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
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31 December 2021

Contents of the consolidated and separated financial statements

Independent Auditor's Report

To the Shareholders of Banca Comercială Română SA

Report on the audit of the financial statements

Our opinion

In our opinion, the consolidated and separate financial statements give a true and fair view of the consolidated and separate financial position of Banca Comercială Română SA (the "Bank" or "BCR") and its subsidiaries (together the "Group") as at 31 December 2021, and the Group's consolidated and Bank's separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and the National Bank of Romania (NBR) Order no. 27/2010 for approving accounting Regulations in accordance with International Financial Reporting Standards, applicable to credit institutions and subsequent amendments (the "NBR Order 27/2010").

Our opinion is consistent with our additional report to the Audit Committee dated 25 March 2022.

What we have audited

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

- the consolidated and separate statements of profit or loss for the year ended 31 December 2021;
- the consolidated and separate statements of other comprehensive income for the year then ended;
- the consolidated and separate statements of financial position as at 31 December 2021;
- the consolidated and separate statements of changes in equity for the year then ended;
- the consolidated and separate statements of cash flow for the year then ended; and
- the notes to the consolidated and separate financial statements, which include significant accounting policies and other explanatory information.

The consolidated and separate financial statements as at 31 December 2021 are identified as follows:

- Total consolidated equity: RON 9,720,442 thousand;
- Consolidated net profit for the year: RON 1,409,778 thousand;
- Total separate equity: RON 9,486,855 thousand;
- Separate net profit for the year: RON 1,377,917 thousand.

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

Basis for opinion

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

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

Independence

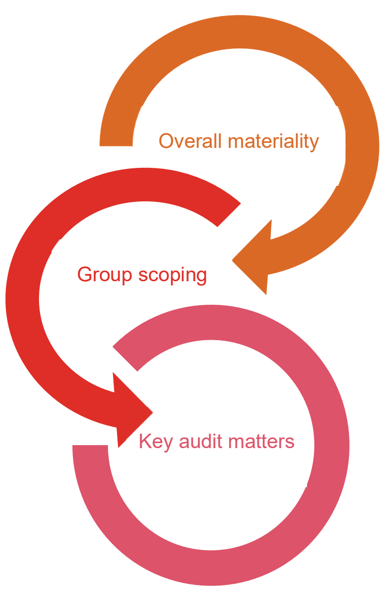
We are independent of the Group and the Bank in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code) and the ethical requirements of the Regulation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

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

The non-audit services that we have provided to the Group and the Bank in the period from 1 January 2021 to 31 December 2021, are disclosed in Note 43 "Audit fees and tax consultancy fees" to the consolidated and separate financial statements.

Our audit approach

Overview



Overall materiality:

RON 84,024 thousand, for both consolidated and separate financial statements, which represents 5% of profit before tax

Group scoping:

We planned and scoped our audit for 2021 reflecting the Group's current structure whereby the Bank represents a very significant part of the Group's assets, liabilities and profit before tax. Hence we defined the Bank as the sole significant component within the Group and so it was subject to a full scope audit of its financial information.

Key audit matters:

- Application of IFRS 9 in the calculation of expected credit losses of loans and advances to customers
- Tax matters resulting from the tax inspection performed by the Romanian Tax Authorities and tax treatment applied to deductibility of the impairment loss for the Bank's investment in its subsidiaries
- Ongoing litigation between Banca pentru Locuinte subsidiary and the Romanian Court of Accounts

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

Materiality

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

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

Overall Group and Bank materiality	RON 84,024 thousand
How we determined it	5% of profit before tax per the separate statement of profit or loss for the year ended 31 December 2021 (Pre-tax result from continuing operations).
Rationale for the materiality benchmark applied	We chose profit before tax as the benchmark because, in our view, it is the benchmark against which the performance of the Group and Bank is most commonly measured by its stakeholders, and it is a generally accepted benchmark. We chose 5 %, which in our experience is an acceptable quantitative materiality threshold for this benchmark.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above RON 4,201 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 judgement, 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 of loans and advances to customers We focused on this area because the management makes complex and subjective judgements over both the timing of recognition of expected credit losses (”ECL”) and the estimation of the ECL amount, which is a complex area of accounting. IFRS 9, “Financial Instruments”, requires ECL allowances for all exposures from the time a loan is originated, based on the deterioration of credit risk since initial recognition. If the credit risk has not increased significantly (Stage 1), IFRS 9 requires allowances based on 12-month expected credit losses. If the credit risk has increased significantly since initial recognition (Stage 2) or if the loan is ‘credit impaired’ (Stage 3), the standard requires allowances based on lifetime expected credit losses. ECL allowance for Stage 1, Stage 2 and non-significant Stage 3 loans and advances to customers is performed collectively; the key assumptions being the probability of an account falling into arrears and subsequently entering into default (“PD”), definition of significant increase in credit risk, exposure at the moment of default (“EAD”) and the estimated losses from defaulted loans (“LGD”). Statistical models are used for determination of the key assumptions including different future macroeconomic scenarios. For significant loans and advances in Stage 3, the ECL are assessed individually based on probability weighted scenarios of cash flow forecasts. The key assumptions here are the expected cash flows (from both operating cash flows and recoveries from collateral) and the weighting attached to the different scenarios. The uncertainty of estimates in the determination of expected credit losses continues to be elevated due to the ongoing economic consequences of the COVID-19 pandemic.	In relation to implementation of the ECL statistical models, we assessed the compliance of the key methodologies and models with the requirements of IFRS 9. We engaged our credit risk technical experts to assist us in undertaking this assessment. Detailed risk assessment analytics were performed over the Bank’s loan portfolio, in order to identify possible areas of risk and better calibrate our procedures described below. Internal controls were tested including assessing the independent statistical models validation framework, validation results and overall model governance for IFRS 9. We also assessed the updated methodology, including the new non-retail macroeconomic model, for calculation of expected credit losses of loans and advances to customers and reasonableness of selecting and using the multiple economic scenarios, including the latest macroeconomic forecasts as well as the severity and magnitude of modelled scenarios and how they are considered and applied to the assumptions obtained from statistical models used in arriving at the overall ECL at the balance sheet date. We tested, on a sample basis, the key controls over the inputs of critical data into source systems and the flow and transformation of data from the source systems to the ECL calculation engine. We performed substantive testing over the critical data used in the ECL calculation as at 31 December 2021. 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

Key audit matter	How our audit addressed the key audit matter
To reduce the economic consequences of the COVID-19 pandemic, Government introduced in 2020 relief programs in a variety of forms (e.g. moratoria, deferral options, funding support programs, tax incentives and reliefs, etc.). Further, BCR offered financial support to a large number of retail and corporate clients, mainly in the form of payment deferrals of up to nine months, under the umbrella of the Public Moratoria (enacted through Government Emergency Ordinance 37/2020 and prolonged during 2021 by Emergency Ordinance 227/2020 – however, with a limited appetite from BCR clients in 2021), or Private Moratoria. Whereas those programs were able to reduce the economic impacts of the COVID-19-pandemic, they led to low observed default rates and complicated the timely reflection of a potential deterioration of the loan portfolio. Even though most of the relief programs have been phased out, they still have a negative impact on the predictability of statistical credit risk models. Romania key macroeconomic indicators deteriorated during 2021, putting more pressure over repayment capacity of borrowers, which is expected to prolong, especially considering the current geo-political context. 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, the key ones being as follows: i. Update, throughout the year, of the forward-looking information ("FLI") with the latest available macroeconomic forecasts and revision of the weighting applied to the scenarios -reflected in the computation of PD and LGD parameters; ii. Usage of post model adjustments, through which sub-populations of exposures with perceived higher risk (e.g. clients operating within industries particularly affected by the economic consequences of the pandemic, existence of moratoria measures and PD levels) are transferred into Stage 2 with respective ECL being computed on a lifetime basis,	consistent with IFRS 9 requirements and the Bank's own methodology. We have tested that the key assumptions (PD, LGD) resulting from the statistical estimation models and which were subsequently approved by management were the same as the parameters effectively implemented in the system for automated computation of ECL. We verified the reconciliation of the output of the automated ECL calculation engine with the audited trial balance. With regards to loans and advances to customers within Stage 3, for which ECL is assessed individually, we tested the approval of the key inputs, assumptions and discounted cash-flows from both operating cash flows and recoveries from collateral that support the ECL. In respect of the post model adjustments, we obtained the updated industries' assessment ("heat-map"), which resulted in their grouping based on the severity of economic downturn due to the COVID-19 pandemic and we ensured that it was appropriately approved and in line with our understanding of the market. We have also independently applied the post model adjustments criteria to ensure relevant exposures are transferred into stage 2. We have also performed a representative selection of individual exposures, based on risk criteria and including both performing and non-performing clients, with or without moratoria measures implemented, and substantively tested the assessments performed by the Bank, and, where applicable, computation of provision for non-performing exposures. We have focused our testing on identification of unlikeness to pay indicators that the selected clients may have to ensure that the credit-impaired status is identified on a timely basis.

Key audit matter	How our audit addressed the key audit matter
even though no other triggering restaging criteria are met; and iii. Update of the macroeconomic model FLI component of non-retail portfolio. When performing the estimations of ECL, management may be limited by the experience available in back-testing of these estimates against the actual results, especially under the COVID-19 circumstances. Further, future economic developments may not be fully in line with the current forecasts and the overlays applied may not accurately capture the perceived increased credit risk of certain sub-populations. These elements increase the risk around accuracy and valuation of certain key data used to create assumptions and operate the models. “Significant accounting policies”, Note 13 “Financial assets at amortized cost” and Note 26 “Credit risk” to the financial statements provide detailed information on the ECL for loans and advances to customers.	
Tax matters resulting from the tax inspection performed by the Romanian Tax Authorities and tax treatment applied to deductibility of the impairment expense for the Bank’s investment in its subsidiaries We focused on the results of i) the tax inspection performed by the Romanian Tax Authority (“RTA”) in 2017 (disclosed in Note 36 “Litigations and contingent liabilities”) and ii) fiscal treatment of impairment of subsidiaries (disclosed in Note 10 – “Taxes on income”) generating non-current tax asset as the assessment of these two matters requires making significant judgements and estimates by the management of the Bank. In respect of point i) above, following a tax inspection during 2017, the RTA increased the taxable base of Corporate Income Tax for the period 2012 – 2015 under review and based on these adjustments an additional Corporate Income Tax Liability has been recognised in 2017. Also, additional value added tax (VAT) was identified. The Bank settled the additional liabilities identified by the RTA and challenged in the Court of law the	In respect of the RTA inspection findings, together with our tax specialists, we examined the correspondence between the Bank and the RTA and between the Bank and its external advisers for the period from 2017 to 2021. We examined the background of the additional Corporate Income Tax Liability identified during the tax inspection for the period 2012-2015. We have used our knowledge of the relevant Romanian tax legislation and other similar taxation matters to assess the available evidence and the approach taken by management of the Bank and to assess the Bank’s liability assessment of the potential additional fiscal obligations regarding Corporate Income tax liability and the related potential Withholding Tax Liability for the fiscal periods from 2016 to 2021.

Key audit matter	How our audit addressed the key audit matter
results of the tax inspection. The litigation is still ongoing at the date of our report. For the opened fiscal periods not subject to RTA tax inspection (2016 onwards), management reassessed during 2021 the Bank's position and, due to developments during the last two years, concluded that the risk of outflow of economic benefits for settling potential fiscal obligations for Corporate Income Tax and potential related Withholding Tax Liability has increased and, as such, recognised a tax liability for the full corporate tax income and related withholding tax exposure, in accordance with IFRIC 23 "Uncertainty over Income Tax Treatments". No liability was recognised for the related late payment interest and charges as the Bank was eligible for applying the fiscal incentive of tax amnesty to these amounts – Bank received this amnesty during February 2022. For the point ii) above, the Bank initially considered the impairment expense of its subsidiaries as non-deductible for tax purposes. However, the Bank reconsidered its assessment based on the arguments determined by its management and its external tax advisors. Consequently, management concluded that the impairment expense for the investment in subsidiaries recorded during the period 2012 - 2015 is deductible and, in 2017, challenged in the Court of law the RTA. The effect of this change in assessment resulted in the recognition of a non-current tax asset of RON 168 million in accordance with IAS 12, "Income Taxes", paragraph 46 in the 2017 financial statements and given that no significant changes occurred during the period from 2018 to 2021 with regards to the litigation against the Romanian Tax Authority, the balance of this non-current tax asset changed only due to unwinding of the effects of time value of money discounting, reaching RON 182 million as at 31 December 2021. Note 10 – "Taxes on income" and Note 36 – "Litigations and contingent liabilities" to the	While we do not take exception to management's conclusion that the tax position is sustainable, nevertheless, as set out in the financial statements, the final resolution of this issue is subject to the future outcome of the ongoing litigation which involves inherent uncertainty, and the final resolution of these matters may not be in line with management's current assessment. However, as of 31 December 2021, the Bank provided in full for the potential tax liability in respect of Corporate Income Tax for 2016 – 2021 and Withholding Tax for 2016 – 2021 and paid the respective amounts during January 2022, obtaining also the fiscal amnesty for the related late payment charges and interest. In respect of the deductibility of the impairment expense of the Bank's subsidiaries, we examined together with our tax specialists the arguments put forward by the management of the Bank to support the deductibility of these expense and we examined the Romanian Tax Authority's correspondence with the Bank. We also considered the views of the Bank's external tax and legal advisors. Taking into account our understanding of the Romanian tax legislation and other factors affecting this issue we concur with management's assertion that it is appropriate for the impairment expense in subsidiaries recorded during the period 2012 – 2015 to be treated as deductible and a non-current income tax asset should continue to be recognised in the 2020 and 2021 financial statements. While we do not take exception to management's conclusion that the tax position is sustainable, nevertheless, as set out in the financial statements, the final outcome of this issue is subject to final resolution of the ongoing litigation with the RTA. Hence, the fiscal treatment of the impairment expense for the subsidiaries recorded during the period 2012 – 2015 as deductible expense is subject to inherent uncertainty and the future resolution of this matter may not be in line with management's current assessment.

