industry strategies.

In 2022, the Bank started a portfolio screening in order to identify the specific sectors affected by the future economic development and potential recession, i.e. cyclical industries and those which are severely affected by the energy carriers availability and price volatility driven by the current market uncertainty (mainly due to Ukraine war) – i.e. energy dependent industries.

In June 2022, Cyclical industries were identified as the first sub-group for the application of the collective SICR assessment. In order to differentiate customers where a downturn to come will have significant impact, the Bank combined cyclical industry information with the criteria of PD greater than a threshold of 250 bps, expertly set by the the Bank.

Regarding energy dependent industries, the Bank aims to capture the following:

- Effects of gas rationing/ shortage or price increases on clients either due to energy intensive production processes or relying on gas as a primary input in their business processes. Within the industry Natural Resources and Commodities, Metals and Chemical subindustries were identified as being significantly affected.
- Massive shortages and distortions in the current energy market, with potential impact on the whole Energy industry.

In contrast to Cyclical industries, the above-described effects can seriously affect each company in the mentioned sectors irrespective of the rating as energy represents majority of the production inputs (manufacturing sector) or is at the very core of the impacted companies (energy sector). Therefore, no additional PD threshold to distinguish currently better performing companies was introduced and all companies in these sectors were migrated to stage 2.

Exemptions of these migrations are allowed based on individual review and documentation.

As of December 31st, 2023, credit risk exposure in Stage 2 due to the application of Ukraine war overlays stood at RON 2,894,728 thousands for cyclical industries and RON 1,395,459 thousands for energy overlays, with ECL in amount of RON 209,650 thousands for cyclical industries and RON 30,572 thousands for energy overlays.

In October 2023 the Romanian Government approved important fiscal measures intended to reduce the budget deficit and ensure long-term financial stability. Measures include eliminating fiscal exceptions for income and/or social contribution taxes for micro companies and for employees in different sectors such as IT, construction, agriculture. The Bank introduced a stagging overlays for fiscal measures applied to clients employed in construction, IT and public sector with a PD higher than 150 bps.

As of December 31st, 2023, credit risk exposure pertaining to fiscal overlays was RON 1,054,383 thousands with a corresponding expected credit loss of RON 88,483 thousands. This overlay was introduced during 2023 increasing the ECL with an approximate impact of RON 52,675 thousands.

26. Credit risk *(continued)*

Effect on Expected Credit Loss (ECL)

The analysis tables below present the effects of the portfolio overlays and FLI on both exposure migration to Stage 2 and the resulting increase of ECL. Additional sensitivities to the baseline, upside and downside scenarios are simulated.

Scenario simulation presents sensitivity analyses taking into consideration only changes due to the different values of PDs, if baseline, upside or downside FLI scenarios had 100% weight. Sensitivities of these scenarios are calculated in comparison to current production - weighted scenarios FLI shifted – PDs. Weights and scenarios are disclosed in the "Incorporation of forward-looking information" section. Both staging and resulting ECL were simulated with the scenario PDs.

The incorporation of 100% baseline scenario instead of the currently applied weighted scenario outcome would lead to a decrease of Stage 2 exposure by RON 805,000 thousands (2022: RON 3,312,000 thousands), resulting in a decrease in expected credit loss of RON 221,000 thousands (2022: RON 543,000 thousands).

The downside scenario would lead to additional RON 941,000 thousands of exposure migration to Stage 2 in comparison with scenario weighted FLI (2022: RON 2,764,000 thousands), resulting in a increase in expected credit loss of RON 259,000 thousands (2022: RON 462,000 thousands).

For the ECL change a positive sign (+) equals a release while a negative sign (-) equals an allocation. Values presented sensitivities are results of internal simulations.

Impact on credit risk exposure

Bank

in RON thousands	Current status – parameters (FLI shifted)							Simulations - change of FLI shifts effect		
	Stage 1	Stage 2	Total	Stage 2 affected by						
				Stage overlays due to Covid-	UA war - Cyclical	UA war - Energy	FLI shifts	Upside scenario	Baseline scenario	Downside scenario
				31.12.2023						
Romania	95,646,759	16,276,553	111,923,312	-	2,898,000	1,404,000	2,556,000	(2,334,000)	(805,000)	941,000
Total	95,646,759	16,276,553	111,923,312	-	2,898,000	1,404,000	2,556,000	(2,334,000)	(805,000)	941,000

Bank

in RON thousands	Current status – parameters (FLI shifted)							Simulations - change of FLI shifts effect		
	Stage 1	Stage 2	Total	Stage 2 affected by						
				Stage overlays due to Covid-19	UA war - Cyclical	UA war - Energy	FLI shifts	Upside scenario	Baseline scenario	Downside scenario
				31.12.2022						
Romania	78,218,447	18,469,913	96,688,360	-	1,538,000	5,631,000	5,463,000	(5,008,000)	(3,312,000)	2,764,000
Total	**78,218,447**	**18,469,913**	**96,688,360**	-	1,538,000	5,631,000	**5,463,000**	**(5,008,000)**	**(3,312,000)**	**2,764,000**

Impact on credit loss allowances

Bank

in RON thousands	Current status – parameters (FLI shifted)							Simulations - change of FLI shifts effect		
	Stage 1	Stage 2	Total	Stage 2 affected by						
				Stage overlays due to Covid-	UA war - Cyclical	UA war - Energy	FLI shifts	Upside scenario	Baseline scenario	Downside scenario
				31.12.2023						
Romania	(445,369)	(1,530,302)	(1,975,671)	-	(108,000)	(10,000)	(617,000)	575,000	221,000	(259,000)
Total	**(445,369)**	**(1,530,302)**	**(1,975,671)**	**-**	**(108,000)**	**(10,000)**	**(617,000)**	**575,000**	**221,000**	**(259,000)**

Bank

in RON thousands	Current status – parameters (FLI shifted)							Simulations - change of FLI shifts effect		
	Stage 1	Stage 2	Total	Stage 2 affected by						
				Stage overlays due to Covid-	UA war - Cyclical	UA war - Energy	FLI shifts	Upside scenario	Baseline scenario	Downside scenario
				31.12.2022						
Romania	(287,991)	(1,547,962)	(1,835,953)	-	(68,000)	(80,000)	(982,000)	849,000	543,000	(462,000)
Total	**(287,991)**	**(1,547,962)**	**(1,835,953)**	**-**	(68,000)	(80,000)	**(982,000)**	**849,000**	**543,000**	**(462,000)**

26. Credit risk *(continued)*

Composition of credit loss allowances

	Group		Bank	
in RON thousands	**31.12.2023**	**31.12.2022**	**31.12.2023**	**31.12.2022**
Credit loss allowances	(3,001,219)	(2,827,464)	(2,814,962)	(2,728,207)
of which: provisions for instruments HfS in disposal groups	(18,069)	(20,594)	-	-
Loss allowances for loan commitments and financial guarantees	(411,031)	(304,348)	(411,202)	(305,794)
Provisions for other commirments	-	(101,589)	-	(101,610)
Total	**(3,412,250)**	**(3,233,401)**	**(3,226,164)**	**(3,135,611)**

Credit loss allowances and loss allowances for loan commitments and financial guarantees are computed based on IFRS 9 requirements, while provisions for other commitments are subject to IAS 37.

Restructuring and renegotiation

Business restructuring in the retail segment or Commercial renegotiation in the corporate segment is a potential and effective customer retention tool involving re-pricing or the offering of an additional loan or both in order to maintain the bank's valuable, good customers.

Forbearance

BCR's definition of 'forbearance' follows the EBA's Technical Standards on forbearance included in Regulation (EU) 2015/227. A restructuring is considered 'forbearance' if it entails a concession towards a customer facing or about to face financial difficulties in meeting their contractual financial commitments. A borrower is in financial difficulties if any of the following conditions are met:

- the customer has an active default event;
- the customer was more than 30 days past due in the past 3 months;
- the customer would be 30 days past due or more without receiving forbearance;
- the contract modification involves total or partial cancellation by write-off of the debt on any of the customer's credit obligations while at customer level open credit exposure still remains (only for retail clients);
- riskier ratings are assigned following a deterioration by minimum 2 points of the previous rating (applicable only for non-retail clients).

Forborne exposure is assessed at loan contract level and means only the exposure to which forbearance measures have been extended and excludes any other exposure the customer may have, as long as no forbearance was extended to these.

Concession means that any of the following conditions are met:

- modification/refinancing of the contract would not have been granted, had the customer not been in financial difficulty;
- there is a difference in favour of the customer between the modified/refinanced terms of the contract and the previous terms of the contract;
- the modified/refinanced contract includes more favourable terms than other customers with a similar risk profile would have obtained from the same institution.

Forbearance can be initiated by the Bank or by the customer (on account of loss of employment, illness etc.). Components of forbearance can be instalment reduction, tenor extension, interest reduction or forgiveness, principal reduction or forgiveness, revolving exposure change to instalment and/or others.

Forbearance measures are divided and reported as:

- performing forbearance (incl. performing forbearance under probation that was upgraded from non-performing forbearance);
- non-performing forbearance (incl. non-performing forbearance and defaulted/impaired forbearance); starting with May 2019 also the non-performing forbearance has assigned a default event.

Forborne exposures are considered performing when:

- the exposure did not have non-performing status at the time the extension of or application for forbearance was approved;
- granting the forbearance has not led to classifying the exposure as non-performing or default.

26. Credit risk *(continued)*

Performing forborne exposures become non-performing when one of the following forbearance classifications is fulfilled during the monitoring period of a minimum of two years:

- an additional forbearance measure is extended and in the past the customer was in the non-performing forbearance category;
- the customer becomes more than 30 days past due on forborne exposure and in the past the customer was in the non-performing forbearance category;
- the customer meets any of the default event criteria defined in the default definition;
- for corporate customers, when a final restructuring agreement cannot be concluded within 18 months after the first forbearance measure.

The performing forbearance classification can be discontinued and the account can become a non-forborne account when all of the following conditions are met:

- a minimum of two years has passed from the date of classifying the exposure as performing forbearance (probation period);
- under the forborne payment plan, at least 50% of the original (pre-forbearance) instalment has been regularly repaid at least during half of the probation period (in the case of retail customers);
- regular repayments in a significant amount during at least half of the probation period have been made (in the case of corporate customers);
- none of the exposure of the customer is more than 30 days past due at the end of the probation period.

An exposure is considered as non-performing forborne, if at the moment of forbearance measures implementation client meets at least one of the conditions mentioned below:

- the account/product is already classified as non-performing exposure;
- the account/product becomes non-performing after the concession implementation.

Nonperforming forbearance can be allocated as a result of a downgrade from a performing/ performing under probation forbearance status.

If for a performing forborne contract the customer meets any of the default event criteria defined in the Group internal default definition, the account will be classified as non-performing.

If for or a performing under probation contract at least one of the below triggers will take place, the account will be classified as non-performing:

- an additional forbearance measure is extended at account level, this being at least the 2nd restructuring measure at client level, in more than 2 years from receiving the last forbearance measure or
- the account has more than 30 days past due during the monitoring period, or
- the customer meets any of the default event criteria defined in the Group internal default definition.

The non-performing forbearance classification can be discontinued and reclassified as performing under probation when all of the following conditions are met:

- one year has passed from the date of classifying the exposure as non-performing forbearance;
- the forbearance has not led the exposure to be classified as non-performing;
- retail customers: the customer has demonstrated the ability to comply with the post-forbearance conditions by either of the following:
    - the customer has never been more than 30 days past due during the last 6 months and there is no delinquent amount;
    - the customer has repaid the full past due amount or the written-off amount (if there was any).
- corporate customers: analysis of financial development that leaves no concern about future compliance with post-forbearance terms and conditions. Furthermore, the customer has never been more than 30 days past due during the monitoring period and there is no delinquent amount.

In the corporate segment, recognition of forbearance measures typically leads to the involvement of the responsible local workout unit. The largest part of the forbearance measures are set and monitored within the responsibility of the local workout units according to the internal regulations and standards for the workout involvement. Forbearance measures are defined as qualitative trigger events in the SICR concept according to the internal regulations of the Bank.

26. Credit risk *(continued)*

Credit risk exposure, forbearance exposure and credit loss allowances

Group

in RON thousands	Loans and advances	Debt securities	Other on- and off-balance-sheet	Loan commitments	Total
			31.12.2023		
Gross exposure	**63,835,441**	**27,594,117**	**6,655,686**	**19,553,072**	**117,638,316**
thereof gross forborne exposure	1,743,538	-	-	377,627	2,121,165
Performing exposure	**62,068,662**	**27,594,117**	**6,629,408**	**19,444,807**	**115,736,994**
thereof performing forborne exposure	916,743	-	-	319,693	1,236,436
Credit loss allowances for performing exposure	**(1,710,644)**	**(16,002)**	**(28,466)**	**(317,029)**	**(2,072,141)**
thereof credit loss allowances for performing forborne exposure	(74,720)	-	-	(25,705)	(100,425)
Non-performing exposure	**1,766,779**	**-**	**26,278**	**108,265**	**1,901,322**
thereof non-performing forborne exposure	826,795	-	-	57,934	884,729
Credit loss allowances for non-performing exposure	**(1,256,492)**	**-**	**(25,032)**	**(58,585)**	**(1,340,109)**
thereof credit loss allowances for non-performing forborne exposure	(476,592)	-	-	(34,201)	(510,793)

Group

in RON thousands	Loans and advances	Debt securities	Other on- and off-balance-sheet	Loan commitments	Total
			31.12.2022		
Gross exposure	**58,253,848**	**25,196,529**	**9,143,798**	**15,238,600**	**107,832,775**
thereof gross forborne exposure	1,856,785	-	7,288	94,231	1,958,304
Performing exposure	**56,628,817**	**25,196,529**	**9,033,792**	**15,210,318**	**106,069,456**
thereof performing forborne exposure	1,135,794	-	-	75,730	1,211,524
Credit loss allowances for performing exposure	**(1,598,300)**	**(29,815)**	**(66,232)**	**(270,700)**	**(1,965,047)**
thereof credit loss allowances for performing forborne exposure	(79,433)	-	-	(5,477)	(84,910)
Non-performing exposure	**1,625,031**	**-**	**110,006**	**28,282**	**1,763,319**
thereof non-performing forborne exposure	720,991	-	-	18,502	739,493
Credit loss allowances for non-performing exposure	**(1,178,670)**	**-**	**(70,919)**	**(18,765)**	**(1,268,354)**
thereof credit loss allowances for non-performing forborne exposure	(447,430)	-	(6,603)	(14,944)	(468,977)

Bank

in RON thousands	Loans and advances	Debt securities	Other on- and off-balance-sheet	Loan commitments	Total
			31.12.2023		
Gross exposure	**63,442,473**	**27,474,252**	**6,082,770**	**20,233,218**	**117,232,713**
thereof gross forborne exposure	1,699,559	-	-	377,627	2,077,186
Performing exposure	**61,825,588**	**27,474,252**	**6,056,525**	**20,124,953**	**115,481,318**
thereof performing forborne exposure	903,364	-	-	319,693	1,223,057
Credit loss allowances for performing exposure	**(1,635,393)**	**(12,230)**	**(15,979)**	**(315,878)**	**(1,979,480)**
thereof credit loss allowances for performing forborne exposure	(74,153)	-	-	(25,705)	(99,858)
Non-performing exposure	**1,616,885**	**-**	**26,245**	**108,265**	**1,751,395**
thereof non-performing forborne exposure	796,195	-	-	57,934	854,129
Credit loss allowances for non-performing exposure	**(1,167,207)**	**-**	**(20,892)**	**(58,585)**	**(1,246,684)**
thereof credit loss allowances for non-performing forborne exposure	(462,604)	-	-	(34,201)	(496,805)

Bank

in RON thousands	Loans and advances	Debt securities	Other on- and off-balance-sheet	Loan commitments	Total
			31.12.2022		
Gross exposure	**57,717,429**	**25,113,603**	**8,390,435**	**15,453,710**	**106,675,177**
thereof gross forborne exposure	1,820,168	-	-	94,231	1,914,399
Performing exposure	**56,165,429**	**25,113,603**	**8,280,429**	**15,425,408**	**104,984,869**
thereof performing forborne exposure	1,126,556	-	-	75,729	1,202,285
Credit loss allowances for performing exposure	**(1,545,913)**	**(26,861)**	**(52,517)**	**(272,127)**	**(1,897,418)**
thereof credit loss allowances for performing forborne exposure	(79,051)	-	-	(5,477)	(84,528)
Non-performing exposure	**1,552,000**	**-**	**110,006**	**28,302**	**1,690,308**
thereof non-performing forborne exposure	693,613	-	-	18,502	712,115
Credit loss allowances for non-performing exposure	**(1,155,333)**	**-**	**(64,076)**	**(18,784)**	**(1,238,193)**
thereof credit loss allowances for non-performing forborne exposure	(432,661)	-	-	(14,944)	(447,605)

This section provides a comprehensive picture of the credit quality of the banks' assets per financial instrument. Total forborne exposure increased by RON 162,861 thousand in case of Group, respectively by RON 162,787 thousand in case of Bank, noticeable in loans and advances and loan commitments.

26. Credit risk *(continued)*

Types of forbearance exposure

Group

in RON thousands	Gross forborne exposure	Modification in terms and conditions	Refinancing	Gross forborne exposure	Modification in terms and conditions	Refinancing
	31.12.2023			31.12.2022		
Loans and advances	1,743,538	1,726,928	16,610	1,856,785	1,855,906	879
Loan commitments	377,627	374,348	3,279	94,231	82,719	11,512
Total	**2,121,165**	**2,101,276**	**19,889**	**1,951,016**	**1,938,625**	**12,391**

Bank

in RON thousands	Gross forborne exposure	Modification in terms and conditions	Refinancing	Gross forborne exposure	Modification in terms and conditions	Refinancing
	31.12.2023			31.12.2022		
Loans and advances	1,699,559	1,682,949	16,610	1,820,168	1,819,289	879
Loan commitments	377,627	374,348	3,279	94,231	82,719	11,512
Total	**2,077,186**	**2,057,297**	**19,889**	**1,914,399**	**1,902,008**	**12,391**

Loans and advances figures include finance lease receivables and trade and other receivables.

Non-performing credit risk exposure and credit loss allowances

For the definition of credit risk exposure classified as non-performing, please refer to the description of risk categories in the subsection 'Internal rating system'. Credit risk provisions include specific and collective allowances and provisions for guarantees.

Credit loss allowances (all stages combined) covered 180.21% (2022: 187.31%) in case of Group and 184.21% (2022: 189.75%) in case of BCR of the reported non-performing on-balance and off-balance credit risk exposure as of 31 December 2023. For the portion of the non-performing credit risk exposure that is not covered by allowances, Group assumes there are sufficient levels of collateral and expected other recoveries.

Non-performing exposure reached RON 1,901,322 thousands as of December 2023 (2022: RON 1,763,319 thousands) in case of BCR Group and RON 1,751,395 thousands (2022: RON 1,690,308 thousands) in case of Bank, as a result of fair value update of a POCI group of connected clients, reflecting new expected recoveries due to refinancing transaction with another bank, performed in January 2024.

The following tables show the coverage of the non-performing credit risk exposure by credit loss allowances (without taking into consideration the collateral) as of 31 December 2023 and 31 December 2022.

The non-performing exposure ratio (NPE ratio) is calculated as the non-performing credit risk exposure divided by total credit risk exposure while the NPE coverage ratio (excl. collateral) is calculated according to Group's internal definition by dividing total loss allowances by non-performing credit risk exposure. Collateral or other recoveries are not taken into account.

Non-performing credit risk exposure by business segment and coverage by credit loss allowances and collateral

Group

in RON thousands	Non-performing		Credit risk exposure		Credit loss allowances	Collateral for NPE		NPE ratio		NPE coverage (excl. collateral)	NPE collateralization ratio	
	Total	AC and FVOCI	Total	AC and FVOCI	AC and FVOCI	Total	AC and FVOCI	Total	AC and FVOCI	AC and FVOCI	Total	AC and FVOCI
	31.12.2023											
Retail	1,177,069	1,177,070	33,772,137	33,771,383	(1,895,967)	382,741	382,741	3.49%	3.49%	161.08%	32.52%	32.52%
Corporates	716,908	709,048	50,241,667	47,616,248	(1,486,775)	206,158	198,553	1.43%	1.49%	209.69%	28.76%	28.00%
Group Markets	1,054	1,054	3,010,866	2,277,599	(3,282)	951	951	0.04%	0.05%	311.36%	90.23%	90.23%
Asset/Liability Management and Local Corporate Center	6,291	6,291	30,613,646	30,555,048	(26,226)	-	-	0.02%	0.02%	416.89%	0.00%	0.00%
Total	**1,901,322**	**1,893,463**	**117,638,316**	**114,220,278**	**(3,412,250)**	**589,850**	**582,245**	**1.62%**	**1.66%**	**180.21%**	**31.02%**	**30.75%**

Group

in RON thousands	Non-performing		Credit risk exposure		Credit loss allowances	Collateral for NPE		NPE ratio		NPE coverage (excl. collateral)	NPE collateralization ratio	
	Total	AC and FVOCI	Total	AC and FVOCI	AC and FVOCI	Total	AC and FVOCI	Total	AC and FVOCI	AC and FVOCI	Total	AC and FVOCI
	31.12.2022											
Retail	1,057,229	1,057,167	32,353,866	32,329,844	(2,001,927)	311,701	311,701	3.27%	3.27%	189.37%	29.48%	29.48%
Corporates	700,609	609,336	46,398,094	39,754,005	(1,084,236)	281,408	281,408	1.51%	1.53%	177.94%	40.17%	46.18%
Group Markets	70	70	3,382,640	1,870,318	(6,889)	-	-	0.00%	0.00%	9841.43%	0.00%	0.00%
Asset/Liability Management and Local Corporate Center	5,411	5,411	25,698,175	25,652,444	(38,761)	-	-	0.02%	0.02%	716.34%	0.00%	0.00%
Total	**1,763,319**	**1,671,984**	**107,832,775**	**99,606,611**	**(3,131,813)**	**593,109**	**593,109**	**1.64%**	**1.68%**	**187.31%**	**33.64%**	**35.47%**

26. Credit risk *(continued)*

Bank

in RON thousands	Non-performing		Credit risk exposure		Credit loss allowances	Collateral for NPE		NPE ratio		NPE coverage (excl. collateral)	NPE collateralization ratio	
	Total	AC and FVOCI	Total	AC and FVOCI	AC and FVOCI	Total	AC and FVOCI	Total	AC and FVOCI	AC and FVOCI	Total	AC and FVOCI
						31.12.2023						
Retail	1,109,255	1,109,255	32,356,732	32,355,978	(1,819,573)	345,174	345,174	3.43%	3.43%	164.04%	31.12%	31.12%
Corporates	631,973	631,972	46,561,603	43,936,189	(1,366,546)	162,000	162,000	1.36%	1.44%	216.24%	25.63%	25.63%
Group Markets	1,054	1,054	3,353,411	2,610,371	(4,500)	951	951	0.03%	0.04%	426.92%	90.23%	90.23%
Asset/Liability Management and Local Corporate Center	9,113	9,113	34,960,967	34,902,369	(35,545)	-	-	0.03%	0.03%	390.05%	0.00%	0.00%
Total	**1,751,395**	**1,751,394**	**117,232,713**	**113,804,907**	**(3,226,164)**	**508,125**	**508,125**	**1.49%**	**1.54%**	**184.21%**	**29.01%**	**29.01%**

Bank

in RON thousands	Non-performing		Credit risk exposure		Credit loss allowances	Collateral for NPE		NPE ratio		NPE coverage (excl. collateral)	NPE collateralization ratio	
	Total	AC and FVOCI	Total	AC and FVOCI	AC and FVOCI	Total	AC and FVOCI	Total	AC and FVOCI	AC and FVOCI	Total	AC and FVOCI
						31.12.2022						
Retail	1,039,543	1,039,480	32,200,933	32,176,909	(1,983,879)	310,585	310,585	3.23%	3.23%	190.85%	29.88%	29.88%
Corporates	575,815	484,541	42,078,880	35,434,793	(924,574)	224,555	224,555	1.37%	1.37%	190.81%	39.00%	46.34%
Group Markets	90	90	3,416,929	1,894,681	(6,924)	-	-	0.00%	0.00%	7693.33%	0.00%	0.00%
Asset/Liability Management and Local Corporate Center	74,860	74,860	28,978,435	28,932,704	(118,625)	-	-	0.26%	0.26%	158.46%	0.00%	0.00%
Total	**1,690,308**	**1,598,971**	**106,675,177**	**98,439,087**	**(3,034,002)**	**535,140**	**535,140**	**1.58%**	**1.62%**	**189.75%**	**31.66%**	**33.47%**

The tables on the following pages present the structure of the customer loan book, excluding loans to central banks and credit institutions broken down by different categories. Loans and advances to customers comprise:

- loans and advances to customers at AC;
- finance lease receivables;
- trade and other receivables.

Loans and advances to customers by geographical operating segment and currency

	Group		Bank	
in RON thousands	**31.12.2023**	**31.12.2022**	**31.12.2023**	**31.12.2022**
EUR	18,885,603	17,328,449	18,345,451	16,599,133
RON	42,293,529	40,580,644	42,446,910	40,736,699
USD	523,689	196,125	500,317	155,860
Other	6,839	27	6,839	27
Total	**19,416,131**	**17,524,601**	**61,299,517**	**57,491,719**

Loans and advances to customers by business segment and risk category

Group

in RON thousands	Low risk	Management attention	Substandard	Non-performing	Total
			31.12.2023		
Retail	25,003,614	3,504,038	1,401,248	1,170,081	31,078,981
Corporates	20,077,467	7,427,993	1,057,399	582,498	29,145,357
Group Markets	485,796	150	8,886	83	494,915
Asset/Liability Management and Local Corporate Center	907,641	76,232	243	6,291	990,407
Total	**46,474,518**	**11,008,413**	**2,467,776**	**1,758,953**	**61,709,660**

Group

in RON thousands	Low risk	Management attention	Substandard	Non-performing	Total
			31.12.2022		
Retail	24,521,466	3,145,679	1,289,209	1,051,496	30,007,850
Corporates	18,526,731	6,704,474	697,500	560,131	26,488,836
Group Markets	1,300,522	13,006	181	70	1,313,779
Asset/Liability Management and Local Corporate Center	229,443	1,692	58,234	5,411	294,780
Total	**44,578,162**	**9,864,851**	**2,045,124**	**1,617,108**	**58,105,245**

26. Credit risk *(continued)*

Bank

in RON thousands	Low risk	Management attention	Substandard	Non-performing	Total
			31.12.2023		
Retail	23,963,352	3,347,504	1,377,201	1,102,266	29,790,323
Corporates	17,661,328	7,049,917	1,038,087	505,422	26,254,754
Group Markets	561,138	150	8,886	83	570,257
Asset/Liability Management and Local Corporate Center	4,537,347	137,477	246	9,113	4,684,183
Total	**46,723,165**	**10,535,048**	**2,424,420**	**1,616,884**	**61,299,517**

Bank

in RON thousands	Low risk	Management attention	Substandard	Non-performing	Total
			31.12.2022		
Retail	24,492,237	3,142,941	1,289,144	1,033,809	29,958,131
Corporates	15,632,299	6,350,032	668,299	443,260	23,093,890
Group Markets	1,300,522	13,006	181	70	1,313,779
Asset/Liability Management and Local Corporate Center	2,943,125	116,633	58,238	7,923	3,125,919
Total	**44,368,183**	**9,622,612**	**2,015,862**	**1,485,062**	**57,491,719**

In the following tables, the non-performing loans and advances to customers divided by segments are contrasted with allowances for customer loans (all allowances for loans and advances to customers within the scope of IFRS 9) and the collateral for non-performing loans (NPL). The NPL ratio, the NPL coverage ratio (excluding collateral), and the NPL collateralisation ratio are also included.

The NPL ratio of loans and advances to customers is calculated by dividing the gross carrying amount of non-performing loans and advances to customers by the total gross carrying amount of loans and advances to customers. Consequently, it differs from the NPE ratio in section "Credit risk exposure'. Collaterals for non-performing loans mainly consist of real estates.

The NPL coverage ratio (excluding collateral) is calculated according to Group's internal definition by dividing total loss allowances (calculated for both performing and non-performing loans and advances to customers) by the gross carrying amount of the non-performing loans and advances to customers. Collateral or other recoveries are not taken into account.

Non-performing loans and advances to customers by business segment and coverage by loan loss allowances and collateral

Group

in RON thousands	Non-performing		Gross customer loans		Loan loss allowances	Collateral for NPL		NPL ratio		NPL coverage (exc collateral)	NPL collateralisation ratio	
	Total	AC	Total	AC	AC	Total	AC	Total	AC	AC	Total	AC
						31.12.2023						
Retail	1,170,081	1,170,081	31,078,983	31,078,981	(1,835,999)	381,504	381,504	3.76%	3.76%	156.91%	32.60%	32.60%
Corporates	582,498	582,498	29,145,357	29,145,357	(1,115,881)	191,060	191,060	2.00%	2.00%	191.57%	32.80%	32.80%
Group Markets	83	83	494,915	494,915	(1,256)	-	-	0.02%	0.02%	1519.21%	0.00%	0.00%
Asset/Liability Management and Local Corporate Center	6,291	6,291	990,407	990,407	(11,208)	-	-	0.64%	0.64%	178.18%	0.00%	0.00%
Total	**1,758,953**	**1,758,953**	**61,709,662**	**61,709,660**	**(2,964,344)**	**572,564**	**572,564**	**2.85%**	**2.85%**	**168.5%**	**32.55%**	**32.55%**

Group

in RON thousands	Non-performing		Gross customer loans		Loan loss allowances	Collateral for NPL		NPL ratio		NPL coverage (exc collateral)	NPL collateralisation ratio	
	Total	AC	Total	AC	AC	Total	AC	Total	AC	AC	Total	AC
						31.12.2022						
Retail	1,051,496	1,051,496	30,007,851	30,007,851	(1,943,893)	310,504	310,504	3.50%	3.50%	184.87%	29.53%	29.53%
Corporates	560,131	560,131	26,488,835	26,488,835	(814,948)	263,596	263,596	2.11%	2.11%	145.49%	47.06%	47.06%
Group Markets	70	70	1,313,779	1,313,779	(6,392)	-	-	0.01%	0.01%	9122.72%	0.00%	0.00%
Asset/Liability Management and Local Corporate Center	5,411	5,411	294,779	294,780	(11,475)	-	-	1.84%	1.84%	212.08%	0.00%	0.00%
Total	**1,617,108**	**1,617,108**	**58,105,244**	**58,105,245**	**(2,776,708)**	**574,100**	**574,100**	**2.78%**	**2.78%**	**171.71%**	**35.50%**	**35.50%**

Bank

in RON thousands	Non-performing		Gross customer loans		Loan loss allowances	Collateral for NPL		NPL ratio		NPL coverage (exc collateral)	NPL collateralisation ratio	
	Total	AC	Total	AC	AC	Total	AC	Total	AC	AC	Total	AC
						31.12.2023						
Retail	1,102,266	1,102,266	29,790,323	29,790,323	(1,759,782)	343,937	343,937	3.70%	3.70%	159.65%	31.20%	31.20%
Corporates	505,422	505,422	26,254,754	26,254,754	(1,019,794)	146,936	146,936	1.93%	1.93%	201.77%	29.07%	29.07%
Group Markets	83	83	570,257	570,257	(1,361)	-	-	0.01%	0.01%	1646.56%	0.00%	0.00%
Asset/Liability Management and Local Corporate Center	9,113	9,113	4,684,183	4,684,183	(21,129)	-	-	0.19%	0.19%	231.85%	0.00%	0.00%
Total	**1,616,884**	**1,616,884**	**61,299,517**	**61,299,517**	**(2,802,066)**	**490,873**	**490,873**	**2.64%**	**2.64%**	**173.30%**	**30.36%**	**30.36%**

26. Credit risk *(continued)*

Bank

in RON thousands	Non-performing		Gross customer loans		Loan loss allowances	Collateral for NPL		NPL ratio		NPL coverage (exc collateral)	NPL collateralisation ratio	
	Total	AC	Total	AC	AC	Total	AC	Total	AC	AC	Total	AC
						31.12.2022						
Retail	1,033,809	1,033,809	29,958,132	29,958,132	(1,925,926)	309,388	309,388	3.45%	3.45%	186.29%	29.93%	29.93%
Corporates	443,260	443,260	23,093,891	23,093,891	(681,500)	206,744	206,744	1.92%	1.92%	153.75%	46.64%	46.64%
Group Markets	70	70	1,313,779	1,313,779	(6,392)	-	-	0.01%	0.01%	9122.70%	0.00%	0.00%
Asset/Liability Management and Local Corporate Center	7,923	7,923	3,125,918	3,125,917	(18,416)	-	-	0.25%	0.25%	232.45%	0.00%	0.00%
Total	**1,485,062**	**1,485,062**	**57,491,720**	**57,491,719**	**(2,632,234)**	**516,132**	**516,132**	**2.58%**	**2.58%**	**177.25%**	**34.75%**	**34.75%**

Loans and advances to customers at AC and coverage by loan loss allowances by business segment and IFRS 9 treatment

Group

in RON thousands	Loans to customers				Loan loss allowances				Stage 2 coverage ratio	Stage 3 coverage ratio	POCI coverage ratio
	Stage 1	Stage 2	Stage 3	POCI	Stage 1	Stage 2	Stage 3	POCI			
					31.12.2023						
Retail	23,650,355	6,147,122	1,124,096	157,409	(143,678)	(697,160)	(961,500)	(33,661)	11.34%	85.54%	21.38%
Corporates	21,654,374	6,897,040	398,855	195,087	(226,309)	(631,214)	(255,459)	(2,898)	9.15%	64.05%	1.49%
Group Markets	494,190	642	83	-	(1,022)	(232)	(3)	-	36.10%	3.61%	0.00%
Asset/Liability Management and Local Corporate Center	840,265	143,851	6,291	-	(18)	(7,356)	(6,593)	-	5.11%	104.80%	0.00%
Total	**46,639,184**	**13,188,655**	**1,529,325**	**352,496**	**(371,027)**	**(1,335,962)**	**(1,223,555)**	**(36,559)**	**10.13%**	**80.01%**	**10.37%**

Group

in RON thousands	Loans to customers				Loan loss allowances				Stage 2 coverage ratio	Stage 3 coverage ratio	POCI coverage ratio
	Stage 1	Stage 2	Stage 3	POCI	Stage 1	Stage 2	Stage 3	POCI			
					31.12.2022						
Retail	21,891,690	6,939,151	993,244	183,766	(118,577)	(965,360)	(814,598)	(45,358)	13.91%	82.01%	24.68%
Corporates	20,071,678	5,838,485	493,047	85,626	(144,627)	(348,277)	(319,841)	(2,203)	5.97%	64.87%	2.57%
Group Markets	1,224,865	88,844	70	-	(797)	(5,585)	(9)	-	6.29%	12.86%	0.00%
Asset/Liability Management and Local Corporate Center	228,223	61,145	5,411	-	(1,230)	(4,772)	(5,474)	-	7.80%	101.16%	0.00%
Total	**43,416,456**	**12,927,625**	**1,491,772**	**269,392**	**(265,231)**	**(1,323,994)**	**(1,139,922)**	**(47,561)**	**10.24%**	**76.41%**	**17.65%**

Bank

in RON thousands	Loans to customers				Loan loss allowances				Stage 2 coverage ratio	Stage 3 coverage ratio	POCI coverage ratio
	Stage 1	Stage 2	Stage 3	POCI	Stage 1	Stage 2	Stage 3	POCI			
					31.12.2023						
Retail	22,904,496	5,672,136	1,056,281	157,409	(129,081)	(675,982)	(921,058)	(33,661)	11.92%	87.20%	21.38%
Corporates	19,712,507	6,025,382	321,779	195,087	(204,345)	(607,087)	(205,463)	(2,898)	10.08%	63.85%	1.49%
Group Markets	569,532	642	83	-	(1,127)	(232)	(3)	-	36.10%	3.61%	0.00%
Asset/Liability Management and Local Corporate Center	4,530,756	144,314	9,113	-	(6,024)	(7,359)	(7,746)	-	5.10%	85.00%	0.00%
Total	**47,717,291**	**11,842,474**	**1,387,256**	**352,496**	**(340,577)**	**(1,290,660)**	**(1,134,270)**	**(36,559)**	**10.90%**	**81.76%**	**10.37%**

Bank

in RON thousands	Loans to customers				Loan loss allowances				Stage 2 coverage ratio	Stage 3 coverage ratio	POCI coverage ratio
	Stage 1	Stage 2	Stage 3	POCI	Stage 1	Stage 2	Stage 3	POCI			
					31.12.2022						
Retail	21,865,392	6,933,415	975,557	183,766	(118,429)	(965,115)	(797,024)	(45,358)	13.92%	81.70%	24.68%
Corporates	17,130,075	5,502,014	376,176	85,626	(98,058)	(336,610)	(244,629)	(2,203)	6.12%	65.03%	2.57%
Group Markets	1,224,865	88,844	70	-	(797)	(5,585)	(9)	-	6.29%	12.86%	0.00%
Asset/Liability Management and Local Corporate Center	3,028,694	89,302	7,923	-	(5,368)	(5,064)	(7,985)	-	5.67%	100.78%	0.00%
Total	**43,249,026**	**12,613,575**	**1,359,726**	**269,392**	**(222,652)**	**(1,312,374)**	**(1,049,647)**	**(47,561)**	**10.40%**	**77.20%**	**17.65%**

27. Market risk

Definition and overview

Market risk is the risk of loss that may arise due to adverse changes in market prices and to the parameters derived therefrom. These market value changes might appear in the profit and loss account or in the statement of comprehensive income. Market risk is divided into interest rate risk, currency risk, equity risk and commodity risk. This concerns both trading and banking book positions.