Key audit matter	How our audit addressed the key audit matter
financial statements provide more information on these matters. **Ongoing litigation between Banca pentru Locuinte subsidiary and the Romanian Court of Accounts** Banca pentru Locuinte subsidiary ("BpL") is a home savings and mortgages bank. The Romanian state pays the BpL's clients a state subsidy of 25% applied to their savings, but not more than 250 euro per year under the condition that their savings are related to housing projects. The Romanian Court of Accounts ("CoA") identified several deficiencies following the inspection in 2015, deficiencies that were included in the Decision no. 17 ("CoA Decision"). The majority were grounded on differing interpretations of the applicable legal provisions in areas where the law was not very specific. In essence, the CoA was of the opinion that BpL paid out the state subsidy to clients not meeting the conditions for receiving this subsidy. BpL challenged the decision of the CoA in court, arguing that they acted in good faith and that its interpretation and application of the law were correct. In March 2017, the Court of Appeal ruled in favour of BpL for most of the claims. However, on 21 June 2019, the High Court of Justice ("Court") finally ruled in favour of the CoA for almost all claims. In the period 17 – 31 August 2021 CoA performed a follow up control in order to verify the manner in which the measures imposed through the CoA Decision were fulfilled. Based on the results of the follow up control, BpL was requested to compensate the Romanian state for losses resulting from the improper use of State subsidies as measures II.2, II.5 and II.6 were partially fulfilled as presented in Note 36 "Litigations and contingent liabilities". As a result of the CoA follow-up control, BpL paid in 2022 the principal obligation for the undue subsidies, in total amount of RON 432,699 thousands and subsequently performed a payment of related withholding tax of RON 41,603	To assess the adequacy of the provision for BpL's financial obligation resulting from the Court's ruling, we have performed the following procedures: • Obtained and critically assessed the relevant documents related to BpL's litigation, including calculation methodology and follow up control from CoA; • Involved tax specialists in checking the appropriateness of the methodology used by BpL in determining the compensation for withholding tax; • Tested a sample of the relevant IT controls for the calculation of compensation; • Recalculated BpL's estimated provision for withholding tax for a sample of contracts in order to validate the results of the automatic calculation performed by BpL's system; • Tested the completeness of the contracts included in BpL's assessment of compensation as well as the accuracy of key data used in the calculation; • Tested all the compensation payments already made by BpL during 2021 by vouching them to the payment orders; • Obtained the external lawyer letter describing the litigation status and development with CoA and considered how BpL addressed uncertainty, as per IAS 37 "Provisions, Contingent Liabilities and Contingent Assets" guidance; and • Obtained the relevant documents related to the payment of the obligations from 2022, as well as the request for amnesty and

Key audit matter	How our audit addressed the key audit matter
thousands and officially applied for the amnesty on the related accessories (late payment charges and interest) according to Government Emergency Ordinance 69/2020 was submitted. The amnesty for the withholding tax accessories was received during February 2022. BpL performed the above payment to comply with CoA Decision, however it still oppose to the CoA Decision, hence continues its legal action against the CoA Decision at European level. As of 31 December 2021, the BpL management has updated the compensation assessment, resulting balance of the provision at this date being RON 625,800 thousand. The amount of the provision considers the available information and data and relevant assumptions in determining the provision value as well as provisions of the IAS 37 "Provisions, Contingent Liabilities and Contingent Assets" guidance. There is considerable legal uncertainty regarding the scope of the obligation to pay the compensation. BpL has obtained the opinions of various tax and legal experts and developed an IT algorithm to support to provision assessment. The considerations for assessing the provision level involves significant judgments and is therefore subject to considerable uncertainties. As a result of the above, we have determined this dispute and the related provision as a key audit issue. "Significant accounting policies", Note 35 – "Provisions", Note 36 "Litigations and contingent liabilities", and Note 38 – "Subsidiaries" to the financial statements provide more information on the BpL litigation and related provision.	the approval of the amnesty for the accessories related to the withholding tax. While we do not take exception to BpL management's estimate of the litigation provisions, nevertheless, as set out in Note 36 "Litigations and contingent liabilities", to the financial statements, the assessment requires application of significant judgment based on the interpretation of the current Romanian tax and trade laws and is therefore subject to considerable uncertainties and the future resolution of this matter may not be in line with BpL's management current assessment.

How we tailored our Group audit scope

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

We planned and scoped our audit for 2021 reflecting the Group's current structure whereby the Bank represents the vast majority of the Group's assets (99%), liabilities (99%) and profit before tax (97%). 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 with respect to the remaining components no procedures were considered necessary.

Reporting on other information including the Consolidated Administrators' Report

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's or the Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and the Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial

statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

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

Report on other legal and regulatory requirements

Appointment

We were first appointed by Ordinary General Shareholders Meeting as auditors of of Banca Comercială Română SA on 27 January 2017. Our appointment has been renewed by Ordinary General Shareholders Meeting representing a total period of uninterrupted engagement appointment of five years, covering the financial years ended 31 December 2017 up to 31 December 2021.

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

We have been engaged as part of our audit engagement letter by the Management Board of the Bank to conduct a reasonable assurance engagement for the verification of compliance with the applicable requirements of the presentation of the consolidated financial statements of the Group for the year ended 31 December 2021 (the "Presentation of the Consolidated Financial Statements").

Description of a subject matter and applicable criteria

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

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

Responsibility of the Management Board and the Supervisory Board

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

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

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

Our responsibility

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

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

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

Quality control requirements

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

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

Summary of the work performed

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

- obtaining an understanding of the internal control system and processes relevant to the application of the Electronic Reporting Format of the Consolidated Financial Statements, including the preparation of the XHTML format and marking up the consolidated financial statements;
- verification whether the XHTML format was applied properly;
- evaluating the completeness of marking up the consolidated financial statements using the iXBRL markup language according to the requirements of the implementation of electronic format as described in the ESEF Regulation;

- evaluating the appropriateness of the Group's' use of XBRL markups selected from the ESEF taxonomy and the creation of extension markups where no suitable element in the ESEF taxonomy has been identified; and
- evaluating the appropriateness of anchoring of the extension elements to the ESEF taxonomy.

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

Conclusion

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

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

Refer to the original signed Romanian version

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

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

Stefan Friedemann Weiblen
Administrator

Bucharest, 25 March 2022

STATEMENT OF PROFIT OR LOSS

Consolidated and Separate for the year ended 31 December 2021

Statement of profit or loss

	Notes	Group		Bank	
in RON thousands		**31.12.2021**	**31.12.2020**	**31.12.2021**	**31.12.2020**
Net interest income	1	**2,422,069**	**2,371,025**	**2,305,635**	**2,248,995**
Interest income		2,695,293	2,721,402	2,631,663	2,635,589
Other similar income		65,960	63,517	3,299	5,631
Interest expense		(320,385)	(393,464)	(310,614)	(372,153)
Other similar expense		(18,799)	(20,430)	(18,713)	(20,072)
Net fee and commission income	2	**867,922**	**709,999**	**805,904**	**664,455**
Fee and commission income		1,093,800	913,890	1,020,813	856,101
Fee and commission expense		(225,878)	(203,891)	(214,909)	(191,646)
Dividend income	3	3,210	3,312	4,303	3,683
Net trading result	4	386,284	345,186	377,933	335,938
Gains/(losses) from non-trading financial instruments mandatorily measured at fair value through profit or loss		2,642	14,608	2,642	14,608
Foreign currency translation		(5,430)	(3,261)	(2,925)	608
Net result from equity method investments	39	3,441	(2,060)	-	-
Rental income from investment properties and other operating leases	5	111,568	107,489	5,953	8,298
Personnel expenses	6	(799,008)	(804,958)	(737,025)	(695,984)
Other administrative expenses	6	(657,200)	(644,115)	(645,240)	(658,967)
Depreciation and amortisation	6	(215,432)	(219,695)	(205,366)	(206,796)
Gains/(losses) from derecognition of financial assets measured at amortised cost		-	11	-	11
Other gains/(losses) from derecognition of financial instruments not measured at fair value through profit or loss		(31)	(59)	(31)	(59)
Net impairment loss on financial instruments	7,8	(228,362)	(521,271)	(201,659)	(505,325)
Other operating result, out of which	9	**(161,277)**	**(291,102)**	**(29,637)**	**(192,356)**
Other income		226,959	208,479	206,375	81,192
Other expense		(388,236)	(499,581)	(236,012)	(273,548)
Pre-tax result from continuing operations		**1,730,396**	**1,065,109**	**1,680,487**	**1,017,109**
Taxes on income	10	(320,618)	(251,001)	(302,570)	(237,151)
Net result for the period		**1,409,778**	**814,108**	**1,377,917**	**779,958**
Net result attributable to non-controlling interests		7	(9)	-	-
Net result attributable to owners of the parent		**1,409,771**	**814,117**	**1,377,917**	**779,958**

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

Elke Meier

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

Gina Badea

BCR

STATEMENT OF OTHER COMPREHENSIVE INCOME

Consolidated and Separate for the year ended 31 December 2021

Statement of other comprehensive income

	Group		Bank	
in RON thousands	**31.12.2021**	**31.12.2020**	**31.12.2021**	**31.12.2020**
Net result for the period	**1,409,778**	**814,108**	**1,377,917**	**779,958**
Other comprehensive income				
Items that will not be reclassified to profit or loss				
Actuarial gains/(losses) on defined benefit pension plans	11,820	(13,653)	11,734	(13,661)
Deferred taxes relating to items that will not be reclassified	(1,891)	2,186	(1,877)	2,186
Total items that will not be reclassified to profit or loss	**9,929**	**(11,467)**	**9,857**	**(11,475)**
Items that may be reclassified to profit or loss				
Debt instruments at fair value through other comprehensive income	(214,471)	93,716	(214,713)	92,653
Currency translation reserve	7,886	(8,731)	-	-
Deferred taxes relating to items that may be reclassified	34,325	(14,952)	34,354	(14,824)
Total items that may be reclassified to profit or loss	**(172,260)**	**70,033**	**(180,359)**	**77,829**
Total other comprehensive income	**(162,331)**	**58,566**	**(170,502)**	**66,354**
Total comprehensive income	**1,247,447**	**872,674**	**1,207,415**	**846,312**
Total comprehensive income attributable to non-controlling interests	7	(9)	-	-
Total comprehensive income attributable to owners of the parent	1,247,440	872,683	1,207,415	846,312

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

AUTHORISED PERSON,
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Executive Vice-President,

Elke Meier

AUTHORISED PERSON,
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Director Accounting Division,

Gina Badea

BCR

STATEMENT OF FINANCIAL POSITION

Consolidated and Separate as at 31 December 2021

Statement of financial position

		Group		Bank	
in RON thousands	**Notes**	**31.12.2021**	**31.12.2020**	**31.12.2021**	**31.12.2020**
Assets					
Cash and cash equivalents	12	13,317,439	10,538,199	13,069,516	10,193,736
Financial assets held for trading		1,704,540	1,248,822	1,704,540	1,248,822
Derivatives	16	23,994	39,891	23,994	39,891
Other financial assets held for trading	17,20	1,680,546	1,208,931	1,680,546	1,208,931
Non-trading financial assets mandatorily at fair value through profit or loss	18	65,753	104,739	65,502	104,504
Equity instruments		35,121	75,033	34,870	74,798
Debt securities		30,632	27,781	30,632	27,781
Loans and advances to customers		-	1,925	-	1,925
Financial assets at fair value through other comprehensive income	19,20	7,834,955	7,536,126	7,805,091	7,511,525
Debt securities	19,20	7,834,955	7,536,126	7,805,091	7,511,525
Financial assets at amortised cost	13	62,702,857	57,990,947	63,381,929	57,372,656
thereof pledged as collateral	22	210,331	421,310	1,425,072	1,416,847
Debt securities	13, 20	15,570,473	14,827,570	15,382,134	13,986,991
Loans and advances to banks	13	1,362,313	2,028,021	1,362,004	2,026,208
Loans and advances to customers	13	45,770,071	41,135,356	46,637,791	41,359,457
Finance lease receivables	33	1,445,231	1,301,380	11,240	15,106
Property and equipment	29	1,094,606	863,743	820,178	803,005
Investment property	29	150,223	171,860	150,223	171,860
Intangible assets	31	361,674	348,900	349,068	339,662
Investments in joint ventures and associates	39	42,109	39,031	33,470	33,470
Current tax assets	10	185,406	230,979	182,155	227,831
Deferred tax assets	10	200,946	173,378	194,629	165,784
Assets held for sale	44	227,730	625,253	9,153	192,247
Trade and other receivables	14	653,237	563,885	631,610	548,097
Investments in subsidiaries	38	-	-	518,464	448,521
Other assets	32	268,413	249,430	163,730	161,407
Total assets		**90,255,119**	**81,986,672**	**89,090,498**	**79,538,233**
Liabilities and Equity					
Financial liabilities held for trading		22,343	52,051	22,359	52,051
Derivatives	16	22,343	52,051	22,359	52,051
Financial liabilities measured at amortised cost	15	77,835,634	69,847,085	77,617,727	68,527,999
Deposits from banks	15	430,383	1,066,225	1,569,445	2,065,137
Borrowings and financing lines	15	849,192	1,453,289	246,763	426,827
Deposits from customers	15	72,458,416	64,876,774	71,721,511	63,591,718
Debt securities issued	15	2,733,120	614,801	2,733,120	614,801
Subordinated loans	15	503,964	1,087,260	503,964	1,087,260
Other financial liabilities	15	860,559	748,736	842,924	742,256
Lease liabilities	33	435,710	428,737	435,710	426,424
Provisions	35	1,793,931	1,857,633	1,149,254	1,145,984
Current tax liabilities	10	48,764	2,985	45,104	-
Deferred tax liabilities	10	14,317	11,833	-	-
Liabilities associated with assets held for sale	44	-	150,294	-	-
Other liabilities	34	383,978	291,133	333,489	234,409
Total equity	**37**	**9,720,442**	**9,344,921**	**9,486,855**	**9,151,366**
Attributable to non-controlling interest		50	43	-	-
Attributable to owners of the parent		9,720,392	9,344,878	9,486,855	9,151,366
Share capital		2,952,565	2,952,565	2,952,565	2,952,565
Retained earnings		5,143,334	4,630,400	4,900,768	4,419,688
Other reserves		1,624,493	1,761,913	1,633,522	1,779,113
Total liabilities and equity		**90,255,119**	**81,986,672**	**89,090,498**	**79,538,233**

AUTHORISED PERSON,
First name and name
Signature

Executive Vice-President,

Elke Meier

AUTHORISED PERSON,
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Signature

Director Accounting Division,

Gina Badea

STATEMENT OF CHANGES IN EQUITY

Consolidated and Separate for the year ended 31 December 2021

Statement of changes in equity

31.12.2021 Group

in RON thousands	Share capital	Share premium	Retained earnings	Other reserves (1)	Fair value reserve	Foreign 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 31.12.2020	**2,952,565**	**395,483**	**4,630,400**	**1,197,466**	**155,693**	**(18,150)**	**67,002**	**(35,581)**	**9,344,878**	**43**	**9,344,921**
Dividends paid	-	-	(871,926)	-	-	-	-	-	(871,926)	-	(871,926)
Reclassification among components of equity	-	-	(24,911)	24,911	-	-	-	-	-	-	-
Total comprehensive income, of which	**-**	**-**	**1,409,771**	**-**	**(214,471)**	**7,886**	**11,820**	**32,434**	**1,247,440**	**7**	**1,247,447**
Net result for the period	-	-	1,409,771	-	-	-	-	-	1,409,771	7	1,409,778
Other comprehensive income	-	-	-	-	(214,471)	7,886	11,820	32,434	(162,331)	-	(162,331)
Total equity as of 31.12.2021	**2,952,565**	**395,483**	**5,143,334**	**1,222,377**	**(58,778)**	**(10,264)**	**78,822**	**(3,147)**	**9,720,392**	**50**	**9,720,442**

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

31.12.2020 Group

in RON thousands	Share capital	Share premium	Retained earnings	Other reserves (1)	Fair value reserve	Foreign 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 31.12.2019	**2,952,565**	**395,483**	**3,882,542**	**1,130,670**	**61,977**	**(9,419)**	**80,655**	**(22,815)**	**8,471,658**	**52**	**8,471,710**
Reclassification among components of equity	-	-	(66,796)	66,796	-	-	-	-	-	-	-
Changes in scope of consolidation and ownership interest (i)	-	-	537	-	-	-	-	-	537	-	537
Total comprehensive income, of which	**-**	**-**	**814,117**	**-**	**93,716**	**(8,731)**	**(13,653)**	**(12,766)**	**872,683**	**(9)**	**872,674**
Net result for the period	-	-	814,117	-	-	-	-	-	814,117	(9)	814,108
Other comprehensive income	-	-	-	-	93,716	(8,731)	(13,653)	(12,766)	58,566	-	58,566
Total equity as of 31.12.2020	**2,952,565**	**395,483**	**4,630,400**	**1,197,466**	**155,693**	**(18,150)**	**67,002**	**(35,581)**	**9,344,878**	**43**	**9,344,921**

(1) Other reserves include legal reserves and general banking risk reserve.
(2) Referes to translation of financial information of foreign operation to presentation currency.
(i) Changes in scope of consolidation and ownership interest are related to lost of control in CITOne

Statement of changes in equity *(continued)*

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

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

							31.12.2020	Bank
in RON thousands	**Share capital**	**Share premium**	**Retained earnings**	**Other reserves (1)**	**Fair value reserve**	**Actuarial gains/(losses) on defined benefit pension plans**	**Deferred tax**	**Total**
Total equity as of 31.12.2019	**2,952,565**	**395,483**	**3,706,526**	**1,130,670**	**61,881**	**80,749**	**(22,820)**	**8,305,054**
Reclassification among components of equity	-	-	(66,796)	66,796	-	-	-	-
Total comprehensive income, of which	**-**	**-**	**779,958**	**-**	**92,653**	**(13,661)**	**(12,638)**	**846,312**
Net result for the period	-	-	779,958	-	-	-	-	779,958
Other comprehensive income	-	-	-	-	92,653	(13,661)	(12,638)	66,354
Total equity as of 31.12.2020	**2,952,565**	**395,483**	**4,419,688**	**1,197,466**	**154,534**	**67,088**	**(35,458)**	**9,151,366**

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

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STATEMENT OF CASH FLOW

Consolidated and Separate for the year ended 31 December 2021

Statement of cash flow

in RON thousands	Notes	Group 31.12.2021	Group 31.12.2020	Bank 31.12.2021	Bank 31.12.2020
Net result for the period		**1,409,778**	**814,108**	**1,377,917**	**779,958**
Non-cash adjustments for items in net result for the period					
Depreciation, amortisation of assets	6	215,432	219,695	205,366	206,796
Allocation and release of impairment of loans	7,8	202,660	670,181	175,115	646,555
Gains/(losses) from the sale of tangible and intangible assets	29,31	35,654	10,222	(24,542)	3,474
Gains/(Losses) on disposal of assets held for sale		50,382	10,044	50,382	10,044
Other provisions	35	(51,882)	62,003	15,004	82,842
Impairment of subsidiaries	38	-	-	(69,943)	39,556
Impairment tangible, intangible assets and asset held for sale	9	116,109	135,461	24,127	53,772
Other adjustments		35,850	(21,128)	57,708	(33,399)
Adjustments for items in net profit/(loss) for the year		(593,845)	(564,031)	(573,634)	(530,367)
Interest income from investing activities	1	(658,147)	(666,727)	(646,715)	(640,746)
Interest expense for financing activities	1	64,302	102,696	73,081	110,788
Dividend income from investing activities	3	-	-	-	(409)
Changes in assets and liabilities from operating activities after adjustment for non-cash components					
Financial assets - held for trading	16	(471,615)	(819,675)	(471,615)	(819,675)
Non-trading financial assets mandatorily at fair value through profit or loss	18	1,925	1,637	1,925	1,637
Financial assets at fair value through other comprehensive income	19,20	(573,419)	(1,324,565)	(568,397)	(1,302,971)
Financial assets at amortised cost		(4,388,685)	(4,801,484)	(4,872,563)	(5,568,337)
Loans and advances to banks	13	665,708	(1,366,584)	663,266	(1,365,396)
Loans and advances to customers	13	(5,054,393)	(3,434,900)	(5,535,829)	(4,202,941)
Finance lease receivables	33	(143,851)	(183,448)	3,866	(11,707)
Other assets from operating activities	32	269,865	42,885	53,418	20,511
Financial liabilities measured at amortised cost	15	7,048,467	6,855,473	7,821,240	7,352,837
Deposits from banks		(615,984)	(332,585)	(429,786)	(572,751)
Deposits from customers		7,581,642	7,084,994	8,129,793	7,816,294
Other financial liabilities		82,809	103,064	121,233	109,294
Other liabilities from operating activities	34	86,014	(83,997)	99,082	(58,829)
Cash flow from operating activities		**3,248,839**	**1,023,381**	**3,304,456**	**872,697**
Proceeds of disposal		3,312,692	1,951,203	2,491,749	1,378,473
Debt securities at amortised cost	13	3,118,694	1,867,749	2,333,166	1,315,940
Property and equipment, intangible assets and investment properties	29,31	104,184	79,568	68,769	58,647
Assets held for sale	44	89,814	3,886	89,814	3,886
Acquisition of		(4,204,128)	(1,194,967)	(3,843,640)	(1,043,352)
Debt securities at amortised cost	13	(3,808,264)	(967,137)	(3,675,171)	(886,822)
Property and equipment, intangible assets and investment properties	29,31	(395,864)	(227,830)	(168,469)	(156,530)
Contribution to increase in share capital of subsidiaries and investements in associates	32	-	-	-	(4,535)
Interest received from investing activities	1	664,933	666,727	653,501	640,746
Dividends received from investing activities	3	-	-	-	409
Cash flow from investing activities		**(226,503)**	**1,422,963**	**(698,390)**	**971,741**
Dividends paid to equity holders of the parent	11	(870,887)	-	(870,887)	-
Dividends paid to non-controlling interests	11	(1,039)	-	(1,039)	-
Repayment of principal of lease liabilities (IFRS 16)	33	(74,474)	(73,705)	(74,332)	(73,077)
Debt securities redeemed	15	(45,983)	(85,601)	(45,983)	(85,601)
Debt securities issued	15	2,100,000	-	2,100,000	-
Outflows from other financing activities	15	(1,289,323)	(684,196)	(782,599)	(159,901)
Interest paid for financing activities	1	(61,390)	(71,161)	(55,446)	(57,094)
Other financing activities		(12,685)	(23,006)	(6,741)	(8,939)
Subordinated loans		(48,705)	(48,155)	(48,705)	(48,155)
Cash flow from financing activities		**(243,096)**	**(914,663)**	**269,714**	**(375,673)**
Cash and cash equivalents at beginning of period		**10,538,199**	**9,006,518**	**10,193,736**	**8,724,971**
Cash flow from operating activities		3,248,839	1,023,381	3,304,456	872,697
Cash flow from investing activities		(226,503)	1,422,963	(698,390)	971,741
Cash flow from financing activities		(243,096)	(914,663)	269,714	(375,673)
Cash and cash equivalents at end of period	12	**13,317,439**	**10,538,199**	**13,069,516**	**10,193,736**

in RON thousands	Group 31.12.2021	Group 31.12.2020	Bank 31.12.2021	Bank 31.12.2020
Cash flows related to taxes, interest (included in cash flows from operating activities)	**1,650,717**	**2,126,338**	**1,521,131**	**1,981,984**
Payments for taxes on income	(199,826)	(241,812)	(185,721)	(234,696)
Interest received	2,110,976	2,757,660	1,957,070	2,600,680
Interest paid	(260,433)	(389,510)	(250,217)	(384,000)

Notes to the group financial statements of BCR Group

Corporate information

Banca Comercială Română S.A. (the 'Bank' or 'BCR') together with its subsidiaries (the 'Group') provides retail, corporate banking and investment banking services mainly in Romania. As a result of the privatization process organized by the government of Romania, Erste Bank der oesterreichischen Sparkassen AG ('Erste Bank') purchased 61.88% of the share capital of the Bank pursuant to a share purchase agreement dated 21 December 2005. Until 31 December 2021, Erste Bank purchased further 38.0070% from employees and other shareholders of the Bank, adding up to 99.8870%. Erste Bank is the direct parent of the Bank. Erste Bank der oesterreichischen Sparkassen AG ('Erste Bank') is owned 100% by Erste Group Bank AG. The ultimate parent of the Group is Erste Group Bank AG.

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

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

The consolidated financial statements for the year ended 31 December 2021 were authorized for issue in accordance with a resolution of the Management Board on 15 March 2022 and Supervisory Board on 25 March 2022.

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

Significant accounting policies

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

a) Basis of preparation

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

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

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

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

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

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

Significant accounting policies *(continued)*

b) Covid-19 disclosures

In the separate and consolidated financial statements, considerations and significant impacts of the Covid-19 outbreak are in the sub-chapter 'Covid-19' from Note 26 which explains the considerations of the pandemic on the ECL measurement, sensitivity analyses and information on credit exposures subject to certain Covid 19 measures.

c) Accounting and measurement methods

Impact of inflation

Romania was a hyperinflationary economy and was officially declared as ceasing to be hyperinflationary for IFRS reporting purposes as at 1 July 2004. The financial statements of the Group and the Bank have been restated to take into account the effects of inflation until 31 December 2003 in accordance with the provisions of and guidance in IAS 29. In summary IAS 29 requires that financial statements prepared on a historical cost should be restated in terms of measuring unit current at the balance sheet date and that any gain or loss on the net monetary position should be included in the profit or loss and disclosed separately.

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. On disposal of a foreign entity, the deferred cumulative amount recognized in equity relating to that particular foreign operation is recognized in the statement of comprehensive income in 'Other operating result'.

Accounting treatment of issues related to Covid-19

i. Public moratoria

In light of the spread of COVID-19, a variety of measures have been taken by government in Romania in 2020 aimed at addressing the economic consequences of the outbreak on individuals, households and businesses. Such measures include public moratoria on repayment of loans, overdraft facilities and mortgages. Further, BCR offered renegotiations of repayment schedules on a voluntary basis to customers facing liquidity shortages.

The public moratoria was applied mainly on performing customers and to their exposures existing before the outbreak of COVID-19 pandemic. Most of the public moratoria are based on an opt-in approach meaning that customers have to ask the bank for the payment reliefs.

Interest continues to accrue on the outstanding balance during the moratorium period. Nevertheless, in many cases an economic loss is incurred and modification losses are recognised from accounting perspective. This results from the fact that the interest accrued, instead of being repaid or capitalised at the end of the moratorium, is repaid over the period after the moratorium.

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

Significant accounting policies *(continued)*

The public moratoria applied did not lead to derecognition. In particular, this is because the moratoria are typically below one year and in most cases the contractual interest continues to accrue during the suspension phase. In the statement of income, the modification gain or loss is presented in the line 'Interest income' under '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 'Net impairment loss on financial instruments'.

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

The Romanian Government repeatedly extended the alert state during 2021, which was instated by Government Decision no.394/2020 in respect of alert state and measures applicable during this period for prevention of COVID-19 pandemic effects, approved with subsequent modifications.

In 2021, the Group has not received a significant volume of such requests and no significant increases have been identified in terms of the number and value of new non-performing exposures and no significant increases in past-due days, at the level of the loan portfolio.

As of December 2021, all public or private moratoria ended.

ii. Public guarantees

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

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

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

iii. Impairment of financial instruments

The main contributor to the impairment allocation in the line item „Impairment result from financial instruments' at Group level in the amount of RON 100,500 thousand (out of overall impairment result in the amount of RON 228,362 thousand) is directly attributable to changes in macro environment. Allocations of collective provisions as a result of IFRS 9 risk parameters update are the main reason for the remaining impairment allocation.

iv. Significant accounting judgements, assumptions and estimates'

The COVID-19 pandemic increased the level of uncertainty. The consequences for the economy as well as the measures taken by government and regulators are likely to affect the Group's financial performance and position, including significant impacts for expected credit losses, as well as impacts on operating income. All negative effects that could be reasonable estimated were recognised by 2020 and 2021 end. The Group will continue to follow the developments closely and will recognise any effects as the situation further unfolds.