Methods and instruments employed

Potential losses from the trading book that may arise from market movements are assessed using the value at risk ('VaR'). The calculation is done according to the method of historic simulation with a one-sided confidence level of 99%, a holding period of one day and a simulation period of two years. The VaR describes what level of losses may be expected as a maximum at a defined probability – the confidence level – within a certain holding period of the positions under historically observed market conditions.

On the one hand, the confidence level is limited to 99%, and on the other hand, the model takes into account only those market scenarios observed in each case within the simulation period of two years and calculates the VaR for the current position of the bank on this basis. In order to investigate any extreme market situations beyond this, stress tests are conducted. These events include mainly market movements of low probability.

27. Market risk *(continued)*

The Trading Book VaR model was approved by the Financial Market Authority ('FMA') as an internal market risk model to determine the own funds requirements of the trading book of Erste Group pursuant to the Austrian Banking Act.

For internal Pillar 2 capital purposes the VaR confidence level is scaled to 99.92% and the holding period is extended to one year.

Methods and instruments of risk mitigation

Market risks are controlled in the trading book by setting several layers of limits. The overall limit on the basis of VaR for the trading book is allocated by the management board within the Risk Appetite Framework while taking into account the risk-bearing capacity and projected earnings. All market risk activities of the trading book are assigned risk limits that are consistent in their entirety with the VaR overall limit. The VaR limit is assigned in a top-down procedure to the individual trading units.

This is done down to the level of the individual trading groups or departments. Limit compliance is verified on a daily basis by the Market and Liquidity Risk unit. On demand limit reports can also be triggered by individual traders or chief traders on an ad hoc basis

As an inherent part of its business, BCR is exposed to interest rate risk arising from the characteristics of assets, liabilities and off-balance sheet items as well as arising from the expected development of the balance sheet and banking activity.

Interest rate risk is the risk of an adverse change in the fair value of financial instruments caused by a movement in market interest rates. This type of risk arises when mismatches exist between assets and liabilities, including derivatives, in respect of their maturities or of the timing of interest rate adjustments. BCR offers both fixed rate and variable rate assets and liabilities, and positioning information is visible in the market risk tables provided for both MVoE (Market value of equity) and net interest income (NII).

BCR has four methods which are used to measure interest rate risk in the banking book:

Economic value measures (MVoE, EVE) to assess the market value change under certain scenarios;

Value at Risk based measures used for economic capital allocation under Pillar 2;

Earnings at risk measure (NII sensitivity) to assess the impact on operating income of certain scenarios on BCR level. This also comprises valuation impacts on other comprehensive income (OCI);

Sensitivity measures (BP01, CR01) to assess the market value sensitivity of certain portfolios.

BCR has in place strategies, policies and practices to manage interest rate risks in accordance with the risk tolerance. All internal and regulatory limits are monitored and reported to senior management.

The strategic steering of interest rate risk exposure is future oriented and based on the forecasted movements of the market variables (primarily interest rates) and business developments over a given – typically medium to long term - planning horizon.

Exchange rate risk

Risk from open foreign exchange positions is the risk related to exchange rates that derives from the mismatch between assets and liabilities, or from currency-related financial derivatives. These risks might originate from customer-related operations or proprietary trading and are monitored and managed on a daily basis.

Principles of managing foreign exchange risk

The FX Risk shows the sensitivity of BCR's open FX position to FX rate fluctuations. For both Banking Book and Trading Book, the FX position in BCR is monitored and reported on a daily basis. An internal limit was established for the net open position as a percentage from own funds.

The FX risk from trading book portfolio is also monitored on a daily basis through the VaR FX component of the total VaR by the Market and Liquidity Risk unit.

Analysis of market risk

The open FX position for year end 2023 and the resulting sensitivities are immaterial.

Value at Risk of trading book

The following tables show the VaR amounts as of 31 December 2023 and 31 December 2022 using equally weighted market data and with a holding period of one year. The confidence level is 99.9%.

27. Market risk *(continued)*

Bank

in RON thousands	FX position	Fixed Income	Money Market	Equity	Total Trading Book
As at 31 December 2023	-	61,969	5,336	-	63,409
As at 31 December 2022	2,644	135	16,376	-	14,981

Interest rate risk of banking book

Interest rate risk is the risk of an adverse change in the fair value of financial instruments caused by a movement in market interest rates. This type of risk arises when mismatches exist between assets and liabilities, including derivatives, in respect of their maturities or of the timing of interest rate adjustments.

In order to identify interest rate risk, all financial instruments, including transactions not recognized on the balance sheet, are grouped into maturity bands based on their remaining terms to maturity or terms to an interest rate adjustment (re-pricing). Positions without a fixed maturity (e.g., demand deposits) are included on the basis of modelled deposit rates that are determined by means of statistical methods.

The following tables list the open positions held by BCR by currency and re-pricing as of 31 December 2023 and 31 December 2022. Positive values indicate a surplus of asset items, while negative values represent a surplus on the liability side.

Bank 31.12.2023

in RON thousands		RON		EUR		Other currencies	
Maturity band	Weighting factors	Net position	Weighted position	Net position	Weighted position	Net position	Weighted position
≤ 1m	0.08%	11,796,755	9,437	6,504,367	5,203	281,722	225
> 1m, ≤ 3 m	0.32%	6,921	22	3,635,155	11,632	(747,458)	(2,392)
> 3 m, ≤ 6 m	0.72%	(2,015,446)	(14,511)	(1,341,288)	(9,657)	(444,982)	(3,204)
> 6 m, ≤ 12 m	1.43%	(8,562,697)	(122,447)	(3,150,557)	(45,053)	(675,067)	(9,653)
> 1y, ≤ 2 y	2.77%	4,009,333	111,059	727,188	20,143	(95,721)	(2,651)
> 2 y, ≤ 3 y	4.49%	3,870,927	173,805	(133,440)	(5,991)	(94,432)	(4,240)
> 3 y, ≤ 4 y	6.14%	3,470,174	213,069	(3,984,975)	(244,677)	(93,855)	(5,763)
> 4 y, ≤ 5 y	7.71%	(8,522,009)	(657,047)	(1,275,947)	(98,376)	(595,517)	(45,914)
> 5 y, ≤ 7 y	10.15%	2,120,903	215,272	2,134,460	216,648	(89,942)	(9,129)
> 7 y, ≤ 10 y	13.26%	2,689,272	356,597	575,240	76,277	-	-
> 10 y, ≤ 15 y	17.84%	529,951	94,543	209,796	37,428	-	-
> 15 y, ≤ 20 y	22.43%	(9,641)	(2,162)	(34,152)	(7,660)	-	-
> 20 y	26.03%	(15,615)	(4,065)	827	215	(5,913)	(1,539)
Total			**373,572**		**(43,868)**		**(84,260)**

Bank 31.12.2022

in RON thousands		RON		EUR		Other currencies	
Maturity band	Weighting factors	Net position	Weighted position	Net position	Weighted position	Net position	Weighted position
≤ 1m	0.08%	7,781,023	6,225	3,505,110	2,804	(37,199)	(30)
> 1m, ≤ 3 m	0.32%	(5,599,120)	(17,917)	3,679,807	11,775	(558,563)	(1,787)
> 3 m, ≤ 6 m	0.72%	2,120,448	15,267	(1,673,708)	(12,051)	(556,339)	(4,006)
> 6 m, ≤ 12 m	1.43%	(2,103,252)	(30,076)	(4,542,480)	(64,957)	(965,585)	(13,808)
> 1y, ≤ 2 y	2.77%	3,133,927	86,810	1,022,083	28,312	(141,614)	(3,923)
> 2 y, ≤ 3 y	4.49%	3,522,438	158,157	720,412	32,347	(134,495)	(6,039)
> 3 y, ≤ 4 y	6.14%	1,842,673	113,140	(158,986)	(9,762)	(134,587)	(8,264)
> 4 y, ≤ 5 y	7.71%	(5,278,953)	(407,007)	(3,310,258)	(255,221)	(712,979)	(54,971)
> 5 y, ≤ 7 y	10.15%	98,083	9,955	1,525,620	154,850	-	-
> 7 y, ≤ 10 y	13.26%	2,291,330	303,830	586,054	77,711	-	-
> 10 y, ≤ 15 y	17.84%	367,348	65,535	513,906	91,681	-	-
> 15 y, ≤ 20 y	22.43%	(53)	(12)	(37,726)	(8,462)	-	-
> 20 y	26.03%	(15,077)	(3,925)	516	134	(6,095)	(1,587)
Total			**299,982**		**49,161**		**(94,415)**

The weighting factors are the regulatory factors from the standardized approach for interest rate risk for banking book of Regulation 5/2013, where the assumed shocks are of 200 basis points. The potential impact of the parallel shift of the interest rates in the market value of equity (MVoE) under this approach is illustrated in the tables below. The regulatory and internal limit for this impact as a percentage from own funds is 20%, while the warning level is 15%.

27. Market risk *(continued)*

			Group
in RON thousands			31.12.2023
Own Funds			10,794,231
The Potential Decrease in the Market Value of Equity	in absolute value	RON	384,453
		EUR	27,020
		Other currencies	83,699
		Total	495,172
	% of Own Funds		4.59%

			Group
in RON thousands			31.12.2022
Own Funds			10,792,952
The Potential Decrease in the Market Value of Equity	in absolute value	RON	307,766
		EUR	74,817
		Other currencies	93,686
		Total	476,269
	% of Own Funds		4.41%

			Bank
in RON thousands			31.12.2023
Own Funds			10,699,896
The Potential Decrease in the Market Value of Equity	in absolute value	RON	373,572
		EUR	43,868
		Other currencies	84,260
		Total	501,700
	% of Own Funds		4.69%

			Bank
in RON thousands			31.12.2022
Own Funds			10,657,897
The Potential Decrease in the Market Value of Equity	in absolute value	RON	299,983
		EUR	49,161
		Other currencies	94,413
		Total	443,557
	% of Own Funds		4.16%

The following table shows the changes in NII (Net Interest Income) for BCR Bank for a 1-year period and the impact on fair value reserve (equity) due to an instantaneous parallel shift of the yield curves with ±2%, using supervisory outlier test methodology.

RON thousands		31.12.2023
Shift	Sensitivity of Net Interest Income	Sensitivity of Fair Value reserve (Equity)
2%	361,332	(506,206)
-2%	(407,669)	554,649

RON thousands		31.12.2022
Shift	Sensitivity of Net Interest Income	Sensitivity of AFS reserve (equity)
2%	275,703	(350,867)
-2%	(428,874)	379,175

28. Liquidity risk

Definition and overview

The liquidity risk is defined in the Group in line with the principles set out by the Basel Committee on Banking Supervision and the local regulator (National Bank of Romania). Accordingly, a distinction is made between market liquidity risk, which is the risk that the Group entities cannot easily offset or close a position at the market price because of inadequate market depth or market disruption, and funding liquidity risk, which is the risk that the banks in the Group will not be able to meet efficiently both expected and unexpected current and future cash flow and collateral needs without affecting either daily operations or the financial condition of the Group members.

Funding liquidity risk is further divided into insolvency risk and structural liquidity risk. The former is the short-term risk that current or future payment obligations cannot be met in full and on time in an economically justified manner, while structural liquidity risk is the long-term risk of losses due to a change in the Group's own refinancing cost or spread.

Liquidity strategy

The Liquidity Strategy is part of the Risk Strategy and was defined in accordance with the Group's risk appetite and it was compliant with internal and regulatory limits. The Liquidity Strategy contains developments, rules and targets including (but not limited to) regulatory requirements (e.g. LCR, NSFR), liquidity buffer, funding plan and maturity profile of issued debt and secured and unsecured interbank funding.

Methods and instruments employed

Short-term insolvency risk is monitored by calculating the survival period for each significant currency andanalysis total portfolio in the case of the Bank.

This analysis determines the maximum period during which the entity can survive a severe combined market and idiosyncratic crisis while relying on its pool of liquid assets. The chosen worst-case scenario simulates very limited money market and capital market access and at the same time significant client deposit outflow.

Furthermore, the simulation assumes increased drawdown on guarantees and loan commitments dependent on the type of the customer.

The SPA is covering a stress horizon of up to 12 months and covers the entire portfolio of the bank.

The Bank monitors the Liquidity Coverage Ratio ('LCR') and Net Stable Funding Ratio ('NSFR') according to CRR at both entity and group level and has included the metrics in its internal Risk Appetite Statement.

28. Liquidity risk *(continued)*

Additionally, the traditional liquidity gaps (depicting the going concern maturity mismatches) of the subsidiaries and the group as a whole are reported and monitored regularly. Funding concentration risk is continuously analysed in respect to counterparties. The Group's fund transfer pricing (FTP) system has also proven to be an efficient tool for structural liquidity risk management.

Methods and instruments of risk mitigation

Short-term liquidity risk is managed by limits resulting from the survival period model, internal stress testing and by internal LCR targets at both Bank and Group level. Limit breaches are reported to the Asset Liability Committee (ALCO). Another important instrument for managing the liquidity risk within the Group and in relation to its subsidiaries is the FTP system. As the process of planning funding needs provides important information for liquidity management, a detailed overview of funding needs is prepared on a quarterly basis for the planning horizon across the Group.

The Contingency Funding Plan of the Group ensures the necessary coordination of all parties involved in the liquidity management process in case of crisis and is reviewed on a regular basis. The contingency funding plans of the subsidiaries are coordinated as part of the plan for the Group.

Analysis of liquidity risk

Financial assets

Maturities of contractual undiscounted cash flows from financial assets as of 31 December 2023 and 31 December 2022 respectively for the Group were as follows:

Group

In RON thousands	Carrying amounts	Contractual cash flows	< 1 month	1-3 months	3-6 months	6-12 months	1-5 years	> 5 years
As of 31 December 2023								
Non-derivative assets	**101,738,045**	**131,850,448**	**25,943,779**	**3,061,474**	**6,320,144**	**8,156,866**	**47,779,938**	**40,588,247**
Cash and cash balances	16,763,792	16,765,792	16,765,792	-	-	-	-	-
Debt securities	27,650,912	33,932,688	104,391	275,521	2,871,642	2,103,373	19,447,998	9,129,763
Loans and advances to banks	2,125,746	2,472,752	2,223,574	249,178	-	-	-	-
Loans and advances to customers	55,197,595	78,679,216	6,850,022	2,536,775	3,448,502	6,053,493	28,331,940	31,458,484
Derivatives	**135,678**	**4,504,469**	**1,802,069**	**2,196,527**	**116,296**	**56,265**	**293,591**	**39,721**

Group

In RON thousands	Carrying amounts	Contractual cash flows	< 1 month	1-3 months	3-6 months	6-12 months	1-5 years	> 5 years
As of 31 December 2022								
Non-derivative assets	**92,951,411**	**122,485,840**	**26,157,874**	**2,105,916**	**4,863,979**	**9,750,783**	**41,488,249**	**38,119,039**
Cash and cash balances	15,224,576	15,224,576	15,224,576	-	-	-	-	-
Debt securities	24,896,343	29,072,176	76,843	206,816	2,212,690	4,070,101	15,217,225	7,288,501
Loans and advances to banks	148,344	3,117,396	3,034,330	83,066	-	-	-	-
Loans and advances to customers	52,682,148	75,071,692	7,822,125	1,816,034	2,651,289	5,680,682	26,271,024	30,830,538
Derivatives	**177,213**	**5,470,408**	**4,461,458**	**384,878**	**220,606**	**263,094**	**99,440**	**40,932**

The financial assets as of 31 December 2023 and 31 December 2022 respectively for the Bank, were as follows:

Bank

In RON thousands	Carrying amounts	Contractual cash flows	< 1 month	1-3 months	3-6 months	6-12 months	1-5 years	> 5 years
As of 31 December 2023								
Non-derivative assets	**103,367,414**	**130,858,317**	**25,748,613**	**2,757,044**	**5,814,342**	**7,355,221**	**48,616,036**	**40,567,061**
Cash and cash balances	16,724,913	16,726,913	16,726,913	-	-	-	-	-
Debt securities	27,531,099	33,689,615	38,672	228,217	2,763,381	2,081,584	19,447,998	9,129,763
Loans and advances to banks	2,142,421	2,441,842	2,183,818	249,178	-	8,846	-	-
Loans and advances to customers	56,968,981	77,999,947	6,799,210	2,279,649	3,050,961	5,264,791	29,168,038	31,437,298
Derivatives	**135,727**	**4,609,013**	**1,906,613**	**2,196,527**	**116,296**	**56,265**	**293,591**	**39,721**

28. Liquidity risk *(continued)*

Bank

In RON thousands	Carrying amounts	Contractual cash flows	< 1 month	1-3 months	3-6 months	6-12 months	1-5 years	> 5 years
As of 31 December 2022								
Non-derivative assets	**94,169,727**	**121,295,859**	**26,040,447**	**1,875,713**	**4,495,123**	**8,977,149**	**41,868,052**	**38,039,375**
Cash and cash balances	15,224,262	15,224,262	15,224,262	-	-	-	-	-
Debt securities	24,813,499	28,897,003	33,212	180,580	2,152,756	4,024,729	15,217,225	7,288,501
Loans and advances to banks	156,699	3,081,677	2,989,825	83,066	-	6	8,780	-
Loans and advances to customers	53,975,267	74,092,917	7,793,148	1,612,067	2,342,367	4,952,414	26,642,047	30,750,874
Derivatives	**177,679**	**5,603,988**	**4,535,669**	**444,247**	**220,606**	**263,094**	**99,440**	**40,932**

Financial liabilities

Maturities of contractual undiscounted cash flows from financial liabilities as of 31 December 2023 and 31 December 2022 for the Group, were as follows:

Group

in thousands RON	Carrying amounts	Contractual cash flows	< 1 month	1-3 months	3-6 months	6-12 months	1-5 years	> 5 years
As of 31 December 2023								
Non-derivative liabilities	**90,300,934**	**93,943,430**	**56,552,508**	**10,698,991**	**5,712,441**	**5,897,126**	**11,405,705**	**3,676,659**
Deposits by banks	1,648,938	1,755,984	896,583	61,264	53,283	84,626	468,386	191,842
Customer deposits	78,481,853	79,627,104	55,646,542	10,623,407	5,263,861	5,608,774	1,415,333	1,069,187
Debt securities in issue	10,170,143	12,560,342	9,383	14,320	395,297	203,726	9,521,986	2,415,630
Contingent liabilities	**15,209,853**	**15,209,853**	**15,209,853**	**-**	**-**	**-**	**-**	**-**
Financial guarantees	-	2,338,173	2,338,173	-	-	-	-	-
Irrevocable commitments	-	12,871,680	12,871,680	-	-	-	-	-
Derivatives	**165,467**	**4,527,556**	**1,808,538**	**2,212,527**	**117,661**	**56,028**	**293,196**	**39,606**

Group

in thousands RON	Carrying amounts	Contractual cash flows	< 1 month	1-3 months	3-6 months	6-12 months	1-5 years	> 5 years
As of 31 December 2022								
Non-derivative liabilities	**83,092,337**	**85,544,593**	**56,771,725**	**10,900,280**	**3,636,056**	**4,655,507**	**5,383,828**	**4,197,197**
Deposits by banks	2,079,394	2,170,133	1,446,828	85,904	51,276	111,989	362,350	111,786
Customer deposits	75,588,537	76,676,118	55,318,500	10,779,963	3,482,045	4,418,574	2,394,319	282,717
Debt securities in issue	5,424,406	6,698,342	6,397	34,413	102,735	124,944	2,627,159	3,802,694
Contingent liabilities	**15,770,533**	**15,770,533**	**15,770,533**	**-**	**-**	**-**	**-**	**-**
Financial guarantees	-	4,364	4,364	-	-	-	-	-
Irrevocable commitments	-	15,766,169	15,766,169	-	-	-	-	-
Derivatives	**163,579**	**5,453,045**	**4,463,603**	**372,200**	**226,980**	**250,391**	**98,941**	**40,930**

Maturities of contractual undiscounted cash flows from financial liabilities as of 31 December 2023 and 31 December 2022 respectively for the Bank were as follows:

Bank

in thousands RON	Carrying amounts	Contractual cash flows	< 1 month	1-3 months	3-6 months	6-12 months	1-5 years	> 5 years
As of 31 December 2023								
Non-derivative liabilities	**90,633,477**	**93,479,924**	**56,874,460**	**10,613,662**	**5,614,392**	**5,741,677**	**10,967,014**	**3,668,719**
Deposits by banks	1,738,658	1,776,411	1,455,253	14,980	5,354	12,725	96,257	191,842
Customer deposits	78,724,676	79,143,171	55,409,824	10,584,362	5,213,741	5,525,226	1,348,771	1,061,247
Debt securities in issue	10,170,143	12,560,342	9,383	14,320	395,297	203,726	9,521,986	2,415,630
Contingent liabilities	**15,187,345**	**15,187,345**	**15,187,345**	**-**	**-**	**-**	**-**	**-**
Financial guarantees	-	2,516,139	2,516,139	-	-	-	-	-
Irrevocable commitments	-	12,671,206	12,671,206	-	-	-	-	-
Derivatives	**165,467**	**4,632,023**	**1,913,005**	**2,212,527**	**117,661**	**56,028**	**293,196**	**39,606**

28. Liquidity risk *(continued)*

Bank

in thousands RON	Carrying amounts	Contractual cash flows	< 1 month	1-3 months	3-6 months	6-12 months	1-5 years	> 5 years
As of 31 December 2022								
Non-derivative liabilities	**83,348,684**	**85,014,532**	**56,931,990**	**10,819,677**	**3,541,518**	**4,484,758**	**5,047,936**	**4,188,653**
Deposits by banks	2,315,225	2,356,444	2,102,513	20,030	-	19,505	102,610	111,786
Customer deposits	75,609,053	75,959,746	54,823,080	10,765,234	3,438,783	4,340,309	2,318,167	274,173
Debt securities in issue	5,424,406	6,698,342	6,397	34,413	102,735	124,944	2,627,159	3,802,694
Contingent liabilities	**15,628,832**	**15,628,832**	**15,628,832**	**-**	**-**	**-**	**-**	**-**
Financial guarantees	-	4,364	4,364	-	-	-	-	-
Irrevocable commitments	-	15,624,468	15,624,468	-	-	-	-	-
Derivatives	**163,579**	**5,453,045**	**4,463,603**	**372,200**	**226,980**	**250,391**	**98,941**	**40,930**

As of year-end 2023, the currency composition of the deposits consisted of approximately 70.03% RON (67.00% as of year-end 2022), 25.81% EUR (28.04% as of year-end 2022), 3.78% USD (4.50% as of year-end 2022) and the rest 0.39% in other currencies.

The group is not exposed to a short-term liquidity gap. For liquidity reporting purposes demand deposits and savings accounts are mapped to the first time bucket, without assuming any behavioral modelling. In reality demand deposits have empirically a long weighted average lifetime and there is no expectation of these significant transactional accounts outflowing overnight. Furthermore, the bank has a significant liquidity buffer, amounting to 35% of Total Assets that can comfortably cover liquidity needs.

Non-current assets and other investments

29. Property, equipment and investment properties

Property and equipment

Depreciation of property and equipment is calculated using the straight-line method to write down the cost of property and equipment to their residual values over their estimated useful lives. Land is not depreciated. The estimated useful lives are as follows:

- Buildings 30 to 50 years (mainly 50 years)
- Office equipment 3 to 10 years
- Other furniture and equipment 3 to 10 years

Depreciation is recognised in the statement of profit or loss in the line item 'Depreciation and amortisation' and impairment in the line item 'Other operating result'.

Any impairment losses including their reversals and gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is recognized in 'Other operating result' in the statement of profit or loss in the year the asset are derecognized.

Investment properties

Investment property is property (land and buildings or part of a building or both) held for the purpose of earning rental income or for capital appreciation or both.

Investment property is presented in the statement of financial position in the line item 'Investment properties'.

An investment property is measured initially at its cost taking into account any expenditure directly attributable to the purchase (e.g. fees paid to the estate agent, notarial fees, property transfer taxes and fees).

After initial recognition an investment property is measured at cost (cost model) in accordance with IAS 16. Following that, an investment property is carried at its cost less any accumulated depreciation and any accumulated impairment losses.

Investment properties are derecognized when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in the profit or loss in the period of derecognition.

Rental income is recognised in the statement of profit or loss in the line item 'Rental income from investment properties and other operating leases'. Depreciation is presented in the statement of income in the line item 'Depreciation and amortisation' using the straight-line method over an estimated useful life. Any impairment losses, as well as their reversals, are recognised under the line item 'Other operating result'.

Impairment

In order to determine the impairment of assets classified under IAS 16 "Property, plant and equipment", the Bank compares the recoverable amount of the Bank as a whole (higher of the Bank fair value less costs to sell and its value in use), from which the net book value of the assets which are not subject to impairment test are deducted, with the net book value of these tangible assets.
For assets classified under IAS 40 (which includes both rented buildings and vacant buildings), the impairment was assessed based on their fair value as established by an external valuation report.

29. Property, equipment and investment properties *(continued)*

Group

	Property and equipment - Acquisition and production costs					
in RON thousands	Land and buildings	Office and equipment / other fixed assets	IT assets (hardware)	Movable other property	Total property and equipment	Investment properties
Balance as of 01.01.2022	**386,255**	**473,808**	**258,750**	**430,416**	**1,549,229**	**332,212**
Additions in current year (+)	33,174	42,185	63,583	4,563	143,505	602
Disposals and write off (-)	(29,689)	(72,433)	(94,590)	(149,861)	(346,573)	(26,911)
Reclassification between classes of tangible assets	(13,644)	1,596	(2,834)	-	(14,882)	13,663
Reclassification in assets held for sale	(39,035)	(10,265)	(5,625)	-	(54,925)	-
Currency translation (+/-)	5	41	43	-	89	-
Balance as of 31.12.2022	**337,066**	**434,932**	**219,327**	**285,118**	**1,276,443**	**319,566**
Balance as of 01.01.2023	**337,066**	**434,932**	**219,327**	**285,118**	**1,276,443**	**319,566**
Additions in current year (+)	44,751	48,493	32,405	4,799	130,448	2,019
Disposals and write off (-)	(51,941)	(48,051)	(8,796)	(21,602)	(130,390)	(42,782)
Reclassification between classes of tangible assets	9,666	796	1,942	(1,789)	10,615	(9,392)
Reclassification in assets held for sale	(21,230)	241	116	-	(20,873)	-
Balance as of 31.12.2023	**318,312**	**436,411**	**244,994**	**266,526**	**1,266,243**	**269,411**

	Property and equipment - Accumulated depreciation					
in RON thousands	Land and buildings	Office and equipment / other fixed assets	IT assets (hardware)	Movable other property	Total property and equipment	Investment properties
Balance as of 01.01.2022	**(162,164)**	**(294,678)**	**(198,097)**	**(239,813)**	**(894,752)**	**(181,989)**
Amortisation and depreciation (-)	(15,146)	(29,742)	(19,484)	(37,330)	(101,702)	(5,293)
Disposals (+)	11,951	62,769	94,377	119,205	288,302	14,867
Impairment (-)	(7,976)	(3,911)	(93)	(2,172)	(14,152)	(3,055)
Reversal of impairment (+)	1,335	-	-	214	1,549	4,772
Reclassification between classes of tangible assets (+/-)	325	(725)	748	(2)	346	(325)
Reclassification in assets held for sale	16,540	4,746	4,902	-	26,188	-
Currency translation (+/-)	4	89	68	-	161	-
Balance as of 31.12.2022	**(155,131)**	**(261,452)**	**(117,579)**	**(159,898)**	**(694,060)**	**(171,023)**
Balance as of 01.01.2023	**(155,131)**	**(261,452)**	**(117,579)**	**(159,898)**	**(694,060)**	**(171,023)**
Amortisation and depreciation (-)	(13,933)	(30,423)	(32,346)	(9,222)	(85,924)	(5,446)
Disposals (+)	24,873	47,220	7,536	-	79,629	23,934
Impairment (-)	(750)	(3,837)	(1,510)	(5,077)	(11,174)	(1,142)
Reversal of impairment (+)	2,750	-	-	323	3,073	14,337
Reclassification between classes of tangible assets (+/-)	(2,964)	22	148	(169)	(2,963)	2,964
Reclassification in assets held for sale	13,236	(442)	(456)	-	12,338	-
Currency translation (+/-)	-	-	(8)	-	(8)	-
Balance as of 31.12.2023	**(131,919)**	**(248,912)**	**(144,215)**	**(174,043)**	**(699,089)**	**(136,376)**

Group

	Property and equipment net					
in RON thousands	Land and buildings	Office and equipment / other fixed assets	IT assets (hardware)	Movable other property	Total property and equipment	Investment properties
Balance as of 31.12.2022	**181,935**	**173,480**	**101,748**	**125,220**	**582,383**	**148,543**
Balance as of 31.12.2023	**186,393**	**187,499**	**100,779**	**92,483**	**567,154**	**133,035**

29. Property, equipment and investment properties *(continued)*

Rights of use property, equipment and investment properties

Group

Right of use property and equipment - Acquisition costs						
in RON thousands	**Land and buildings**	**Office and equipment / other fixed assets**	**IT assets (hardware)**	**Movable other property**	**Total property and equipment**	**Investment properties**
Balance as of 01.01.2022	**545,977**	**851**	**-**	**53,228**	**600,056**	**-**
Additions in current year (+)	100,114	228	-	27,186	**123,005**	-
Disposals and write off (-)	(29,390)	-	-	-	**(24,867)**	-
Reclassification in assets held for sale	(6,337)	-	-	-	**(6,337)**	-
Currency translation (+/-)	(91)	-	-	-	(91)	-
Balance as of 31.12.2022	**610,273**	**1,079**	**-**	**80,414**	**691,766**	**-**
Balance as of 01.01.2023	**610,273**	**1,079**	**-**	**80,414**	**691,766**	**-**
Additions in current year (+)	188,563	459	-	8,074	**197,096**	-
Disposals and write off (-)	(107,528)	(1)	-	(9,941)	**(117,470)**	-
Reclassification in assets held for sale	(3,134)	-	-	-	**(3,134)**	-
Balance as of 31.12.2023	**688,174**	**1,537**	**-**	**78,547**	**768,258**	**-**

Group

Right of use Property and equipment - Accumulated depreciation						
in RON thousands	**Land and buildings**	**Office and equipment / other fixed assets**	**IT assets (hardware)**	**Movable other property**	**Total property and equipment**	**Investment properties**
Balance as of 01.01.2022	**(158,761)**	**(41)**	**-**	**(1,125)**	**(159,927)**	**-**
Amortisation and depreciation (-)	(72,152)	(174)	-	(6,277)	(78,603)	-
Disposals (+)	4,601	-	-	(4,286)	315	-
Impairment (-)	(11,855)	-	-	-	(11,855)	-
Reclassification into assets held for sale (-)	5,159	-	-	-	5,159	-
Currency translation (+/-)	(31)	-	-	-	(31)	-
Balance as of 31.12.2022	**(233,039)**	**(215)**	**-**	**(11,688)**	**(244,942)**	**-**
Balance as of 01.01.2023	**(233,039)**	**(215)**	**-**	**(11,688)**	**(244,942)**	**-**
Amortisation and depreciation (-)	(82,689)	(236)	-	(3,879)	(86,804)	-
Disposals (+)	20,174	-	-	4,504	24,678	-
Impairment (-)	(2,414)	-	-	-	(2,414)	-
Balance as of 31.12.2023	**(297,968)**	**(451)**	**-**	**(11,063)**	**(309,482)**	**-**