Details on the effects of Covid-19 on the expected credit loss estimation are described in Note 26.

d) Significant accounting judgements, assumptions and estimate

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

- Taxes on income and deferred tax assets (Note 10 - Taxes on income);
- SPPI assessment of financial instruments (Chapter Financial instruments – Significant accounting policies);

Significant accounting policies *(continued)*

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

e) Application of amended and new IFRS/IAS

The following amended standards became effective from 1 January 2021, but did not have any material impact on the Group and Bank:

- Covid-19-Related Rent Concessions – Amendments to IFRS 16 (issued on 28 May 2020 and effective for annual periods beginning on or after 1 June 2020);
- Interest rate benchmark (IBOR) reform – phase 2 amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 (issued on 27 August 2020 and effective for annual periods beginning on or after 1 January 2021);
- Amendment to IFRS 4 – deferral of IFRS 9 (issued on 25 June 2020 and effective for annual periods beginning on or after 1 January 2023).

Interest Rate Benchmark Reform

On 31 December 2021 publication of the CHF, GBP, JPY LIBOR rates for all tenors and USD LIBOR rates for 1-week and 2-month tenors was ceased. Remaining USD LIBOR rates representing the more liquid tenors (overnight, 1-month, 3-month, 6-month, 12month) will be ceased on 30 June 2023.

LIBOR-based new business has been stopped since April 2021 (in GBP) and since July (in CHF and JPY). New business in USD LIBOR was allowed until the end of 2021. New alternative reference rates (ARR) are licensed and systems are ready for new ARR-linked business starting with January 2022.

ARRs replacing LIBOR are overnight rates. There are significant differences between the LIBOR and ARRs. LIBOR is a 'term rate' published at a start of a borrowing period with certain tenor (such as 3 months), i.e. it is 'forward-looking'. ARRs are generally overnight 'backward-looking' rates resulting from actual transactions. Following ARRs are in place for the respective currencies:

- SOFR (Secured Overnight Financing Rate) for USD;
- SONIA (Sterling Overnight Index Average) for GBP;
- SARON (Swiss Average Rate Overnight) for CHF;
- TONAR (Tokyo Overnight Average Rate) for JPY.

Regarding the accounting treatment of the interest rates replacement a practical expedient has been provided by the Interest Rate Benchmark Reform – Phase 2 amendments of IFRS 9 issued in August 2020. It requires that changes in the rates resulting from the interest rate benchmark reform are reflected by adjusting the effective interest rate of the instruments. No immediate gain or loss is recognized. This expedient is only applicable to changes that are required by interest rate benchmark reform, i.e. and only if:

- the change is necessary as a direct consequence of interest rate benchmark reform; and
- the new basis for determining the contractual cash flows is economically equivalent to the previous basis (including a fixed spread necessary to compensate for the basis difference between the LIBOR rates and the ARR rates).

Starting 2022, BCR does not issue new business linked to USD LIBOR, but only linked (at the moment) to SOFR1MAVG a 30 day compound average based on the overnight rate (SOFR).

Significant accounting policies *(continued)*

The volume of LIBOR-linked financial instruments held on 31 December 2021 which are yet to transition to the new ARRs is disclosed in the following table:

RON thousands	Financial assets Gross carrying amount	Financial liabilities Carrying amount	Derivatives Notional amount
CHF LIBOR	n/a	n/a	n/a
GBP LIBOR	n/a	n/a	n/a
JPY LIBOR	n/a	n/a	n/a
USD LIBOR	527,863	87,581	n/a

Certain new standards and interpretations have been issued that are mandatory for the annual periods beginning on or after 1 January 2022 or later, and which the Group has not early adopted.

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

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

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

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

Significant accounting policies *(continued)*

Proceeds before intended use, Onerous contracts – cost of fulfilling a contract, Reference to the Conceptual Framework – narrow scope amendments to IAS 16, IAS 37 and IFRS 3, and Annual Improvements to IFRSs 2018-2020 – amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41 (issued on 14 May 2020 and effective for annual periods beginning on or after 1 January 2022). The amendment to IAS 16 prohibits an entity from deducting from the cost of an item of PPE any proceeds received from selling items produced while the entity is preparing the asset for its intended use. The proceeds from selling such items, together with the costs of producing them, are now recognised in profit or loss. An entity will use IAS 2 to measure the cost of those items. Cost will not include depreciation of the asset being tested because it is not ready for its intended use. The amendment to IAS 16 also clarifies that an entity is 'testing whether the asset is functioning properly' when it assesses the technical and physical performance of the asset. The financial performance of the asset is not relevant to this assessment. An asset might therefore be capable of operating as intended by management and subject to depreciation before it has achieved the level of operating performance expected by management.

The amendment to IAS 37 clarifies the meaning of 'costs to fulfil a contract'. The amendment explains that the direct cost of fulfilling a contract comprises the incremental costs of fulfilling that contract; and an allocation of other costs that relate directly to fulfilling. The amendment also clarifies that, before a separate provision for an onerous contract is established, an entity recognises any impairment loss that has occurred on assets used in fulfilling the contract, rather than on assets dedicated to that contract.

IFRS 3 was amended to refer to the 2018 Conceptual Framework for Financial Reporting, in order to determine what constitutes an asset or a liability in a business combination. Prior to the amendment, IFRS 3 referred to the 2001 Conceptual Framework for Financial Reporting. In addition, a new exception in IFRS 3 was added for liabilities and contingent liabilities. The exception specifies that, for some types of liabilities and contingent liabilities, an entity applying IFRS 3 should instead refer to IAS 37 or IFRIC 21, rather than the 2018 Conceptual Framework. Without this new exception, an entity would have recognised some liabilities in a business combination that it would not recognise under IAS 37. Therefore, immediately after the acquisition, the entity would have had to derecognise such liabilities and recognise a gain that did not depict an economic gain. It was also clarified that the acquirer should not recognise contingent assets, as defined in IAS 37, at the acquisition date.
The amendment to IFRS 9 addresses which fees should be included in the 10% test for derecognition of financial liabilities. Costs or fees could be paid to either third parties or the lender. Under the amendment, costs or fees paid to third parties will not be included in the 10% test.

Illustrative Example 13 that accompanies IFRS 16 was amended to remove the illustration of payments from the lessor relating to leasehold improvements. The reason for the amendment is to remove any potential confusion about the treatment of lease incentives.

IFRS 1 allows an exemption if a subsidiary adopts IFRS at a later date than its parent. The subsidiary can measure its assets and liabilities at the carrying amounts that would be included in its parent's consolidated financial statements, based on the parent's date of transition to IFRS, if no adjustments were made for consolidation procedures and for the effects of the business combination in which the parent acquired the subsidiary. IFRS 1 was amended to allow entities that have taken this IFRS 1 exemption to also measure cumulative translation differences using the amounts reported by the parent, based on the parent's date of transition to IFRS. The amendment to IFRS 1 extends the above exemption to cumulative translation differences, in order to reduce costs for first-time adopters. This amendment will also apply to associates and joint ventures that have taken the same IFRS 1 exemption.
The requirement for entities to exclude cash flows for taxation when measuring fair value under IAS 41 was removed. This amendment is intended to align with the requirement in the standard to discount cash flows on a post-tax basis.

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.

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

During 2021, the Group and the Bank have applied the same accounting policies as in 2020.

Performance/ return

1. Net interest income

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

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

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

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

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

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

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

	Group		Bank	
in RON thousands	**31.12.2021**	**31.12.2020**	**31.12.2021**	**31.12.2020**
Interest and other similar income				
Financial assets at amortised cost	2,498,008	2,526,415	2,436,432	2,442,160
Financial assets measured at fair value through other comprehensive income	197,285	194,987	195,231	193,429
Interest income	**2,695,293**	**2,721,402**	**2,631,663**	**2,635,589**
Non-trading financial assets at fair value through profit or loss	5	7	5	7
Financial assets - held for trading	448	4,761	448	4,761
Finance lease receivables	63,005	58,097	280	211
Other assets	12	11	12	11
Negative interest from financial liabilities	2,490	641	2,554	641
Other similar income	**65,960**	**63,517**	**3,299**	**5,631**
Total interest and other similar income	**2,761,253**	**2,784,919**	**2,634,962**	**2,641,220**
Interest and other similar expense				
Financial liabilities measured at amortised cost	(320,385)	(393,464)	(310,614)	(372,153)
Interest expenses	**(320,385)**	**(393,464)**	**(310,614)**	**(372,153)**
Financial liabilities - held for trading	(221)	(2,070)	(221)	(2,070)
Lease liabilities	(8,889)	(8,353)	(8,803)	(7,994)
Other liabilities	(6,998)	(7,913)	(6,998)	(7,914)
Negative interest from financial assets	(2,691)	(2,094)	(2,691)	(2,094)
Other similar expenses	**(18,799)**	**(20,430)**	**(18,713)**	**(20,072)**
Total interest and other similar expense	**(339,184)**	**(413,894)**	**(329,327)**	**(392,225)**
Net interest income	**2,422,069**	**2,371,025**	**2,305,635**	**2,248,995**

2. Net fee and commission income

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

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

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

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

Fee income from providing transaction services

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

Group

in RON thousands	31.12.2021		31.12.2020	
	Income	Expense	Income	Expense
Securities - brokerage	**40,080**	**(5,958)**	**35,821**	**(6,336)**
Transfer orders	40,080	(5,958)	35,821	(6,336)
Clearing and settlement	7,868	(18,344)	6,700	(16,033)
Asset management	53,360	-	41,041	-
Custody	17,093	(4,770)	17,847	(4,882)
Payment services	**694,052**	**(163,216)**	**584,619**	**(147,489)**
Card business	237,664	(109,083)	171,226	(95,707)
Other	456,388	(54,133)	413,393	(51,782)
Customer resources distributed but not managed	**181,241**	**(5,025)**	**141,087**	**(2,407)**
Collective investment	56,022	-	35,168	-
Insurance products	91,483	-	81,985	-
Foreign exchange transactions	32,799	(5,025)	23,575	(2,407)
Other	937	-	359	-
Structured finance	1,354	-	1,940	-
Lending business	**69,438**	**(25,779)**	**61,111**	**(23,659)**
Guarantees given, guarantees received	21,814	(1,643)	23,313	(5,079)
Loan commitments given, loan commitments received	21,224	-	17,297	-
Other lending business	26,400	(24,136)	20,501	(18,580)
Other	29,314	(2,786)	23,724	(3,085)
Total fee and commission income and expenses	**1,093,800**	**(225,878)**	**913,890**	**(203,891)**
Net fee and commission income	**867,922**		**709,999**	

Bank

in RON thousands	31.12.2021		31.12.2020	
	Income	Expense	Income	Expense
Securities - brokerage	**40,080**	**(5,958)**	**35,821**	**(6,336)**
Transfer orders	40,080	(5,958)	35,821	(6,336)
Clearing and settlement	7,876	(18,244)	6,709	(15,913)
Custody	17,093	(2,915)	17,847	(3,148)
Payment services	**688,681**	**(160,683)**	**579,542**	**(145,280)**
Card business	234,496	(107,318)	168,293	(94,094)
Other	454,185	(53,365)	411,249	(51,186)
Customer resources distributed but not managed	**173,644**	**(5,025)**	**134,997**	**(2,407)**
Collective investment	56,022	-	35,168	-
Insurance products	81,213	-	73,473	-
Building society brokerage	7	-	29	-
Foreign exchange transactions	32,800	(5,025)	23,576	(2,407)
Other	3,602	-	2,751	-
Structured finance	1,354	-	1,940	-
Lending business	**69,145**	**(21,402)**	**60,905**	**(18,056)**
Guarantees given, guarantees received	21,607	(73)	23,085	(2,600)
Loan commitments given, loan commitments received	21,224	-	17,297	-
Other lending business	26,314	(21,329)	20,523	(15,456)
Other	22,940	(682)	18,340	(506)
Total fee and commission income and expenses	**1,020,813**	**(214,909)**	**856,101**	**(191,646)**
Net fee and commission income	**805,904**		**664,455**	

The ‘Other’ category contains mostly factoring fees which are not an integral part of the effective interest rate, for December 2021 in amount of RON 18,161 thousands (December 2020: RON 14,699 thousands).

3. Dividend income

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

	Group		Bank	
in RON thousands	**31.12.2021**	**31.12.2020**	**31.12.2021**	**31.12.2020**
Non-trading financial assets at fair value through profit or loss (i)	3,210	3,312	3,146	3,274
Dividend income from investment in subsidiaries and associates (ii)	-	-	1,157	409
Dividend income	**3,210**	**3,312**	**4,303**	**3,683**

(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, Univers SA, Omniasig, Visa.

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

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	**31.12.2021**	**31.12.2020**	**31.12.2021**	**31.12.2020**
Net Trading Result				
Securities and derivatives trading	94,988	83,283	94,988	83,283
Foreign exchange transactions	291,296	261,903	282,945	252,655
Net Trading Result	**386,284**	**345,186**	**377,933**	**335,938**

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	**31.12.2021**	**31.12.2020**	**31.12.2021**	**31.12.2020**
Investment properties	2,601	2,264	3,099	2,591
Other operating leases	108,967	105,225	2,854	5,707
Rental income from investment properties and other operating leases	**111,568**	**107,489**	**5,953**	**8,298**

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

6. General administrative expenses

Personnel expenses

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

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

6. General administrative expenses *(continued)*

The Bank and the subsidiaries in Romania, in the normal course of business make payments to the Romanian State funds on behalf of its Romanian employees for pension, health care and 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. All employees of the Bank and its subsidiaries in Romania are legally obliged to pay the contributions defined by the Romanian state. BCR pays the labor insurance contribution to the state funds, the contribution is relevant to the profit and loss account.