Group

Right of use Property and equipment net						
in RON thousands	**Land and buildings**	**Office and equipment / other fixed assets**	**IT assets (hardware)**	**Movable other property**	**Total property and equipment**	**Investment properties**
Balance as of 01.01.2023	**377,234**	**864**	**-**	**68,726**	**446,824**	**-**
Balance as of 31.12.2023	**390,206**	**1,086**	**-**	**67,484**	**458,776**	**-**

Group

Total -Property and equipment net						
in RON thousands	**Land and buildings**	**Office and equipment / other fixed assets**	**IT assets (hardware)**	**Movable other property**	**Total property and equipment**	**Investment properties**
Balance as of 01.01.2023	**559,169**	**174,344**	**101,748**	**193,946**	**1,029,207**	**148,543**
Balance as of 31.12.2023	**576,599**	**188,585**	**100,779**	**159,967**	**1,025,930**	**133,035**

29. Property, equipment and investment properties *(continued)*

Bank

in RON thousands	Land and buildings	Office and equipment / other fixed assets	IT assets (hardware)	Movable other property	Total property and equipment	Investment properties
	Property and equipment - Acquisition and production costs					
Balance as of 01.01.2022	**385,665**	**420,161**	**247,217**	**-**	**1,053,043**	**332,212**
Additions in current year (+)	33,174	41,559	61,517	-	**136,250**	603
Disposals and write off (-)	(29,689)	(55,104)	(94,262)	-	**(179,055)**	(26,911)
Reclassification between classes of tangible assets (+/-)	(13,644)	893	(2,131)	-	**(14,882)**	13,663
Reclassification in assets held for sale	(38,448)	(3,884)	-	-	**(42,332)**	-
Balance as of 31.12.2022	**337,058**	**403,625**	**212,341**	**-**	**953,024**	**319,567**
Balance as of 01.01.2023	**337,058**	**403,625**	**212,341**	**-**	**953,024**	**319,567**
Additions in current year (+)	44,253	45,562	29,549	-	**119,364**	2,018
Disposals and write off (-)	(51,941)	(46,952)	(6,762)	-	**(105,655)**	(42,783)
Reclassification between classes of intangible assets (+/-)	9,666	(988)	1,938	-	**10,616**	(9,392)
Reclassification in assets held for sale	(21,216)	-	-	-	**(21,216)**	-
Balance as of 31.12.2023	**317,820**	**401,247**	**237,066**	**-**	**956,133**	**269,410**

Bank

in RON thousands	Land and buildings	Office and equipment / other fixed assets	IT assets (hardware)	Movable other property	Total property and equipment	Investment properties
	Property and equipment - Accumulated depreciation					
Balance as of 01.01.2022	**(161,998)**	**(264,302)**	**(188,293)**	**-**	**(614,593)**	**(181,989)**
Amortisation and depreciation (-)	(15,133)	(28,974)	(18,469)	-	(62,576)	(5,293)
Disposals (+)	11,951	55,255	94,245	-	161,451	14,866
Impairment (-)	(7,972)	(3,911)	(93)	-	(11,976)	(3,055)
Reversal of impairment (+)	1,335	-	-	-	1,335	4,772
Reclassification between classes of intangible assets (+/-)	325	21	-	-	346	(325)
Reclassification in assets held for sale	16,362	-	-	-	16,362	-
Balance as of 31.12.2022	**(155,130)**	**(241,911)**	**(112,610)**	**-**	**(509,651)**	**(171,024)**
Balance as of 01.01.2023	**(155,130)**	**(241,911)**	**(112,610)**	**-**	**(509,651)**	**(171,024)**
Amortisation and depreciation (-)	(13,919)	(30,206)	(31,282)	-	(75,407)	(5,446)
Disposals (+)	24,873	46,542	6,668	-	78,083	23,936
Impairment (-)	(750)	(3,837)	(1,510)	-	(6,097)	(1,142)
Reversal of impairment (+)	2,750	-	-	-	2,750	14,337
Reclassification between classes of tangible assets (+/-)	(2,964)	-	-	-	(2,964)	2,964
Reclassification in assets held for sale	13,235	-	-	-	13,235	-
Balance as of 31.12.2023	**(131,905)**	**(229,412)**	**(138,734)**	**-**	**(500,051)**	**(136,375)**

Bank

in RON thousands	Land and buildings	Office and equipment / other fixed assets	IT assets (hardware)	Movable other property	Total property and equipment	Investment properties
	Property and equipment net					
Balance as of 31.12.2022	**181,928**	**161,714**	**99,731**	**-**	**443,373**	**148,543**
Balance as of 31.12.2023	**185,915**	**171,835**	**98,332**	**-**	**456,082**	**133,035**

Bank

in RON thousands	Land and buildings	Office and equipment / other fixed assets	IT assets (hardware)	Movable other property	Total property and equipment	Investment properties
Right of use property and equipment - Acquisition costs						
Balance as of 01.01.2022	**529,603**	**851**	**-**	**5,794**	**536,248**	**-**
Additions in current year (+)	99,232	228	-	3,196	**102,656**	-
Disposals and write off (-)	(28,512)	-	-	(47)	**(28,559)**	-
Balance as of 31.12.2022	**600,323**	**1,079**	**-**	**8,943**	**610,345**	**-**
Balance as of 01.01.2023	**600,323**	**1,079**	**-**	**8,943**	**610,345**	**-**
Additions in current year (+)	169,158	459	-	8,074	**177,691**	-
Disposals and write off (-)	(96,617)	(2)	-	(4,665)	**(101,284)**	-
Balance as of 31.12.2023	**672,864**	**1,536**	**-**	**12,352**	**686,752**	**-**

29. Property, equipment and investment properties *(continued)*

Bank

in RON thousands	Right of use Property and equipment - Accumulated depreciation					
	Land and buildings	Office and equipment / other fixed assets	IT assets (hardware)	Movable other property	Total property and equipment	Investment properties
Balance as of 01.01.2022	**(151,271)**	**(41)**	**-**	**(3,208)**	**(154,520)**	**-**
Amortisation and depreciation (-)	(68,641)	(174)	-	(1,867)	(70,682)	-
Disposals (+)	4,138	-	-	-	4,138	-
Impairment (-)	(11,857)	-	-	-	(11,857)	-
Balance as of 31.12.2022	**(227,631)**	**(215)**	**-**	**(5,075)**	**(232,921)**	**-**
Balance as of 01.01.2023	**(227,631)**	**(215)**	**-**	**(5,075)**	**(232,921)**	**-**
Amortisation and depreciation (-)	(80,474)	(236)	-	(1,927)	(82,637)	-
Disposals (+)	14,556	-	-	4,506	19,062	-
Impairment (-)	(2,419)	-	-	-	(2,419)	-
Balance as of 31.12.2023	**(295,968)**	**(451)**	**-**	**(2,496)**	**(298,915)**	**-**

Bank

in RON thousands	Right of use Property and equipment net					
	Land and buildings	Office and equipment / other fixed assets	IT assets (hardware)	Movable other property	Total property and equipment	Investment properties
Balance as of 31.12.2022	**372,692**	**864**	**-**	**3,868**	**377,424**	**-**
Balance as of 31.12.2023	**376,896**	**1,085**	**-**	**9,856**	**387,837**	**-**

Bank

in RON thousands	Total Property and equipment net					
	Land and buildings	Office and equipment / other fixed assets	IT assets (hardware)	Movable other property	Total property and equipment	Investment properties
Balance as of 31.12.2022	**554,620**	**162,578**	**99,731**	**3,868**	**820,797**	**148,543**
Balance as of 31.12.2023	**562,811**	**172,920**	**98,332**	**9,856**	**843,919**	**133,035**

There are no fixed assets pledged as collateral as at 31 December 2023 and 31 December 2022.

The total cost of the Group's tangible fixed assets in use and fully amortized at the end of 2023 was RON 285,817 thousands (2022: RON 257,580 thousands). The total cost of the Bank's tangible fixed assets in use and fully amortized at the end of 2023 was RON 273,943 thousands (2022: RON 256,203 thousands).

The investment properties are measured at cost. Fair values are determined based on an annual evaluation performed by an accredited external independent valuator. Please refer to note 30 for fair value disclosure.

Assets under construction are in amount of RON 101,225 thousands (2022: RON 116,652 thousands) for the Bank.

Assets subject to operating lease:

	Group		Bank	
in RON thousands	**31.12.2023**	**31.12.2022**	**31.12.2023**	**31.12.2022**
Land and buildings	8,498	40,930	5,548	9,902
Investment properties	20,205	9,453	21,979	20,157
Movable other property	130,385	163,155	-	-
Total	**159,088**	**213,538**	**27,527**	**30,059**

30. Fair values of non-financial assets

The following table shows fair values and fair value hierarchy of non-financial instruments at the year-end 2023 and 2022:

				2023	Group
in RON thousands	Carrying amount	Fair value	Quoted market prices in active markets Level 1	Marked to model based on observable market data Level 2	Marked to model based onnon-observable inputs Level 3
Assets whose Fair Value is disclosed in the notes					
Investment properties	133,035	145,691	-	-	145,691
Assets whose Fair Value is presented in the Balance sheet					
Assets held for sale (IFRS 5)	745,408	745,408	-	-	745,408

				2022	Group
in RON thousands	Carrying amount	Fair value	Quoted market prices in active markets Level 1	Marked to model based on observable market data Level 2	Marked to model based onnon-observable inputs Level 3
Assets whose Fair Value is disclosed in the notes					
Investment properties	148,543	161,158	-	-	161,158
Assets whose Fair Value is presented in the Balance sheet					
Assets held for sale (IFRS 5)	749,318	749,630	-	-	749,630

				2023	Bank
in RON thousands	Carrying amount	Fair value	Quoted market prices in active markets Level 1	Marked to model based on observable market data Level 2	Marked to model based onnon-observable inputs Level 3
Assets whose Fair Value is disclosed in the notes					
Investment properties	133,035	145,691	-	-	145,691
Assets whose Fair Value is presented in the Balance sheet					
Assets held for sale (IFRS 5)	55,383	55,383	-	-	55,383

				2022	Bank
in RON thousands	Carrying amount	Fair value	Quoted market prices in active markets Level 1	Marked to model based on observable market data Level 2	Marked to model based onnon-observable inputs Level 3
Assets whose Fair Value is disclosed in the notes					
Investment properties	148,543	161,158	-	-	161,158
Assets whose Fair Value is presented in the Balance sheet					
Assets held for sale (IFRS 5)	51,499	51,811	-	-	51,811

The fair values of non-financial assets are determined by experts with recognized and relevant professional qualification.

					2023	Group
in RON thousands	Fair value	Valuation technique	Inputs used	Range of inputs (weighted average)	Reasonable change	Sensitivity of fair value measurement
Investment properties	145,691	Market value	Market value	Comparable market data	10%	14,569
Assets held for sale (IFRS 5)	745,408	Market value	Market value	Comparable market data	10%	74,541
Total recurring fair value measurements at Level 3	**891,099**					**89,110**

					2022	Group
in RON thousands	Fair value	Valuation technique	Inputs used	Range of inputs (weighted average)	Reasonable change	Sensitivity of fair value measurement
Investment properties	161,158	Market value	Market value	Comparable market data	10%	16,116
Assets held for sale (IFRS 5)	749,630	Market value	Market value	Comparable market data	10%	74,963
Total recurring fair value measurements at Level 3	**910,788**					**91,079**

					2023	Bank
in RON thousands	Fair value	Valuation technique	Inputs used	Range of inputs (weighted average)	Reasonable change	Sensitivity of fair value measurement
Investment properties	145,691	Market value	Market value	Comparable market data	10%	14,569
Assets held for sale (IFRS 5)	55,383	Market value	Market value	Comparable market data	10%	5,538
Total recurring fair value measurements at Level 3	**201,074**					**20,107**

30. Fair values of non-financial assets *(continued)*

						2022	Bank
in RON thousands	Fair value	Valuation technique	Inputs used	Range of inputs (weighted average)	Reasonable change	Sensitivity of fair value measurement
Investment properties	161,158	Market value	Market value	Comparable market data	10%	16,116
Assets held for sale (IFRS 5)	51,811	Market value	Market value	Comparable market data	10%	5,181
Total recurring fair value measurements at Level 3	**212,969**					**21,297**

For non-financial assets owned by Group, the valuations are carried out mainly using the comparative and investment methods. Assessment is made on the basis of a comparison and analysis of appropriate comparable investment and rental transactions, together with evidence of demand within the vicinity of the relevant property. The characteristics of such similar transactions are then applied to the asset, taking into account size, location, terms, covenant and other material factors. Such measurements are presented in Level 3 of the fair value hierarchy.

31. Intangible assets

Intangible assets include the value of computer software and licenses.

The useful lives of intangible assets are assessed to be either finite. Intangible assets with finite lives are amortized over the useful economic life.

Amortization is calculated using the straight-line method to write down the cost of intangible assets to their residual values over their estimated useful lives as follows:

- Computer software and licenses 5-10 years
- Licences are amortized on the duration of the utilization.

				Group
	Intangible assets - Acquisition and production costs			
in RON thousands	Software acquired	Self-developed software within the Group	Others (licenses, patents)	Total
Balance as of 01.01.2022	**814,887**	**177,278**	**232,267**	**1,224,432**
Additions in current year (+)	57,262	39,033	8,834	105,129
Disposals and write off (-)	(8,436)	(41)	(41,178)	(49,655)
Reclassification between classes of intangible assets (+/-)	19,999	(18,300)	(481)	1,218
Reclassification into assets held for sale (-)	(7,167)	-	-	(7,167)
Currency translation (+/-)	48	-	-	48
Balance as of 31.12.2022	**876,593**	**197,970**	**199,442**	**1,274,005**
Balance as of 01.01.2023	**876,593**	**197,970**	**199,442**	**1,274,005**
Additions in current year (+)	75,704	50,584	4,402	130,690
Disposals and write off (-)	(17,845)	(32)	(7,458)	(25,335)
Reclassification between classes of intangible assets (+/-)	47,555	(44,582)	(4,197)	(1,224)
Reclassification into assets held for sale (-)	(170)	-	-	(170)
Balance as of 31.12.2023	**981,837**	**203,940**	**192,189**	**1,377,966**

				Group
	Intangible assets - Accumulated amortisation			
in RON thousands	Software acquired	Self-developed software within the Group	Others (licenses, patents)	Total
Balance as of 01.01.2022	**(535,231)**	**(108,986)**	**(218,541)**	**(862,758)**
Amortisation and depreciation (-)	(55,689)	(9,110)	(6,693)	(71,492)
Disposals and write off (+)	7,757	41	41,178	48,976
Impairment (-)	(68)	(41)	-	(109)
Reclassification between classes of intangible assets (+/-)	(21)	-	-	(21)
Reclassification into assets held for sale	6,151	-	-	6,151
Currency translation (+/-)	95	-	-	95
Balance as of 31.12.2022	**(577,006)**	**(118,096)**	**(184,056)**	**(879,158)**
Balance as of 01.01.2023	**(577,006)**	**(118,096)**	**(184,056)**	**(879,158)**
Amortisation and depreciation (-)	(55,407)	(7,045)	(4,818)	(67,270)
Disposals and write off (+)	16,418	32	7,458	23,908
Impairment (-)	(1,159)	(32)	-	(1,191)
Reclassification into assets held for sale	14	-	-	14
Currency translation (+/-)	(12)	-	-	(12)
Balance as of 31.12.2023	**(617,152)**	**(125,141)**	**(181,416)**	**(923,709)**

31. Intangible assets *(continued)*

Group

in RON thousands	Net intangible assets			
	Software acquired	Self-developed software within the Group	Others (licenses, patents)	Total
Balance as of 31.12.2022	**299,587**	**79,874**	**15,386**	**394,847**
Balance as of 31.12.2023	**364,685**	**78,799**	**10,773**	**454,257**

Bank

in RON thousands	Intangible assets - Acquisition and production costs			
	Software acquired	Self-developed software within the Group	Others (licenses, patents)	Total
Balance as of 01.01.2022	**770,840**	**177,278**	**231,906**	**1,180,024**
Additions in current year (+)	47,255	39,033	8,831	**95,119**
Disposals and write off (-)	(7,757)	(41)	(41,178)	**(48,976)**
Reclassification between classes of intangible assets (+/-)	19,999	(18,300)	(481)	**1,218**
Balance as of 31.12.2022	**830,337**	**197,970**	**199,078**	**1,227,385**
Balance as of 01.01.2023	**830,337**	**197,970**	**199,078**	**1,227,385**
Additions in current year (+)	63,248	50,584	4,385	**118,217**
Disposals and write off (-)	(16,418)	(32)	(7,458)	**(23,908)**
Reclassification between classes of intangible assets (+/-)	47,555	(44,582)	(4,197)	**(1,224)**
Balance as of 31.12.2023	**924,722**	**203,940**	**191,808**	**1,320,470**

Bank

in RON thousands	Intangible assets - Accumulated amortisation			
	Software acquired	Self-developed software within the Group	Others (licenses, patents)	Total
Balance as of 01.01.2022	**(503,790)**	**(108,986)**	**(218,180)**	**(830,956)**
Amortisation and depreciation (-)	(52,235)	(9,110)	(6,690)	**(68,035)**
Disposals and write off (-)	7,757	41	41,178	**48,976**
Impairment (-)	(68)	(41)	-	**(109)**
Reclassification between classes of intangible assets (+/-)	(21)	-	-	**(21)**
Balance as of 31.12.2022	**(548,357)**	**(118,096)**	**(183,692)**	**(850,145)**
Balance as of 01.01.2023	**(548,357)**	**(118,096)**	**(183,692)**	**(850,145)**
Amortisation and depreciation (-)	(51,434)	(7,045)	(4,811)	**(63,290)**
Disposals and write off	16,418	32	7,458	**23,908**
Impairment (-)	(113)	(32)	-	**(145)**
Balance as of 31.12.2023	**(583,486)**	**(125,141)**	**(181,045)**	**(889,672)**

Bank

in RON thousands	Net intangible assets			
	Software acquired	Self-developed software within the Group	Others (licenses, patents)	Total
Balance as of 31.12.2022	**281,980**	**79,874**	**15,386**	**377,240**
Balance as of 31.12.2023	**341,236**	**78,799**	**10,763**	**430,798**

The reclassification refers to the presentation of the licenses in a different category with distinct features from software (the amortization period is equal to the usage right period).

The total cost of the Group's intangible fixed assets in use and fully amortized at the end of 2023 was RON 373,429 thousands (2022: RON 368,310 thousands). The total cost of the Bank's intangible fixed assets in use and fully amortized at the end of 2023 was RON 359,153 thousands (2022: RON 353,528 thousands).

Assets under construction are in amount of RON 55,233 thousands (2022: RON 80,599 thousands) for the Group and the Bank and represent various software developments.

32. Other assets

	Group		Bank	
in RON thousands	31.12.2023	31.12.2022	31.12.2023	31.12.2022
Accrued income	63,347	48,836	49,518	35,187
Inventories (i)	35,101	40,689	29,172	32,962
Sundry assets (ii)	200,745	149,588	80,587	69,348
Other assets	**299,193**	**239,113**	**159,277**	**137,497**
Subsidiaries (iii)	-	-	**588,105**	500,943
Total Investments in subsidiaries and other assets	**299,193**	**239,113**	**747,382**	**638,440**

(i) Under this position the major part is represented by 'Repossessed Assets', which amounts to net of RON 29,172 thousands (2022: RON 32,962 thousands), for the Bank and RON 5,929 thousands (2022: RON 7,727 thousands) for subsidiaries. After termination of operating leases, the car fleets are included in this position in accordance with principal activity of Fleet Management.

(ii) The deviation versus December 2022 is mainly explained by variation of advances to suppliers for assets fot acquiring assets to be subject of financial leasing in BCR Leasing;

(iii) The Bank's net investments in subsidiaries and other companies are in amount of RON 588,105 thousands (2022: RON 500,943 thousands). In December 2022, BCR Chisinau subsidiary was classified as asset held for sale and disposal group, as described in Note 38.

33. Leases

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

Leases where the Group is a lessor

Interest income on the receivable is reported in the statement of profit or loss in the line item 'Other similar income' under 'Net interest income'.

In the case of operating leases, which are leases other than finance leases, the leased asset is reported by the lessor in 'Property and equipment' or in 'Investment properties' and is depreciated in accordance with the principles applicable to the assets involved.

Finance leases

The Group acts as a lessor under finance leases through the subsidiary BCR Leasing IFN SA, mainly on motor vehicles and equipment. The leases are mainly denominated in EUR and typically run for a period of between 1-7 years, with transfer of ownership of the leased asset at the end of the lease term. Interest is charged over the period of the lease based on fixed and variable (almost the entire portfolio is linked to EURIBOR+interest rates).

The receivables are secured by the underlying assets and by other collateral.

For finance lease receivables included in this item, the reconciliation of the gross investment in leases to the present value of outstanding lease payments is as follows:

	Group		Bank	
	31.12.2023	31.12.2022	31.12.2023	31.12.2022
Total amount of outstanding lease payments receivables	2,340,178	1,958,157	20,730	11,209
Gross investment	**2,340,178**	**1,958,157**	**20,730**	**11,209**
Total amount of related unearned finance income from lease agreements	(233,195)	(142,513)	(2,163)	(284)
Net investment	**2,106,983**	**1,815,644**	**18,567**	**10,925**
Present value of outstanding lease payments	**2,106,983**	**1,815,644**	**18,567**	**10,925**

The residual maturity analysis of gross investment in leases and present values of outstanding lease payments under non-cancellable leases is as follows:

Group	Gross investment		Present value of outstanding lease payments	
in RON thousands	31.12.2023	31.12.2022	31.12.2023	31.12.2022
< 1 year	881,947	690,014	772,061	622,684
1-2 years	634,231	538,268	566,936	497,079
2-3 years	433,534	376,705	397,210	354,631
3-4 years	264,882	237,210	249,580	227,903
4-5 years	103,522	98,305	99,848	96,083
> 5 years	22,062	17,655	21,348	17,264
Total	**2,340,178**	**1,958,157**	**2,106,983**	**1,815,644**

33. Leases *(continued)*

Bank	Gross investment		Present value of outstanding lease payments	
in RON thousands	31.12.2023	31.12.2022	31.12.2023	31.12.2022
< 1 year	3,866	4,437	3,483	4,334
1-2 years	4,278	4,889	3,847	4,776
2-3 years	4,460	1,262	4,010	1,222
3-4 years	4,104	565	3,652	540
4-5 years	4,022	56	3,575	53
Total	**20,730**	**11,209**	**18,567**	**10,925**

Finance lease receivables

										31.12.2023	Group
in RON thousands	**Gross carrying amount**					**Credit loss allowances**					**Carrying amount**
	Stage 1	**Stage 2**	**Stage 3**	**POCI**	**Total**	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**	
General governments	1,452	-	-	-	**1,452**	(28)	-	-	-	**(28)**	**1,424**
Other financial corporations	8,515	8,404	365	-	**17,284**	(121)	(346)	(202)	-	**(669)**	**16,615**
Non-financial corporations	1,273,941	703,480	65,310	-	**2,042,731**	(15,199)	(25,420)	(37,595)	-	**(78,214)**	**1,964,517**
Households	32,755	7,790	874	-	**41,419**	(375)	(540)	(505)	-	**(1,420)**	**39,999**
Total	**1,316,663**	**719,674**	**66,549**	**-**	**2,102,886**	**(15,723)**	**(26,306)**	**(38,302)**	**-**	**(80,331)**	**2,022,555**

										31.12.2022	Group
in RON thousands	**Gross carrying amount**					**Credit loss allowances**					**Carrying amount**
	Stage 1	**Stage 2**	**Stage 3**	**POCI**	**Total**	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**	
General governments	518	-	-	-	**518**	(12)	-	-	-	**(12)**	**506**
Other financial corporations	18,302	1,394	58	-	**19,754**	(307)	(38)	(20)	-	**(365)**	**19,389**
Non-financial corporations	1,568,654	119,428	63,971	-	**1,752,053**	(22,783)	(5,383)	(37,883)	-	**(66,049)**	**1,686,004**
Households	35,591	5,097	88	-	**40,776**	(377)	(894)	(41)	-	**(1,312)**	**39,464**
Total	**1,623,065**	**125,919**	**64,117**	**-**	**1,813,101**	**(23,479)**	**(6,315)**	**(37,944)**	**-**	**(67,738)**	**1,745,363**

										31.12.2023	Bank
in RON thousands	**Gross carrying amount**					**Credit loss allowances**					**Carrying amount**
	Stage 1	**Stage 2**	**Stage 3**	**POCI**	**Total**	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**	
Credit institutions	-	-	2,823	-	**2,823**	-	-	(1,154)	-	**(1,154)**	**1,669**
Other financial corporations	13,335	1,869	-	-	**15,204**	(12)	(5)	-	-	**(17)**	**15,187**
Non-financial corporations	82	459	-	-	**541**	(1)	(3)	-	-	**(4)**	**537**
Total	**13,417**	**2,328**	**2,823**	**-**	**18,568**	**(13)**	**(8)**	**(1,154)**	**-**	**(1,175)**	**17,393**

										31.12.2022	Bank
in RON thousands	**Gross carrying amount**					**Credit loss allowances**					**Carrying amount**
	Stage 1	**Stage 2**	**Stage 3**	**POCI**	**Total**	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**	
Credit institutions	-	-	2,512	-	**2,512**	-	-	(2,512)	-	**(2,512)**	**-**
Other financial corporations	7,137	772	-	-	**7,909**	(5)	(2)	-	-	**(7)**	**7,902**
Non-financial corporations	190	315	-	-	**505**	(1)	(1)	-	-	**(2)**	**503**
Total	**7,327**	**1,087**	**2,512**	**-**	**10,926**	**(6)**	**(3)**	**(2,512)**	**-**	**(2,521)**	**8,405**

The year-end total gross carrying amount of finance lease receivables that were initially recognized (purchased) during the reporting period and not fully derecognized by 31 December 2023 amounts to RON 962,954 thousands at Group level (2022: RON 923,063 thousands). The GCA of finance lease receivables that were held on 1 January 2023 and fully derecognized during the reporting period amounts to RON 7,753 thousands at Group level (2022: RON 55,488 thousands).

33. Leases *(continued)*

Operating leases

Under operating leases, BCR Group lease both real estate and movable property to other parties.

Minimum lease receivable from non-cancellable operating leases, from the view of BCR Group and Bank as lessor, were as follows:

	Group		Bank	
in RON thousands	**31.12.2023**	**31.12.2022**	**31.12.2023**	**31.12.2022**
< 1 year	7,316	116,706	4,012	4,433
1-2 years	19,807	55,900	3,164	3,535
2-3 years	4,813	33,156	2,714	2,448
3-4 years	1,502	12,499	973	1,913
4-5 years	101	3,000	101	520
> 5 years	684	509	684	509
Total	**34,222**	**221,770**	**11,648**	**13,358**

Leases where the Group is a lessee

Under IFRS 16, a lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments.

Lease term is considered as the non-cancellable period for which a lessee has the right to use an underlying asset together with both periods covered by an option to extend the lease if the lessee is reasonably certain to exercise that option and periods covered by an option to terminate the lease if the lessee is reasonably certain not to exercise that option.

In determining the lease term and assessing the length of the non-cancellable period of a lease, the Bank uses the contractual terms of the lease. The lease is no longer enforceable when the lessee and the lessor each has the right to terminate the lease without permission from the other party with no more than an insignificant penalty.

The right-of-use asset is depreciated to the earlier of the end of its useful life or the end of the lease term. The Group uses the straight-line method of depreciation. The right-of-use assets are presented in the statement of financial position as part of 'Property and equipment' or, if they are subleased to third parties, as part of 'Investment properties'.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date lease payments also includes the exercise price under a purchase option and lease payments in an optional renewal period are considered if the lessee is reasonably certain to exercise the options.

Subsequently, the carrying amount of the lease liability is increased by interest accrued using the applicable discount rate, reduced by lease payments made and remeasured to reflect any reassessment or lease modification. In the statement of financial position the lease liabilities are presented in the line item 'Lease liabilities'.

Undiscounted maturity analysis of lease liability, from the view of the Group and Bank as lessee, were as follows:

	Group		Bank	
in RON thousands	**31.12.2023**	**31.12.2022**	**31.12.2023**	**31.12.2022**
< 1 month	8,274	8,069	8,212	7,985
1-3 months	13,187	14,496	13,084	14,245
3-6 months	19,605	21,622	19,467	21,372
6-12 months	33,666	36,052	33,451	35,634
1-5 years	341,152	314,152	340,617	313,120
> 5 years	102,794	90,657	102,794	90,657
Total	**518,678**	**485,048**	**517,625**	**483,013**

During 2023, interest expenses on lease liabilities were recognised in the amount of RON 13,297 thousand (2022: RON 9,401 thousands) at Group level and RON 12,867 thousand (2022: RON 9,169 thousands) for the Bank. Expenses relating to leases of low value items for which the recognition exemption is applied and relating to short term leases for which the recognition exemption is applied were in amount of RON 19,256 thousand (2022: RON 12,747 thousand) at Group level and RON 12,685 thousand (2022: RON 12,217 thousand) for the Bank.

Other liabilities and provisions

34. Other liabilities

	Group		Bank	
in RON thousands	**31.12.2023**	**31.12.2022**	**31.12.2023**	**31.12.2022**
Payables related toemployee cost	243,622	244,310	227,220	230,547
Taxes payable other than on income	24,829	14,842	24,539	12,949
Sundry creditors	80,436	94,946	44,283	47,851
Deferred income	66,693	62,813	66,518	62,093
Other liabilities(i)	423,961	393,038	30,927	4,085
Total	**839,541**	**809,949**	**393,487**	**357,525**

(i) Other liabilities include RON 388,919 thousands related to budgetary obligation of BPL.

35. Provisions

In the Statement of financial position, provisions are reported under the line item 'Provisions'. They include mainly credit risk loss provisions (particularly for financial guarantees and loan commitments) as well as provisions for litigations. Expenses or income related to provisions for loan commitments and financial guarantees are reported in the statement of income under the line item 'Net impairment loss on financial instruments'.

Expenses or income related to other provisions are reported in the statement of income under the line item 'Other operating result'.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

Contingent liabilities as well as contingent assets are monitored and revalued on a continuous basis in order to ensure that all subsequent to initial recognition developments have been considered and a provision will be recognized, if the case.

	Group		Bank	
in RON thousands	**31.12.2023**	**31.12.2022**	**31.12.2023**	**31.12.2022**
Long-term employee provisions	72,127	60,012	72,127	60,012
Pending legal issues	405,858	422,730	389,543	407,084
Loan commitments given	375,614	289,465	374,463	290,911
Provisions for commitments given in Stage 1 (i)	85,251	38,805	84,261	38,298
Provisions for commitments given in Stage 2	231,591	231,653	231,430	233,586
Provisions for commitments given - Defaulted	58,772	19,007	58,772	19,027
Provisions for commitments given in Stage 3	56,136	11,293	56,136	11,313
Provisions for commitments given - POCI	2,636	7,714	2,636	7,714
Financial Guarantees given	35,417	14,882	36,740	14,882
Provisions for financial guarantees in Stage 1	6,767	7	8,090	7
Provisions for financial guarantees in Stage 2	7,758	-	7,758	-
Provisions for financial guarantees - Defaulted	20,892	14,875	20,892	14,875
Provisions for financial guarantees in Stage 3	20,892	14,875	20,892	14,875
Other provisions (ii)	124,867	213,418	11,087	112,642
Provisions	**1,013,883**	**1,000,507**	**883,960**	**885,531**

(i) The increase provisions for commitments given in stage 1 is mainly due to update of risk parameters (PD/LGD/CCF), increase in off-balance sheet exposure and reclassification from provision for other commitments;

(ii) The decrease follows the downward trend in off-balance sheet exposures for certain significant individual customers in the case of the Bank; additionally for the Group, in this line is included the provision booked in relation with reclassification of BCR Chisinau as asset held for sale and disposal group as presented in Note 44.

Long term employee provisions

The Bank's net obligation in respect of long-term service benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods. On the basis of the Collective Labour Agreement, the Bank has a contractual obligation to make a one-off payment of up to four gross monthly salaries to retiring employees on the date of retiring. The defined benefit obligations are calculated by a qualified actuary taking into account the estimated salary at the date of retirement and the number of years served by each individual.

35. Provisions *(continued)*

Movement in long term employee provisions

	Group		Bank	
in RON thousands	**31.12.2023**	**31.12.2022**	**31.12.2023**	**31.12.2022**
Opening defined benefit obligation	60,012	49,278	60,012	49,228
Interest cost	4,436	2,596	4,436	2,596
Current service cost	5,202	4,053	5,202	4,053
Past service cost	(2,859)	(3,373)	(2,859)	(3,373)
Benefits paid	(1,577)	(2,599)	(1,577)	(2,549)
Actuarial (gains)/loss on obligations	7,521	10,104	7,521	10,104
effect of experience adjustments	4,177	7,086	4,177	7,086
effect of demopraphic assumptions	3,344	3,018	3,344	3,018
Settlements gain	(608)	(47)	(608)	(47)
Total	**72,127**	**60,012**	**72,127**	**60,012**

The principal assumptions used in determining the defined benefit obligation of the Group's plan are shown below:

	2023 %	**2022** %
Discount rate	6.47%	7.55%
Future salary increases	5.00%	5.60%
Mortality rates	ROM-Anul2013	ROM-Anul2013
Disability rates	ETTL-PAGLER	ETTL-PAGLER

The following table presents a sensitivity analysis for each significant actuarial assumptions showing how the defined benefit obligation would have been affected by changes in the relevant actuarial assumptions that were reasonably possible at the balance sheet.

	Group		Bank	
Sensitivity analysis	**2023**	**2022**	**2023**	**2022**
Sensivity - Discount rate +/- %	0.50%	0.50%	0.50%	0.50%
Impact on DBO: Discount rate decrease -	3,850	3,199	3,850	3,199
Impact on DBO: Discount rate increase +	(3,557)	(2,958)	(3,557)	(2,958)
Sensivity - Salary increase rate +/- %	0.50%	0.50%	0.50%	0.50%
Impact on DBO: Salary decrease rate -	(3,622)	(3,024)	(3,622)	(3,024)
Impact on DBO: Salary increase rate +	3,887	3,248	3,887	3,248

The remaining average duration of the defined benefit obligation at the end of the reporting period is 13.73 years (2022: 13.99 years).