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

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

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

Other administrative expenses

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

Depreciation and amortisation

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

	Group		Bank	
in RON thousands	**31.12.2021**	**31.12.2020**	**31.12.2021**	**31.12.2020**
Personnel expenses (i)	(799,008)	(804,958)	(737,025)	(695,984)
Other administrative expenses (ii)	(657,200)	(644,115)	(645,240)	(658,967)
Depreciation and amortisation (iii)	(215,432)	(219,695)	(205,366)	(206,796)
Total	**(1,671,640)**	**(1,668,768)**	**(1,587,631)**	**(1,561,747)**
Personnel expenses	**(799,008)**	**(804,958)**	**(737,025)**	**(695,984)**
Wages and salaries	(747,763)	(765,516)	(690,435)	(666,139)
Compulsory social security	(22,750)	(22,737)	(19,522)	(18,107)
Long-term employee provisions	(1,073)	(1,705)	(1,073)	(1,465)
Other personnel expenses	(27,422)	(15,000)	(25,995)	(10,273)
Other administrative expenses	**(657,200)**	**(644,115)**	**(645,240)**	**(658,967)**
Payments into deposit insurance fund	(16,748)	(21,159)	(15,526)	(17,973)
IT expenses	(315,658)	(288,564)	(309,831)	(280,559)
Expenses for office space	(58,231)	(66,736)	(57,315)	(63,610)
Office operating expenses	(128,006)	(112,333)	(133,511)	(160,413)
Security services	(13,610)	(16,867)	(13,234)	(15,927)
Operating leases	(19,756)	(14,596)	(18,837)	(14,219)
Advertising / Marketing	(44,991)	(51,888)	(42,787)	(50,286)
Legal and consulting costs	(35,825)	(33,016)	(31,950)	(29,077)
Sundry administrative expenses	(24,375)	(38,956)	(22,249)	(26,903)
Depreciation and amortisation	**(215,432)**	**(219,695)**	**(205,366)**	**(206,796)**
Software and other intangible assets	(77,151)	(79,123)	(74,898)	(75,639)
Owner occupied real estate	(13,345)	(14,773)	(13,332)	(14,752)
Investment properties	(5,632)	(4,966)	(5,632)	(4,966)
Right of use assets	(69,093)	(70,228)	(67,937)	(68,106)
Office furniture and equipment and sundry property and equipment	(50,211)	(50,605)	(43,567)	(43,333)
General administrative expenses	**(1,671,640)**	**(1,668,768)**	**(1,587,631)**	**(1,561,747)**

6. General administrative expenses *(continued)*

(i) Personnel expenses slightly decreased in 2021 as compared to 2020 by RON 5,950 thousand at consolidated level mainly due to FY impact from deconsolidation of CIT One subsidiary end Sept'20 as well as positive impact from branches consolidation during the year, partly offset by additional cost booked in 2021 related to free shares to be distributed to employees .

The number of own employees of the Bank at 31 December 2021 was 4,905 employees (31 December 2020: 5,201 employees).

The number of own employees of the Group at 31 December 2021 was 5,342 employees (31 December 2020: 5,645 employees), significantly lower by 303 FTEs against 2020. The decrease by 303 FTEs was mainly driven by re-organisation of branches (resulting in a reduction of their number) during 2021.

The contribution to statutory pension funds for 2021 is RON 169,933 thousand at Group level (2020: RON 168,762 thousand) and RON 167,651 thousand at Bank level (2020: 166,089 RON thousand).

All employees of BCR Group, who were employed for more than 6 months as of 31 December 2021, will receive free shares of Erste Group Bank AG in an amount equivalent to € 350 net, provided that the Annual General Meeting of Erste Group Bank AG 2022 decides to distribute dividends. Therefore, based on the number of the entitled employees, personnel expenses in the amount of RON 9,358 thousand (Bank: RON 8,634 thousand) as well as the corresponding other liability were recognized.

(ii) Other administrative expenses for the Group in 2021 were higher compared with 2020, mainly driven by higher investments in IT (by RON 27,094 thousand), partly offset by lower office space including security costs (by RON 11,762 thousand) mainly due to branches consolidation, lower annual contribution to the deposit insurance fund (by RON 4,411 thousand) and lower advertising / marketing cost (by RON 6,897 thousand), as well as higher COVID pandemic costs booked in 2020.

(iii) Depreciation and amortization for the Group in 2021 are slightly lower vs. 2020 in both IT & property areas (by RON 4,260 thousand); in terms of Property depreciation, full year impact from new HQ (Business Garden) is fully offset by savings from consolidation of branches during the year). The depreciation related to tangible assets subject to operating lease is in amount of RON 18,692 thousands, o/w IAS 40 RON 14,001 thousand and IAS 16 RON 4,690 thousand.

The key management remuneration paid during 2021 were of RON 18,818 thousands (2020: RON 14,990 thousands).

	2021				2020			
in RON thousands	Expense	Employer taxes	Accrued liability	Employer taxes	Expense	Employer taxes	Accrued liability	Employer taxes
Short-term benefits	**11,849**	**159**	**2,379**	**23**	**10,723**	**170**	**63**	**1**
Salaries	8,714	125	2,379	23	9,039	152	63	1
Benefits in kind	3,135	34	-	-	1,684	18	-	-
Share-based compensation:	**(18)**	**-**	**18,423**	**415**	**42**	**1**	**16,556**	**373**
Cash-settled share-based compensation (bonus cash)	(18)	-	18,423	415	42	1	16,556	373

The actual cash out for share based compensation was of 4,243 thousands RON in 2021 and 4,204 thousands RON in 2020.

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

	2021	2020
Domestic	**5,389**	**6,639**
Banca Comerciala Romana	5,041	5,379
CIT One SRL*	-	915
BCR Leasing IFN SA	126	125
BCR Banca pentru Locuinte SA	62	75
BCR Payments Services SRL	87	83
BCR Pensii, Societate de Administrare a Fondurilor de Pensii Private SA	47	45
BCR Fleet Management SRL	21	12
Suport Colect SRL	5	5
Abroad	**91**	**90**
BCR Chisinau SA	91	90
Total	**5,480**	**6,729**

* As of September 2020, BCR lost control over CITOne, the company becoming joint venture. The average number of employees considered is for the period for which the company was subsidiary.

7. Net impairment loss on financial instruments

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

	Group		Bank	
in RON thousands	**31.12.2021**	**31.12.2020**	**31.12.2021**	**31.12.2020**
Allocation to risk provisions	(285,267)	(755,324)	(229,388)	(728,761)
Financial assets at fair value through other comprehensive income	(705)	(5,570)	(545)	(4,425)
Financial assets at amortised cost (i)	(196,149)	(647,037)	(168,772)	(624,635)
Finance lease receivables	(27,942)	(9,432)	1,124	(4,339)
Net allocation of provisions for commitments and guarantees given	(60,471)	(93,285)	(61,195)	(95,362)
Direct write-offs	(6,343)	(23,617)	(6,343)	(21,921)
Recoveries recorded directly to the income statement	72,170	263,623	42,959	251,319
Modification gains or losses	(8,922)	(5,953)	(8,887)	(5,962)
Net impairment loss on financial instruments	**(228,362)**	**(521,271)**	**(201,659)**	**(505,325)**

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

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

	Group		Bank	
in RON thousands	**31.12.2021**	**31.12.2020**	**31.12.2021**	**31.12.2020**
Opening balance of credit loss allowances	**(2,691,153)**	**(2,375,560)**	**(2,637,765)**	**(2,317,747)**
Allocation to risk provisions	(285,267)	(755,324)	(229,388)	(728,761)
PL-impairment (gain)/loss attributable to POCI assets with	(34,446)	(27,934)	(34,446)	(29,223)
(Increase) due to passage of time (UWC)	(68,275)	(43,712)	(75,324)	(47,324)
CLA decreases due to sales	-	70,318	-	70,318
CLA decreases due to write-offs	108,228	179,449	71,791	134,013
Other CLA changes	(30,079)	261,610	(22,778)	280,959
Closing balance of credit loss allowances (total)	**(3,000,992)**	**(2,691,153)**	**(2,927,910)**	**(2,637,765)**

9. Other operating result

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

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

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

9. Other operating result *(continued)*

	Group		Bank	
in RON thousands	**31.12.2021**	**31.12.2020**	**31.12.2021**	**31.12.2020**
Other income, of which:	**226,959**	**208,479**	**206,375**	**81,192**
Impairment of subsidiaries (i)	-		69,943	-
Gain on disposal of premises and equipment	18,789	10,222	9,184	4,581
Gain on disposal of investment properties	11,237	9,431	11,237	9,431
Gain on disposal of non-current assets held for sale (ii)	64,277	3,886	64,277	3,886
Gains on other assets	72,587	89,457	32,849	36,023
Other income (iii)	60,069	95,483	18,885	27,271
Other expense, of which:	**(388,236)**	**(499,581)**	**(236,012)**	**(273,548)**
Other provisions - net (allocation)/release (iv)	57,442	36,007	12,979	17,408
Losses on other assets	(62,936)	(75,018)	(21,760)	(23,343)
Impairment of subsidiaries (i)	-	-	-	(39,556)
Impairment of tangible and intangible assets (v)	(17,700)	(135,461)	(17,585)	(53,772)
Impairment of assets held for sale and other assets (vi)	(98,409)	(91,090)	(6,542)	(7,525)
Recovery and resolution fund	(56,213)	(37,203)	(54,774)	(37,194)
Insurance premiums	(71,409)	(74,298)	(57,201)	(60,090)
Other taxes	(23,769)	(21,556)	(19,948)	(18,015)
Other expenses (vii)	(115,242)	(100,962)	(71,181)	(51,461)
Total	**(161,277)**	**(291,102)**	**(29,637)**	**(192,356)**

(i) Impairment of subsidiaries is eliminated at Group level. For 2021, the Bank registered a release of impairment. Further details are presented in Note 38
(ii) In 2021, the Bank sold the former headquarter BFP building.
(iii) Includes the income related to nonbanking activities, such as cash processing and transportations and car fleet management activities.
(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 2021, as a result of annual impairment test.
(vi) The impact in 2021 is due to the adjustment of assets held for sale to the net asset realisable value.
(vii) Includes sundry expenses: litigations, penalties, inventory impairment, cash transportations.

10. Taxes on income

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

i. Current tax

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

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

ii. Deferred tax

Deferred tax is provided on temporary differences at the statement of financial position date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax liabilities are recognized for all taxable temporary differences, except:

- where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries and associates, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

10. Taxes on income *(continued)*

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

- where the deferred tax asset arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries and associates, deferred tax assets recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

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

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

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

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

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

	Group		Bank	
in RON thousands	**31.12.2021**	**31.12.2020**	**31.12.2021**	**31.12.2020**
Current tax expense/income	**(313,268)**	**(249,726)**	**(298,938)**	**(242,793)**
Current period	(284,530)	(240,606)	(270,200)	(233,673)
Prior period	(28,738)	(9,120)	(28,738)	(9,120)
Deferred tax expense/income	**(7,350)**	**(1,275)**	**(3,632)**	**5,642**
Current period	(7,350)	(1,275)	(3,632)	5,642
Taxes on income	**(320,618)**	**(251,001)**	**(302,570)**	**(237,151)**

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	**31.12.2021**	**31.12.2020**	**31.12.2021**	**31.12.2020**
Pre-tax profit/(loss)	**1,730,396**	**1,065,109**	**1,680,487**	**1,017,109**
Income tax expense for the financial year at the domestic statutory tax rate (16%)	(276,863)	(170,417)	(268,878)	(162,737)
Impact of tax-exempt earnings of investments and other tax-exempt income (i)	223,423	235,843	215,786	226,159
Tax increases due to non-deductible expenses and similar elements (ii)	(264,632)	(341,791)	(246,489)	(322,643)
Impact of other elements (iii)	26,192	34,484	25,749	31,190
Tax expense not atributable to the reporting period	(28,738)	(9,120)	(28,738)	(9,120)
Income tax (expense) / release reported in the income statement	**(320,618)**	**(251,001)**	**(302,570)**	**(237,151)**
The effective tax rate	**18.53%**	**23.57%**	**18.00%**	**23.32%**

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

10. Taxes on income *(continued)*

Reinvested profit

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

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

The 3,312 thousands RON amount of the profit which was tax exempt in 2021 is to be booked in Other Reserves (therefore, it cannot be used for distribution to shareholders), after obtaining the approval in Annual General Shareholders Meeting as general principle. In case, in the future, there will be a decision to use/distribute, in any way, the previously tax exempt profit recorded in Other Reserves: the tax exemption will be cancelled, therefore the tax payment will be done at that moment.

Sponsorship

All companies registered as corporate income tax payers 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 fulfill 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 2021, the Bank paid 22,437 thousands RON for sponsorships which allow to benefit from tax credit in an equal amount.

Discount of CIT

The main elements similar to expenses considered by the Bank in 2021 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 the taxation of the revaluation reserve relating to properties sold in 2021 for which the Bank had previously a deduction right.

The increase of income tax from RON 237,151 thousands in 2020 to RON 302,570 thousands in 2021 for the Bank was mainly due to the following factors:

- a significant increase of the pre-tax profit due to a strong operating profit;
- impact from previous periods in amount of RON 28,738 thousands, mainly due to voluntary tax adjustments performed by the Bank.

The impact from these elements was partially diminished by the fact that in 2021, there was no assignment of non-performing receivables (which are higher taxed than other operations in accordance with the currently applicable provisions of the Fiscal Code) compared to 2020 where such transactions of high value were performed.

The decrease of the non-deductible expenses was caused mainly by the lower values in 2021 for the following items: litigation provisions, expenses with the impairment of Bank's participation in subsidiaries and expenses with the impairment of inventories and fixed assets. No significant variation was recorded in respect of the tax-exempt income of the Bank.

10. Taxes on income *(continued)*

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

						Group
	2021			2020		
in RON thousands	Before-tax amount	Tax benefit/ (expense)	Net-of-tax amount	Before-tax amount	Tax benefit/ (expense)	Net-of-tax amount
Fair value reserve	(58,778)	9,463	(49,315)	155,693	(24,862)	130,831
Remeasurement of net gain/ (losses) on benefit plans	78,822	(12,610)	66,212	67,002	(10,719)	56,283
Currency translation reserve of foreign subsidiary	(10,264)	-	(10,264)	(18,150)	-	(18,150)
Other comprehensive income	**9,780**	**(3,147)**	**6,633**	**204,545**	**(35,581)**	**168,964**

						Bank
	2021			2020		
in RON thousands	Before-tax amount	Tax benefit/ (expense)	Net-of-tax amount	Before-tax amount	Tax benefit/ (expense)	Net-of-tax amount
Fair value reserve	(60,179)	9,630	(50,549)	154,534	(24,724)	129,810
Remeasurement of net gain/ (losses) on benefit plans	78,822	(12,611)	66,211	67,088	(10,734)	56,354
Other comprehensive income	**18,643**	**(2,981)**	**15,662**	**221,622**	**(35,458)**	**186,164**

Major components for deferred tax assets and deferred tax liabilities

						31.12.2021	Group
					Net variance 2021		
in RON thousands	Tax assets 2021	Tax assets 2020	Tax liabilities 2021	Tax liabilities 2020	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	9,454	(24,865)	-	-	34,319	-	34,319
Property and equipment (useful life in tax law different)	30,369	40,069	-	-	(9,700)	(9,700)	-
Long-term employee provisions (tax valuation different)	(12,611)	(10,726)	-	-	(1,885)	-	(1,885)
Other provisions (tax valuation different)	197,809	188,959	-	-	8,850	8,850	-
Intangible assets	(30,528)	(27,273)	-	-	(3,255)	(3,255)	-
Other	6,453	7,214	(14,317)	(11,833)	(3,245)	(3,245)	-
Total deferred taxes	**200,946**	**173,378**	**(14,317)**	**(11,833)**	**25,084**	**(7,350)**	**32,434**
Total current taxes	**185,406**	**230,979**	**(48,764)**	**(2,985)**	**(284,530)**	**(284,530)**	**-**
Total taxes	**386,352**	**404,357**	**(63,081)**	**(14,818)**	**(259,446)**	**(291,880)**	**32,434**

						31.12.2021	Bank
					Net variance 2021		
in RON thousands	Tax assets 2021	Tax assets 2020	Tax liabilities 2021	Tax liabilities 2020	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	9,628	(24,726)	-	-	34,354	-	34,354
Property and equipment (useful life in tax law different)	30,070	39,825	-	-	(9,755)	(9,755)	-
Long-term employee provisions (tax valuation different)	(12,611)	(10,734)	-	-	(1,877)	-	(1,877)
Other provisions (tax valuation different)	198,533	188,959	-	-	9,574	9,574	-
Intangible assets	(30,724)	(27,273)	-	-	(3,451)	(3,451)	-
Other	(267)	(267)	-	-	-	-	-
Total deferred taxes	**194,629**	**165,784**	**-**	**-**	**28,845**	**(3,632)**	**32,477**
Total current taxes	**182,155**	**227,831**	**(45,104)**	**-**	**(270,200)**	**(270,200)**	**-**
Total taxes	**376,784**	**393,615**	**(45,104)**	**-**	**(241,355)**	**(273,832)**	**32,477**

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 2021, the Bank paid dividends in amount of RON 871,926 thousands from the undistribuited profits of financial years 2019 and 2020 as the ECB requirements imposed by the COVID-19 pandemic spread in 2020, were eliminated by National Bank of Romania.

Financial instruments – Significant accounting policies

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

A. Measurement methods for financial instruments

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

i. Amortised cost and effective interest rate

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

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

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

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

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

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

ii. Fair value

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

B. Initial recognition and measurement

i. Initial recognition

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

ii. Initial measurement

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

Financial instruments – Significant accounting policies *(continued)*

C. Classification and subsequent measurement of financial assets

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

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

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

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

D. Classification and subsequent measurement of financial liabilities

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

E. Impairment of financial instruments

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

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

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

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

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

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

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

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

Financial instruments – Significant accounting policies *(continued)*

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

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

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

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

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

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

F. Write-offs

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

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

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

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

For retail customers, the non-recoverability and 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 collection process.

G. Derecognition of financial instruments including treatment of contractual modifications

i. Derecognition of financial assets

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

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

and either:

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

Financial instruments – Significant accounting policies *(continued)*

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

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

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

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

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

- change of the contractual counterparty (unless this is a formal change such as changes in legal name);
- change in the currency of the contract (unless the change results from exercising an embedded option in the original contract with pre-agreed conditions of the change, or if the new currency is pegged to the original currency);
- introduction of a non-SPPI contractual feature (unless it is intended to improve recoveries from debtors by granting concessions supporting them to recover from financial difficulties); and
- removal of a non-SPPI contractual feature.

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.

Financial instruments – Significant accounting policies *(continued)*

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

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

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

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

iii. Derecognition of financial liabilities

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

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

H. Offsetting financial instruments

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

I. Significant accouting judgements, assumptions and estimates

i. SPPI assessment

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

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

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

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

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

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

Financial instruments – Significant accounting policies *(continued)*

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

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

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

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

The quantitative significance threshold is set to 5%. If the significance thresholds is 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 are assessed retrospectively, and if they exceed certain quantitative thresholds, or whenever it is considered necessary with regard to new expectations, BCR Group performs a prospective test.

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

iii. Impairment of financial instruments

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

Financial instruments held at amortised cost

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

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

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

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

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

12. Cash and cash equivalents

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

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

	Group		Bank	
in RON thousands	**31.12.2021**	**31.12.2020**	**31.12.2021**	**31.12.2020**
Cash on hand	6,137,542	5,343,352	6,113,158	5,318,582
Cash balances with the central bank (other than mandatory reserve deposits)	60,391	77,149	4,624	2,110
Mandatory cash balances with central banks (i)	6,810,882	4,803,931	6,740,957	4,694,748
Correspondent accounts and overnight placements with other banks	204,967	278,992	107,120	143,521
Overnight placements with other banks	103,657	34,775	103,657	34,775
Overnight reverse sale and repurchase agreements with other banks	-	-	-	-
Cash and cash equivalents	**13,317,439**	**10,538,199**	**13,069,516**	**10,193,736**

(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 2021 were for RON 8% (December 2020: 8%) and for foreign currencies 5% (December 2020: 5%). All cash and cash equivalents are in Stage 1, for more details please see Note 26.

13. Financial assets at amortised cost

13.1. Debt securities

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

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

13.1. Debt secureties *(continued)*

31.12.2021 Group

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

31.12.2020 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	**14,800,901**	**45,391**	**1,355**	**-**	**14,847,647**	**(19,086)**	**(585)**	**(406)**	**-**	**(20,077)**	**14,827,570**
General governments	14,749,191	45,391	1,355	-	14,795,937	(19,082)	(585)	(406)	-	(20,073)	14,775,864
Credit institutions	51,710	-	-	-	51,710	(4)	-	-	-	(4)	51,706

31.12.2021 Bank

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

31.12.2020 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	**13,954,863**	**45,388**	**1,355**	**-**	**14,001,606**	**(13,624)**	**(585)**	**(406)**	**-**	**(14,615)**	**13,986,991**
General governments	13,903,152	45,388	1,355	-	13,949,895	(13,620)	(585)	(406)	-	(14,611)	13,935,284
Credit institutions	51,711	-	-	-	51,711	(4)	-	-	-	(4)	51,707

There are no purchased or originated credit-impaired (POCI) debt securities at AC as of 31 December 2021 and as of 31 December 2020.

The movements in allowances are presented below:

31.12.2021 Group

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

31.12.2020 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	Exchange-rate and other changes (+/-)	Closing balance
Debt securities									
Stage 1	**(11,698)**	**(8,357)**	**9,652**	**(9,570)**	**617**	**-**	**-**	**270**	**(19,086)**
Central banks	(2,767)	-	2,767	-	-	-	-	-	-
General governments	(8,927)	(8,357)	6,885	(9,570)	617	-	-	270	(19,082)
Credit institutions	(4)	-	-	-	-	-	-	-	(4)
Stage 2	**(1,074)**	**-**	**-**	**522**	**(33)**	**-**	**-**	**-**	**(585)**
General governments	(1,074)	-	-	522	(33)	-	-	-	(585)
Stage 3	**(609)**	**-**	**125**	**78**	**-**	**-**	**-**	**-**	**(406)**
General governments	(609)	-	125	78	-	-	-	-	(406)
Total	**(13,381)**	**(8,357)**	**9,777**	**(8,970)**	**584**	**-**	**-**	**270**	**(20,077)**

31.12.2021 Bank

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

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

13.1. Debt securities *(continued)*

								31.12.2020	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	Exchange-rate and other changes (+/-)	Closing balance
Debt securities									
Stage 1	**(6,210)**	**(3,586)**	**4,676**	**(9,091)**	**617**	**-**	**-**	**(30)**	**(13,624)**
General governments	(6,207)	(3,586)	4,677	(9,091)	617	-	-	(30)	(13,620)
Credit institutions	(3)	-	(1)	-	-	-	-	-	(4)
Stage 2	**(1,067)**	**-**	**-**	**515**	**(33)**	**-**	**-**	**-**	**(585)**
General governments	(1,067)	-	-	515	(33)	-	-	-	(585)
Stage 3	**(609)**	**-**	**125**	**78**	**-**	**-**	**-**	**-**	**(406)**
General governments	(609)	-	125	78	-	-	-	-	(406)
Total	**(7,886)**	**(3,586)**	**4,801**	**(8,498)**	**584**	**-**	**-**	**(30)**	**(14,615)**

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 (at 1 January 2021 or initial recognition date) to Stages 2 or 3 at 31 December 2021 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 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 2021 amounts to RON 3,914,434 thousands at Group level, RON 3,787,995 thousands for the Bank (2020: RON 966,366 thousands for the Group, RON 870,312 thousands for the Bank.) The GCA of AC debt securities that were held at 1 January 2021 and fully derecognized during the reporting period amounts to RON 3,118,696 thousands at Group level, RON 2,333,166 thousands for the Bank (2020: RON 1,386,436 thousands for the Group, RON 1,317,010 thousands for the Bank).

13.2. Loans and advances to banks

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

										31.12.2020	Group
	Gross carrying amount					Credit loss allowances					Carrying amount
in RON thousands	Stage 1	Stage 2	Stage 3	POCI	Total	Stage 1	Stage 2	Stage 3	POCI	Total	
Loans and advances to banks	**2,020,268**	**8,769**	**-**	**-**	**2,029,037**	**(906)**	**(110)**	**-**	**-**	**(1,016)**	**2,028,021**
Central banks	1,990	-	-	-	1,990	-	-	-	-	-	1,990
Credit institutions	2,018,278	8,769	-	-	2,027,047	(906)	(110)	-	-	(1,016)	2,026,031

										31.12.2021	Bank
in RON thousands	Gross carrying amount					Credit loss allowances					Carrying amount
	Stage 1	Stage 2	Stage 3	POCI	Total	Stage 1	Stage 2	Stage 3	POCI	Total	
Loans and advances to banks	**1,362,096**	**951**	**68,336**	**-**	**1,431,383**	**(878)**	**(165)**	**(68,336)**	**-**	**(69,379)**	**1,362,004**
Central banks	1,878	-	-	-	1,878	(657)	-	-	-	(657)	1,221
Credit institutions	1,360,218	951	68,336	-	1,429,505	(221)	(165)	(68,336)	-	(68,722)	1,360,783

										31.12.2020	Bank
	Gross carrying amount					Credit loss allowances					Carrying amount
in RON thousands	Stage 1	Stage 2	Stage 3	POCI	Total	Stage 1	Stage 2	Stage 3	POCI	Total	
Loans and advances to banks	**2,017,795**	**9,605**	**66,591**	**-**	**2,093,991**	**(906)**	**(286)**	**(66,591)**	**-**	**(67,783)**	**2,026,208**
Central banks	1,990	-	-	-	1,990	-	-	-	-	-	1,990
Credit institutions	2,015,805	9,605	66,591	-	2,092,001	(906)	(286)	(66,591)	-	(67,783)	2,024,218

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

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

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

The movements in allowances are presented below:

31.12.2021 Group

in RON thousands	Opening balance	Increases due to origination and acquisition	Decreases due to derecognition	Net changes due to change in credit risk	Transfers between Stage 1 and Stages 2/3	Net changes due to modifications without derecognition	Decrease in allowance account due to write-offs	Exchange-rate and other changes (+/-)	Closing balance
Loans and advances to banks									
Stage 1	**(906)**	**(3,381)**	**4,179**	**(995)**	**232**	**-**	**-**	**(7)**	**(878)**
Central banks	-	-	-	(657)	-	-	-	-	(657)
Credit institutions	(906)	(3,381)	4,179	(338)	232	-	-	(7)	(221)
Stage 2	**(110)**	**-**	**3**	**117**	**-**	**-**	**-**	**(12)**	**(2)**
Credit institutions	(110)	-	3	117	-	-	-	(12)	(2)
Total	**(1,016)**	**(3,381)**	**4,182**	**(878)**	**232**	**-**	**-**	**(19)**	**(880)**

31.12.2020 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	Exchange-rate and other changes (+/-)	Closing balance
Loans and advances to banks									
Stage 1	**(710)**	**(8,984)**	**8,729**	**85**	**-**	**-**	**-**	**(26)**	**(906)**
Credit institutions	(710)	(8,984)	8,729	85	-	-	-	(26)	(906)
Stage 2	**(12)**	**-**	**62**	**(55)**	**(105)**	**-**	**-**	**-**	**(110)**
Credit institutions	(12)	-	62	(55)	(105)	-	-	-	(110)
Total	**(722)**	**(8,984)**	**8,791**	**30**	**(105)**	**-**	**-**	**(26)**	**(1,016)**

31.12.2021 Bank

in RON thousands	Opening balance	Increases due to origination and acquisition	Decreases due to derecognition	Net changes due to change in credit risk	Transfers between Stage 1 and Stages 2/3	Net changes due to modifications without derecognition	Decrease in allowance account due to write-offs	Exchange-rate and other changes (+/-)	Closing balance
Loans and advances to banks									
Stage 1	**(906)**	**(3,382)**	**4,179**	**(994)**	**232**	**-**	**-**	**(7)**	**(878)**
Central banks	-	(1)	-	(656)	-	-	-	-	(657)
Credit institutions	(906)	(3,381)	4,179	(338)	232	-	-	(7)	(221)
Stage 2	**(286)**	**-**	**3**	**129**	**-**	**-**	**-**	**(11)**	**(165)**
Credit institutions	(286)	-	3	129	-	-	-	(11)	(165)
Stage 3	**(66,591)**	**-**	**-**	**(1,745)**	**-**	**-**	**-**	**-**	**(68,336)**
Credit institutions	(66,591)	-	-	(1,745)	-	-	-	-	(68,336)
Total	**(67,783)**	**(3,382)**	**4,182**	**(2,610)**	**232**	**-**	**-**	**(18)**	**(69,379)**

31.12.2020 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	Exchange-rate and other changes (+/-)	Closing balance
Loans and advances to banks									
Stage 1	**(774)**	**(8,984)**	**8,728**	**150**	**-**	**-**	**-**	**(26)**	**(906)**
Credit institutions	(774)	(8,984)	8,728	150	-	-	-	(26)	(906)
Stage 2	**(89)**	**-**	**62**	**(171)**	**(105)**	**-**	**-**	**17**	**(286)**
Credit institutions	(89)	-	62	(171)	(105)	-	-	17	(286)
Stage 3	**(66,647)**	**(12,590)**	**12,590**	**56**	**-**	**-**	**-**	**-**	**(66,591)**
Credit institutions	(66,647)	(12,590)	12,590	56	-	-	-	-	(66,591)
Total	**(67,510)**	**(21,574)**	**21,380**	**35**	**(105)**	**-**	**-**	**(9)**	**(67,783)**

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'.