The expected service cost for 2024 is RON 6,173 thousands for the Bank (2023: RON 5,202 thousands).

According to the collective labour agreement, employees are entitled to one lump sum payment on the date of normal age retirement/termination due to disability, of up to 4 gross monthly salaries (the Bank), depending on seniority (their past period of employment with the Bank). It is also included a lump sum payment in case of death amounting to 3 gross monthly salaries irrespective of the period of service.

This is a defined benefit plan that defines three independent benefits that an employee is entitled to receive on the date of normal age retirement/termination due to disability/death, dependent on one or more factors such as age, years of service and salary.

A full actuarial valuation by a qualified independent actuary is carried out every year.

The plan liability is measured on an actuarial basis using the projected unit credit method. The defined benefit plan liability is discounted using rates equivalent to the market yields at the balance sheet date of government bonds that are denominated in the currency in which benefits will be paid and that have a maturity approximating to the terms of the related liability. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are recognized in the statement of changes in equity.

Provisions for allegedly abusive clauses

Starting with the enactment of Government Emergency Ordinance no.50/2010 on loan agreements for private individuals, as subsequently modified ('Ordinance 50'), the Bank was involved in consumer litigations with certain financial implications.

However, clients have continued to take court actions against the Bank on the grounds of Law no.193/2000 on unfair terms in contracts with consumers, as subsequently modified, that transposes into national law the Directive no. 1993/13/EC on unfair terms in consumer contracts.

35. Provisions *(continued)*

Apart from individual litigations (clients taking court actions against the Bank on the grounds of Law no.193/2000 on unfair terms in contracts with consumers) BCR faced also a number of litigations with ANPC (National Authority for Consumers Protection), having as grounds the interpretations over Law 193/2000 featuring potential cross portfolio contamination effects. According to the amendments brought to Law 193 in 2013, whenever the National Consumer Protection Agency or a consumer association asks the court to qualify a clause as abusive, should the judge consider it so, that clause has to be removed from all the ongoing contracts.

By applying the principles of IAS 37, the Bank has recognized collectively assessed provisions for its probable obligation to reimburse the customers counterparty in contracts with allegedly abusive clauses similar to those subject to the litigations opened by ANPC.

The amount of the provision is reviewed semi-annually by the Bank in order to take account of the new court resolutions for litigations with clients for contracts which contain allegedly abusive clauses (of ANPC type or not) and changes in the relevant legislation.

As at December 2023, the Group recorded provisions for allegedly unfair terms included in contracts which are not yet subject to an individual litigation in total amount of RON 277.8 mil (December 2022: RON 309.35 mil).

The decrease recorded compared to the previous year was mainly due to the fact that part of the relevant loans have been closed through full reimbursement and the related provisions have been reassesed.

Apart from the above-mentioned provision, the Group established a provision for all pending cases having as object individual clients claims regarding allegedly abusive clauses.

For individual claims, the Group has established a lower provision of RON 29.6 mil (December 2022: RON 36.8 mil) due to the decrease in the number of open cases.

The provisions are calculated for the portfolios at risk based on expected values, using statistical methods, separately for active loans, closed loans and loans sold for which the Bank has retained continuing involvement. The key parameters used are the following: the potential allegedly abusive amount, the show up rate (percentage of clients that would open litigation) and the loss probability.

Sensitivity analysis

Collective Provision for allegedly abusive amounts on active and closed loans	Group		Bank	
in RON thousands	31.12.2023	31.12.2022	31.12.2023	31.12.2022
1. Show up parameter deviation only				
+10% deviation	27,781	30,935	27,723	30,829
-10% deviation	(27,781)	(30,935)	(27,723)	(30,829)
2. Win-loss parameter deviation only (for interest)				
-10% deviation	(27,781)	(30,935)	(27,723)	(30,829)

Show-up rate of 90% is used in order to estimate the number of individual future litigations probable to be initiated by clients with active loans as at the date of the assessment, considering it is more likely than not that individual claims will be raised by the debtors having lending contracts with allegedly abusive clauses.
Loss ratio represents the probability that a dispute in court is lost, from Win/Loss estimated outcomes of litigations as per a legal expert evaluation.

Movement in provisions (other than long term employee provisions)

						2023	Group
in RON thousands	Opening balance	Additions, includ. increases in exist. provisions (+)	Amounts used (-)	Unused amounts reversed during the period (-)	Changes in discounted amount	Exchange-rate and other changes (+/-)	Closing Balance
Pending legal issues	422,730	43,625	-	(60,733)	-	236	405,858
Other provisions	213,418	89,321	(70,516)	(23,266)	-	(84,090)	124,867
Total provisions less long-term employee provisions	**636,148**	**132,946**	**(70,516)**	**(83,999)**	**-**	**(83,854)**	**530,725**

35. Provisions *(continued)*

31.12.2022 Group

in RON thousands	Opening balance	Additions, includ. increases in exist. provisions (+)	Amounts used (-)	Unused amounts reversed during the period (-)	Changes in discounted amount	Exchange-rate and other changes (+/-)	Closing Balance
Pending legal issues	690,676	42,164	(3,141)	(306,918)	-	(51)	422,730
Other provisions	822,005	313,509	(713,494)	(212,155)	-	3,553	213,418
Total provisions less long-term employee provisions	**1,512,681**	**355,673**	**(716,635)**	**(519,073)**	**-**	**3,502**	**636,148**

2023 Bank

in RON thousands	Opening balance	Additions, includ. increases in exist. provisions (+)	Amounts used (-)	Unused amounts reversed during the period (-)	Changes in discounted amount	Exchange-rate and other changes (+/-)	Closing Balance
Pending legal issues	407,084	41,895	-	(59,670)	-	234	389,543
Other provisions	112,642	72,565	(66,966)	(23,043)	-	(84,111)	11,087
Total provisions less long-term employee provisions	**519,726**	**114,460**	**(66,966)**	**(82,713)**	**-**	**(83,877)**	**400,630**

2022 Bank

in RON thousands	Opening balance	Additions, includ. increases in exist. provisions (+)	Amounts used (-)	Unused amounts reversed during the period (-)	Changes in discounted amount	Exchange-rate and other changes (+/-)	Closing Balance
Pending legal issues	665,923	40,504	-	(299,292)	-	(51)	407,084
Other provisions	196,165	210,732	(102,604)	(195,225)	-	3,574	112,642
Total provisions less long-term employee provisions	**862,088**	**251,236**	**(102,604)**	**(494,517)**	**-**	**3,523**	**519,726**

Usage of ‘Other provisions’ is mainly due to BpL case, as described in Note 36 Litigation and contingent liabilities.

Loans commitments and financial guarantees

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

Financial guarantees are initially recognized in the financial statements at fair value, in ‘Other liabilities’, being the premium received.

Subsequent to initial recognition, the Group financial guarantees are measured at the higher of the amount of the loss allowance determined as expected credit loss under IFRS 9 and the amount initially recognized less any cumulative amortization recognized in line with IFRS 15.

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

Letters of guarantee which do not meet the definition of a financial guarantee (performance guarantees, advance payment guarantees, bid guarantees, etc.) are treated as loan commitments outside the measurement scope of IFRS 9. Therefore, the measurement requirements of IFRS 9 for commitment fees that are not integral part of EIR are applied for the premiums received, recognized in the statement of comprehensive income in ‘Net fees and commission income’ on time proportionate basis over the commitment period.

Litigations

36. Litigations and contingent liabilities

Undrawn loan commitments

Undrawn loan commitments represent contractual commitments to grant loans and revolving credits. Commitments generally have fixed expiry dates or other termination clauses. Since commitments may expire without being drawn upon, the total contract amounts do not necessarily represent future cash requirements.

At the same time, the potential credit loss is less than the total unused commitments since most commitments to extend credit are contingent until the customers maintain specific standards. The Group monitors the maturity of credit commitments as longer-term commitments generally have a greater degree of credit risk than shorter-term commitments.

In the case of irrevocable commitments, the Bank undertakes to make available to the client, at any time during the contract period, the amount mentioned in the contract.

Legal claims

As of 31 December 2023, the Bank was involved in the normal course of its business in a number of 1,724 litigations as defendant (31 December 2022: 1,731).

In the opinion of management, after taking appropriate legal advice, the outcome of these legal claims will not give rise to any significant loss beyond the amount provided at 31 December 2023.

The impact of the control mission of the Romanian Court of Accounts on BCR Banca pentru Locuinte SA ("BCR BpL")

In 2015, the Romanian Court of Accounts (hereinafter referred to as "the CoA") conducted a control mission at BCR BPL on the subject of allocated state premium. Following this control mission, CoA issued the Decision no. 17 on 10 December 2015 ("Decision 17") which has been contested by BCR BpL, but the bank lost the case at High Court of Justice on 21st of June 2019.

On 21st January 2022, BCR BpL paid to the Ministry of Development (MoD) the undue state premium considered by CoA as damage in amount of RON 432,699 thousand. As such, BCR BpL has fully implemented the measures imposed by CoA Decision no.17, as maintained by HCCJ Decision of 21 June 2019.

Following the payment on 21 January 2022 of the principal obligation and based on the special provisions of Government Emergency Ordinance no. 69/2020 on several fiscal measures, extension of certain deadlines, introduction of certain tax incentives and amendment of certain regulatory acts ("OUG no. 69/2020"), BCR BpL has also initiated legal actions to benefit from the cancellation of accessory budgetary obligations (i.e. interest and penalties accrued to the principal obligation for the period elapsed between date when the state premiums were cashed in and the date when BCR BpL reimbursed the state premium to MoD), based on the provisions of this special regulatory act (OUG 69/2020). Due to the refusal of MoD and the fact that the MoD has requested the payment of the accessories, the bank initiated the legal actions against the MoD.

On 5 December 2022: MoD communicated to BCR BpL a distinct decision to pay the accessory obligations, which were set in the amount of RON 388,919 thousand. According to the MoD Ancillary Decision, BCR BpL had the obligation to pay this amount within 30 days of receipt of the MoD Decision, i.e. by 5 January 2023. Failure to pay the amount within the deadline being likely to lead to the initiation of enforcement by ANAF - General Division for the Administration of Large Taxpayers.

Therefore, the value of the tax obligation, communicated through MoD Ancillary Decision in the amount of RON 388,919 thousand was reflected in the 2022 financial statements of BCR BpL as a definite liability, being maintained at the date of preparation of these financial statements.

Litigations with the MoD

Considering the refusal of MoD to grant amnesty on the basis of GEO 69/2020 as unjustified, BCR BpL took legal action to obtain the amnesty / cancellation of the accessories.

On 20 April 2023, the Bucharest Court of Appeal partially admitted BCR BpL's application and ordered the annulment of the letters issued by MoD through which it was rejected the application for amnesty. The Court ordered MoD to review and to settle the amnesty application on the merits. This decision is neither final nor enforceable. Towards this first Court decision MoD has formulated a recourse, which will be judged by the HCCJ, the court hearing being set for 18 April 2024.

36. Litigations and contingent liabilities *(continued)*

BCR BpL filed with the Bucharest Court of Appeal a formal claim asking the Court to suspend the execution of this MoD Ancillary Decision. The case was registered with the Bucharest Court of Appeal under case file No. 8823/2/2022 – the first Court decision was pronounced on 31 January 2023: the claim was rejected, and BCR BpL filed a recourse against first Court's decision, that shall be judged by the HCCJ. First court hearing was set for 7 November 2023, following BCR BpL request, the judgement of this file was suspended until final settlement of another file, 4770/2/2023, described below:

As a continuance to the legal action based on GEO 69/2020, there are also two additional cases started in July 2023 in which BCR BpL acted in court the MoD, in front of the Bucharest Court of Appeal (as first instance):

i) Application to sue the MoD for annulment of the MoD Ancillary Decision (file No. 4758/2/2023) – the court hearing was initially set for 9 January 2024, and subsequently for 14 May 2024; and

ii) A new application for suspension of execution of the MoD Ancillary Decision (file No. 4770/2/2023): on 22 September 2023, BCR BpL obtained in front of the Bucharest Court of Appeal the admission of this new application for the suspension of the execution of the MoD Ancillary Decision – this decision being executory, but still subject to a possible recourse from the MoD.

Procedures at European Court for Human Rights (ECHR): legal action for damages – BCR BpL vs Romania: ECHR communicated its resolution on 11 January 2024: declared the application inadmissible. The Court's ruling did not address the core of BCR BpL's allegations (right to a fair trial, right to property and non-discrimination of clients), but it based its decision on the adherence of the Romanian authorities to the formal process of delivering justice.

BFP Litigation

On 23 December 2016, the BFP has received a request made by City Hall Bucharest to International Court of Arbitration of the International Chamber of Commerce, consisting of amounts due under the joint venture contract for the period from 2001 to 2013.

In November 2019, The International Court of Arbitration rejected the request of City Hall. Against this decision, the claimant filed an action for annulment which was rejected on October 12, 2020. The amount claim is EUR 30.24 million against this decision the claimant filed second appeal. The High Court of Justice suspended the judgement of the case until te final solution of the Constitutional Court on exception of non-constitutionality invoked by City Hall.

Up to the date of publishing these financial statements, there were no other significant updates related to the cases presented in the Financial Statements for the year ended - December 2023.

Case corporate clientvs. BCR

During 2023, a former corporate client, initiated four lawsuits against BCR in which, in essence, it requested that the Bank be ordered to pay EUR 33.7 million in damages, claiming that, based on a suretyship clause in the mortgage contract later annulled by the Bucharest Court, BCR had significantly influenced the insolvency proceedings, approving the sale of client's assets at a value below market prices and collecting undue amounts of money.

It also requested the annulment of the restructuring contract, the acts of execution by which the guarantees were enforced and the repayment of RON 24.5 million, the value of the unmortgaged real estate assets sold during the insolvency proceedings.

BCR's defenses are that, during the insolvency proceedings, the legal provisions enforced have been observed, in which context it cannot be obliged to pay damages and that the amount of RON 24.5 million was not collected by BCR, the holder of the claim at the date of the valuation of the guarantees being the collection company to which the claim was transferred in between. The four cases are in the first instance and the court decisions that will be pronounced at this stage are not enforceable.

In December 2023, a provision in amount of RON 24.5 million has been established by BCR for this dispute.

Tax related litigation

Transfer Pricing and related withholding tax

The litigations initiated by the Bank following the results of the tax audit for the period 2012 -2015 are still on going, no decision being rendered on the merits neither in the national suits nor in the EUAC proceedings. However the amounts required by fiscal authorities were already paid.

36. Litigations and contingent liabilities *(continued)*

Impairment of shares held in subsidiaries

In 2017, during the tax audit performed by the tax authorities, the Management of the Bank requested deductibility of the expenses generated by the impairment of shares in subsidiaries booked for the period 2012 – 2015, considering the provisions of the Tax Code applicable for these periods. Despite all the arguments put forward by the Bank, the tax authorities considered that the expenses incurred by the Bank during the audited period related to the impairment of its shares held in subsidiaries are not deductible.

In 2017, the Bank challenged in court the Romanian Tax Authority's resolution on this topic, legal proceedings being ongoing as of March 2024.

According to the external lawyers' opinion and based on the available information and analysis, the Bank's Management appreciates that there are more likely than not chances for a favourable solution against the Romanian tax authorities.

Based on specialists' opinion mentioned above and the provisions of IAS 12 - Income Taxes, the Bank recognized in 2017 an asset of the nature of the income tax, in relation to the expenses with the impairment of shares in subsidiaries booked for the period 2012 – 2015.

The aforementioned asset was subject to successive independent evaluations in the period that followed.

During 2023, even if the Management Board maintained its opinion of favourable solution in this litigation, the Bank reassessed the fulfilment of IFRS (IAS 12 and IFRIC23) recognition conditions for the uncertain tax position.

Considering the uncertainty as to the timing of the final resolution in the Court and there is not much progress over a period of more than 5 years; moreover more lawyers were asked regarding the evolution of the impairment on subsidiaries from taxation and litigation point of view and therefore, the Bank decided to adopt a prudent approach and to reverse the tax asset as of December 2023.

From IFRS perspective, the derecognition of the uncertain tax asset will qualify as a change in accounting estimates in accordance with IAS 8 provisions: change in accounting estimates may occur as a result of changes in the circumstances on which the estimate was based or because of new information, more experience or subsequent developments.

Capital instruments, equity and reserves

37. Total equity

The statutory share capital of the Bank as at 31 December 2023 is represented by 16,253,416,254 ordinary shares (equal voting rights) of RON 0.10 each (31 December 2022: 16,253,416,254 ordinary shares of RON 0.10 each). The shareholders of the Bank are as follows:

	2023		2022	
	Number of shares	Percentage holding (%)	Number of shares	Percentage holding (%)
Erste Group Bank AG	16,235,530,563	99.8900%	16,235,389,444	99.8891%
Societatea de Investitii Financiare ("SIF")„Banat Crisana"*	1	0.0000%	1	0.0000%
Societatea de Investitii Financiare ("SIF") „Muntenia"	1	0.0000%	1	0.0000%
SC Actinvest SA	226,802	0.0014%	226,802	0.0014%
FDI Certinvest Dinamic	13,699	0.0001%	13,699	0.0001%
BCR Leasing SA	109	0.0000%	109	0.0000%
Individuals	17,645,079	0.1086%	17,786,198	0.1094%
Total	**16,253,416,254**	**100.0000%**	**16,253,416,254**	**100.0000%**

* Company renamed as "Lion Capital"

The effect of hyperinflation on the share capital of the Bank is presented below:

in RON thousands	2023	2022
Share capital before the effect of hyperinflation	1,625,342	1,625,342
IAS 29 hyperinflation adjustment recorded in prior years (i.e. until 31 December 2003)	1,327,223	1,327,223
Share capital	**2,952,565**	**2,952,565**

Additional equity instruments

BCR issued Additional Tier 1 notes (AT1 bonds) in September 2022, with a volume of EUR 150m. AT1 bonds are unsecured and subordinated bonds, they are perpetual and can be cancelled only by the issuer at predetermined dates. AT1 bonds include discretionary non-cumulative coupon payments, which allows them to be classified as equity under IFRS.

If common equity tier 1 ratio of BCR Group or BCR falls below 7.00% (i.e. a trigger event occurs) the principal amount will be written down on a temporary basis. The issuer may, at its sole discretion, write up the amount (fully or partially) provided a positive profit has been recorded and the trigger event no longer exists.

37. Total equity *(continued)*

Other reserve

The legal reserves require the transfer in a reserve fund of 5% of the net profit of the Bank up to minimum 20% of the Bank's share capital. As of 31.12.2023, the legal reserve was in amount of RON 569,355 thousands.

The reserve representing the fund for the general banking risks was allocated from the pre-tax accounting profit of the Bank starting with financial year 2004 until the end of financial year 2006 calculated as 1% of the banking risk assets. As of 31.12.2023, the general banking risk reserve was in amount of RON 267,673 thousands.

The general reserve for credit risk was allocated from the pre-tax accounting profit of the Bank until the end of financial year 2003 until it reached the level 2% from the balance of the loans granted. As of 31.12.2023, the general reserve for credit risk was in amount of RON 162,935 thousands.

Other reserves are in amount of RON 316,659 thousands. In the statement of financial position, the share premiums are presented in the line 'Other reserves' together with the above reserves.

Scope of consolidation

38. Subsidiaries

All entities directly or indirectly controlled by Banca Comercială Română SA are consolidated in the Group financial statements on the basis of their annual accounts as of year-end. The financial statements of the subsidiaries are prepared for the same reporting year as for the Bank, using consistent accounting policies.

The Bank measures investments in subsidiaries at cost.

All intra-group balances, transactions, income and expenses and profits and losses resulting from intra-group transactions are eliminated in full as well as unrealised gains and losses and dividends are eliminated. Subsidiaries are fully consolidated from the date on which control is transferred to the Bank until the date when control is lost. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power to direct the relevant activities of the investee. Relevant activities are those which most significantly affect the variable returns of an entity.

The Bank has the following entities consolidated in the financial statements of the Group as at 31 December 2023 and 31 December 2022:

Company's name	Country of incorporation	Nature of the business	Shareholding		Gross Book Value	Net Book Value	Impairment
			2023	2022	2023	2023	2023
BCR Chisinau SA (ii)	Moldova	Banking	100.00%	100.00%	200,064	54,774	145,290
BCR Leasing IFN SA	Romania	Financial leasing	99.97%	99.97%	389,492	389,492	-
BCR Pensii, Societate de Administrare a Fondurilor de Pensii Private SA	Romania	Pension Fund	99.99%	99.99%	269,820	196,715	73,105
BCR Banca pentru Locuinte SA	Romania	Banking	99.99%	99.99%	948,578	-	948,578
Suport Colect SRL	Romania	Workout	99.99%	99.99%	983,047	-	983,047
BCR Payments Services SRL	Romania	Payments transactions	99.99%	99.99%	1,900	1,900	-
BCR Fleet Management SRL (i)	Romania	Operational leasing	99.97%	99.97%	-	-	-
Total					**2,792,901**	**642,881**	**2,150,020**

Company held indirectly by BCR through BCR Leasing SA; and included in consolidation perimeter;
(ii) Company reclassified as Asset Held for Sale starting with December 2022 and deconsolidated in January 2024 when the selling process ended.
No changes in gross book value compared to 2022

Impairment of subsidiaries

The Bank reviews its holdings in subsidiaries at each reporting date and whenever a trigger of impairment has appeared, in order to assess whether there is objective evidence that the investment in the subsidiary is impaired. If there is such evidence, the Bank calculates the amount of impairment as the difference between the recoverable amount of the subsidiary and its carrying value (higher of fair value less costs to sell and value in use), then, recognizes the loss under Other Operating Result in the statement of profit or loss.

Based on business specifics, specific valuation methods are applied for each subsidiary, such as Dividend Discount Model, Discounted Cash Flows model. The calculation of Fair Value and Value in Use for subsidiaries is most sensitive to discount rates and financial projections (budgets) used.

38. Subsidiaries *(continued)*

The movement in Subsidiaries' net book value is presented below:

in RON thousands	Bank
Balance as of 01.01.2022	**518,464**
Contribution to increase in share capital	167,500
Reclassification to Assets held for sale (net book value)	(44,578)
Net impairment of subsidiaries	(140,443)
Balance as of 31.12.2022	**500,943**
Balance as of 01.01.2023	**500,943**
Net impairment of subsidiaries	87,162
Balance as of 31.12.2023	**588,105**

At 31 December 2023, the release of impairment for investments in subsidiaries was in amount of RON 97,359 thousand, consisting of RON 29,191 thousand impairment release for BCR Leasing, RON 57,973 thousand impairment release for BCR Pensii and RON 10,195 thousand impairment release for BCR Chisinau. BCR Chisinau subsidiary, in net amount of RON 54,774 thousands (31.12.2022: RON 44,578 thousands) was reclassified as asset held for sale and disposal group.

The release of impairment for BCR Leasing is mainly due to increase of new business targets driven by improved operational processes, translated in better estimated operating income, thus a higher recoverable amount versus last year.

The release of impairment for BCR Pensii is due mainly to increase of future estimated profits, due both to the increase in volume of managed assets, and especially to the increase in commission percentages charged as a result of the improvement in the ratio between investment performance and inflation, thus a higher recoverable amount is obtained using compared to last year estimation..

The existing impairment booked at the Bank level for Subsidiaries is presented below:

in RON thousands	2023	2022
Suport Colect SRL	(983,047)	(983,047)
BCR Banca pentru Locuinte SA	(948,578)	(948,578)
BCR Chisinau SA	(145,290)	(155,485)
BCR Fond de Pensii	(73,105)	(131,078)
BCR Leasing IFN SA	-	(29,192)
Total	**(2,150,020)**	**(2,247,380)**

The recoverable amount of the subsidiaries has been determined as the higher of fair value (FV) less costs of sale and value in use (ViU), generally using long term financial projections. In accordance with IAS 36 par 50, the ViU was calculated on a pre-tax basis (before corporate taxes).

Based on current business specifics, simplified income approach method was applied.

The calculation of FV and ViU for subsidiaries is most sensitive to discount rates and financial projections (budgets) used and zero growth rate considered.

Discount rates

The discount rates used were determined based on specific parameters (e.g. risk free rate, market risk premium, country risk premium, BETA rates, inflation spread) estimated for commercial banking industry and other financial services based on industry research.

The projected inflation rates are based on published industry research (median values of three sources of research).

Cost of equity (CoE) / Weighted average cost of capital (WACC)	Value in use 2023	Value in use 2022
Local subsidiaries	13.27%	13.53%
Foreign subsidiaries	n/a	19.00%

Financial Projections

The financial projections are based on financial budgets, covering a five–year period.

For companies operating in a tight regulatory environment regarding capital adequacy (i.e. banks and leasing companies), the distributions resulting from the financial projections were adjusted in order to take into account the maximum capital distributions allowed in order to keep the targeted solvency position.

38. Subsidiaries *(continued)*

Sensitivity to changes in assumptions at Bank's level for all subsidiaries

in RON thousands	2023	2022
Impact in the Statement of Comprehensive Income: income/ (expense)		
Cost of equity/ Weighted average cost of capital increases by 10%	(51,219)	(42,115)
Cost of equity/ Weighted average cost of capital decreases by 10%	61,977	51,277
Net cash-flows increase by 10%	60,485	49,904
Net cash flows decrease by 10%	(60,485)	(49,904)

BCR Chisinau

During 2022, the Management Board of BCR approved the launch of the sale process of BCR Chisinau. Consequently, in December 2022, based on the assessment that all IFRS 5 criteria have been fulfilled, the investment in BCR Chisinau was classified as held for sale and measured at the lower of its carrying amount and fair value less costs to sell.

In 2023, the process of selling continued and it was finalised in January 2024. Starting with January 2024 it is not included in the consolidated perimeter of BCR Group.

BCR Banca pentru Locuinte

In accordance with IAS 1 "Presentation of financial statements", paragraph 25, when preparing financial statements, management should perform an assessment of an entity's ability to continue as a going concern.

As of 31 December 2023, the management of the Bank assessed that the going concern assumption is not appropriate, considering all available information about the future development of the Bank's activity.

As a result of this assessment the management concluded that the financial statements as at 31 December 2023 should be prepared under the non-going concern assumption due to the following events and reasons that have an irreversible impact on the Bank's activity:

- following the control mission of the CoA on the BCR BpL's activity as presented in Note 36, BCR BpL was determined by both CoA report and HCCJ decision to stop the sale of savings-credit contracts starting March 2016 and stop granting "Fix for House", "Intermediate" and "Anticipatory" loans starting September 2019;
- considering the economic and prudential business reasons, as well as the BCR BpL's strategic objectives, in 2022 BCR BpL initiated an internal project carried out in two phases:
  - in the first phase, carried out during 2022, BCR BpL assigned the performing loan portfolio "Fix pentru Casa" with a total nominal value of RON 75,351 thousand and assigned the non-performing loans portfolio with a total nominal value of RON 2,692 thousand to independent third parties. Following this first phase, the remaining BCR BpL's loan portfolio as at 31 December 2022 was RON 26,949 thousand; and
  - the second phase, started in September 2023 with the remaining performing "Bauspar" loan portfolio with a total nominal value of RON 16,763 thousands being assigned to BCR and finalised in November 2023 when the entire portfolio of non-performing loans amounted to RON 137 thousand was also assigned to BCR.

    As a result of the above-mentioned assignments, BCR BpL remained with only two Anticipatory loans, in amount of RON 141 thousand as of 31 December 2023, which will be transformed into Bauspar loans until the end of February 2024, and subsequently will be assigned to BCR as well. Also, BCR BpL has the intention to assign to BCR any potential Bauspar loans, which are possible to be generated in future periods from the existing savings-lending contracts (BCR BpL did not conclude new such contracts from 2016).
- the customers' Deposits are on a downward trend, from RON 214,927 thousand as of 31 December 2022 to RON 167,380 thousand. as of 31 December 2023, this decrease being due to the fact that BCR BpL has not signed new saving-credit contracts since 2016, the minimum saving period of 5 years for the saving deposits has already passed and a significant part of the existing saving-credit contracts are suspended at the initiative of BCR BpL due to non-compliance with the contractual conditions or due to the fact that the amount saved is over the contractual limit. In April 2023 BCR BpL cashed in from MoD the amount of RON 209,182 thousand. representing the state premium for the period 2014 - 2022 and the amount was already allocated to the individual saving accounts. Also, in accordance with the legal requirements, BCR BpL is not allowed to transfer the deposits to another financial institution and therefore it continues its efforts to contact the customers and request that they redeem their deposits.

38. Subsidiaries *(continued)*

As such, the 2024 budget and 2025-2028 forecast are structured on a declining trend, so that in 2028 the loan and saving deposits portfolios will be nil considering that the clients have a period of max. 2 years for justifying the state premium received from the state.

- prudential indicators such as own funds, solvency ratio and liquidity ratio calculated as of 31 December 2023, as well as the budgeted ones for 2024 and forecasted for 2025-2028 indicate full compliance with regulatory thresholds imposed by the NBR.

Given the non-going concern assumption used for preparing the financial statements, BCR BpL assessed the impact on the assets and liabilities as of 31 December 2023 and has recognised an impairment for the non-current assets that are no longer expected to be utilised, in total amount of RON 1,047 thousand as further presented in the Notes to these financial statements.

Net asset of the company as of 31st December 2023 is RON 55,826 thousand (2022: RON 45,800 thousands).

BCR Fleet Management

As at December 2021, the Management Board of BCR Fleet Management has evaluated the overall situation of the company and concluded that the appropriate approach is to prepare its financial statements for 2021 on a non-going concern basis because it ceased concluding new lease contracts and consequently to wind down the remaining portfolio.

In 2022, BCR Fleet Management has concluded the partial portfolio sale to a third party under the form of a Business Transfer Agreement having in scope all the passenger cars and light commercial vehicles in BCR Fleet Management portfolio (approx. 4,000 assets with net book value of RON 190,958 thousands).

As at December 2023, the Management Board of BCR Fleet Management has evaluated the overall situation of the company and concluded that the appropriate decision is to maintain the same approach as in the previous year and to prepare its financial statements for 2023 on a non-going concern basis because the largest part of its portfolio was sold and the rest of it is subject to a run down strategy. For remaining assets impairment test was performed at December 31st 2023. Net asset of the company as of 31st December 2023 is RON 27,780 thousands (2022: RON 21,462 thousands).

Suport Colect SRL

The Management evaluated the overall situation of the company and concluded that the most appropriate approach is to adopt the gone concern basis in preparing the financial statements starting with 31.12.2022.

The main arguments taken into consideration are as follows:

- the entity has no new business for some time and has no intention to acquire any, the only activity relates to receivables acquired in the past (i.e., "cease trading" condition in IAS 10.14 is fulfilled);
- there is an obvious intention of the management to liquidate the company in the future proved by the approved budgets which no longer considered the company from 2024 onwards (IAS 1.25).

As at December 2023, the Management Board of Suport Colect SRL has evaluated the overall situation of the company and concluded that the appropriate approach is to maintain the same approach as in the previous year and to prepare its financial statements for 2023 on a non-going concern basis. Net asset of the company as of 31st December 2023 is RON 95,812 thousands (2022: RON 80,035 thousands).

39. Investments in joint ventures and associates

Investments in associates and joint ventures are accounted for using the equity method. Under the equity method, an interest in an associate or joint venture is recognised on the consolidated balance sheet at cost plus post-acquisition changes in the Group's share of the net assets of the entity. The Group's share of the associate's or joint venture's result is recognised in the consolidated statement of income in line item Net result from equity method investments. The line item contains the result from associates and joint ventures recorded by applying the equity method (measured as the investor's share of profit or loss in the associates and joint ventures). However, impairment losses, reversal of impairment losses and realised gains and losses on investments in associates or joint ventures accounted for using the equity method are reported under the line item 'Other operating result'.

In the case of BCR Group, all equity method investments are direct or indirect investments in associates and joint ventures over which the Group exercises significant influence or joint control stemming from voting power greater than 20% up to 50%.

39. Investment in joint ventures and associates *(continued)*

The Bank has a 33.33% interest in Fondul de Garantare a Creditului Rural, an unlisted financial institution whose main role is to facilitate the companies from the agriculture industry to obtain loans from the banks, 49% of BCR Social Finance IFN SA whose main role is to provide loans to customers, aquired in 2019. On 28 July 2023, the Bank sold its entire shareholding of 33.33% in Fondul de Garantare a Creditului Rural IFN SA.

On 30 September 2020, the Bank entered with other investors into a transaction involving the share capital increase of CIT One S.R.L. ('CIT One'), pursuant to which the other investors become shareholders in CIT One, with equal shareholding of 33.33%, maintaining the same activity, cash processing and transportation.

The Bank's interest in these two companies is accounted for using the equity method in the consolidated financial statements. There are no quoted market price for these investments.

in RON thousands	2023	2022
Other financial corporations	10,986	29,582
Non-financial corporations	19,022	13,754
Total	**30,008**	**43,336**

The table below shows the aggregated financial information of entities measured at equity method:

	BCR Social Finance IFN		CIT One	
in RON thousands	**2023**	**2022**	**2023**	**2022**
Total assets	218,355	174,210	146,869	121,420
Total liabilities	195,931	153,566	89,804	80,155
Total equity	**22,424**	**20,644**	**57,065**	**41,265**
Proportional of the Group's ownership	49.00%	49.00%	33.33%	33.33%
Carying amount of the investment	**10,986**	**10,116**	**19,022**	**13,754**
in RON thousands				
Income	36,914	30,056	271,446	215,639
Expenses	(34,896)	(28,986)	(253,225)	(214,228)
Income tax expenses	(243)	(192)	(2,421)	(786)
Profit/loss	**1,775**	**878**	**15,800**	**625**
Proportional of the Group's ownership	49.00%	49.00%	33.33%	33.33%
Carying amount of the investment	**870**	**430**	**5,266**	**208**

Other disclosure matters

40. Segment reporting

An operating segment is a component of the Group:

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

An operating segment may engage in business activities for which it has yet to earn revenues, for example, start-up operations may be operating segments before earning revenues.

The segment reporting format is determined to be business segments as the Group's risks and rates of return are affected predominantly by differences in the products and services produced. The operating businesses are organized and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets.

Each segment is assessed both from Statement of financial position and Statement of profit or loss perspective, specific KPI's being yearly set and correlated with bank strategy (e.g. new volumes, operating result etc)

For management purposes, the Bank and the Group is organized into the following business segments:

40. Segment reporting *(continued)*

A. Retail

The Group provides individuals and micro clients with a range of financial products and services, including lending (consumer loans, vehicles purchase, personal needs, mortgages, overdrafts, credit cards facilities and funds transfer facilities), savings and deposit taking business, payment services and securities business.

B. Corporate

Within corporate banking, the Group provides corporations, real estate and large corporate clients with a range of financial products and services, including lending and deposit taking, providing cash management, foreign commercial business, leasing, investments advices, financial planning, securities business, project and structured finance transactions, syndicated loans and asset backed transactions. Principal activity is of granting loans, other credit facilities, deposits, and current accounts for corporate and institutional customers, investment banking services and financial products and services provided by the leasing, insurance, brokerage, asset management, real estate services and financial consultancy services operations of the Group.

The main Corporate sub-segments are:

a. SME, comprising:

- companies with yearly turnover between EUR 1 mn - EUR 50 mn and a consolidated turnover < EUR 500 mn;
- companies part of a domestic group with at least one company with individual yearly turnover between EUR 1 mn - EUR 50 mn;
- companies part of an international group with at least one company with individual yearly turnover between EUR 1 mn - EUR 500 mn;
- companies with real estate financing for which total project value (including land acquisition, excluding VAT) is less than EUR 8 mn;
- companies having individual / consolidated turnover below EUR 1 mn.

b. Public Sector (PS):

Public Sector comprises Public sector, Public corporations clients and Non Profit sector.

Public sector includes the following institutions:

- central ministries and state funded funds and agencies;
- non-profit entities established by or under control of central government entities, state funded organizations, state universities or R&D institutions;
- regional governments and organizations funded by them;
- state capitals including city halls, regional capitals and other municipals and organizations funded by them. Exceptions: elementary and primary schools, high schools, kindergartens, small hospitals and libraries, which are segmented as Micro;
- public health and social insurance companies.

Public Corporations include:
- all non-financial state companies and corporations with more than 50% share of state or regional governments or municipals excluding stock exchange listed companies and State-Owned Companies acting in Energy & Utilities industry with turnover > 50 mn EUR.

Non-profit Sector includes the following private non-profit companies:
- central authorities of churches (archbishops, bishops, patriarchs, etc.);
- country-wide labour unions;
- political parties;
- social Banking Customers who have social impact.

c. Local Large Corporates (LLC)

- Companies/groups with a yearly individual turnover above EUR 50 mn;
- Clients with operations in core markets where the Erste Group operates or in extended core markets;
- Companies that meet the above-described criteria regarding the turnover with real estate financing for which total Real Estate project value (including land acquisition, excluding VAT) is less than EUR 8 mn;
- Financial sponsors (e.g. Private Equity Funds). The participations (in case of majority stake) of the financial sponsors will be grouped together with the financial sponsor;
- International groups that have their headquarters outside the expanded ERSTE target market (the target market where Erste is present plus Poland, Germany and Spain) with a consolidated annual turnover of over EUR 500 million are segmented by LLC only in which Erste Group has a relationship with its headquarters.

40. Segment reporting *(continued)*

d. Commercial Real Estate (CRE)

- companies that request financing of real estate projects with total project value > EUR 8 mn (including land acquisition, excluding VAT);
- investors in RE for the purpose of generating income from the rental of individual properties or portfolios of properties;
- developers of individual properties or portfolios of properties for the purpose of generating capital gains through sale;
- asset management services - Assets/SPVs held (on balance) by an Erste Group entity in order to generate income from rental activities (third party tenants);
- own property development – property developments done by an Erste Group entity in scope of this policy for the purpose of generating capital gains through sale or income from rental;
- clients using construction/technical advisory services of Erste Group International (EGI).

Other corporate includes activities related to investment banking services and financial products and services.

Other banking segments:

C. ALM & Local Corporate Center:

- **Balance sheet management** - principally providing assets and liabilities management, funding and derivative transactions, investments and issuance of bonds operations;
- **Local Corporate Center** - unallocated items, items which do not belong to business lines and Free Capital.

D. Group Markets:

a. Trading (GMT): principally providing money market and treasury operations, syndicated loans and structured financing transactions, foreign currency and derivative transactions, financial instruments trading.

b. Financial institutions (GMFI): companies that provide financial services for their clients or members and act as professional and active participant on financial markets for the purpose of proprietary trading or on behalf of their clients (banks, central banks, investment banks, investments funds, brokerages, insurance companies, pension funds, credit unions).

The business segment reporting format is the Group's basis of segment reporting. Transactions between business segments are conducted at arm's length.

Segment assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items mainly comprise property and equipment, intangible assets, other assets and other liabilities and taxation.

The mapping of individual accounts by main line items of income and expenses, respectively assets and liabilities and equity, for purposes of segment reporting is done on an internal management approach, rather than an external financial reporting approach.

In order to split the Group results on business lines the following subsidiaries are allocated entirely on Retail segment: BCR Pensii SAFPP, Banca pentru Locuinte, Suport Colect and some of the consolidation adjustments; BCR Chisinau is allocated on Corporate segment; starting 2023, BCR Leasing is mainly allocated on Retail and Corporate segments in accordance with clients' profit centers. Intragroup eliminations and the rest of the consolidation adjustments are allocated on Corporate Center.

BCR operates entirely in Romania, the only business done outside Romania was performed by BCR Chisinau which was sold in January 2024. There is no other geographical steering information used by BCR management. Throughout the following tables related to Segment Reporting, the net trading result includes the following positions presented in the statement of income:

- Net trading result;
- Result from financial instruments mandatorily measured at fair value through profit or loss;
- Foreign currency translation.

40. Segment reporting *(continued)*

2023

in RON thousands	Group	Retail	Corporates	ALM & Local Corporate Center	GM
Net interest income	3,656,406	1,969,435	1,138,388	511,006	37,577
Net fee and commission income	1,012,615	668,762	307,117	(20,141)	56,877
Dividend income	5,103	-	88	5,015	-
Net trading result	539,745	165,436	159,766	23,118	191,425
Gains/(losses) from non-trading financial instruments mandatorily measured at fair value through profit or loss	2,874	(5,897)	-	8,771	-
Foreign currency translation	8,991	-	-	8,991	-
Net result from equity method investments	6,136	-	-	6,136	-
Rental income from investment properties and other operating leases	43,796	-	35,106	8,690	-
General administrative expenses	(2,067,007)	(1,568,340)	(408,333)	(48,120)	(42,214)
Other gains/(losses) from derecognition of financial instruments not measured at fair value through profit or loss	(2,282)	-	-	(2,282)	-
Net impairment gain/ (losses) on financial instruments	(46,308)	108,963	(187,707)	28,134	4,302
Other operating result	(165,045)	(16,252)	(82,032)	(62,091)	(4,670)
Pre-tax result from continuing operations	**2,995,024**	**1,322,107**	**962,393**	**467,227**	**243,297**
Profit from discontinued operations net of tax	-	-	-	-	
Net profitof the year	**2,995,024**	**1,322,107**	**962,393**	**467,227**	**243,297**
Taxes on income	(673,800)	(210,591)	(153,343)	(270,939)	(38,927)
Net result for the period	**2,321,224**	**1,111,516**	**809,050**	**196,288**	**204,370**
Net result attributable to non-controlling interests	8	-	-	8	-
Net result attributable to owners of the parent	**2,321,216**	**1,111,516**	**809,050**	**196,280**	**204,370**
Operating Income	5,273,384	2,797,736	1,640,465	549,304	285,879
Operating Expense	(2,067,007)	(1,568,340)	(408,333)	(48,120)	(42,214)
Operating Result	**3,206,377**	**1,229,396**	**1,232,132**	**501,184**	**243,665**
Cost Income Ratio	39.20%	56.06%	24.89%	8.76%	14.77%

* All intercompany eliminations are included in the Local Corporate Center

ALM result is quite balanced. Revenue from ALM segment is determined by the revenues derived from managed assets, however reduced with the effects of intersegment revenue allocation (between Business lines).

2022

in RON thousands	Group	Retail	Corporates	ALM & Local Corporate Center	GM
Net interest income	2,948,748	1,886,370	877,384	142,375	42,619
Net fee and commission income	944,240	635,561	274,206	(18,020)	52,493
Dividend income	3,804	-	59	3,745	-
Net trading result	607,866	177,339	153,796	7,534	269,197
Gains/(losses) from non-trading financial instruments mandatorily measured at fair value through profit or loss	22,235	2,807	-	19,916	(488)
Net result from equity method investments	990	-	-	990	-
Rental income from investment properties and other operating leases	87,579	-	85,232	2,347	-
General administrative expenses	(1,880,039)	(1,444,596)	(371,365)	(27,216)	(36,862)
Other gains/(losses) from derecognition of financial instruments not measured at fair value through profit or loss	31	-	-	31	-
Net impairment gain/ (losses) on financial instruments	(393,777)	(449,455)	66,398	(6,552)	(4,168)
Other operating result	(183,795)	26,571	9,515	(217,052)	(2,829)
Pre-tax result from continuing operations	**2,157,882**	**834,597**	**1,095,225**	**(91,902)**	**319,962**
Taxes on income	(411,963)	(165,811)	(176,575)	(18,383)	(51,194)
Net result for the period	**1,745,919**	**668,786**	**918,650**	**(110,285)**	**268,768**
Net result attributable to non-controlling interests	13	-	-	13	-
Net result attributable to owners of the parent	**1,745,906**	**668,786**	**918,650**	**(110,298)**	**268,768**
Operating Income	4,615,462	2,702,077	1,390,677	158,887	363,821
Operating Expense	(1,880,039)	(1,444,596)	(371,365)	(27,216)	(36,862)
Operating Result	**2,735,423**	**1,257,481**	**1,019,312**	**131,671**	**326,959**
Cost Income Ratio	40.73%	53.46%	26.70%	17.13%	10.13%

* All intercompany eliminations are included in the Local Corporate Center

40. Segment reporting *(continued)*

in RON thousands					2023
	Group	Retail	Corporates	ALM & Local Corporate Center	GM
Assets					
Cash and cash equivalents	16,763,792	3,273,553	284,314	13,205,925	-
Financial assets held for trading	701,088	-	-	11,641	689,447
Derivative financial instruments	135,678	-	-	11,641	124,037
Debt securities held for trading	565,410	-	-	-	565,410
Non-trading financial assets mandatorily at fair value through profit or loss	79,363	23,482	262	55,619	-
Equity instruments	59,350	23,482	262	35,606	-
Debt securities	20,013	-	-	20,013	-
Financial assets at fair value through other comprehensive income	10,135,530	-	80,352	10,055,178	-
Debt securities	10,135,530	-	80,352	10,055,178	-
Financial assets at amortised cost	74,818,710	29,612,145	26,605,014	18,298,659	302,892
Debt securities	17,495,369	119,812	226,645	17,148,912	-
Loans and advances to banks	2,125,746	762,829	-	1,351,949	10,968
Loans and advances to customers	55,197,595	28,729,504	26,378,369	(202,202)	291,924
Finance lease receivables	2,022,555	487,638	1,592,457	(57,540)	-
Property and equipment	1,025,930	7,650	133,479	884,801	-
Investment property	133,035	-	-	133,035	-
Intangible assets	454,257	4,936	343	448,978	-
Investments in joint ventures and associates	30,008	-	-	30,008	-
Current tax assets	1,110	1,110	6,819	(6,819)	-
Deferred tax assets	118,404	504	273	117,627	-
Assets held for sale and disposal group	745,408	-	-	745,408	-
Trade and other receivables	1,522,407	16,152	425,752	964,772	115,731
Investments in subsidiaries	-	-	-	-	-
Other assets	299,193	55,490	16,535	226,825	343
Total assets	**108,850,790**	**33,482,660**	**29,145,600**	**45,114,117**	**1,108,413**
Liabilities and Equity					
Financial liabilities held for trading	165,467	-	-	38,939	126,528
Derivative financial instruments	165,467	-	-	38,939	126,528
Financial liabilities measured at amortised cost	93,239,094	49,453,627	32,072,977	9,219,453	2,493,037
Deposits from banks	998,503	1,248,810	3,051,838	(3,708,783)	406,638
Borrowings and financing lines	650,435	-	-	650,435	-
Deposits from customers	78,481,853	47,993,585	28,969,083	(483,273)	2,002,458
Debt securities issued	10,170,143	-	-	10,170,143	-
Other financial liabilities	2,938,160	211,232	52,056	2,590,931	83,941
Lease liabilities	449,467	6,920	61,137	381,410	-
Provisions	1,013,883	392,985	371,544	247,308	2,046
Current tax liabilities	83,339	671	2,968	79,700	-
Deferred tax liabilities	21,801	19,567	2,234	-	-
Liabilities associated with assets held for sale and disposal group	560,644	-	-	560,644	-
Other liabilities	839,541	407,273	49,072	379,577	3,619
Total equity	**12,477,554**	**2,551,602**	**3,101,824**	**6,666,547**	**157,581**
Total liabilities and equity	**108,850,790**	**52,832,645**	**35,661,756**	**17,573,578**	**2,782,811**

* All intercompany eliminations are included in the Local Corporate Center

40. Segment reporting *(continued)*

in RON thousands					2022
	Group	Retail	Corporates	ALM & Local Corporate Center	GM
Assets					
Cash and cash equivalents	15,224,576	4,317,629	347,953	10,558,994	-
Financial assets held for trading	177,242	-	-	6,803	170,439
Derivative financial instruments	177,213	-	-	6,803	170,410
Debt securities held for trading	29	-	-	-	29
Non-trading financial assets mandatorily at fair value through profit or loss	67,179	29,880	247	37,052	-
Equity instruments	50,851	29,880	247	20,724	-
Debt securities	16,328	-	-	16,328	-
Financial assets at fair value through other comprehensive income	9,664,296	-	66,286	9,598,010	-
Debt securities	9,664,296	-	66,286	9,598,010	-
Financial assets at amortised cost	68,046,211	29,511,204	23,425,787	13,876,354	1,232,866
Debt securities	15,215,719	82,844	227,908	14,904,967	-
Loans and advances to banks	148,344	850,846	-	(791,622)	89,120
Loans and advances to customers	52,682,148	28,577,514	23,197,879	(236,991)	1,143,746
Finance lease receivables	1,745,363	635,406	1,175,769	(65,812)	-
Property and equipment	1,029,207	4,603	210,588	814,016	-
Investment property	148,543	-	-	148,543	-
Intangible assets	394,847	5,136	863	388,848	-
Investments in joint ventures and associates	43,336	-	-	43,336	-
Current tax assets	222,026	2,862	4,550	214,614	-
Deferred tax assets	197,778	1	170	197,607	-
Assets held for sale and disposal group	749,318	-	-	749,318	-
Trade and other receivables	901,025	15,415	496,693	300,235	88,682
Other assets	239,113	55,033	12,206	171,556	318
Total assets	**98,850,060**	**34,577,169**	**25,741,112**	**37,039,474**	**1,492,305**
Liabilities and Equity					
Financial liabilities held for trading	163,579	-	-	11,731	151,848
Derivative financial instruments	163,579	-	-	11,731	151,848
Financial liabilities measured at amortised cost	84,713,627	45,067,688	31,157,426	3,739,147	4,749,366
Deposits from banks	1,431,205	1,178,127	2,243,171	(3,218,646)	1,228,553
Borrowings and financing lines	648,189	-	-	648,189	-
Deposits from customers	75,588,537	43,753,607	28,847,438	(443,812)	3,431,304
Debt securities issued	5,424,406	-	-	5,424,406	-
Other financial liabilities	1,621,290	135,954	66,817	1,329,010	89,509
Lease liabilities	444,486	4,429	68,959	371,098	-
Provisions	1,000,507	437,485	341,075	219,155	2,792
Current tax liabilities	75,162	144	6,629	68,389	-
Deferred tax liabilities	19,443	17,402	2,041	-	-
Liabilities associated with assets held for sale and disposal group	568,508	-	-	568,508	-
Other liabilities	809,949	406,444	39,326	361,206	2,973
Total equity	**11,054,799**	**2,907,030**	**3,146,020**	**4,876,320**	**125,429**
Total liabilities and equity	**98,850,060**	**48,840,622**	**34,761,476**	**10,215,554**	**5,032,408**

* All intercompany eliminations are included in the Local Corporate Center

40. Segment reporting *(continued)*

in RON thousands	Bank	Retail	Corporates	ALM & Local Corporate Center	GM
					2023
Net interest income	3,476,006	1,889,505	1,042,812	506,112	37,577
Net fee and commission income	966,148	635,536	290,189	(16,454)	56,877
Dividend income	65,976	-	-	65,976	-
Net trading result	522,792	163,399	142,230	25,738	191,425
Gains/(losses) from non-trading financial instruments mandatorily measured at fair value through profit or loss	2,874	(5,897)	-	8,771	-
Foreign currency translation	6,376	-	-	6,376	-
Rental income from investment properties and other operating leases	5,455	-	-	5,455	-
General administrative expenses	(1,949,803)	(1,506,577)	(342,605)	(58,407)	(42,214)
Other gains/(losses) from derecognition of financial instruments not measured at fair value through profit or loss	(2,282)	-	-	(2,282)	-
Net impairment gain/ (losses) on financial instruments	57,884	107,647	(156,961)	102,896	4,302
Other operating result	(11,299)	(11,778)	(73,023)	78,172	(4,670)
Pre-tax result from continuing operations	**3,140,127**	**1,271,835**	**902,642**	**722,353**	**243,297**
Net profitof the year	**3,140,127**	**1,271,835**	**902,642**	**722,353**	**243,297**
Taxes on income	(652,784)	(203,494)	(144,422)	(265,941)	(38,927)
Net result for the period	**2,487,343**	**1,068,341**	**758,220**	**456,412**	**204,370**
Net result attributable to owners of the parent	**2,487,343**	**1,068,341**	**758,220**	**456,412**	**204,370**
Operating Income	5,043,345	2,682,543	1,475,231	599,692	285,879
Operating Expense	(1,949,803)	(1,506,577)	(342,605)	(58,407)	(42,214)
Operating Result	**3,093,542**	**1,175,966**	**1,132,626**	**541,285**	**243,665**
Cost Income Ratio	38.66%	56.16%	23.22%	9.74%	14.77%

in RON thousands	Bank	Retail	Corporates	ALM & Local Corporate Center	GM
					2022
Net interest income	2,767,309	1,817,494	776,049	131,147	42,619
Net fee and commission income	897,686	599,039	260,999	(14,845)	52,493
Dividend income	26,808	-	-	26,808	-
Net trading result	583,446	177,359	137,825	(935)	269,197
Gains/(losses) from non-trading financial instruments mandatorily measured at fair value through profit or loss	22,235	2,807	-	19,916	(488)
Rental income from investment properties and other operating leases	5,063	-	-	5,063	-
General administrative expenses	(1,747,562)	(1,388,918)	(285,357)	(36,425)	(36,862)
Other gains/(losses) from derecognition of financial instruments not measured at fair value through profit or loss	31	-	-	31	-
Net impairment gain/ (losses) on financial instruments	(349,430)	(446,124)	93,339	7,523	(4,168)
Other operating result	14,978	243,722	14,588	(240,503)	(2,829)
Pre-tax result from continuing operations	**2,220,564**	**1,005,379**	**997,443**	**(102,220)**	**319,962**
Taxes on income	(390,548)	(160,861)	(159,591)	(18,902)	(51,194)
Net result for the period	**1,830,016**	**844,518**	**837,852**	**(121,122)**	**268,768**
Net result attributable to owners of the parent	**1,830,016**	**844,518**	**837,852**	**(121,122)**	**268,768**
Operating Income	4,302,547	2,596,699	1,174,873	167,154	363,821
Operating Expense	(1,747,562)	(1,388,918)	(285,357)	(36,425)	(36,862)
Operating Result	**2,554,985**	**1,207,781**	**889,516**	**130,729**	**326,959**
Cost Income Ratio	40.62%	53.49%	24.29%	21.79%	10.13%

40. Segment reporting *(continued)*

					2023
in RON thousands	Bank	Retail	Corporates	ALM & Local Corporate Center	GM
Assets					
Cash and cash equivalents	16,724,913	3,228,552	-	13,496,361	-
Financial assets held for trading	701,137	-	-	11,691	689,446
Derivative financial instruments	135,727	-	-	11,690	124,037
Debt securities held for trading	565,410	-	-	1	565,409
Non-trading financial assets mandatorily at fair value through profit or loss	79,363	23,482	-	55,881	-
Equity instruments	59,350	23,482	-	35,868	-
Debt securities	20,013	-	-	20,013	-
Financial assets at fair value through other comprehensive income	10,135,530	-	-	10,135,530	-
Debt securities	10,135,530	-	-	10,135,530	-
Financial assets at amortised cost	76,486,958	28,015,874	24,953,177	23,215,015	302,892
Debt securities	17,375,556	-	133,713	17,241,843	-
Loans and advances to banks	2,142,421	-	-	2,131,453	10,968
Loans and advances to customers	56,968,981	28,015,874	24,819,464	3,841,719	291,924
Finance lease receivables	17,393	-	-	17,393	-
Property and equipment	843,919	-	-	843,919	-
Investment property	133,035	-	-	133,035	-
Intangible assets	430,798	-	-	430,798	-
Investments in joint ventures and associates	25,961	-	-	25,961	-
Deferred tax assets	115,234	-	-	115,234	-
Assets held for sale and disposal group	55,383	-	-	55,383	-
Trade and other receivables	1,511,077	7,651	415,066	972,629	115,731
Investments in subsidiaries	588,105	-	-	588,105	-
Other assets	159,277	28,992	447	129,495	343
Total assets	**108,008,083**	**31,304,551**	**25,368,690**	**50,226,430**	**1,108,412**
Liabilities and Equity					
Financial liabilities held for trading	165,467	-	-	38,939	126,528
Derivative financial instruments	165,467	-	-	38,939	126,528
Financial liabilities measured at amortised cost	93,548,921	48,032,770	28,501,866	14,521,248	2,493,037
Deposits from banks	1,585,724	33	255	1,178,798	406,638
Borrowings and financing lines	152,934	-	-	152,934	-
Deposits from customers	78,724,676	47,826,205	28,451,736	444,277	2,002,458
Debt securities issued	10,170,143	-	-	10,170,143	-
Other financial liabilities	2,915,444	206,532	49,875	2,575,096	83,941
Lease liabilities	448,488	-	-	448,488	-
Provisions	883,960	378,005	371,262	132,647	2,046
Current tax liabilities	82,494	-	-	82,494	-
Other liabilities	393,487	3,483	39,589	346,796	3,619
Total equity	**12,485,266**	**2,349,938**	**2,587,289**	**7,390,458**	**157,581**
Total liabilities and equity	**108,008,083**	**50,764,196**	**31,500,006**	**22,961,070**	**2,782,811**

40. Segment reporting *(continued)*

					2022
in RON thousands	Bank	Retail	Corporates	ALM & Local Corporate Center	GM
Assets					
Cash and cash equivalents	15,224,262	4,279,053	-	10,945,209	-
Financial assets held for trading	177,708	-	-	7,269	170,439
Derivative financial instruments	177,679	-	-	7,269	170,410
Debt securities held for trading	29	-	-	-	29
Non-trading financial assets mandatorily at fair value through profit or loss	67,179	29,880	-	37,299	-
Equity instruments	50,851	29,880	-	20,971	-
Debt securities	16,328	-	-	16,328	-
Financial assets at fair value through other comprehensive income	9,664,296	-	5,051	9,659,245	-
Debt securities	9,664,296	-	5,051	9,659,245	-
Financial assets at amortised cost	69,264,841	28,025,738	22,094,991	17,911,246	1,232,866
Debt securities	15,132,875	-	155,854	14,977,021	-
Loans and advances to banks	156,699	-	-	67,579	89,120
Loans and advances to customers	53,975,267	28,025,738	21,939,137	2,866,646	1,143,746
Finance lease receivables	8,405	-	-	8,405	-
Property and equipment	820,797	-	-	820,797	-
Investment property	148,543	-	-	148,543	-
Intangible assets	377,240	-	-	377,240	-
Investments in joint ventures and associates	33,470	-	-	33,470	-
Current tax assets	219,164	-	-	219,164	-
Deferred tax assets	184,550	-	-	184,550	-
Assets held for sale and disposal group	51,499	-	-	51,499	-
Trade and other receivables	875,813	6,466	473,189	307,476	88,682
Investments in subsidiaries	500,943	-	-	500,943	-
Other assets	137,497	27,609	277	109,293	318
Total assets	**97,756,207**	**32,368,746**	**22,573,508**	**41,321,648**	**1,492,305**
Liabilities and Equity					
Financial liabilities held for trading	163,579	-	-	11,731	151,848
Derivative financial instruments	163,579	-	-	11,731	151,848
Financial liabilities measured at amortised cost	84,930,411	43,672,753	28,396,779	8,111,513	4,749,366
Deposits from banks	2,125,964	34	228	897,149	1,228,553
Borrowings and financing lines	189,261	-	-	189,261	-
Deposits from customers	75,609,053	43,538,680	28,333,832	305,237	3,431,304
Debt securities issued	5,424,406	-	-	5,424,406	-
Other financial liabilities	1,581,727	134,039	62,719	1,295,460	89,509
Lease liabilities	442,538	-	-	442,538	-
Provisions	885,531	422,557	340,661	119,521	2,792
Current tax liabilities	70,202	-	-	70,202	-
Other liabilities	357,525	2,637	31,108	320,807	2,973
Total equity	**10,906,421**	**2,692,236**	**2,728,744**	**5,360,012**	**125,429**
Total liabilities and equity	**97,756,207**	**46,790,183**	**31,497,292**	**14,436,324**	**5,032,408**

41. Return on assets and turnover information

The Bank applies the stipulations of NBR Regulation 5/2013 regarding prudential requirements for credit institutions.

Return on assets (net profit for the year divided by average total assets) was:

	Group		Bank	
	31.12.2023	31.12.2022	31.12.2023	31.12.2022
Return on assets	**2.25%**	**1.87%**	**2.45%**	**1.99%**

The return on assets is calculated based on monthly average total assets and presented in accordance with Article 645 of the above mentioned regulation.

The consolidated turnover for the financial exercise ended 31 December 2023 amounts to RON 8,121,535 thousands (31 December 2022: RON 6,275,249 thousands) and is calculated and presented in compliance with Article 644 of the above mentioned regulation. The turnover components are described in Note 10 section Tax on Bank revenue.

42. Related-party transactions and principal shareholders

The nature of the related party relationships for those related parties with whom the Group entered into significant transactions or had significant balances outstanding at 31 December 2023 and 2022 are detailed below. Transactions were entered into with related parties during the course of business at market rates.

Principal shareholders

All transactions were carried out at market conditions.

Transactions with management

The Group entered into a number of banking transactions with the management in the normal course of business.

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group. This includes the members of the Supervisory Board, Executive Committee and executive management.

Remuneration paid related to key management personnel is presented in note 6.

Transactions with subsidiaries

The Bank holds investments in subsidiaries with whom it entered into a number of banking transactions in the normal course of business. These transactions were carried out on commercial terms and conditions and at market rates.

Transactions with other related parties

The Group considers the following additional related parties: entities in which the Group owns participations, entities in which the parent or other controlling entities either have control or have participations, companies in which key management personnel have direct or indirect interests, and close family members of key management personnel.

Terms and conditions

In relation to related parties, the accounts have the following characteristics:

Current accounts were opened between September 2006 and December 2023 and the interest rate is 0%.

Loans and advances accounts were opened between September 2005 and December 2023, maturing between January 2024 and July 2047. The interest rates for corporate are between 3.89% - 9.23% depending on maturity and currency of loan. For retail interest rates are between 3.48-9.49% for fixed interest and between 3.46-11.9% variable interest for loans. Credit cards interest rates are 15%-28% fixed interest and 12.40 -20.9% variable interest.

Term deposits were opened between July 2007 and December 2023, maturing between January 2024 and August 2025, and the interest rate is fixed between 0.01%-8.00% depending on the currency and maturity of the deposit.

Loans commitments, financial guarantees and other commitments given includes revocable and irrevocable letters of guarantee, undrawn commitments for loans and credit cards granted in RON or EUR.

Loan commitments, financial guarantees and other commitments received include letters of guarantee received from parent company.

42. Related-party transactions and principal shareholders *(continued)*

The following transactions were carried out with related parties:

Balances and off-balace exposures with related parties — **Group**

in RON thousands	2023 Parent	2023 Associates	2023 Key management personnel	2023 Other related parties	2022 Parent	2022 Associates	2022 Key management personnel	2022 Other related parties
Total assets	**736,282**	**112,180**	**4,609**	**113,970**	**273,282**	**85,525**	**6,596**	**96,980**
Cash and cash equivalents	64,083	-	-	-	43,850	-	-	1,322
Derivative financial instruments	100,332	-	-	-	146,637	-	-	-
Equity investments	-	25,961	-	23,482	-	33,470	-	28,473
Loans and advances	499,512	86,214	4,609	79,318	-	50,437	6,276	46,183
Loans and advances to banks	499,512	-	-	-	-	-	-	-
Loans and advances to customers	-	86,214	4,609	79,318	-	50,437	6,276	46,183
Finance lease receivables	-	-	-	1,825	-	770	320	2,297
Trade and other receivables	60,457	-	-	3,965	82,795	837	-	3,177
Other assets	11,898	5	-	5,380	-	11	-	15,529
Total liabilities	**1,851,606**	**22,332**	**9,080**	**248,287**	**1,728,091**	**14,588**	**6,949**	**216,781**
Financial liabilities measured at amortised cost	1,752,665	22,332	9,075	203,345	1,576,576	14,563	6,862	171,276
Deposits from banks	317,329	-	-	1,250	117,037	-	-	2,497
Deposits from customers	-	22,332	9,075	202,095	-	14,563	6,862	168,779
Borrowings and financing lines	153,358	-	-	-	216,437	-	-	-
Debt securities issued	1,281,978	-	-	-	1,243,102	-	-	-
Lease liabilities	48,750	-	-	-	6,424	-	-	-
Other liabilities	50,191	-	5	44,942	145,091	25	87	45,505
Loans commitments, financial guarantees and other commitments given [notional amount]	**22,472**	**48,850**	**560**	**243,557**	**43,022**	**87,190**	**433**	**248,491**
Loan commitments, financial guarantees and other commitments received	**248,730**	**-**	**-**	**-**	**247,370**	**-**	**-**	**-**
Derivatives [notional amount]	**5,381,577**	**-**	**-**	**-**	**5,546,068**	**-**	**-**	**-**

Related parties: expenses and income generated by transactions with related parties — **Group**

in RON thousands	2023 Parent	2023 Associates	2023 Key management personnel	2023 Other related parties	2022 Parent	2022 Associates	2022 Key management personnel	2022 Other related parties
Interest income	117,789	85	228	3,471	30,242	2,515	219	2,507
Interest expenses	(118,447)	(1,807)	(319)	(5,661)	(39,910)	(30)	(71)	(4,205)
Dividend income	-	-	-	3,376	-	-	-	2,386
Fee and commission income	14,689	296	46	57,498	3,478	365	44	75,272
Fee and commission expense	(3,835)	-	-	(3,070)	(6,370)	-	-	(1,778)
Net impairment gain/ (losses) on financial instruments	2,583	211	40	36	(3,047)	168	165	(291)
Net trading result income/(expense)	(19,325)	6	87	(2,794)	288,522	1	92	9,453
Other operating income	24	1	1	633	4	975	447	3,954
Other operating expense	-	-	6	(9,385)	-	(12)	(56)	(66,941)
Profit before tax income/(expense)	**(6,522)**	**(1,208)**	**89**	**44,104**	**272,919**	**3,982**	**840**	**20,357**

42. Related-party transactions and principal shareholders *(continued)*

Balances and off-balace exposures with related parties — Bank

in RON thousands	2023 Parent	2023 Subsidiaries	2023 Associates	2023 Key management personnel	2023 Other related parties	2022 Parent	2022 Subsidiaries	2022 Associates	2022 Key management personnel	2022 Other related parties
Total assets	**692,546**	**4,436,311**	**112,180**	**4,609**	**108,605**	**253,739**	**3,400,607**	**85,525**	**6,276**	**80,136**
Cash and cash equivalents	20,347	1,596	-	-	-	24,307	71	-	-	-
Derivative financial instruments	100,332	49	-	-	-	146,637	466	-	-	-
Equity investments	-	652,882	25,961	-	23,482	-	545,522	33,470	-	28,473
Loans and advances	499,512	3,767,924	86,214	4,609	79,318	-	2,847,261	50,437	6,276	46,183
Loans and advances to banks	499,512	19,780	-	-	-	-	28,404	-	-	-
Loans and advances to customers	-	3,748,144	86,214	4,609	79,318	-	2,818,857	50,437	6,276	46,183
Finance lease receivables	-	12,035	-	-	1,825	-	5,338	770	-	2,297
Trade and other receivables	60,457	3	-	-	3,965	82,795	4	837	-	3,177
Other assets	11,898	1,822	5	-	15	-	1,945	11	-	6
Total liabilities	**1,840,236**	**1,007,484**	**22,332**	**9,080**	**240,695**	**1,677,248**	**930,896**	**14,588**	**6,862**	**210,396**
Financial liabilities measured at amortised cost	1,741,295	1,007,479	22,332	9,075	203,345	1,525,733	930,891	14,563	6,862	171,276
Deposits from banks	310,376	587,243	-	-	1,250	114,349	694,758	-	-	2,497
Deposits from customers	-	420,236	22,332	9,075	202,095	-	236,133	14,563	6,862	168,779
Borrowings and financing lines	148,941	-	-	-	-	168,282	-	-	-	-
Debt securities issued	1,281,978	-	-	-	-	1,243,102	-	-	-	-
Derivative financial instruments	48,750	-	-	-	-	6,424	-	-	-	-
Other liabilities	50,191	5	-	5	37,350	145,091	5	25	-	39,120
Loans commitments, financial guarantees and other commitments given [notional amount]	**22,472**	**899,356**	**48,850**	**560**	**243,557**	**43,022**	**385,707**	**87,190**	**433**	**248,491**
Loan commitments, financial guarantees and other commitments received	**248,730**	**-**	**-**	**-**	**-**	**247,370**	**-**	**-**	**-**	**-**
Derivatives [notional amount]	**5,381,577**	**104,467**	**-**	**-**	**-**	**5,546,068**	**133,580**	**-**	**-**	**-**
Accumulated impairment	**-**	**-**	**-**	**-**	**-**	**-**	**69,449**	**-**	**-**	**-**