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

13.3. Loans and advances to customers

											31.12.2021 Group
in RON thousands	Gross carrying amount					Credit loss allowances					Carrying amount
	Stage 1	Stage 2	Stage 3	POCI	Total	Stage 1	Stage 2	Stage 3	POCI	Total	
Loans and advances to customers	**37,165,190**	**9,206,913**	**1,743,671**	**272,041**	**48,387,815**	**(238,303)**	**(965,758)**	**(1,348,009)**	**(65,674)**	**(2,617,744)**	**45,770,071**
General governments	3,688,169	637,924	9,693	12,475	4,348,261	(2,775)	(9,220)	(8,908)	(2,161)	(23,064)	4,325,197
Other financial corporations	150,699	19,757	8,273	-	178,729	(2,484)	(2,583)	(8,141)	-	(13,208)	165,521
Non-financial corporations	11,847,079	3,214,456	783,899	47,856	15,893,290	(125,615)	(409,680)	(582,485)	(10,985)	(1,128,765)	14,764,525
Households	21,479,243	5,334,776	941,806	211,710	27,967,535	(107,429)	(544,275)	(748,475)	(52,528)	(1,452,707)	26,514,828

											31.12.2020 Group
	Gross carrying amount					Credit loss allowances					Carrying amount
in RON thousands	Stage 1	Stage 2	Stage 3	POCI	Total	Stage 1	Stage 2	Stage 3	POCI	Total	
Loans and advances to customers	**31,712,152**	**9,705,615**	**1,788,660**	**320,411**	**43,526,838**	**(166,578)**	**(807,816)**	**(1,337,382)**	**(79,706)**	**(2,391,482)**	**41,135,356**
General governments	3,060,975	489,208	10,495	15,974	3,576,652	(3,554)	(7,217)	(8,682)	(3,768)	(23,221)	3,553,431
Other financial corporations	190,216	24,406	9,885	-	224,507	(1,228)	(332)	(9,320)	-	(10,880)	213,627
Non-financial corporations	8,772,047	4,136,034	807,847	68,766	13,784,694	(100,882)	(326,642)	(608,341)	(10,418)	(1,046,283)	12,738,411
Households	19,688,914	5,055,967	960,433	235,671	25,940,985	(60,914)	(473,625)	(711,039)	(65,520)	(1,311,098)	24,629,887

											31.12.2021 Bank
in RON thousands	Gross carrying amount					Credit loss allowances					Carrying amount
	Stage 1	Stage 2	Stage 3	POCI	Total	Stage 1	Stage 2	Stage 3	POCI	Total	
Loans and advances to customers	**38,089,744**	**9,148,547**	**1,674,713**	**272,005**	**49,185,009**	**(223,947)**	**(958,529)**	**(1,299,068)**	**(65,674)**	**(2,547,218)**	**46,637,791**
General governments	3,688,169	637,843	9,693	12,475	4,348,180	(2,775)	(9,219)	(8,908)	(2,161)	(23,063)	4,325,117
Other financial corporations	2,221,211	18,163	8,273	-	2,247,647	(7,410)	(2,500)	(8,141)	-	(18,051)	2,229,596
Non-financial corporations	10,855,094	3,199,838	743,036	47,856	14,845,824	(107,419)	(405,208)	(559,838)	(10,985)	(1,083,450)	13,762,374
Households	21,325,270	5,292,703	913,711	211,674	27,743,358	(106,343)	(541,602)	(722,181)	(52,528)	(1,422,654)	26,320,704

											31.12.2020 Bank
	Gross carrying amount					Credit loss allowances					Carrying amount
in RON thousands	Stage 1	Stage 2	Stage 3	POCI	Total	Stage 1	Stage 2	Stage 3	POCI	Total	
Loans and advances to customers	**31,892,055**	**9,761,280**	**1,709,164**	**320,371**	**43,682,870**	**(153,345)**	**(807,957)**	**(1,282,405)**	**(79,706)**	**(2,323,413)**	**41,359,457**
General governments	3,060,975	489,208	10,495	15,974	3,576,652	(3,554)	(7,217)	(8,682)	(3,768)	(23,221)	3,553,431
Other financial corporations	1,501,195	24,406	9,885	-	1,535,486	(3,091)	(332)	(9,320)	-	(12,743)	1,522,743
Non-financial corporations	7,824,322	4,203,382	765,309	68,766	12,861,779	(86,569)	(327,696)	(588,325)	(10,418)	(1,013,008)	11,848,771
Households	19,505,563	5,044,284	923,475	235,631	25,708,953	(60,131)	(472,712)	(676,078)	(65,520)	(1,274,441)	24,434,512

The movements in allowances are presented below:

								31.12.2021	Group
in RON thousands	Opening balance	Increases due to origination and acquisition (1)	Decreases due to derecognition (2)	Net changes due to change in credit risk	Transfers between Stage 1 and Stages 2/3 (3)	Net changes due to modifications without derecognition (4)	Decrease in allowance account due to write-offs (5)	Exchange-rate and other changes (+/-)	Closing balance
Loans and advances to customers									
Stage 1	**(166,578)**	**(125,123)**	**52,048**	**(239,875)**	**244,242**	**-**	**3**	**(3,020)**	**(238,303)**
General governments	(3,554)	(1,322)	1,580	(393)	922	-	-	(8)	(2,775)
Other financial corporations	(1,228)	(1,194)	100	107	3	-	-	(272)	(2,484)
Non-financial corporations	(100,882)	(83,213)	41,929	(34,092)	52,795	-	-	(2,152)	(125,615)
Households	(60,914)	(39,394)	8,439	(205,497)	190,522	-	3	(588)	(107,429)
Stage 2	**(807,816)**	**(16,037)**	**110,266**	**446,626**	**(687,576)**	**(6,183)**	**46**	**(5,084)**	**(965,758)**
General governments	(7,217)	-	691	4,800	(7,508)	14	-	-	(9,220)
Other financial corporations	(332)	-	248	139	(2,565)	-	-	(73)	(2,583)
Non-financial corporations	(326,642)	(13,279)	66,041	96,610	(229,048)	(242)	-	(3,120)	(409,680)
Households	(473,625)	(2,758)	43,286	345,077	(448,455)	(5,955)	46	(1,891)	(544,275)
Stage 3	**(1,337,382)**	**-**	**74,595**	**(68,960)**	**(81,619)**	**(2,753)**	**81,314**	**(13,204)**	**(1,348,009)**
General governments	(8,682)	-	4	(218)	-	(12)	-	-	(8,908)
Other financial corporations	(9,320)	-	11	1,313	-	-	-	(145)	(8,141)
Non-financial corporations	(608,341)	-	31,091	(23,795)	(15,996)	4,921	38,322	(8,687)	(582,485)
Households	(711,039)	-	43,489	(46,260)	(65,623)	(7,662)	42,992	(4,372)	(748,475)
POCI	**(79,706)**	**-**	**6,098**	**4,173**	**-**	**15**	**4,803**	**(1,057)**	**(65,674)**
General governments	(3,768)	-	-	1,767	-	(42)	-	(118)	(2,161)
Non-financial corporations	(10,418)	-	1,093	(2,124)	-	(38)	630	(128)	(10,985)
Households	(65,520)	-	5,005	4,530	-	95	4,173	(811)	(52,528)
Total	**(2,391,482)**	**(141,160)**	**243,007**	**141,964**	**(524,953)**	**(8,921)**	**86,166**	**(22,365)**	**(2,617,744)**

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

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

								31.12.2020	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 (5)**	**Exchange-rate and other changes (+/-)**	**Closing balance**
Loans and advances to customers									
Stage 1	**(159,624)**	**(80,867)**	**37,291**	**(124,300)**	**162,544**	**381**	**-**	**(2,003)**	**(166,578)**
General governments	(2,978)	(9,268)	8,943	(3,384)	3,141	-	-	(8)	(3,554)
Other financial corporations	(822)	(591)	-	152	35	-	-	(2)	(1,228)
Non-financial corporations	(105,635)	(45,911)	23,271	(11,364)	39,712	19	-	(974)	(100,882)
Households	(50,189)	(25,097)	5,077	(109,704)	119,656	362	-	(1,019)	(60,914)
Stage 2	**(573,869)**	**(15,549)**	**57,940**	**530,420**	**(797,156)**	**(4,599)**	**78**	**(5,081)**	**(807,816)**
General governments	(10,076)	-	384	3,038	(1,537)	1,009	-	(35)	(7,217)
Other financial corporations	(91)	-	42	53	(336)	-	-	-	(332)
Non-financial corporations	(286,301)	(13,866)	38,949	167,868	(229,205)	(715)	-	(3,372)	(326,642)
Households	(277,401)	(1,683)	18,565	359,461	(566,078)	(4,893)	78	(1,674)	(473,625)
Stage 3	**(998,286)**	**-**	**127,028**	**(403,726)**	**(190,141)**	**(810)**	**136,713**	**(8,160)**	**(1,337,382)**
General governments	(9,007)	-	7	327	-	(9)	-	-	(8,682)
Other financial corporations	(9,204)	-	-	133	-	(97)	-	(152)	(9,320)
Non-financial corporations	(337,126)	-	58,765	(326,802)	(40,938)	(278)	39,604	(1,566)	(608,341)
Households	(642,949)	-	68,256	(77,384)	(149,203)	(426)	97,109	(6,442)	(711,039)
POCI	**(134,102)**	**-**	**34,205**	**11,583**	**-**	**(538)**	**10,758**	**(1,612)**	**(79,706)**
General governments	(5,389)	-	-	1,438	-	-	-	183	(3,768)
Non-financial corporations	(32,583)	-	21,530	1,175	-	(312)	392	(620)	(10,418)
Households	(96,130)	-	12,675	8,970	-	(226)	10,366	(1,175)	(65,520)
Total	**(1,865,881)**	**(96,416)**	**256,464**	**13,977**	**(824,753)**	**(5,566)**	**147,549**	**(16,856)**	**(2,391,482)**

								31.12.2021	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 (5)**	**Exchange-rate and other changes (+/-)**	**Closing balance**
Loans and advances to customers									
Stage 1	**(153,345)**	**(115,072)**	**51,824**	**(248,106)**	**243,120**	**-**	**3**	**(2,371)**	**(223,947)**
General governments	(3,554)	(1,322)	1,580	(393)	922	-	-	(8)	(2,775)
Other financial corporations	(3,091)	(1,073)	100	(3,079)	3	-	-	(270)	(7,410)
Non-financial corporations	(86,569)	(73,754)	41,801	(39,126)	51,818	-	-	(1,589)	(107,419)
Households	(60,131)	(38,923)	8,343	(205,508)	190,377	-	3	(504)	(106,343)
Stage 2	**(807,957)**	**(16,036)**	**110,165**	**448,361**	**(681,765)**	**(6,151)**	**46**	**(5,192)**	**(958,529)**
General governments	(7,217)	-	691	4,801	(7,508)	14	-	-	(9,219)
Other financial corporations	(332)	-	248	88	(2,504)	-	-	-	(2,500)
Non-financial corporations	(327,696)	(13,279)	66,004	98,197	(224,922)	(242)	-	(3,270)	(405,208)
Households	(472,712)	(2,757)	43,222	345,275	(446,831)	(5,923)	46	(1,922)	(541,602)
Stage 3	**(1,282,405)**	**-**	**74,175**	**(60,905)**	**(80,922)**	**(2,750)**	**65,091**	**(11,352)**	**(1,299,068)**
General governments	(8,682)	-	4	(218)	-	(12)	-	-	(8,908)
Other financial corporations	(9,320)	-	11	1,313	-	-	-	(145)	(8,141)
Non-financial corporations	(588,325)	-	31,091	(12,848)	(15,601)	4,921	28,265	(7,341)	(559,838)
Households	(676,078)	-	43,069	(49,152)	(65,321)	(7,659)	36,826	(3,866)	(722,181)
POCI	**(79,706)**	**-**	**6,098**	**4,173**	**-**	**15**	**4,803**	**(1,057)**	**(65,674)**
General governments	(3,768)	-	-	1,767	-	(42)	-	(118)	(2,161)
Non-financial corporations	(10,418)	-	1,093	(2,124)	-	(38)	630	(128)	(10,985)
Households	(65,520)	-	5,005	4,530	-	95	4,173	(811)	(52,528)
Total	**(2,323,413)**	**(131,108)**	**242,262**	**143,523**	**(519,567)**	**(8,886)**	**69,943**	**(19,972)**	**(2,547,218)**

								31.12.2020	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 (5)**	**Exchange-rate and other changes (+/-)**	**Closing balance**
Loans and advances to customers									
Stage 1	**(146,822)**	**(78,082)**	**36,991**	**(124,827)**	**161,187**	**189**	**-**	**(1,981)**	**(153,345)**
General governments	(2,978)	(9,268)	8,943	(3,384)	3,141	-	-	(8)	(3,554)
Other financial corporations	(1,545)	(552)	-	(1,008)	35	-	-	(21)	(3,091)
Non-financial corporations	(92,947)	(43,268)	23,094	(11,116)	38,565	19	-	(916)	(86,569)
Households	(49,352)	(24,994)	4,954	(109,319)	119,446	170	-	(1,036)	(60,131)
Stage 2	**(571,654)**	**(15,549)**	**57,706**	**529,397**	**(798,594)**	**(4,604)**	**78**	**(4,737)**	**(807,957)**
General governments	(10,076)	-	384	3,038	(1,537)	1,009	-	(35)	(7,217)
Other financial corporations	(91)	-	42	53	(336)	-	-	-	(332)
Non-financial corporations	(284,446)	(13,866)	38,729	167,175	(231,432)	(715)	-	(3,141)	(327,696)
Households	(277,041)	(1,683)	18,551	359,131	(565,289)	(4,898)	78	(1,561)	(472,712)
Stage 3	**(937,262)**	**-**	**126,582**	**(392,249)**	**(184,430)**	**(820)**	**113,144**	**(7,370)**	**(1,282,405)**
General governments	(9,007)	-	7	327	-	(9)	-	-	(8,682)
Other financial corporations	(9,203)	-	-	132	-	(97)	-	(152)	(9,320)
Non-financial corporations	(321,301)	-	58,759	(314,832)	(34,283)	(278)	25,058	(1,448)	(588,325)
Households	(597,751)	-	67,816	(77,876)	(150,147)	(436)	88,086	(5,770)	(676,078)
POCI	**(134,102)**	**-**	**34,205**	**11,583**	**-**	**(538)**	**10,758**	**(1,612)**	**(79,706)**
General governments	(5,389)	-	-	1,438	-	-	-	183	(3,768)
Non-financial corporations	(32,583)	-	21,530	1,175	-	(312)	392	(620)	(10,418)
Households	(96,130)	-	12,675	8,970	-	(226)	10,366	(1,175)	(65,520)
Total	**(1,789,840)**	**(93,631)**	**255,484**	**23,904**	**(821,837)**	**(5,773)**	**123,980**	**(15,700)**	**(2,323,413)**

(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.