Related parties: expenses and income generated by transactions with related parties — Bank

in RON thousands	2023 Parent	2023 Subsidiaries	2023 Associates	2023 Key management personnel	2023 Other related parties	2022 Parent	2022 Subsidiaries	2022 Associates	2022 Key management personnel	2022 Other related parties
Interest income	117,552	158,625	85	228	3,435	30,134	52,979	2,515	219	2,403
Interest expenses	(118,447)	(49,557)	(1,807)	(319)	(5,661)	(37,833)	(40,425)	(30)	(71)	(4,205)
Dividend income	-	60,961	-	-	3,376	-	23,063	-	-	2,386
Fee and commission income	14,689	609	296	46	54,221	3,477	607	365	44	71,404
Fee and commission expense	(3,835)	(8)	-	-	(3,070)	(4,374)	(6)	-	-	(1,777)
Net impairment of subsidiaries	-	97,359	-	-	-	-	(139,736)	-	-	-
Net impairment gain/ (losses) on financial instruments	2,583	1,067	211	40	36	(3,047)	4,896	168	165	(291)
Net trading result income/(expense)	(19,325)	(2,130)	6	87	(2,794)	288,522	(23)	1	92	9,453
Other operating income	24	5,005	1	-	310	4	4,563	445	-	1,248
Other operating expense	-	(314)	-	7	(7,607)	-	(199)	(12)	9	(55,626)
Profit before tax income/(expense)	**(6,759)**	**271,617**	**(1,208)**	**89**	**42,246**	**276,883**	**(94,281)**	**3,452**	**458**	**24,995**

43. Audit fees and tax consultancy fees

The following table contains audit fees and other consulting fees charged by the auditors in the financial years 2023 and 2022:

	Group		Bank	
in RON thousands	31.12.2023	31.12.2022	31.12.2023	31.12.2022
Fees for the audit of the financial statements	3,575	3,097	2,826	2,413
Other services involving the issuance of a report	2,026	1,925	1,952	1,585
Total	**5,601**	**5,022**	**4,778**	**3,998**

44. Assets held for sale and liabilities associated with assets held for sale

Non-current assets and disposal groups held for sale

In 2022, entity Banca Comerciala Romana Chisinau S.A. met the criteria for the classification as a disposal group held for sale. It consists of assets held for sale in the amount of RON 761.3 million (2022: RON 753.8 million), net of intercompany transactions, consisting mainly of loans to customers and liabilities associated with assets held for sale in the amount of RON 560.6 million (2022: RON 568.5 million), net of intercompany transactions, consisting mainly from deposits from banks and customers. The fair value less costs to sell was lower than the net carrying amount of the disposal group. The difference in the amount of RON 128.4 million (31.12.2022: RON 111 million) was first allocated to non-financial assets in scope of IFRS 5 measurement requirements and resulted in an impairment loss of RON 15.8 million (31.12.2022: RON 11.4 million) and the remaining amount of RON 112.6 million (31.12.2022: RON 99.6 million) was recognised as a provision.
During 2023 the process of selling continued, ending in January 2024. The price was settled in cash and the gain realised in 2024 was RON 1.9 million.
Net asset value of the investment in BCR Chisinau was adjusted according to the selling price and there are no material amounts in Stage 2 and 3 in Financial assets at amortised costs.

in RON thousands	31.12.2023	31.12.2022
Assets		
Cash and cash balances	276,324	320,197
Financial assets at fair value through other comprehensive income	80,352	61,235
Financial assets at amortised cost	391,383	358,625
Other assets	17,695	14,743
Total Assets	**765,754**	**754,800**
Liabilities		
Financial liabilities measured at amortised cost	567,847	586,268
Other liabilities	14,727	12,640
Total Liabilities	**582,574**	**598,908**

45. Split between current and non-current assets and liabilities

Expected remaining maturities of assets and liabilities

				Group
	31.12.2023		31.12.2022	
in RON thousands	Current	Non - current	Current	Non - current
Cash and cash equivalents	16,763,792	-	15,224,576	-
Financial assets held for trading	572,671	128,417	31,246	145,996
Derivative financial instruments	7,261	128,417	31,217	145,996
Debt securities held for trading	565,410	-	29	-
Financial assets designated at fair value through profit or loss	-	79,363	-	67,179
Equity instruments	-	59,350	-	50,851
Debt securities	-	20,013	-	16,328
Financial assets at fair value through other comprehensive income	1,876,440	8,259,090	3,983,338	5,680,958
Debt securities	1,876,440	8,259,090	3,983,338	5,680,958
Financial assets at amortised cost	20,155,630	54,663,080	15,192,656	52,853,555
Debt securities	1,852,236	15,643,133	1,467,729	13,747,990
Loans and advances to banks	2,125,746	-	148,180	164
Loans and advances to customers	16,177,648	39,019,947	13,576,747	39,105,401
Finance lease receivables	687,720	1,334,835	588,377	1,156,986
Property and equipment	-	1,025,930	-	1,029,207
Investment property	-	133,035	-	148,543
Intangible assets	-	454,257	-	394,847
Investments in joint ventures and associates	-	30,008	-	43,336
Current tax assets	1,110	-	222,026	-
Deferred tax assets	-	118,404	-	197,778
Assets held for sale and disposal group	745,408	-	749,318	-
Trade and other receivables	1,240,435	281,972	582,092	318,933
Other assets	264,090	35,103	211,277	27,836
Total assets	**42,307,296**	**66,543,494**	**36,784,906**	**62,065,154**
Financial liabilities held for trading	36,011	129,456	20,086	143,493
Derivative financial instruments	36,011	129,456	20,086	143,493
Financial liabilities measured at amortised cost	80,186,544	13,052,550	58,137,784	26,575,843
Deposits from banks	1,128,562	520,376	1,991,577	87,817
Deposits from customers	76,119,973	2,361,880	54,539,970	21,048,567
Debt securities issued	-	10,170,143	-	5,424,406
Other financial liabilities	2,938,009	151	1,606,237	15,053
Lease liabilities	94,573	354,894	73,551	370,935
Provisions	127,615	886,268	114,543	885,964
Current tax liabilities	83,339	-	75,162	-
Deferred tax liabilities	-	21,801	-	19,443
Liabilities associated with assets held for sale and disposal group	560,644	-	568,508	-
Other liabilities	839,541	-	809,382	567
Total liabilities	**81,928,268**	**14,444,968**	**59,799,016**	**27,996,245**

The amounts over one year related to the derivatives classified in the category 'held for trading' are hedging instruments from an economic but not from accounting point of view.

45. Split between current and non-current assets and liabilities (*continued*)

Expected remaining maturities of assets and liabilities

				Bank
	31.12.2023		31.12.2022	
in RON thousands	**Current**	**Non - current**	**Current**	**Non - current**
Cash and cash equivalents	16,724,913	-	15,224,262	-
Financial assets held for trading	572,720	128,417	31,712	145,996
Derivative financial instruments	7,310	128,417	31,683	145,996
Debt securities held for trading	565,410	-	29	-
Financial assets designated at fair value through profit or loss	-	79,363	-	67,179
Equity instruments	-	59,350	-	50,851
Debt securities	-	20,013	-	16,328
Financial assets at fair value through other comprehensive income	1,876,440	8,259,090	3,983,339	5,680,957
Debt securities	1,876,440	8,259,090	3,983,339	5,680,957
Financial assets at amortised cost	19,579,922	56,907,036	15,365,982	53,898,859
Debt securities	1,814,358	15,561,198	1,462,151	13,670,724
Loans and advances to banks	2,142,421	-	156,535	164
Loans and advances to customers	15,623,143	41,345,838	13,747,296	40,227,971
Finance lease receivables	3,266	14,127	3,226	5,179
Property and equipment	-	843,919	-	820,797
Investment property	-	133,035	-	148,543
Intangible assets	-	430,798	-	377,240
Investments in joint ventures and associates	-	25,961	-	33,470
Current tax assets	-	-	219,164	-
Deferred tax assets	-	115,234	-	184,550
Assets held for sale and disposal group	55,383	-	6,920	44,579
Trade and other receivables	1,229,105	281,972	556,880	318,933
Investments in subsidiaries	-	588,105	-	500,943
Other assets	159,277	-	137,497	-
Total assets	**40,201,026**	**67,807,057**	**35,528,982**	**62,227,225**
Financial liabilities held for trading	36,011	129,456	20,086	143,493
Derivative financial instruments	36,011	129,456	20,086	143,493
Financial liabilities measured at amortised cost	80,891,247	12,657,674	58,257,225	26,673,186
Deposits from banks	1,613,007	125,651	2,130,065	185,160
Deposits from customers	76,362,796	2,361,880	54,560,486	21,048,567
Debt securities issued	-	10,170,143	-	5,424,406
Other financial liabilities	2,915,444	-	1,566,674	15,053
Lease liabilities	96,182	352,306	72,598	369,940
Provisions	-	883,960	-	885,531
Current tax liabilities	82,494	-	70,202	-
Other liabilities	393,487	-	357,525	-
Total liabilities	**81,499,422**	**14,023,395**	**58,777,636**	**28,072,150**

The amounts over one year related to the derivatives classified in the category 'held for trading' are hedging instruments from an economic, but not from accounting point of view.

46. Country by country reporting

			Group	31.12.2023
Country	**Operating Income**	**Pre-tax result from continuing operations**	**Taxes on income**	**Taxes paid**
Romania	5,224,398	2,975,378	(671,397)	(359,283)
Moldova	51,268	19,646	(2,403)	(2,624)
Total	**5,275,666**	**2,995,024**	**(673,800)**	**(361,907)**

			Group	31.12.2022
Country	**Operating Income**	**Pre-tax result from continuing operations**	**Taxes on income**	**Taxes paid**
Romania	4,549,953	2,120,625	(407,384)	(339,924)
Moldova	65,509	37,257	(4,579)	(4,481)
Total	**4,615,462**	**2,157,882**	**(411,963)**	**(344,405)**

47. Events after the balance sheet date

In January 2024 the sale transaction of BCR Chisinau was finalised at a price in line with the valuation of year end 2023. As a consequence, starting end of January 2024, BCR Chisinau is no longer consolidated in BCR Group.

Starting with financial year 2024, based on Law 296/2023 as clarified by Government Emergency Ordinance 115/202, in addition to the profit tax, the Bank is liable for payment of a tax on its revenues. More details in respect of this new tax are included in Note 10.

AUTHORISED PERSON,	AUTHORISED PERSON,
Signature	Signature
Executive Vice-President,	Director Accounting Division,
Elke Meier	Gina Badea

Banca Comercială Română S. A.
No. CEO Office: 4 / 22.03.2024
Supervisory Board

Banca Comercială Română S.A.

Consolidated and Separate Administrators' Report (The Group and the Parent Bank)

LEI Code: 549300ORLU6LN5YD8X90

31 December 2023

Administrators' report
Consolidated and Separate for the year ended 31 December 2023

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BCR

Administrators' report

Consolidated and Separate for the year ended 31 December 2023

1. Macroeconomic developments

Romania's economic growth was among the strongest in the EU in 2023, with real GDP up 1.4% y/y in January-September 2023. Gross fixed capital formation was the main contributor to real GDP growth, amid EU-funded infrastructure projects, followed by household consumption, helped by the strong labor market. Inflows of EU funds from the regular Multiannual Financial Framework and grants from the Next Generation EU amounted to EUR 10.7bn in 2023 (3.4% of GDP). Unlike in previous years, net exports contributed positively to real GDP growth, as imports of commodities dropped once the price shock triggered by the outbreak of the war in Ukraine dissipated. Changes in inventories were a negative contributor to real GDP growth.

Disinflation accelerated in 2023 and the inflation rate reached 6.6% y/y in December 2023, from 16.4% y/y in December 2022. Core inflation stood above headline inflation throughout 2023, suggesting persistent inflationary pressures and calling for a prudent monetary policy.

The NBR delivered a final 25bp hike in the key rate in January 2023, keeping it unchanged at 7.00% afterwards. The NBR governor ruled out discussing rate cuts until inflation declines significantly and it becomes clear that the disinflation process is irreversible, to avoid policy inconsistency. At the same time, he suggested that discussions on rate cuts could start once inflation falls below the key rate level. Money market liquidity was ample in 2023 and short-term market rates fell gradually towards the interest rate for the NBR's deposit facility of 6.00%. The 3M ROBOR ended the year at 6.22% vs. 7.57% in December 2022, while the actual monetary policy stance was looser than the one implied by the level of the monetary policy interest rate of 7.00%.

The current account deficit narrowed to EUR 21.9bn in November 2023, from EUR 26.0bn in December 2022 (12-month rolling sum). The trade deficit for goods adjusted significantly, on lower import prices for commodities. The FDI coverage of the current account gap was 31% in November on a 12-month rolling basis.

The cash budget deficit was 5.68% of GDP in 2023. Budget revenues advanced by 13.3% y/y, while government expenditures increased by 13.0% y/y. The ratio between rigid public expenditures (wages + social payments) and cyclical revenues (fiscal revenues + social insurance contributions) was 79.0% in 2023 vs. 78.8% in 2022.

The labor market remained tight in 2023, although not as tight as pre-Covid. The average unemployment rate was 5.5% in January-November 2023, little changed from 5.6% in 2022. The number of employees in the economy reached an all-time high, boosted by strong hiring in IT services, hotels and restaurants and the construction sector. Net nominal wages increased by 15.1% y/y in November 2023, with public sector wages growing by 15.8% y/y and private sector salaries increasing by 14.9% y/y. Real wage growth turned positive in spring and strengthened throughout 2023, on the falling inflation rate, offering support to private consumption.

Fitch improved Romania's sovereign rating outlook to stable (from negative) in March 2023, while keeping the rating unchanged at BBB-. Stabilization of public debt, gradual fiscal consolidation, resilience to the shock from the war in Ukraine and greater political stability were key drivers for Fitch's decision. S&P maintained the rating unchanged at BBB- with stable outlook and Moody's made a similar decision, keeping Romania's sovereign rating at Baa3 with stable outlook.

The leu depreciated by 0.3% on average compared to EUR in nominal terms in 2023 vs. 2022, well below the historical norm of almost 2% per year, under the NBR's managed floating FX regime. The central bank stated its discomfort with the RON strengthening bias, supported by ROMGBs inflows in 2023, and even decided to intervene and buy EUR to curb the RON firming, according to Governor Isarescu. The NBR left liquidity unsterilized, with a deposit facility acting as the main instrument, to discourage carry trades.

Important events since end-2023

The NBR kept the key rate unchanged at 7.00% in January 2024, in line with the broad market consensus. The credit facility rate was left at 8.00% and the deposit facility rate remained at 6.00%. The central bank expects the annual inflation rate to go up in January 2024 and then resume its gradual decline, on a lower path than that shown in the previous inflation forecast.

2. General presentation

Banca Comercială Română ("BCR" or "Bank") was established in 1990, when it took over the commercial operations of the National Bank of Romania. As a result of the privatization process organized by the government of Romania, Erste Bank der oesterreichischen Sparkassen AG ('Erste Bank') purchased 61.88% of the share capital of the Bank pursuant to a share purchase agreement dated 21 December 2005. Until 31 December 2023, Erste Bank purchased further 38.01% from other shareholders (including employees) of the Bank, adding up to 99.8899%. Erste Bank is the direct parent of the Bank. Erste Bank is owned 100% by Erste Group Bank AG. The ultimate parent of the Group is Erste Group Bank AG.

2. General presentation *(continued)*

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

Products & Services

Record digital sales in George:

- Sustained growth of 25% in George transactions as compared to 2022;
- Almost 90% of the new cash loans, credit cards and overdrafts were granted on a fully digital flow through George in 2023;
- 20% increase in digital sales for loan products compared to 2022;
- 99% of the saving accounts and almost 80% of deposits were opened on 100% digital flow.

Network

BCR offers a full range of financial products and services through a network of 20 business centres and 18 mobile offices dedicated to companies and 318 retail units located in most of the country's cities with more than 10,000 inhabitants, where 63% of units are cashless. BCR is active on the transaction banking market, with BCR customers having the largest national network of ATMs and multifunctional machines - almost 2000 machines, and full banking services through Internet banking, Mobile banking, Phone-banking and E-commerce.

Bank and subsidiaries

During 2023, Banca Comercială Română Group ("BCR Group" or "the Group") comprised the parent Bank, Banca Comercială Română S.A. and its subsidiaries, presented in the following table:

Company's name	Country of incorporation	Nature of the business	Shareholding		Gross Book Value	Net Book Value	Impaiment
			2023	2022			
BCR Chisinau SA (i)	Moldova	Banking	100.00%	100.00%	200,064	54,774	145,290
BCR Leasing IFN SA	Romania	Financial leasing	99.97%	99.97%	389,492	389,492	-
BCR Pensii, Societate de Administrare a Fondurilor de Pensii Private SA	Romania	Pension Fund	99.99%	99.99%	269,820	196,715	73,105
BCR Banca pentru Locuinte SA	Romania	Banking	99.99%	99.99%	948,578	-	948,578
Suport Colect SRL	Romania	Workout	99.99%	99.99%	983,047	-	983,047
BCR Payments Services SRL	Romania	Payments transactions	99.99%	99.99%	1,900	1,900	-
BCR Fleet Management SRL (ii)	Romania	Operational leasing	99.97%	99.97%	-	-	-

(i) Company held as available for sale. The sale was completed in January 2024. Thus, starting with January 2024, it is no longer included in the scope of consolidation of the BCR Group;

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

Investments in other companies, except subsidiaries, associates and joint ventures are in total amount of RON 49,350 thousands (2022: RON 50,851 thousands) as presented in the statement of financial position as Equity Instruments.

3. 2023 financial and commercial highlights

The BCR impact in the economy and society

In **retail banking business**, BCR generated total new loans to individuals and micro businesses of RON 8.7 billion in 2023, with a 57% year-on-year increase in the loans stock for micro-enterprises. The stock of standard mortgage loans (Casa Mea) in local currency increased by 3.4% yoy, while the stock of unsecured consumer loans (including credit cards and overdrafts) increased by 6.1% yoy.

In **corporate banking business**, BCR approved new corporate loans of RON 11.6 billion in 2023, of which approximately 30% are aimed for investments. The stock financing granted by BCR Bank to the SME sector increased by 6.1% year-on-year as of 31 December 2023.

In 2023, the total **BCR Leasing financing portfolio granted to customers** amounts RON 4.10 billion (EUR 829 million), with a 17% increase in new financing compared to 2022. BCR's leasing subsidiary continued to support the Romanian entrepreneurial environment, financing more than 11,000 companies in 2023 alone. The financed companies are from different fields of activity, and they are creating more than 250,000 jobs.

3. 2023 financial and commercial highlights *(continued)*

With a dynamic customer portfolio and a strategy to support electromobility, which encourages the purchase of electric cars, BCR Leasing registered a 67% increase in sales volume for green financing in 2023. In addition, BCR Leasing has facilitated digital access to sustainable offers for financing electric vehicles for individual and micro-enterprises customers directly from George. Digital integration has continued through the LEA chatbot, BCR Leasing's virtual assistant, which conducted more than 3,800 conversations in 2023, of which 500 of them were financing requests.

In 2023, **BCR Social Finance financed more than 1,700 micro-enterprises and NGOs**, supporting more than 4,800 jobs.

Involvement in the development of the NGO environment also continued with the launch of AmpliFY NGO, a multi-year project to increase the impact of NGOs in Romania, providing access to an extensive network of resources, potential partners and mentors, as well as educational programs aimed at developing the capacity of the civil society organizations.

In addition, in 2023, BCR Social Finance IFN S.A. granted 138 StudyUP loans for continuing education through university, master, doctorate, or specialization courses, supporting lifelong learning.

INNOVX-BCR, the technology business initiative, has reached 185 accelerated start-ups out of 3,119 applicants, with the completion of the bootcamp dedicated to the SCALEUPS 2023 cohort. In September 2023, InnovX-BCR program successfully launched its cohort of Scaleups, which attracted 18 companies in the pre-accelerator phase. Of these, 10 companies were selected to advance to the acceleration phase, representing a significant success for the development of the entrepreneurial environment. InnovX-BCR is recognized for attracting companies creating innovation in different sectors - from e-commerce, gaming, cloud, telecoms, health, deeptech, energy and proptech - and contributing to the development of a diverse and dynamic entrepreneurial ecosystem.

At the end of 2023, **BCR also announced the launch of BCR Seed Starter**, the first corporate venture capital (CVC) company of a Romanian bank dedicated to equity investments in technology startups. With a financial commitment to invest EUR 5 million over the next five years, BCR Seed Starter aims to provide capital for a portfolio of innovative startups that have the potential to optimize internal banking processes, improve the portfolio of services offered to BCR customers or support the integration of ESG standards.

BCR Group performance in 2023

BCR Group achieved a **net profit of RON 2,321 million (EUR 469 million) in 2023**, up by 33% against RON 1,746 million (EUR 354 million) in 2022, driven by improved operating result underpinned by advance in customer business.

Operating result improved by 17.2% to **RON 3,206 million (EUR 648 million) in 2023** from RON 2,735 million (EUR 555 million) in 2022, on the back of higher operating income, partly offset by increased operating expenses.

Net interest income increased by 24.0% to **RON 3,656 million (EUR 739 million) in 2023**, from RON 2,949 million (EUR 598 million) in 2022, driven by higher business volumes and market rates.

Net fee and commission income improved by 7.2% to **RON 1,013 million (EUR 205 million) in 2023**, from RON 944 million (EUR 191 million) in 2022, driven by increased fee income from corporate lending as well as higher securities and insurance fees.

Net trading result dropped by 12.5% to **RON 552 million (EUR 112 million) in 2023**, from RON 630 million (EUR 128 million) in 2022, on lower trading activity.

Operating income increased by 14.3% to **RON 5,273 million (EUR 1,066 million) in 2023**, from RON 4,615 million (EUR 936 million) in 2022, driven by higher net interest income as well as higher net fee and commission income.

General administrative expenses reached **RON 2,067 million (EUR 418 million) in 2023**, up by 9.9% in comparison to RON 1,880 million (EUR 381 million) in 2022, on the back of higher personnel expenses generated by the inflationary environment.

As such, **cost-income ratio improved to 39.2% in 2023**, versus 40.7% in 2022.

Risk costs and Asset Quality

Impairment result from financial instruments reflected a provision allocation of **RON 46 million (EUR 9 million) in 2023**, significantly lower versus the allocation of RON 394 million (EUR 80 million) in 2022. The current result mainly consisted of collective provisions booked for the performing portfolio, while the provision releases driven by further collection activities in both retail and corporate segments fully offset the allocations for regular new defaults.

Foreign exchange rates used for conversion of figures into EURO are the ones provided by the European Central Bank. The profit and loss account are converted using the average exchange rate for 2023 of 4.9463 RON/EUR (2022 of 4.9318 RON/EUR) The balance sheets are converted using the closing exchange rates 4.9756 RON/EUR at 31 December 2023 (31 December 2022: 4.9495 RON/EUR) . All the percentage changes refer to RON figures.

3. 2023 financial and commercial highlights *(continued)*

NPL ratio stood at **2.9% as of December 2023**, stable versus 2.8% recorded as of December 2022. This evolution is reflecting the recoveries and healings in both retail and corporate segments which counterbalanced the regular NPL formation. At the same time, the **NPL provisioning coverage was 168.7% as of December 2023.**

Capital position and funding

Solvency ratio for BCR Bank standalone, according to the capital requirements regulations (CRR) stood at 22.5% as of December 2023, well above the regulatory requirements of the National Bank of Romania. Furthermore, the Tier 1+2 capital ratio of 20.8% (BCR Group) as of December 2023 is clearly reflecting BCR's strong capital and funding positions.

Return on assets calculated based on monthly average total assets (net profit for the year divided by average total assets) was 2.25% for Group and 2.45% for Bank.

Net loans and advances to customers (including Trade and other receivables and Finance lease receivables) increased by 6.2% to **RON 58,743 million (EUR 11,806 million) as of 31 December 2023** from RON 55,329 (EUR 11,179 million) as of 31 December 2022, supported by both retail and corporate segments.

Deposits from customers increased by 3.8% to **RON 78,482 million (EUR 15,773 million) as of 31 December 2023** from RON 75,589 million (EUR 15,272 million) as of 31 December 2022, supported by the increase in both retail and corporate deposits.

During 2023, BCR issued SNP ("Senior Non-Preferred") bonds both on the international market (EUR 700 million) and on the local market (RON 1 billion). These issuances were extremely well received by investors in terms of volumes and level of interest. Consequently, BCR has proven its very good ability to attract the necessary resources from investors to cover the MREL requirement.

4. Outlook for BCR's activity in 2024

4.1. 2024 expected macroeconomic development

Economic growth is estimated at +3.3% in 2024, driven by stronger household consumption.

Real wage growth is likely to hit a five-year high as inflation is losing speed and nominal wages are increasing at double-digit rates.

The inflation rate could ease to 4.8% y/y in December 2024 from 6.6% y/y in December 2023, and the NBR could start cutting interest rates by mid-year.

The unemployment rate is forecast to remain broadly unchanged at 5.7%.

4.2. Balance Sheet developments

Loan production will continue to be the main growth driver for total assets, BCR Group expecting in 2024 a mid-single digit growth in net loans over the budget year. Both retail and corporate portfolios are expected to slightly outperform the market next year.

On the retail side, the main contributors will be Private Individuals with the Casa Mea standard product and Micro, driven by an expanded customer portfolio, digitalization, government programs and EU funds.

Deposits from customers will continue their upward trend in 2024, advancing with estimated high single-digit growth over the projection period, driven by funds raised both the retail and corporate customers.

Net loan-to-deposit ratio remains relatively stable at around 73 per cent.

4.3. Statement of profit or loss developments

Operating income estimated to grow by high single-digit growth mainly on the back of **net interest income**, in line with volume growth, **and net fee and commission** income driven by digitization, day-count factor, transactional & trade finance, new fees while **trading** is expected to slow down in line with market conditions.

General administrative expenses development is driven by our ambition to maintain cost-income ratio stable, while absorbing a part of the inflation and also allowing for strategic investment.

Cost of risk is expected to be at a normalized level of around 0.4 percent.

Return on equity is expected to remain strong and to increase to as much as 18% by 2024.

Capital & MREL ratios will be at comfortable levels driven by a diversified capital & MREL instruments issued to accommodate Internal Rating Based switch impact.

5. Statement of financial position of the Group and of the BCR

5.1. Statement of compliance

As of 31 December 2023, BCR prepared separate and consolidated financial statements in compliance with the Accounting Law no. 82/1991, with its subsequent amendments and supplements and with the National Bank of Romania Order no. 27/2010 for approval of Accounting Regulations compliant with International Financial Reporting Standards applicable to credit institutions.

Order no. 27/2010 of the National Bank of Romania further specifies that the separate and consolidated financial statements of credit institutions must be prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union.

Consequently, the separate and consolidated financial statements of BCR Group for the year ended 31 December 2023 were prepared in accordance with IFRS, observing also the specific group accounting policies of Erste Group to which BCR Group belongs.

5.2. Statement of financial position - assets

Total assets of the Bank as at 31 December 2023 amounted to RON 108,008,083 thousand, increasing by 10.5% compared to 31 December 2022 (RON 97,756,207 thousand). At BCR Group level, the total assets increased by 10.1% from RON 98,850,060 thousand as at 31 December 2022 to RON 108,850,790 thousand as at 31 December 2023.

	Group			Bank		
in RON thousands	**31.12.2023**	**31.12.2022**	**Variance**	**31.12.2023**	**31.12.2022**	**Variance**
Assets						
Cash and cash equivalents	16,763,792	15,224,576	10.1%	16,724,913	15,224,262	9.9%
Financial assets held for trading	701,088	177,242	295.6%	701,137	177,708	294.5%
Derivative financial instruments	135,678	177,213	-23.4%	135,727	177,679	-23.6%
Debt securities held for trading	565,410	29	1949589.7%	565,410	29	1949589.7%
Non-trading financial assets mandatorily at fair value through profit or loss	79,363	67,179	18.1%	79,363	67,179	18.1%
Equity instruments	59,350	50,851	16.7%	59,350	50,851	16.7%
Debt securities	20,013	16,328	22.6%	20,013	16,328	22.6%
Financial assets at fair value through other comprehensive income	10,135,530	9,664,296	4.9%	10,135,530	9,664,296	4.9%
Debt securities	10,135,530	9,664,296	4.9%	10,135,530	9,664,296	4.9%
Financial assets at amortised cost	74,818,710	68,046,211	10.0%	76,486,958	69,264,841	10.4%
Debt securities	17,495,369	15,215,719	15.0%	17,375,556	15,132,875	14.8%
Loans and advances to banks	2,125,746	148,344	1333.0%	2,142,421	156,699	1267.2%
Loans and advances to customers	55,197,595	52,682,148	4.8%	56,968,981	53,975,267	5.5%
Finance lease receivables	2,022,555	1,745,363	15.9%	17,393	8,405	106.9%
Property and equipment	1,025,930	1,029,207	-0.3%	843,919	820,797	2.8%
Investment property	133,035	148,543	-10.4%	133,035	148,543	-10.4%
Intangible assets	454,257	394,847	15.0%	430,798	377,240	14.2%
Investments in joint ventures and associates	30,008	43,336	-30.8%	25,961	33,470	-22.4%
Current tax assets	1,110	222,026	-99.5%	-	219,164	-100.0%
Deferred tax assets	118,404	197,778	-40.1%	115,234	184,550	-37.6%
Assets held for sale and disposal group	745,408	749,318	-0.5%	55,383	51,499	7.5%
Trade and other receivables	1,522,407	901,025	69.0%	1,511,077	875,813	72.5%
Investments in subsidiaries	-	-	-	588,105	500,943	17.4%
Other assets	299,193	239,113	25.1%	159,277	137,497	15.8%
Total assets	**108,850,790**	**98,850,060**	**10.1%**	**108,008,083**	**97,756,207**	**10.5%**

5.3. Statement of financial position – liabilities and equity

in RON thousands	Group			Bank		
Liabilities and equity	**31.12.2023**	**31.12.2022**	**Variance**	**31.12.2023**	**31.12.2022**	**Variance**
Financial liabilities held for trading	165,467	163,579	1.2%	165,467	163,579	1.2%
Derivative financial instruments	165,467	163,579	1.2%	165,467	163,579	1.2%
Financial liabilities measured at amortised cost	93,239,094	84,713,627	10.1%	93,548,921	84,930,411	10.1%
Deposits from banks	998,503	1,431,205	-30.2%	1,585,724	2,125,964	-25.4%
Borrowings and financing lines	650,435	648,189	0.3%	152,934	189,261	-19.2%
Deposits from customers	78,481,853	75,588,537	3.8%	78,724,676	75,609,053	4.1%
Debt securities issued	10,170,143	5,424,406	87.5%	10,170,143	5,424,406	87.5%
Other financial liabilities	2,938,160	1,621,290	81.2%	2,915,444	1,581,727	84.3%
Lease liabilities	449,467	444,486	1.1%	448,488	442,538	1.3%
Provisions	1,013,883	1,000,507	1.3%	883,960	885,531	-0.2%
Current tax liabilities	83,339	75,162	10.9%	82,494	70,202	17.5%
Deferred tax liabilities	21,801	19,443	12.1%	-	-	-
Liabilities associated with assets held for sale and disposal group	560,644	568,508	-1.4%	-	-	-
Other liabilities	839,541	809,949	3.7%	393,487	357,525	10.1%
Total equity	**12,477,554**	**11,054,799**	**12.9%**	**12,485,266**	**10,906,421**	**14.5%**
Attributable to non-controlling interest	56	63	-11.1%	-	-	-
Attributable to owners of the parent	12,477,498	11,054,736	12.9%	12,485,266	10,906,421	14.5%
Total liabilities and equity	**108,850,790**	**98,850,060**	**10.1%**	**108,008,083**	**97,756,207**	**10.5%**

6. Statement of profit or loss of the Group and of the BCR

	Group			Bank		
in RON thousands	**31.12.2023**	**31.12.2022**	**Variance**	**31.12.2023**	**31.12.2022**	**Variance**
Net interest income (1)	**3,656,406**	**2,948,748**	**24.0%**	**3,476,006**	**2,767,309**	**25.6%**
Interest income	5,897,924	3,977,510	48.3%	5,860,443	3,888,023	50.7%
Other similar income	137,822	76,989	79.0%	2,068	2,682	-22.9%
Interest expenses	(2,353,145)	(1,085,570)	116.8%	(2,360,740)	(1,103,445)	113.9%
Other similar expense	(26,195)	(20,181)	29.8%	(25,765)	(19,951)	29.1%
Net fee and commission income (2)	**1,012,615**	**944,240**	**7.2%**	**966,148**	**897,686**	**7.6%**
Fee and commission income	1,277,353	1,190,732	7.3%	1,221,406	1,133,301	7.8%
Fee and commission expense	(264,738)	(246,492)	7.4%	(255,258)	(235,615)	8.3%
Dividend income (3)	5,103	3,804	34.1%	65,976	26,808	146.1%
Net trading result (4)	539,745	595,841	-9.4%	522,792	579,217	-9.7%
Gains/(losses) from non-trading financial instruments mandatorily measured at fair value through profit or loss (5)	2,874	22,235	-87.1%	2,874	22,235	-87.1%
Foreign currency translation (6)	8,991	12,025	-25.2%	6,376	4,229	50.8%
Net result from equity method investments (7)	6,136	990	519.8%	-	-	-
Rental income from investment properties and other operating leases (8)	43,796	87,579	-50.0%	5,455	5,063	7.7%
Personnel expenses (9)	(1,072,385)	(895,947)	19.7%	(991,002)	(828,548)	19.6%
Other administrative expenses (10)	(749,178)	(727,003)	3.1%	(732,021)	(712,428)	2.8%
Depreciation and amortisation (11)	(245,444)	(257,089)	-4.5%	(226,780)	(206,586)	9.8%
Operating Income (1+2+3+4+5+6+7+8)	**5,275,666**	**4,615,462**	**14.3%**	**5,045,627**	**4,302,547**	**17.3%**
Operating Expense (9+10+11)	**(2,067,007)**	**(1,880,039)**	**9.9%**	**(1,949,803)**	**(1,747,562)**	**11.6%**
Operating Result	**3,208,659**	**2,735,423**	**17.3%**	**3,095,824**	**2,554,985**	**21.2%**
Other gains/(losses) from derecognition of financial instruments not measured at fair value through profit or loss	(2,282)	31	-7461.3%	(2,282)	31	-7461.3%
Net impairment gain/ (losses) on financial instruments	(46,308)	(393,777)	-88.2%	57,884	(349,430)	-116.6%
Other operating result, out of which	**(165,045)**	**(183,795)**	**-10.2%**	**(11,299)**	**14,978**	**-175.4%**
Other operating income	95,773	130,077	-26.4%	71,386	75,562	-5.5%
Other operating expense	(260,818)	(313,872)	-16.9%	(82,685)	(60,584)	36.5%
Pre-tax result from continuing operations	**2,995,024**	**2,157,882**	**38.8%**	**3,140,127**	**2,220,564**	**41.4%**
Taxes on income	(673,800)	(411,963)	63.6%	(652,784)	(390,548)	67.1%
Net result for the period	**2,321,224**	**1,745,919**	**33.0%**	**2,487,343**	**1,830,016**	**35.9%**
Net result attributable to non-controlling interests	8	13	-38.5%	-	-	-
Net result attributable to owners of the parent	**2,321,216**	**1,745,906**	**33.0%**	**2,487,343**	**1,830,016**	**35.9%**

7. Equity accounts and profit distribution

7.1. Equity accounts as at 31 December 2023

The Bank's equity as at December 31st 2023, amounts to RON 12,485,266 thousands and is detailed below:

	Bank
in RON thousands	
Share capital[1]	1,625,342
Adjustment of the capital – hyperinflation	1,327,223
Share premium	395,483
Additional equity instruments (AT1)	741,555
Other reserves	
Legal statutory reserves	569,355
General reserve regarding credit risk set up from profit before tax	162,935
Reserve on general banking risks	267,673
Other reserves	316,659
Other comprehensive income	109,428
Retained earnings	4,482,270
Net profit for the period	2,487,343
Total amount of the Bank's equity	**12,485,266**

[1] The share capital represents the subscribed and paid-up share capital at nominal value, consisting of 16,253,416,254 ordinary shares (equal voting rights) with each nominal value of RON 0.1 / share. The Bank and the Group does not hold redeemed own shares.

Erste Bank is the direct parent of the Bank and holds 99.8899% of share capital at 31st December 2023.

7. Equity accounts and profit distribution *(continued)*

7.2. Profit distribution

The net profit of the Bank for the financial year ended 31 December 2023, amounting to RON 2,487,342,677 will be distributed according to General Meeting of Shareholders' decision and in compliance with the current legislation.

The proposal for the distribution of profit is in accordance with: art. 29 para. 1 of the Accounting Law no. 82/1991, republished as subsequently amended and supplemented, para. 67 of the Law no. 31/1990, republished as subsequently amended and supplemented and para. 27 of BCR Charter. The Supervisory Board proposes to the General Meeting of Shareholders the distribution of 2023 net profit as follows:

	Bank
Item description	**Amount - RON**
Other Reserves[1]	53,145,285
Dividend distribution, out of which: [2]	1,243,671,338
- ordinary dividends	1,176,600,923
- AT1 dividends[3]	67,070,415
Retained earnings [4]	1,190,526,053
Total	**2,487,342,677**

[1] The amount of RON 53,145,285 represents the reinvested accounting profit of BCR which was exempt from applying corporate income tax, in accordance with the provisions of the Fiscal Code in force and which should be allocated to „Other Reserves".

[2] The amount of RON 1,243,671,338 represents the gross amount of ordinary dividends and dividends related to AT1 instruments issued by BCR in September 2022 recorded in other AT1 capital items.

[3] The AT1 dividends will be booked as payable in EUR on the date of approval of their distribution by the GMS and will be paid according to the contract, on 28 May 2024. Their value, established according to the terms and conditions of the AT1 notes, is EUR 13,485,000. The RON equivalent mentioned above has been calculated at the exchange rate estimated at payment date. The final value of these will be lower or higher depending on the evolution of the EUR - RON exchange rate up to the date of registration of the payment obligation in EUR. The FX difference will have impact on the Retained earnings – item 4.

[4] The retained earnings totalling RON 1,190,526,053 will be used in accordance with the Bank's business strategy.

National Bank of Romania has been informed of our distribution proposal according to the consultation rules.

7.3. Own funds elements

Pursuant to Regulation 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No. 648/2012, Chapter II "Basic Tier 1 Own Funds", Article 26, paragraph 1, the main own funds items other than share capital instruments are: retained earnings, other items of accumulated comprehensive income, other reserves and funds for general banking risks. Eligible own funds items are included net of potential obligations (foreseeable dividends, taxation effects). In case of reinvested accounting profit, the amount included in own funds will be net of any potential tax charge at the moment of its calculation. The taxation effect will be maintained until the full amortization (useful life expiry) of assets for which fiscal facility was calculated. These items are considered Own Funds Common Equity Tier 1 only if they are available to the Bank for unrestricted and immediate use in order to cover risks or losses as soon as they appear.

8. Subsidiaries business performance overview and predictions

8.1. BCR Chisinau SA

BCR Chisinau is a universal bank, subsidiary of BCR with strategic focus on corporate clients, their employees and partners.

In 2023, BCR Chisinau recorded a decrease in its loan portfolio of 2.8%, compared to 2022. The major share of the bank's loan portfolio is still held by the SME segment with 56.5%, and its increase in 2023 constituted 4.4%. The Retail segment registered a positive trend as well, growing by 1.5% compared to the end of 2022. The majority of this increase comes from guaranteed loans granted to natural persons approx. 1.3%. Clients' trust in the bank was the main factor that led to the growth of the loan portfolio in the current conditions.

During 2023, BCR Chisinau continued to increase the quality of remote services provided to its clients by improving the interface and user experience of the Mobile Banking application, including the implementation of cards reissuing requests from the application. There was increased the degree of security for online card transactions, by including the possibility of authorizing payments within the CVVkey application. In order to maximally cover the needs of customers related to the existence of a wider network of ATMs, BCR Chisinau cardholders were offered 5 free withdrawals from any ATM in the Republic of Moldova. Additionally, to increase the degree of maintaining and attracting client deposits, fixed rate deposits were launched, including through the 24 Banking application.

8. Subsidiaries business performance overview and predictions *(continued)*

8.1 BCR Chisinau SA *(continued)*

The share of Non-performing loans decreased in 2023 to 2.5% from 2.6% in 2022 (the NPLs are concentrated in a limited number of loans of a single client and mostly provisioned). As a core part of its risk management strategy, BCR Chisinau maintained a prudential approach by increasing provisions, calculated in accordance with International Financial Reporting Standards (IFRS) and the requirements applied in BCR Group. In this context, the coverage rate on non-performing loans decreased from 173.3% in 2022 to 134.7% in 2023.

BCR Chisinau registered a net profit in 2023 of MDL 69 mn (RON 17.3 mn) driven by the decrease in its operating result (in 2022: MDL 131 mn or RON 32.7 mn).

Net assets as at 31 December 2023 were RON 183.1 mn.

The strategic pillar for 2023 was a successful merge with Victoriabank SA. As a result of the decision taken by the BCR Executive Committee regarding the sale of BCR Chisinau, at the end of March 2023, the agreement to sell the shares held by BCR in BCR Chisinau to Victoriabank was announced. The completion of the transaction was preceded by a series of preconditions, including the approval of the National Bank of Moldova, the National Bank of Romania, the European Central Bank, the Competition Council and the National Commission of the Financial Market of Moldova. In January 2024, the sale and purchase transaction of the share package took place at the Stock Exchange of Moldova.

Therefore, starting with January 2024, it is no longer included in the consolidated perimeter of BCR Group.

8.2. BCR Leasing IFN SA

BCR Leasing provides financial leasing products, such as leasing for cars, light and heavy commercial vehicles and industrial equipment.

In 2023, BCR Leasing focused on improving operational efficiency by adjusting processes and workflows, while continuing its strategy to increase sales volumes. The total assets of BCR Leasing increased by 27.6% compared to the previous year, reaching RON 4.5 billion based on new sales volumes of EUR 438.2 mn, as well as the quality of the existing portfolio. The share of non-performing exposures remained at a low level of 3.1% (3.2% in 2022), reflecting the efforts to improve the quality of the portfolio, as well as the quality of new sales.

The operating result decreased by 7% compared to the previous year (RON 81.9 mn in 2023 vs. RON 87.7 mn in 2022), mainly due to the decrease in net interest income by 3% (RON 97 mn in 2023 vs. RON 100 mn in 2022). In 2023, the cost/income ratio increased from 31.2% in 2022 to 35.8%, reflecting the company's ability to support investment growth in a challenging macroeconomic environment and a highly competitive market. BCR Leasing registered a net profit in 2023 of RON 26.87 mn.

The sales volume continued to be stimulated by both sales channels, the Bank and the partnerships with dealers / partners.

Net assets as at 31 December 2023 were RON 200.7 mn.

In 2024, BCR Leasing will continue its development on key pillars for a sustainable growth within current market context, such as processes improvement with the purpose to increase the customers' satisfaction, speeding up the digitalization of the company' business model and continue to invest in identifying new market opportunities.

8.3. BCR Pensii, Societate de Administrare a Fondurilor de Pensii Private ("SAFPP") SA

BCR Pensii SAFPP is a company that performs its activity on the private pensions market in Romania, including mandatory (Pillar II) and voluntary private pensions (Pillar III).

At the end of 2023, according to the statistics published on its website by the Financial Supervisory Authority, the mandatory private pension Fund managed by BCR Pensii has a participant market share of 9.50%, managing the assets of 774,371 subscribers.

In terms of total number of subscribers for voluntary pensions funds, the voluntary private pensions Fund BCR Plus managed by BCR Pensii SAFPP has a market share of 21.01% corresponding to a number of 149,360 participants, for the same date (31.12.2023).

Net profit in 2023 of BCR Pensii SAFPP was RON 10.56 mn under IFRS. Net assets as at 31 December 2023 were RON 202.5 mn.

The strategy of the subsidiary is to promote its two funds towards an increased number of eligible prospects and to promote the benefits of the supplementary pension as a long-term saving product. Regarding the sales strategy for Pillar III, it is based on improving the quality of the portfolio by ensuring quality sales through constant sales management actions and continuing the actions of reactivating the payments for suspended contributions.

BCR Pensii strategy continues in 2024 also, towards the increase in number of participants in the voluntary pension fund, improving the quality of the products and services offered to them, as well as the loyalty of the participants through the permanent improvement of the communication channels with them. Also, BCR Pensii SAFPP will continue digitization efforts: finalise Pillar 2 enrollment in George, Pillar 3 & Pillar 2 transfers in a digital process.

8. Subsidiaries business performance overview and predictions *(continued)*

8.4. BCR Banca pentru Locuinte SA

The activity of BCR Banca pentru Locuinte S.A. consists of lending and savings portfolios management.

BCR BpL's total portfolio (savings-credit contracts) as of 31 December 2023 is 19,004 (number of contracts) (28,313 as at 31st of December 2022) and the volume of savings deposits amounted to RON 167,380 thousand compared to RON 214,927 thousand as at 31 December 2022. The activity of selling new savings-credit contracts ("ECDL contracts") has been suspended in February 2016.

In 2023, BCR BpL was not granting any new housing loan (Bauspar).

The financial result of 2023 is profit in amount of RON 10 mn under IFRS.

The impact of the Romanian Court of Accounts control mission on BCR BpL is presented in the Financial Statements – Note 36 Litigations and contingent liabilities.

BCR BpL's Supervisory Board approved, on 8 January 2024, the proposal of BCR BpL's Management Board to prepare the BCR BpL 2023 financial statements on a gone concern basis, in accordance with the provisions of IAS1 - Presentation of Financial Statements.

For further details, please refer to Consolidated and Separate financial statements, Note 38 – Subsidiaries.

Net asset of the company as of 31st December 2023 is RON 55.8 mn (2022: RON 45.8 mn).

8.5. Suport Colect SRL

In 2023, Suport Colect performed its core business activity in accordance with its incorporation act and its object of activity represented by the collection of the loans receivables portfolio owned, or through properties obtained as debt to asset swaps, either amiable or in enforcement or sale of receivables.

In 2023, the Company reported under IFRS standalone a net profit amount of RON 15.8 mn (2022: RON 16.7 mn) mainly due to positive effect obtained from collection activity on the portfolio of loan receivables and to results from deposits with banks.

The Management evaluated the overall situation of the company and concluded that the most appropriate approach is to continue the application of the gone concern basis for 2023. Net asset of the company as of 31st December 2023 is RON 95.8 mn (2022: RON 80 mn).

8.6. BCR Fleet Management SRL

BCR Fleet Management started its operations in 2012, providing operational leasing and fleet management services for corporate clients with large fleets. BCR Fleet Management developed partnerships with the most important passenger cars and commercial vehicles dealers and importers in Romania, being able to provide its services for almost any passenger car or commercial vehicles. During the last 11 years, BCR Fleet Management has become an important player in the operational leasing market with a total fleet of over 5,000 vehicles. BCR Fleet Management's clients are mostly multinational corporations or large Romanian companies, as well as public sector organizations.

As of 2022, BCR Fleet Management has concluded the partial portfolio sale to Arval Service Lease SA under the form of a Business Transfer Agreement having in scope all the passenger cars and light commercial vehicles in BCR Fleet Management's portfolio (approx. 4,000 assets in total) as well as related operational leasing commitments. The rest of the portfolio, not transferred to Arval, will be ran down in accordance with the Group's Strategy.

For EoY 2023 total asset size is of RON 151 mn, showing a decrease of 29% compared to last year. The operating income of the company reached RON 27mn, decreased by 62% mainly influenced by the decrease in rental income from 81 mn RON in 2022 to 35 mn RON in 2023 and the decrease of NTR form 0.5 mn RON in 2022 to -0.7 mn RON in 2023. Net profit in 2023 of BCR Fleet Management was RON 6.3 mn under IFRS.

As at December 2023, the Management Board of BCR Fleet Management has evaluated the overall situation of the company and concluded that the appropriate decision is to maintain the same approach as in the previous year and to prepare its financial statements for 2023 on a gone concern basis because the largest part of its portfolio was sold and the rest of it is subject to a run down strategy. For remaining assets impairment test was performed at December 31st 2023. Net asset of the company as of 31st December 2023 is RON 27.8 mn (2022: RON 21.5 mn).

8. Subsidiaries business performance overview and predictions *(continued)*

8.7. BCR Payments Services SRL

BCR Payments Services SRL is a subsidiary of the BCR Group, founded in 2011, following the outsourcing of payment processing which were made until then integrated into the same unit BCR Sibiu Processing Centre of the Banking Operations Division. The company is responsible for centralized processing of payment transactions and debt instruments in local currency and foreign currency, accounts opening and maintenance.

BCR Payments Services serves all local units of BCR, Operations Division, and other BCR divisions, on the base of the outsourcing contract signed between the two parties. During 2023, 2.2 mn transactions were processed and the company's net profit at 31 December 2023 amounted RON 1.3 mn under IFRS standalone. Net asset of the company as of 31st December 2023 is RON 3.7 mn.

In 2024, BCR Payments Services SRL will focus on extending the range of services provided as well as further improvement of internal efficiency.

9. The Bank's and Group risk profile

9.1. Overview

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

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

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

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

As part of its risk strategy, the Group analyses its actual risk profile and determines a target risk profile based on its strategic goals. The target risk profile is a result of the risk assessment process in combination with the boundaries set by the business strategy and the risk appetite framework. In terms of governance, full oversight of the risk profile and a sound execution of the risk strategy is ensured including appropriate monitoring and escalation of issues that could materially impact the risk profile of the Group.

9.2. Proportionality Principles

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

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

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

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

9. The Bank's and group risk profile *(continued)*

9.3. Risk Profile

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

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

9.4. Individual risk profiles for the key risk types

9.4.1. Credit Risk

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

In respect of the credit risk profile, in order to lower the risk profile for this risk in 2023, the Bank has targeted the following strategic directions:

- any relaxing of the lending standards which can affect the Credit Risk profile of the Bank have to be benchmarked against the targeted risk profile and operative limits, supporting metrics and in the end against the Risk Appetite Statement;
- an integrated risk management framework where risk appetite is cascaded down to the highest granular level in terms of concentration policy, lending acceptance criteria and business strategy;
- the Group continued to refine, update, monitor and redevelop its statistically validated scorings, rating models, risk parameters and tools;
- the Group continued to manage the industry concentrations and to align the portfolio composition with the business strategy; perform periodical stress tests/sensitivity analysis related to the impact of credit risk on the Bank and Group.

9.4.2. Concentration risk

The Bank concentration risk framework outlines the standards needed to identify, measure, monitor, and mitigate concentration risks, which implementation is essential to ensure the long-term viability of any financial institution, especially in the case of stressed economic conditions.

In respect of concentration risk management, the Bank has implemented a wide framework of limits which are specific, measurable, frequency-based, reportable, and based on forward looking assumptions in order to facilitate effective monitoring and reporting.

The limit framework includes material risk concentrations at the bank-wide, business line and legal entity levels (e.g. counterparty, industry, region, product) aiming to ensure that the Bank operates within its defined Risk Appetite and they are effective in controlling Risk Tolerance. Dimensions included in the limit framework comprise: industry limits, geographic regions, corporate unsecured loans, corporate and Retail product limits, FX retail limits, as well as concentration risk limits on individual counterparties depending on the ratings (maximum/operational lending limits), market and liquidity risk limits and operational key risk indicators.

9.4.3. Residual risk

This is the risk that the recognized credit risk mitigation techniques (e.g. collateral) employed by the Bank will be less effective than expected.

Collateral and credit enhancement are evaluated pursuant to internally defined rules. Depending on rating grade, purpose and tenor, risk bearing products are protected against losses by stipulating adequate collateral that is fully and indisputably legally enforceable and sufficiently documented for the Bank. Nevertheless, collateral and credit enhancement can never substitute repayment capability.

9.4.4. FX induced credit risk

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

Foreign currency loans are defined as loans that are at least partially receivable in other currencies than the legal tender of the country in which the borrower is domiciled. Un-hedged borrowers mean borrowers without a natural or financial hedge which are exposed to a currency mismatch between the loan currency and the hedge currency. Natural hedges include in particular cases where borrowers receive income in foreign currency (e.g. remittances/export receipts), while financial hedges normally presume there is a contract with a financial institution.

The Bank has in place limits for new retail FX loans (calculated as share of EUR denominated new loan volume in total new acquisitions), in order to decrease the overall retail FX exposures and mitigate FX Induced Credit Risk. FX induced Credit Risk is also estimated through capital requirement under Pillar 2 and monitored by the Bank on a quarterly basis.

9. The Bank's and group risk profile *(continued)*

9.4. Individual risk profiles for the key risk types *(continued)*

9.4.5. Market Risk

Market risk is the risk to incur losses corresponding to on-balance and off-balance positions due to adverse market price movements (such as, for example stock prices, interest rates, commodity prices and foreign exchange rates).

Key principles of the Group's market risk management are based on the following pillars:

- identification of market risks – identification of market risks inherent in the investment operations and in new products, and ensuring adequate procedures and controls before these are implemented or undertaken;
- position keeping and Market Data Maintenance – ensuring proper data representation of banking book and trading book positions and also sourcing of appropriate market data for financial instruments and risk factors including data quality checks and cleansing;
- pricing and valuation – maintenance of appropriate instrument pricing framework and valuation process for the calculation of valuation adjustments;
- risk measurement – calculation of risk exposure using sensitivities, value-at-risk, and stress testing;
- validation - on one hand this concerns Value at Risk ("VaR") back-testing while on the other hand parameters and models used must be validated on a regular basis;
- market Conformity of Trading Activity - assuring that trading activities are performed at market conforming prices and rates;
- market Risk Limits - development of a comprehensive limit system, limit allocation and breach reporting;
- market Risk Monitoring and Reporting – timely and accurate reporting of all relevant information.

9.4.6. Liquidity & Funding Risk

Liquidity Risk is the risk that the Bank is unable to meet its payment obligations when they come due or only being able to meet these obligations at excessive cost.

The Group distinguishes between:

- funding liquidity risk (which is the risk that the banks in the group will not be able to meet efficiently both expected and unexpected current and future cash flow and collateral needs without affecting either daily operations or the financial condition of the group members);
- market liquidity risk (which is the risk that the group entities cannot offset or close a position at the market price because of inadequate market depth or market disruption) and
- funding concentration risk (concentration risk arises when funding is sourced from too a small number of clients, or an insufficiently diverse range of market instruments or sectors).

Furthermore, the funding liquidity risk is divided into structural liquidity risk (the long-term risk of losses due to a change in the Bank's own refinancing cost or spread) and insolvency risk (the short-term risk that current or future payment obligations cannot be met in full, on time in an economically justified way).

The Group has an appropriate reporting framework for liquidity and funding risk management which includes the scope, possible manifestations, and frequency of these risks, and which also designates the entity responsible for preparing the specific reports.

Additionally, BCR Bank and BCR BpL implemented and delivers to the regulator the Additional Liquidity Monitoring Metrics (ALMM) reports, thus benefiting from a more comprehensive analysis of their financing sources.

The Bank has an adequate set of limits on the values of various liquidity risk indicators, which enable it to closely monitor and control liquidity risk. These limits are also cascaded down to the major entities of the Group, which have also implemented the limits and set their own values, based on prior approval from the Bank.

The Bank is also using the Survival Period Analysis ("SPA") as a key tool for measuring liquidity risk; its aim is to assess whether sufficient liquidity can be obtained in order to operate at a level where the Bank can survive for the length of all predefined liquidity crisis scenarios. The analysis is performed per each significant currency (i.e. RON and EUR), and per total currencies.

Another important tool for Bank's funding risk management process is the CFP (Contingency Funding Plan). It provides a useful framework in the event the Bank is unable to fund some or all of its activities in a timely manner, and at a reasonable cost.

9. The Bank's and group risk profile *(continued)*

9.4. Individual risk profiles for the key risk types *(continued)*

With respect to cash flow risks, the Bank is actively managing the intraday liquidity positions, so that it can be able to fulfil at any time the requirements related to payments and settlements, in both normal and crisis conditions.

Thus, BCR has the capacity to:

- measure daily the gross inflows and outflows, to predict as accurately as possible the time of the day when these flows will occur, and to predict any financing deficits that may occur during a day;
- monitor the intraday liquidity positions as compared to the expected activities and available resources (balances, capacity to cover outstanding loans, available collaterals);
- obtain the necessary financing for meeting the intraday liquidity objectives;
- manage the eligible collaterals for obtaining the intraday financing;
- manage the liquidity outflows according to Banks' intraday objectives;
- react quickly when facing unexpected changes in intraday liquidity flows.

The mechanisms used by the Bank in order to calculate the liquidity position are based on the following: prediction of cash-flows impacting the current account during the day, estimation of the possible cash-flow shortages, ability to monitor the intraday liquidity position and the expected liquidity requirements throughout the day.

Potential measures used by the Bank for managing liquidity in order to ensure the intraday availability of funds are: the possibility to access intraday liquidity from NBR via its money market operations and /or facilities, banking book portfolio that can be used as collateral in order to obtain secured funding (bilateral repos with banks), using the available liquidity facility, covering currency mismatch through swaps (either with external counterparties, or with NBR).

9.4.7. Operational Risk

The Group's operational risk is governed by an operational risk management policy, which defines:

- the operational risk management structure, hierarchy and governance model ("three lines of defence model");
- the risk appetite setting the limits of residual operational risk tolerance (OpRisk scaling matrix);
- common standards for managing and documenting operational risk within the Group;
- the framework that ensure OpRisk (OpRisk concentrations) are adequately identified, assessed, documented and managed.

The quantitative measurement methods are based on internal loss experience data, which are collected across Erste Group using a standard methodology and entered into a central data pool. In addition to the quantitative methods, qualitative methods are also used to determine operational risk, such as risk and control self-assessment, outsourcing risk assessments, scenario analysis etc. The Group also reviews certain key indicators periodically to ensure early detection of changes in risk potential that may lead to losses.

To lower the operational risk profile, Bank has undertaken the following measures:

- permanent development and improvement of control environment;
- improvement of operational loss data collection;
- performing periodical stress tests/ sensitivity analysis related to the impact of operational risk on the Bank and Group.

The Bank and its subsidiaries have implemented a wide range of specific ratios for managing operational risk. The monitoring and regular reporting of operational risk indicators (KRI) is enabling the Bank to detect any change in its exposure to operational risk in due time. Also, the Bank is monitoring the evolution of recorded events, as well as through implementing/ solving corrective measures.

9. The Bank's and group risk profile *(continued)*

9.4. Individual risk profiles for the key risk types *(continued)*

9.4.8. Reputational Risk

Reputational risk is defined as the current or prospective risk to earnings and capital arising from adverse perception of the image of the credit institution on the part of customers, counterparties, shareholders, investors or supervisory authorities.

Reputational risk issues arise from transactions with clients or through different business activities. However, due to its nature, these usually materialize through other risk types. The primary responsibility for the identification, escalation and resolution of reputational risk issues resides with business and the relevant risk type owner supports their resolution.

Reputational risk registered improvements based on continuing initiatives / projects, such as the financial education program, strengthening corporate culture, using the risk return decision tool, product approval process.

10. Risk management

10.1. ICAAP framework

The Group has continued to strengthen its ICAAP comprehensive framework. This includes as its fundamental pillar the ICAAP (Internal Capital Adequacy Assessment Process) required under Pillar 2 of the Basel framework.

The ICAAP framework is a holistic steering and management model designed to support the Group in managing its risk portfolios and its risk bearing capacity by ensuring that the Bank has, at all times, an adequate coverage potential which ensures the necessary capital adequacy to sustain its business and risk strategy.

A key component of ICAAP is the assessment of the group's capital adequacy using economic capital measures. In the ICAAP, the Group identifies and measures its risks and ensures that it has sufficient capital in relation to its risk profile. The process also ensures that adequate risk management systems are used and further developed. The relevant components of the framework refer to: risk profile & risk materiality assessment, risk appetite (RAS), risk bearing capacity (RCC), stress testing, limit framework, risk concentration analysis, risk planning and forecasting, recovery and resolution plan.

10.1.1 Risk profile

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

The Group Risk Profile is developed within the Risk Appetite and by evaluating the material risks to which the Bank is exposed. Group ICAAP Report monitors the development of BCR Group Risk Profile compared with the Risk Appetite and Risk Strategy and it is presented to the Management Board and Supervisory Board on a quarterly basis.

10.1.2 Risk appetite (RAS)

The Risk Appetite is defined as the aggregate level and types of risk that the Group is willing to assume within the limits of its risk capacity, according to its business model, in order to achieve its strategic objectives.

RAS represents a strategic statement expressing the maximum level of risks the Group is prepared to accept in order to achieve its business objectives. It consists of a set of core metrics providing quantitative direction for risk steering, as well as qualitative statements in the form of key risk principles that form part of the strategic guidelines for managing risks.

10.1.3 Risk bearing capacity (RCC)

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

The Risk Bearing Capacity calculation defines the capital adequacy required by ICAAP. Within the RCC the Group's risks measured from an internal economic perspective are summed up to provide the basis to determine the Group's Economic Capital. The Economic Capital is then compared to internal capital, as measured by the coverage potential.

The integral forecast, risk appetite limits and the traffic light system support management in its discussions and decision process. The traffic light system embedded in the Group's RCC helps to alert the management in case there is need to decide on, plan and execute actions either to replenish the capital base or to take measures for reducing risk.

10. Risk management (*continued*)

10.1. ICAAP framework (*continued*)

10.1.4 Stress testing

Stress testing is a vital component of the Risk Management framework within the Group and is incorporated into the strategic planning process for business activities, capital and liquidity assessment. The assessment of the ability of the Bank to sustain losses in severe but plausible macroeconomic scenarios provides information on the adequacy of the overall business model and supports the planning of emergency and mitigation measures.

Stress testing results and recommendations are incorporated into the process for defining the RAS, subsequent financial projections and budgeting processes, as well as in the calculation of the risk-bearing capacity and the determination of the economic capital adequacy limit.

10.1.5 Risk Planning and Forecasting

The Group has implemented a sound risk planning and forecasting process, which includes both forward- and backward-looking component, focusing on both portfolio and economic environment changes.

Planning of risk relevant key numbers is also part of the Group ICAAP framework and it assures the adequate reflection of risks within the steering and management process of the Group activity.

10.1.6 Recovery and Resolution Plan

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

The Recovery Plan also ensures that proper remediation measures are applied if the Bank starts moving outside of its approved risk appetite in order to recalibrate its risk profile and ensure that can recover on a sustainable basis.

10.2. Monitoring of the Group Risk Profile

Oversight of the overall risk profile at the Group level consists of both strategic and operational oversight.

10.2.1 Strategic oversight

A major part of the strategic oversight plan is determining the Bank's risk appetite. The Risk Appetite Statement (RAS) sets the boundary for a maximum risk the BCR Group is willing to accept in order to pursue its business objectives; this includes a set of core steering metrics with trigger levels providing strategic guidelines for risk management and planning.

The Risk strategy sets strategic risk targets based on the targeted risk profile of the BCR Group and the RAS and provides a balanced risk-return view considering strategic focus & business plans.

Both are regularly monitored and reported in the Bank ICAAP Report including a traffic light overview together with respective measures to address identified deviations from strategic plans or objectives.

10.2.2 Operational oversight

Operational oversight involves the identification, assessment, and prioritization of risks and the application of resources to minimize, control and mitigate the impact of unfortunate events on business. Risk management by risk type ensures that the risk specific profile remains in line with the risk strategy and operative limits support the achievement of strategic targets. The development of the specific risk profile (i.e. retail credit, corporate credit, operational risk, etc.) is reported through dedicated risk reports in a more granular way and supports risk decision making of the dedicated risk functions to ensure the risk profile remains within risk strategy. These reports also include specific monitoring metrics that provide an early warning signal for adverse developments of, e.g., portfolio quality (client, segment, industries etc.) or risk drivers. In instances where certain risk portfolios or events are identified as potentially in distress, these are closely monitored by the dedicated risk functions to manage the risk impact and to develop effective strategies to minimize potential losses. This process facilitates early risk detection and reaction.

11. Statement regarding corporate governance

11.1. Corporate governance framework

The Bank managed in a two-tier system, carries out its activity based on a corporate governance framework which is in line with the legal and regulatory requirements of the Romanian legislative framework, the Erste Group policies, regulations and guidelines, as well as the best international practices in the industry.

The policy regarding corporate governance at Bank level, in compliance with the provisions of the regulatory framework issued by the National Bank of Romania ("NBR"), is based on the principles stating that the overall management structure and especially the supervisory function have the responsibility to establish, assess and periodically and systemically review: how the Bank's activity is organized, the collective and individual competencies and responsibilities, how the implementation and application of the entire set of regulations is monitored, flows and control keys from the perspective of the undertaken mission and vision, targets' achievement as per the business plans, effective risk management.

The policy and the corporate governance principles on which the policy is based are applicable at the Group level, and Bank management body is assuring that at the group level for Bank's subsidiaries there is assured a proper corporate governance framework in order the meet all applicable governance requirements.

Within this framework, the undertaken principles are based on the fact that BCR is part of Erste Group – one of the largest financial services suppliers from Central and Eastern Europe and are aligned with the corporate governance principles applicable at Group level.

11.2. General Ordinary and Extraordinary Meeting of Shareholders

From Bank's perspective, corporate governance covers all rules, systems and processes implemented with a view to establish the relation between shareholders, management, clients, employees, suppliers and other parties involved in setting the objectives and the manner to achieve them, for increasing economic performance and, implicitly, the Bank's value. It also highlights the efficiency of the management systems, namely the role of the Supervisory Board and of the Management Board, the responsibilities and remuneration of these structures' members, the fair view and accuracy of the financial statements and the efficiency of control functions.

Details regarding BCR Corporate Governance Report may be found on the following link: https://www.bcr.ro/en/about-us/corporate-governance.

The General Meeting of Shareholders (GMS) is the Bank's highest management and decisional body.

The Ordinary GMS deliberates and decides on:

- discussing, approving or changing the annual financial statements, after analysing the reports of the: Supervisory Board, Management Board and financial auditor, including the reports of Supervisory Board's committees, and setting up the dividends, reserves or other allotments;
- electing and revoking the Supervisory Board members;
- setting up an adequate remuneration for the Supervisory Board members for the current year;
- assessing the activity of Supervisory Board and Management Board's members and discharging them of duty for the previous financial year;
- approving the income and expense budget and, if applicable, the plan of activities for the next financial year;
- approving the pledge, lease or close down of the Bank's units;
- approving the initiation of the legal proceedings against the members of Supervisory Board and the financial auditor and nominating the person empowered to represent the Bank in such legal process;
- appointing and revoking the financial auditor and establishing the minimum duration of the contract concluded with them;
- other matters that are included on the agenda of the meeting and are attributed to the ordinary General Meeting of Shareholders by law.

The Extraordinary GMS deliberates and decides on:

- change in the legal form of the Bank;
- reducing the share capital or its increase, except the case when the increase is decided by the Management Board;
- reconstituting the share capital in order to meet the minimum capital requirements established by law;
- reshaping the Bank main business activity as set forth in Article 9 of the Charter;

11. Statement regarding corporate governance *(continued)*

11.2 General and Extraordinary Meeting of Shareholders *(continued)*

- the merger of the Bank with any other company or the Bank splitting up process;
- the liquidation and dissolution of the Bank;
- issuance of bonds;
- conversion of one category of bonds into another category or into shares;
- conversion of shares from one class to another;
- re-organizing, consolidating or provision documents regarding to fixed assets, when the value of transactions exceeds 25 (twenty five) percent of the Bank own funds;
- contracts conclusion by the Management Board's members regarding the acquisition, selling, lease, exchange or pledge of the Bank assets if the value of such assets exceeds 50 % of the Bank's assets book value on the date of concluding such legal agreement, based on the last available annual financial statements;
- purchase by the Bank of its own shares, directly or indirectly, in accordance with the law;
- amending the Bank's Charter;
- any public offering of shares issued by the Bank or admission thereof to trading on any regulated market/multilateral trading facility;
- any acquisition or alienation by any member/members of the Management Board or of the Supervisory Board in his/her own name of assets from or to the Bank, the value of which exceeds 10% of the net asset value of the Bank;
- other matters that are included on the agenda of the meeting and are assigned to the extraordinary General Meeting of Shareholders by law.

All shareholders may attend the general meetings of shareholders, in person or by means of a representative. Shareholders can be represented at the General Meeting of Shareholders based on a special power of attorney lodged with the Bank by at least 2 (two) working days before the relevant meeting.

11.3. The Supervisory Board (SB)

The SB shall supervise the Management Board in its operational management of the Bank and monitors the compliance of the activities performed by the Management Board pursuant to the Applicable Legislation, the Bank's Charter and the General Meeting of Shareholders decisions.

The Supervisory Board is composed of minimum 5 members and maximum 9 members appointed by the ordinary GSM for a maximum four-year term, from among the candidates nominated by the shareholders or by the SB in office, with the possibility of being re-elected for subsequent four-year mandates.

The main responsibilities include:

- establishes, monitors and regularly assesses (at least yearly) the structure and effectiveness of the governance framework of the Bank and its subsidiaries, including the policies related to it, reviewing (at least yearly) and considering various risks, both internal, as well as external that the Bank and its subsidiaries are exposed to;
- approves and regularly reviews, (at least annually) the general business strategy, the risk strategy and the general risk management policy at Bank's level and at the level of its subsidiaries;
- approves and periodically reviews the internal audit statute and the internal audit plan, as well as the financial audit scope and the frequency of audit engagements;
- approves and assesses (at least yearly) the policy regarding compliance risk and its implementation;
- approves the guidelines for staff policy and the organizational structure of the Bank down to the level of independent entities inclusively and any changes thereof.

11. Statement regarding corporate governance *(continued)*

11.3. The Supervisory Board (SB) (*continued*)

During 2023, there have been no changes in the membership structure of the Supervisory Board.

On 24.04.2023, the BCR Ordinary General Meeting of Shareholders approved the re-election of some members of the Supervisory Board of BCR for a new 4-year term of office, starting 24.04.2023 (Manfred Wimmer, Stefan Dörfler, Gacek Hildegard, Elisabeth Krainer Senger-Weiss, Daniela Camelia Nemoianu, Iris Bujatti).

As of 31.12.2023, the members of the Supervisory Board were:

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

The Supervisory Board may establish committees as necessary and appropriate consisting of at least 3 members of the Supervisory Board, the duties of which will include carrying out analysis and drawing up recommendations for the Supervisory Board in the following main areas: audit, remuneration, nomination, risk and compliance.

During the 2023, a number of changes were made to the structure of the Supervisory Board subcommittees, as follows:

- The Supervisory Board meeting of 16.03.2023 approved:

  - The appointment of Mr Stefan Dörfler as Deputy Chair of the Remuneration Committee;

  - The appointment of Mr Manfred Wimmer as Deputy Chair of the Nomination Committee, replacing Mr Stefan Dörfler;

  - Appointment of Ms Iris Bujatti as alternate member of the Nomination Committee, in place of Mr Manfred Wimmer.

- The Supervisory Board meeting of 18.12.2023 approved:

  - The appointment of Ms Christine Catasta as member of the Audit Committee, replacing Ms Hildegard Gacek.

At December 31st, 2023, the Supervisory Board had the following subordinated committees:

- Audit Committee;
- Risk and Compliance Committee;
- Remuneration Committee;
- Nomination Committee.

11.3.1. Audit Committee

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

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

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

11. Statement regarding corporate governance *(continued)*

11.3. The Supervisory Board (SB) (*continued*)

11.3.2. Risk and Compliance Committee

The Risk and Compliance Committee is a consultancy body which reviews, reports to, advises and assists the Supervisory Board in carrying out tasks related to risk management (strategic risk, legal risks and business continuity and security management), internal control and compliance and issues recommendations within its authority limits. The Risk and Compliance Committee is made of 3 members and one additional replacement member elected out of the Supervisory Board members. The responsibilities, organization, the operation and the procedures of the Risk and Compliance Committee are established in accordance with the Risk and Compliance Committee Internal Rules.

11.3.3. Remuneration Committee

The Remuneration Committee is a consultancy body which reviews, reports to, advises and assists the Supervisory Board in carrying out its powers and responsibilities with respect to the salary policy, and in particular advises and monitors the remuneration, bonuses and benefits of the members of the Management Board.

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

The responsibilities, the organization, the operation and the procedures of the Remuneration Committee are established in accordance with the Remuneration Committee Internal Rules.

11.3.4. Nomination Committee

The Nomination Committee is a consultancy body, which reviews, reports to, advises and assists the Supervisory Board in carrying out its tasks related to the nomination and assessment of suitability of the members of the Supervisory Board, the Management Board and of key function holders respectively as well as to the Bank's corporate governance framework.

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

The responsibilities, the organization, the operation and the procedures of the Nomination Committee are established in accordance with the Nomination Committee Internal Rules.

11.4. Management Board (MB)

The Management Board ensures the operational management of the Bank and the effective management of the compliance risk.

The Management Board members are authorized to manage the Bank on a daily basis, and they have authority and power to legally represent and bound the Bank, according to the Bank Charter.

The Management Board has 5 members appointed by the Supervisory Board, for mandates of maximum four-year period each, one of them being appointed as President of the Management Board. The remuneration of Management Board members is decided by the Supervisory Board.

The President and the other members of the Management Board have competences and assignments established by law and by the Management Board's Internal Rules. Main responsibilities:

- managing the implementation of Bank's financial targets, strategy and business plan;
- systematically and regularly approving and revising the strategies and policies regarding the risk management;
- approving the strategies and policies related to the internal capital and own funds (covering and proportional to the nature, extension and complexity of the activity conducted by the Bank);
- periodically monitoring and assessing the efficiency of the Bank's activity management framework and practices, mainly the management policies regarding the management framework, and reviewing the management framework in order to reflect any changes in the internal and external factors affecting the Bank;
- approving the explicit plan regarding the capital;
- approving and assessing the Bank risk appetite;
- approving the level of interest, commission, fees, costs and other similar bank changes collected and paid by the Bank in line with the budget approved by the General Meeting of Shareholders;
- approving the internal rules of the committees established by the Management Board.

11. Statement regarding corporate governance *(continued)*

11.4. Management Board (MB) *(continued)*

The Members of the Management Board as of 31.12.2023 were as follows:

1. **Sergiu Cristian Manea** – Executive President, Chairman of the Management Board - mandate valid until 28.02.2026;
2. **Elke Meier** – Executive Vice-President coordinating the Financial functional line, Member of the Management Board - mandate valid until 31.12.2027;
3. **Ilinka Kajgana** – Executive Vice-President, coordinator of the Risk functional line, Member of the Management Board - mandate valid until 31.12.2025;
4. **Dana Luciana Dima** - Executive Vice-President coordinating the Retail & Private Banking functional line, Member of the Management Board - mandate valid until 31.10.2025;
5. **Thomas Kolarik** - Executive Vice-President coordinating the Operations & IT functional line, Member of the Management Board – mandate valid until 31.12.2027.

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

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

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

As at 31.12.2023, the Management Board's Committees are:

11.4.1. Asset and Liabilities Committee (ALCO)

ALCO reviews, reports to, and assists the Management Board in carrying responsibilities as regard asset and liabilities structure management, financing strategy, interest rate policy, liquidity policy, pricing for savings products/ lending products/ cards/ introducing/ suspension or removal the products and services. The committee is a body for analysis and decision that issues decisions and recommendations according to the established authority limits.

The ALCO consists of the Management Board members.

The responsibilities, organization, working means and procedures of ALCO are established in accordance with the MB Subcommittees Internal Rules.

11.4.2. Credit Committee

The Credit Committee reviews, reports to, and assists the Management Board in carrying its responsibilities regarding loans granting, changing of terms and conditions for granting, using and/or securing some previously granted loans, concluding agreements, extending their validity periods, issuing letters of guarantee, factoring and other activities, for retail, corporate and workout customers.

The Credit Committee is made of 3 members, namely CRO - Chairman, CFO – deputy Chairman and CEO/Retail & Private Banking VP – member.

The responsibilities, organization, working means and procedures of Credit Committee are established by the MB Subcommittee Internal Rules.

11.4.3. Risk Committee

Risk Committee is subordinated to the Management Board and is responsible for approval and reviewing the aspects regarding the operational risk administration.

The Risk Committee is made of Management Board Members, respective CRO – Chairman, CEO – deputy Chairman and COO - member. The responsibilities, organization, working means and procedures of Risk Committee are established by the MB subcommittees Internal Rules.

11.4.4. Business Information Center Committee

Business Information Center Committee is subordinated to the Management Board and ensures the management of all aspects related to data in BCR, regulatory requirements related to data management and data initiatives and priorities in the BIC Operational Decision Body, takes strategic decisions on related topics. The Committee comprises of 5 members, namely the CFO – Chairman, COO – Deputy Chairman, CRO, VP Retail & Private Banking and B-1 Business Information Center Division - members. The responsibilities, organization, working means and procedures of Business Information Center Committee are established by the MB subcommittees Internal Rules.

11. Statement regarding corporate governance *(continued)*

11.4. Management Board (MB) *(continued)*

11.4.5. Sustainability Committee

Sustainability Committee is subordinated to the Management Board and ensures in-depth discussions and review of all sustainable related topics coordinated with the Risk functional line.

The Committee comprises of 5 members of the Management Board, namely the CRO – Chairman, CEO – Deputy Chairman, CFO, COO and VP Retail and Private Banking – members. The responsibilities, organization, working means and procedures of the Sustainability Committee are established by the MB subcommittees Internal Rules.

11.4.6. Capital Management Committee

Is subordinated to the Management Board and is an analysis, consultative and decision-making body for all joint alignments, endorsements, decisions as well as confirmations related to capital management relevant topics in BCR Group across all its Divisions, Departments, Staff Units and Subsidiaries.

The new set-up Committee consists of 5 members, namely the CFO – Chairman, CRO – Deputy Chairman, the Executive Managers of Controlling Division, Strategic Risk Management Division and Balance Sheet Management Division. The responsibilities, organization, working means and procedures of Capital Management Committee are established by the MB subcommittees Internal Rules.

11.5. Organization of the internal control system's function

Both supervisory and management functions are responsible for the development and maintenance of a proper internal control system ensuring effective and efficient operations, adequate risk control, prudent business conduct, reliable financial and non-financial information reported at internal and external level, as well as compliance with the on-going laws, regulations and the internal policies and procedures.

The internal control system in BCR Group involves:

a) the existence of a sound internal control framework in place, ensured by:

- clear definition of the role and responsibilities of the management body concerning the internal control;
- identification, assessment and monitoring of significant risks;
- control activities definition, segregation of duties assurance and conflict of interest avoidance;
- a transparent framework for information and communication;
- continuous monitoring of the activities and correcting the deficiencies.

b) the existence of independent control functions in place (the risk management function, compliance function and internal audit function) with direct line of reporting to the management body.

The internal control system is structured on three levels:

- first-level or line controls is designed to ensure that transactions are carried out correctly. Controls are performed by the entities that take the risks and incorporated in specific procedures. The responsibility of this area is allocated to the Business Management;
- second-level of control is the duty of Risk Management Function and Compliance Function;
- third-level controls are performed by Internal Audit Function which assesses and regularly checks the completeness, functionality and adequacy of the internal control system. Internal audit is independent of both first and second-level lines.

12. Social responsibility, diversity & development activities

BCR has implemented a management system covering environmental, social responsibility, respect for human rights, anti-corruption and anti-bribery aspects, which is developed based on the best practices and the principles published and adopted by institutions such as the European Bank for Reconstruction and Development (EBRD) and International Finance Corporation (IFC).

BCR has an official internal policy aimed at fighting bribery and corruption. It has implemented regular training and testing for all its employees to acknowledge and implement measures against acts of bribery and corruption.

The employees are offered the necessary tools to recognize and report instances and actions that might raise suspicions in terms of bribery and corruption.

12 Social responsibility, diversity & development activities *(continued)*

BCR diversity and inclusion principles are embedded in the Code of Conduct as well as in BCR Diversity and Inclusion Policy which places emphasis on providing a work environment free of discrimination and harassment and valuing the work and worth of each and every person, regardless of gender, age, marital status, sexual orientation, disability, race, skin colour, religious or political affiliation, ethnic background, nationality, citizenship or any other aspect unrelated to employment.

We have principles for providing banking services in a responsible manner with regard to socially, environmentally and ethically sensitive sectors such as Energy, Defence and Gaming. These principles and the applicable rules for assessing and mitigating various reputational risks regarding financing these sectors are comprised in the Group Responsible Financing Policy which is also implemented in BCR. The policy defines exclusion rules for critically harmful activities to social or environmental wellbeing.

The non-financial statement is at consolidated level, BCR is the main contributor, therefore certain information are presented at bank level.

12.1. Corporate Social Responsibility

BCR is an active member of the community who intermediates value and brings prosperity in the communities where it works. BCR's strategic directions regarding community involvement are:

- financial literacy for all ages;
- support and promote leaders and role models;
- civic leadership;
- young people empowerment and supporting youth projects;
- education for soft skills and practical competences.

BCR implements the most complex financial literacy program for all target groups (adults, teenagers and youth, kids) whose purpose is to make people aware of the importance of financial literacy and to help them identify the factors that influence their financial decisions.

Money School is a national financial literacy program for each age group whose purpose is to help Romanians to better understand and manage their budget and to make them aware of the factors that influence their financial decisions.

Financial education is a strategic direction of community involvement starting from a very clear need: Romania has one of the lowest levels of financial education within European Union according to studies of the European Commission. Through our education program, Money School, 1,000,000 Romanians have been supported, in recent years, to better understand that financial factors influence them and to develop responsible financial behaviour. In 2023, we trained 145 colleagues to become trainers at Money School.

In 2023, we launched **the Life Lab program** in other 10 schools from Romania, a pilot educational project developed with the help of the teachers involved in the program and 1,200 kids are involved and 45 teachers. This program will bring elements of financial education into the classrooms. At the same time, we organized **EduFin Fest** - the largest financial education festival in Romania.

www.scoaladebani.ro platform – is a website where people interested in better management of their finances can attend online free courses like "How to be financially responsible" or "Financial Mindfulness" the first and single program of this kind in Romania. In 2023, we had 8,165 users on the platform.

Money School on Wheels – FLIP truck - is an itinerant financial education exhibition for kids aged 7-14 whose purpose is to teach kids how to manage their money correctly and why it is important to have a financially responsible behaviour. For an hour and a half, kids enter in the "Money World" where they have to pass through 5 steps together with their allies and friends: Games, Interaction and Joy. 10,271 kids have participated to online workshops that took place in 2023.

BCR also focuses on civic leadership by supporting projects that help hundreds of NGO's annually and by empowering its employees to become active members of the community and to contribute to increasing people's level of trust in themselves and in the contribution that they can have in the society.

12. Social responsibility, diversity & development activities *(continued)*

12.1. Corporate Social Responsibility *(continued)*

"Bursa Binelui" is a crowd funding platform focusing on campaigns to encourage and teach NGOs to fundraise using the platform. All donations that are made on the platform go directly to the beneficiaries as BCR covers all transactions costs. "Bursa Binelui" connects NGOs which implement projects in the communities with people who want to support them. Donations on Bursa Binelui platform grow constantly. In 2023, 48 new projects registered on the platform, 4,328 donations and 485,293 RON donated.

We encourage young people to get more involved in the communities they belong to. One of the projects through which we inspire young people to do more for their local communities and offer them tools to inspire others, is the Youth Capital of Romania. The **Youth Capital** of Romania is the most ambitious national program for young people, because it emphasizes the development of youth ecosystems in Romanian areas, in general, and the development of urban youth ecosystems, in particular. Within the program, local authorities collaborate with non-governmental organizations. The Romanian Youth Capital program was launched in 2016, and the cities that have been Youth Capitals so far are: Timisoara, Bacau, Baia-Mare, Iasi, Constanța, Ploiești. In 2023, Ploiești received the title of the Youth Capital of Romania and approximately 6,000 young people were involved in the project.

BCR also continued to support the **Next Lab.Tech project**, the largest robotics competition in Romania. Over 30,000 students between the ages of 8 and 16 were able to enroll in robotics classes on the platform. BCR supported the NEXTLAB platform with 200 robot-aid sessions and 750 robotics kits that students could use to learn how to build and control a robot.

We aim, through all our actions, to be an integral part of society, having in our team responsible citizens with solid principles and we aim to mediate and support the development of value in the communities we are part of.

BCR aims to be a model, a source of inspiration and a catalyst for all its stakeholders from this point of view.

Besides initiating or supporting impactful social responsibility programs, our objective is for each BCR employee to become an ambassador of community involvement.

Regarding the ESG actions for community we consolidated the position of BCR as a company that understands and is actively engaged in education on ESG related topics & create and support a network of partners that work for a better society.

Education for sustainability projects:

- Round tables on ESG Topics in 2023:
  - March: Establishing and measuring ESG indicators, partnership with Bucharest Academy of Economic Studies.
  - June: Energy efficiency in buildings: Good practices and challenges, in partnership with EfdeN.
  - October: Circular economy – The challenges of the Deposit-Return System in Romania and investment opportunities, with the participation of RetuRO - main stakeholder responsible of the implementation of the system in Romania.
- Journalism Academy: 60 journalists participated in the 5 modules (2 modules since September) of Reporting Climate: air and water quality; circular economy; energy efficiency; climate change;
- Sustainability Academy - Educational platform for SMEs- Launch of green financing module by BCR for SMEs, 1.300 SMEs from retail, hospitality, manufactuting, transport, consultancy, education, 9 courses, 30 ESG experts;
- Respo City, competition for students, 500 students participated, 46 urban development projects, 3 winning teams, partnership with 4 universities;
- ESG workshops in schools: 1,000 kids participated**;**
- We launched in 2023, Wild Romania/ Romania Sălbatică - application, the most complete guide to the nature of our country, helping nature lovers discover Romania's biodiversity and it has over 5,000 users.

We organized volunteering actions and over 800 employees participated in tree planting activities, cleaning green spaces, social activities.

Also, BCR team members are encouraged to be responsible citizens in the communities they belong to. BCR employees benefit from a free day for volunteering, they are supported to propose and implement projects with real social impact and are encouraged to redirect the 3.5% of the income tax to the organizations whose goal is social good.

At the same time, BCR aligns its business strategy with the needs of the community, constantly developing innovative products for clients, in order to help them realize their dreams and aspirations. Also, BCR is an important factor of economic development, by proactively supporting members of the business community.

12. Social responsibility, diversity & development activities *(continued)*

12.2. BCR position regarding ESG (Environmental, Social and Governance)

The BCR journey towards fulfilling its ESG goals includes altogether addressing climate and environmental risks and opportunities, while fully observing all regulatory frameworks and recommendations issued by authorities. Our efforts go beyond this as BCR is focused on generating social and economic value, and our actions in 2023 were targeted as follows:

- We have mobilised finance for a lower carbon, more equitable and inclusive society, while being strongly involved into a continuous ESG dialog with our customers or potential customers, from all segments, either in bilateral meetings, organized workshops or thematic events.
- We are constantly developing dedicated products to support sustainable investments, and we are already offering such products to support energy-efficiency solutions and energy efficient buildings, as well as the deployment of renewable energy projects.
- We have accelerated our efforts to set decarbonization pathways for our portfolios in line with the strategy approved at Erste Group level. These are aimed at achieving net-zero of our financed portfolio no later than the end of 2050, as committed by Erste Group at the moment of joining the Net-Zero Banking Alliance. In this respect, group set decarbonization targets for 4 sectors (Power, Heat, Commercial Real Estate (CRE) and Mortgage retail) and will continue to set targets in 2024 and further on for remaining sectors.
- We have constantly increased our green loans portfolio, adding exposures from commercial real-estate, retail mortgages and green energy, but also from others segments as sustainable transportation infrastructure, energy efficiency industrial projects, circular economy and recycling.
- We drive finance towards sustainable technologies and renewable energy, while also supporting the climate transition efforts of our emissions-intensive customers.
- In 2023, BCR issued the first international green Eurobond issue, in amount of EUR 700 mn, the largest senior issue in the history for any financial or corporate issuer in Romania. BCR's new bond issue marks the bank's debut on the international capital markets and consists of 4NC3 senior non-preferred Eurobonds with a maturity of 4 years, with the possibility of early redemption after 3 years. The issue is listed on the Vienna and Bucharest Stock Exchange, being also the first international green Eurobond issued by a Romanian bank. In addition, this issuance is part of BCR's journey in the direction of the ESG (Environmental, Social and Governance) criteria, with the aim to build a sustainable economic development by encouraging environmentally responsible behavior, through better governance and increased social involvement.
- We have implemented mandatory ESG training to the BCR induction curriculum, as well as providing access to expert level training for our professionals managing ESG aspects on an ongoing basis.
- Our communication strategy includes education programs for climate and financial education for all segments, developed together with partners, ONGs and academia.

Banca Comercială Română:

- admits and accepts the fundamental importance of an integrated approach of the environmental and social factors, as well as of lasting development principles within its financing activity,
- pays adequate attention to its financing processes, securing compliance with the minimum environmental, social and occupational safety regulatory requirements and standards applicable in Romania at project level before making the financing decision.

Environmental risks, as a transversal risk are handled within the existing risk management structure, in which each risk owner is responsible for influencing environmental risk.

The management of these risks is integrated into the existing risk management framework:

- Strategic risk management ensures the integration of ESG in the Statement on risk appetite, risk strategy, assessment of the materiality of the risk, the testing framework in crisis conditions and the inclusion of ESG in risk reporting; also coordinates establishing intermediate objectives for the Net Zero transition.
- Corporate risk management ensures ESG integration in industry strategies and participates in establishing intermediate targets for the transition of the Net Zero portfolio; it is ensured that adequate diligence is implemented in the underwriting and management processes of collateral.

12. Social responsibility, diversity & development activities *(continued)*

12.2 BCR position regarding ESG (Environmental, Social and Governance) *(continued)*

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

In general, the environmental impact of financial institutions mainly resides in the indirect environmental footprint associated with the loan portfolios. Nevertheless, the Bank's ambition is to also reduce its direct ecological footprint. Therefore, as concerns BCR's own operations, the most effective way to progress was to reduce CO2 emissions by switching to electricity from renewable sources.

In 2023, the Bank increased its total share of directly purchased electricity from renewable sources to 100%, with the aim to maintain this share in 2024 as well. Also, we have set a target to reach 90% overall green electricity which we achieved by purchasing Renewable Energy Guarantees of Origin from a country which is member of the Association of Issuing Bodies (AIB), where direct purchase of green electricity is not possible. In 2023, the electricity used in both headquarter buildings in Bucharest was entirely originated from renewable sources.

Both headquarter premises hold a LEED Platinum (Leadership in Energy and Environmental Design) certification. In addition, the Bank upgraded old heating and air conditioning systems and installed new sensors for lightening logos on premises used. Until the end of 2023, the Bank has consolidated its activity in a single central office. The focus in 2024 will continue to be on increasing green electricity for our operational buildings, reducing our CO2 footprint through different other initiatives (car fleet strategy and transitioning to low CO2 emission vehicles until 2030), while compensation remaining emissions with carbon certificates issued for local impact projects.

Erste Group enjoys top notch ESG rating credentials reflecting a continuously strong performance in ESG objectives.

For December 2023, the Bank applied the exemption of disclosing any quantitative information required by the Regulation UE 2020/852, as per article 19a from Directive 2013/34/EU, as the details are presented in the consolidated management report of the parent Erste Group Bank AG.

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

12.3. Diversity and professional development

Key statistics related to BCR's workforce:

- gender distribution: 75.56% women and 24.44% men;
- average age: 40.60 years;
- level of studies: 87.38% employees with higher education and 12.62% employees with secondary education.

Approximately 36.48% of the employees are part of a trade union.

Work relations between managers and employees are based on mutual professional respect and good cooperation.

Pursuant to the provisions of the NBR Regulation no 5/2013 on the prudential requirements for the credit institutions, with subsequent amendments, as well as the provisions of the internal regulations Diversity and Inclusion Policy and the Nomination Policy for Management Body, BCR adopted since 2021 quantitative targets related to the representation of women in management positions (management bodies and executive managers).

Setting a target for the representation of the underrepresented gender in BCR management body and preparing a strategy on how to increase the number of the underrepresented gender in the management body are the responsibility of the Nomination Committee.

People and Culture Division in coordination with Erste Group responsible function will support the Nomination Committee in achieving this target through the following actions:

- incorporating the diversity principles in human resources instruments and processes;
- nominating more women into the Group succession pool;
- gender and age-balanced talent pool where all employees who meet clearly defined criteria (applicable to all) can apply in a transparent selection process;
- creating an inclusive work environment (promoting work-life balance, family-friendly policies, intergenerational dialogue);
- giving more visibility to senior female leaders (internally & externally); and
- diversity campaigns, educational programs, awareness raising, etc.

12. Social responsibility, diversity & development activities *(continued)*

12.3. Diversity and professional development *(continued)*

Considering the current gender structure of the management body, namely 3 members of the Management Board and 4 members of the Supervisory Board related to female participation (the cumulative percentage of women appointed in the management bodies being of 58.33%), we consider that the targets and the requirements on the gender diverse governance bodies have been fully met.

12.4. Improvement and professional development

Our efforts in providing excellent learning opportunities to our colleagues paid off, as the training duration at bank level has been growing steadily. In 2023 we have 304,768 h of training (34.8 years) vs 2022 when we had 269,479 h of training (30.8 years) and 2021 with 158,904 h of training (18.14 years). We keep the balance between e-learnings, 52% and instructor-led trainings, 48%. We have a similar number of active learners as in 2022, which shows us that the habit of learning is here to stay and an increase of 21% in the number of hours spent for learning and a 11pp increase in the proportion of users who learn more than 1h/week. Also, compared to 2022, we can see a +9 h time for learning in average, at Bank level and + 4 h when it comes to the time our managers spent for learning and development activities.

Our e-learning platform is actively used for on-line education as well as for regular testing sessions, such as: prevention and combating money laundering, information security, market abuse, financial sanctions, transparency and consumer protection, health and safety at work (SSM), compliance, data protection etc. In 2023 we introduced relevant topics such as ESG, data management courses and Step by step – investments.

We continued to use the approximately 500 online courses which we made available to all our employees directly on the platform supplied by the training provider – Skillsoft. Additionally, some 650 colleagues benefited from online courses on various current topics available on the international Udemy for Business platform. The most accessed courses were in these areas: technology (78.6%), business (17.1%), while the rest were dedicated to personal development (4.3%).

Employees from our retail units benefited from specialized programs for development of technical skills and other skills necessary in their daily activity such as Financial ProAdvice, an advisory sales program specially designed for the retail salesforce, in partnership with an external provider (311 participations). Other relevant programs: High Sales Performance Pro Customer (256 participations), Daily MICRO (1052 participations), BCR Indraznet (399 participations).

Our colleagues in the corporate area continued to benefit from attended a customized training and development program built on four main pillars: (1) advisory selling, (2) technical expertise, (3) skills of the future and (4) (self)leadership. In total, there were 137 participants in this program.

Our colleagues in the digital laboratories attended various courses and specialised conferences on various topics, we had 165 participants in total.

In 2023, the Bank continued the process of transformation in line with worldwide digitalisation trends and ever-changing customer expectations and, for this purpose, a series of events and workshops were organized on relevant topics such as new ways of working, design thinking and agile methodologies.

The Bank continued to focus on management education by providing managers with specific individualised courses on management & leadership skills, individual and team coaching sessions, to ensure they are to contribute to overall achievement of strategic objectives.

12.5. Performance Management and Professional Development

The main purpose of Performance Management and Professional Development is to establish, monitor, measure, enhance targets achievement and facilitate the professional development of BCR Staff.

In the Bank, the assessment of the staff professional activity is conducted periodically, evaluated by individual performance evaluation, by measuring the achievement rate of pre-set targets and by assessing the quality level of all staff rendered activities and compliance with the Internal Regulation provisions.

The Performance Management and Professional Development process is continuously supported through Emma PDS application, designed considering the transparency and flexibility needs of the company.

Staff performance evaluation is a key step in the Performance Management and Professional Development process. The feedback as well as the recommendations derived from it are a crucial source of information, both for the manager and the staff. Consequently, it is essential that the evaluation process should be conducted in a transparent way, according to the agreed internal rules and should convey the highest possible objectivity level. Evaluation is also a process that is very closely linked to other HR tools such as: personal and professional development procedure and remuneration policy. Its results provide the manager a starting point in planning the development as well as in implementing personnel measures (change of position, salary adjustments, improvement action plans etc.).

12. Social responsibility, diversity & development activities *(continued)*

12.6. Flexible benefits

From the desire to be more flexible, BCR explored creative and friendly solutions to strengthen the spirit of the community within our team.

In order for each of the employees to enjoy a better life, we implement the FLEXIWORK program.

FLEXIWORK is a package of facilities created according to the specific activity of each BCR employee, so that everyone can enjoy a more flexible work schedule.

12.7. Flexible benefits using Benefit Online platform

Through this platform, BCR employees can more easily choose the flexible benefits that suit them best.

12.8. Remuneration Policy

The Remuneration Policy seeks to reward the achievement of both corporate and individual goals by linking success in those areas to the Erste Group and BCR Group strategy among others.

Taking a balanced approach to achieve growth, improve productivity, and maintain a sound and effective risk management, all of which help to build a sustainable business with a strong focus on delivering increased shareholder value.

The Remuneration Policy is revised annually, subject to the independent internal review, in order to be compliant with policies and procedures for remuneration adopted by the Supervisory Board, as well as for the alignment of the remuneration principles under the Erste Group's governance framework.

Fixed and variable components of total remuneration are properly balanced so that the remuneration structure does not favour the interests of the Bank and/ or of the relevant persons to the detriment of the client's interests.

The fixed component represents a sufficiently high proportion of total remuneration.

Variable remuneration is linked to a sustainable and risk adjusted performance as well as performance in excess of that required to fulfil the employee's job description, as part of the terms of employment. Variable remuneration is linked to sustainability and ensures that the payments made do not promote any incentive for excessive risk-taking or miss-selling of products.

12.9. Recruitment Policy

The Recruitment, Training and Human Resources Administration Policy sets the general framework, methodology, responsibilities, stages, information flow and necessary documents of the recruitment and selection process for all types of positions within BCR. The Policy also sets forth the base principles guiding the promotion to managerial positions and internal moves processes.

In order to fulfil the professional experience requirements, the candidates should have solid knowledge, both theoretical and practical, about the Bank activity. The incumbents of managerial positions need to have the managerial experience required for both the organizational structure and job profile.

In order to ensure an efficient and constant recruitment and selection process, the following principles shall be taken into consideration:

- selection of the candidates that best match the job profile;
- equal opportunities for all candidates, both internal and external;
- all candidates will be treated equally and non-discriminatory;
- personal data and job application confidentiality is assured;
- promotion of BCR values;
- avoidance of conflict of interest, as outlined within internal documents and legal provisions in force.

The Recruitment, Training and Human Resources Administration Policy is annually revised in order to align internal processes for ensuring the recruitment adaptability to the company needs and the evolution of the labour market. The volume of recruitment activities must be adapted in order to ensure the stability and continuity of the activity, at the same time keeping a balance between external hiring and internal recruitments.

We encourage internal application and mobility of the people in order to keep, develop and retain the talent. Career Opportunities Newsletter is an updated weekly e-mail, sent to all employees, which shares all new opportunities and sustains a more easy and transparent recruiting process. Career advisory Team - a dedicated team of recruiters and development experts, ready to help colleagues in choosing a new career path within the bank.

12. Social responsibility, diversity & development activities *(continued)*

12.9 Recruitment Policy *(continued)*

Moreover, in order to increase visibility of BCR's employer brand, we run specific activities of employer branding by using online platforms (e.g. LinkedIn), organizing and participating in career events and conferences or IT dedicated events (e.g. DevTalks, Dev Con). We run programs for young graduates and students (Learn@BCR, IT Academy, Data and Financial Analysis Academies, George Friends Program, Joblandia, Scoala de Cariere/ Career School), as well as partnerships with Universities and student non-government organizations (NGOs). Also, in 2023 our entire Career Page was relaunched: https://www.bcr.ro/ro/cariere.

As a result, the quality and number of applications have improved being facilitated the access to specialists, both from banking and IT industry.

Programs and events organized for young graduates aim to promote career opportunities we have in the Bank for young talent, considering the hiring needs for junior and expert positions within different areas of activity. Two programs have been developed during 2023:

- Joblandia - program dedicated to high school students, to help raise awareness on banking career and financial literacy – we reached over 220 participants in one year.

- Scoala de Cariere/ Career School a development program for young people, aimed to support them in choosing a job that suits them and help them properly prepare for an interview, regardless of the company. Bank employees are involved in the program, as Career Teachers. We reached over 1,000 participants in Q4 2023.

Moreover, for a good integration to the organizational environment, we organize Induction for all new hires, as well as Onboarding and dedicated training programs customized to the specific activity they will perform in the Bank.

12.10. Organizational Climate

In order to evaluate the organizational climate and the leadership at Bank level, the Human Resources Division (renamed in 2024 People and Culture Division) provides managers with several feedback instruments, each used once a year.

Thus, we run the Employee Engagement Survey, which measures the level of employee engagement as well as how the employees appreciate the organizational climate. For middle and top management, we use a leadership capabilities assessment questionnaire (LEAD) which gathers feedback from superior, team and internal cooperation partners.

All these climate and leadership surveys are run using a feedback platform. All data resulted by answering questions in the respective surveys and questionnaires are reinforced by open comments and contribute to drafting action plans to enhance the level of employee engagement and improve the leadership capabilities of our managers.

Our engagement actions are delivered by a number of internal communities which we defined as group of employees affiliated around a common interest such as contributing to an engaging culture (MAGIC Advisors Community), emotional support for parents (Mindful Parent Community), personal Development (Gen Z) or sports.

Valued@BCR internal communication campaign was launched in 2023 and is aimed to raise awareness among all employees on the engagement actions such as: new benefits package, new working arrangements, the unique learning experience we create for them.

HR Open Line is a series of online events addressing HR subjects, helping colleagues understand new HR developments and remind them about business-as-usual subjects such as benefits or internal recruiting processes. Also, these events help our colleagues understand the HR activity, as each department is presented by one of our colleagues.

Supervisory Board Chairman,

Manfred WIMMER

Banca Comercială Română S.A.
Societate administrată în sistem dualist
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STATEMENT

According to the articles 30 and 31 of the Accounting Law no. 82/1991

The "Separate and Consolidated Financial Statements" as at December 31st, 2023 for the Group Banca Comercială Română (the Group) and for the bank individually (Bank) have been prepared in accordance with National Bank of Romania Order no. 27/2010 for the approval of the Accounting Regulations compliant to International Financial Reporting Standards, applicable to credit institutions, as subsequently amended and supplemented.

We, Sergiu Cristian Manea as Executive President and Elke Meier as Executive Vicepresident of Banca Comercială Română SA, undertake the responsibility for the preparation of the Separate and Consolidated Financial Statements as at 31.12.2023 and we confirm the following:

a) The accounting policies applied for the preparation of the separate and consolidated financial statements for the year ended 2023 are in accordance with accounting regulations applicable to credit institutions, correspondingly in accordance with the NBR's Order no. 27/2010;

b) The Annual Separate and Consolidated Financial Statements reflect a true and fair view of the financial position, financial performance and further information related to the activity of the Bank and the Group;

c) Banca Comercială Română SA prepared its Financial Statements and carry on their business on a going concern basis.

Executive President,
Sergiu Cristian Manea

Executive Vicepresident,
Elke Meier