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

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

(3) Changes in credit risk that triggered re-assignments of the related AC loans and advances to customers from Stage 1 at 1 January 2021 (or initial recognition date, if later) to Stages 2 or 3 at 31 December 2021 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.

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

							31.12.2021	Group
	Transfers between Stage 1 and Stage 2		Transfers between Stage 2 and Stage 3		Transfers between Stage 1 and Stage 3		POCI	
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	To Defaulted from Non-Defaulted	To Non-Defaulted from Defaulted
General governments	287,384	86,742	-	-	-	-	-	-
Other financial corporations	19,757	-	-	-	-	-	-	-
Non-financial corporations	1,646,013	1,290,129	125,901	7,726	31,192	583	-	-
Households	2,517,829	1,152,293	163,988	58,126	78,797	45,670	-	-
Total	**4,470,983**	**2,529,164**	**289,889**	**65,852**	**109,989**	**46,253**	**-**	**-**

							31.12.2020	Group
	Transfers between Stage 1 and Stage 2		Transfers between Stage 2 and Stage 3		Transfers between Stage 1 and Stage 3		POCI	
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	To Defaulted from Non-Defaulted	To Non-Defaulted from Defaulted
General governments	140,474	275,539	-	-	-	-	-	-
Other financial corporations	24,390	124	121	-	-	-	-	-
Non-financial corporations	2,849,885	363,016	460,584	7,518	60,023	174	-	-
Households	3,372,627	437,187	154,960	32,481	219,787	18,201	-	-
Total	**6,387,376**	**1,075,866**	**615,665**	**39,999**	**279,810**	**18,375**	**-**	**-**

							31.12.2021	Bank
	Transfers between Stage 1 and Stage 2		Transfers between Stage 2 and Stage 3		Transfers between Stage 1 and Stage 3		POCI	
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	To Defaulted from Non-Defaulted	To Non-Defaulted from Defaulted
General governments	287,384	86,742	-	-	-	-	-	-
Other financial corporations	18,163	-	-	-	-	-	-	-
Non-financial corporations	1,552,365	1,287,354	116,158	5,054	23,018	493	-	-
Households	2,486,315	1,151,593	163,714	58,041	77,913	45,310	-	-
Total	**4,344,227**	**2,525,689**	**279,872**	**63,095**	**100,931**	**45,803**	**-**	**-**

							31.12.2020	Bank
	Transfers between Stage 1 and Stage 2		Transfers between Stage 2 and Stage 3		Transfers between Stage 1 and Stage 3		POCI	
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	To Defaulted from Non-Defaulted	To Non-Defaulted from Defaulted
General governments	140,474	275,539	-	-	-	-	-	-
Other financial corporations	24,390	124	121	-	-	-	-	-
Non-financial corporations	2,776,286	352,404	455,232	7,187	43,773	-	-	-
Households	3,361,761	435,774	154,648	32,274	217,925	18,188	-	-
Total	**6,302,911**	**1,063,841**	**610,001**	**39,461**	**261,698**	**18,188**	**-**	**-**

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

The movement in gross exposure is presented below:

						31.12.2021	Group
in RON thousands	Opening balance	Increases due to origination and acquisition	Decreases due to derecognition	Thereoff arising from		Exchange-rate and other changes (+/-)	Closing balance
				out of which writeoffs	out of which repayments		
Loans and advances to banks	2.029.037	1.291.326	(1.957.171)	-	(1.957.171)	-	1.363.192
Loans and advances to customers	43.526.838	12.650.615	(8.032.339)	(80.400)	(7.951.939)	242.702	48.387.816
Credit institutions	**45.555.875**	**13.941.941**	**(9.989.510)**	**(80.400)**	**(9.909.110)**	**242.702**	**49.751.008**

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

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

31.12.2021 Bank

in RON thousands	Opening balance	Increases due to origination and acquisition	Decreases due to derecognition	Thereoff arising from: out of which writeoffs	Thereoff arising from: out of which repayments	Exchange-rate and other changes (+/-)	Closing balance
Loans and advances to banks	2.093.991	1.291.326	(1.953.935)	-	(1.953.935)	-	1.431.382
Loans and advances to customers	43.682.870	12.867.507	(7.593.948)	(69.943)	(7.524.005)	228.581	49.185.010
Total	**45.776.861**	**14.158.833**	**(9.547.883)**	**(69.943)**	**(9.477.940)**	**228.581**	**50.616.392**

In 2021 and 2020, the Group and the Bank derecognized a part of non-performing loan portfolio, as follows:

Group

in RON thousands	31.12.2021		31.12.2020	
Transfer of loans	**Gross carrying amount**	**Related allowance**	**Gross carrying amount**	**Related allowance**
Sale on balance loans	-	-	70,318	70,318
Write off on balance loans	108,226	108,226	189,745	179,448
Sales from previously writen off loans	-	-	899,535	899,535
Total exposure reduction from sale and write offs	**108,226**	**108,226**	**1,159,598**	**1,149,301**

Bank

in RON thousands	31.12.2021		31.12.2020	
Transfer of loans	**Gross carrying amount**	**Related allowance**	**Gross carrying amount**	**Related allowance**
Sale on balance loans	-	-	70,318	70,318
Write off on balance loans	71,791	71,791	138,413	134,013
Sales from previously writen off loans	-	-	899,535	899,535
Total exposure reduction from sale and write offs	**71,791**	**71,791**	**1,108,266**	**1,103,866**

Note: The write-offs include also amounts presented in category 'Trade and other receivables' and loans that do not meet the SPPI requirements.

During 2021, the Group and the Bank did not sale any of its loans. During 2020, the net profit from disposal of previously written off loans were RON 187,366 thousands.

14. Trade and other receivables

The main items under 'Trade and other receivables' position are represented by factoring assets. Recourse factoring is initially recognized against the Seller at the date when the Bank becomes contractually bound to the terms and conditions of the underlying factoring contract with the seller (typically, the sign-up date of that underlying factoring contract).
In case of non-recourse factoring, the related assets are recognized against the underlying buyers at the dates when the Bank acquires from the seller the right to collect from the underlying buyers the contractual cash-flows of the related underlying invoices (typically, the date of a down-payment required by the seller).
Regarding the timing and amount of revenue recognition, the IFRS 15 requirements are applied in case of all fees related to non-recourse factoring and in case of the fees derived from recourse factoring which are not part of the effective interest rate.
Contractual modifications and related de-recognition triggers are deemed not applicable in case of factoring assets.

31.12.2021 Group

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

31.12.2020 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	13,195	11,291	88	106	**24,680**	(40)	(4)	(88)	(106)	**(238)**	**24,442**
Credit institutions	61,329	33,478	-	-	**94,807**	(78)	(2,001)	-	-	**(2,079)**	**92,728**
Other financial corporations	9,018	4,849	107	-	**13,974**	(69)	(198)	(102)	-	**(369)**	**13,605**
Non-financial corporations	202,608	155,532	37,898	598	**396,636**	(2,329)	(15,625)	(36,236)	(588)	**(54,778)**	**341,858**
Households	76,605	15,886	2,470	151	**95,112**	(28)	(1,227)	(2,468)	(137)	**(3,860)**	**91,252**
Total	**362,755**	**221,036**	**40,563**	**855**	**625,209**	**(2,544)**	**(19,055)**	**(38,894)**	**(831)**	**(61,324)**	**563,885**

14. Trade and other receivables *(continued)*

in RON thousands	Gross carrying amount					Credit loss allowances					31.12.2021 Bank Carrying amount
	Stage 1	Stage 2	Stage 3	POCI	Total	Stage 1	Stage 2	Stage 3	POCI	Total	amount
General governments	24,867	1,048	91	90	**26,096**	(197)	(6)	(91)	(90)	**(384)**	**25,712**
Credit institutions	19,714	42,827	-	-	**62,541**	(1)	(2,285)	-	-	**(2,286)**	**60,255**
Other financial corporations	9,845	6,040	32	-	**15,917**	(10)	(3)	(32)	-	**(45)**	**15,872**
Non-financial corporations	407,538	58,784	34,779	608	**501,709**	(7,358)	(3,288)	(27,748)	(608)	**(39,002)**	**462,707**
Households	48,809	19,404	3,674	80	**71,967**	(26)	(1,131)	(3,674)	(72)	**(4,903)**	**67,064**
Total	**510,773**	**128,103**	**38,576**	**778**	**678,230**	**(7,592)**	**(6,713)**	**(31,545)**	**(770)**	**(46,620)**	**631,610**

in RON thousands	Gross carrying amount					Credit loss allowances					31.12.2020 Bank Carrying amount
	Stage 1	Stage 2	Stage 3	POCI	Total	Stage 1	Stage 2	Stage 3	POCI	Total	amount
General governments	13,194	11,291	88	106	**24,679**	(40)	(4)	(88)	(106)	**(238)**	**24,441**
Credit institutions	60,684	33,488	-	-	**94,172**	(78)	(2,002)	-	-	**(2,080)**	**92,092**
Other financial corporations	8,187	4,991	106	-	**13,284**	(5)	(198)	(102)	-	**(305)**	**12,979**
Non-financial corporations	195,519	149,809	27,220	598	**373,146**	(2,204)	(15,244)	(27,220)	(588)	**(45,256)**	**327,890**
Households	76,050	15,885	2,394	151	**94,480**	(28)	(1,226)	(2,394)	(137)	**(3,785)**	**90,695**
Total	**353,634**	**215,464**	**29,808**	**855**	**599,761**	**(2,355)**	**(18,674)**	**(29,804)**	**(831)**	**(51,664)**	**548,097**

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

31.12.2021 Group

in RON thousands	Opening balance	Increases due to origination and acquisition	Decreases due to derecognition	Net changes due to change in credit risk	Transfers between Stage 1 and Stages 2/3	Net changes due to modifications without derecognition	Decrease in allowance account due to write-offs	Exchange-rate and other changes (+/-)	Closing balance
Stage 1	**(2,544)**	**(7,874)**	**4,501**	**(8,199)**	**6,484**	**-**	**26**	**(184)**	**(7,790)**
General governments	(40)	(343)	718	(532)	-	-	-	-	(197)
Credit institutions	(78)	(30)	87	20	-	-	-	-	(1)
Other financial corporations	(69)	(11)	8	62	-	-	-	-	(10)
Non-financial corporations	(2,329)	(7,319)	3,625	(7,826)	6,484	-	3	(183)	(7,545)
Households	(28)	(171)	63	77	-	-	23	(1)	(37)
Stage 2	**(19,055)**	**-**	**2,796**	**10,872**	**(1,539)**	**-**	**215**	**(164)**	**(6,875)**
General governments	(4)	-	376	(378)	-	-	-	-	(6)
Credit institutions	(2,001)	-	31	(315)	-	-	-	-	(2,285)
Other financial corporations	(198)	-	1	194	-	-	-	-	(3)
Non-financial corporations	(15,625)	-	2,165	11,676	(1,482)	-	35	(161)	(3,392)
Households	(1,227)	-	223	(305)	(57)	-	180	(3)	(1,189)
Stage 3	**(38,894)**	**-**	**5,324**	**(16,068)**	**(720)**	**-**	**3,558**	**(1,295)**	**(48,095)**
General governments	(88)	-	8	(11)	-	-	-	-	(91)
Other financial corporations	(102)	-	92	(26)	-	-	5	(1)	(32)
Non-financial corporations	(36,236)	-	4,842	(14,022)	(61)	-	2,607	(1,294)	(44,164)
Households	(2,468)	-	382	(2,009)	(659)	-	946	-	(3,808)
POCI	**(831)**	**-**	**82**	**(67)**	**-**	**-**	**48**	**(2)**	**(770)**
General governments	(106)	-	16	-	-	-	-	-	(90)
Non-financial corporations	(588)	-	66	(97)	-	-	12	(1)	(608)
Households	(137)	-	-	30	-	-	36	(1)	(72)
Total	**(61,324)**	**(7,874)**	**12,703**	**(13,462)**	**4,225**	**-**	**3,847**	**(1,645)**	**(63,530)**

31.12.2020 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	Exchange-rate and other changes (+/-)	Closing balance
Stage 1	**(3,251)**	**(3,080)**	**1,103**	**2,616**	**46**	**-**	**24**	**(2)**	**(2,544)**
General governments	(30)	(202)	209	(17)	-	-	-	-	(40)
Credit institutions	(35)	(108)	71	(6)	-	-	-	-	(78)
Other financial corporations	(18)	(70)	3	16	-	-	-	-	(69)
Non-financial corporations	(3,149)	(2,618)	787	2,602	46	-	5	(2)	(2,329)
Households	(19)	(82)	33	21	-	-	19	-	(28)
Stage 2	**(8,121)**	**-**	**2,754**	**(8,719)**	**(5,133)**	**-**	**175**	**(11)**	**(19,055)**
General governments	(4)	-	4	(1)	(4)	-	1	-	(4)
Credit institutions	(1,287)	-	-	(714)	-	-	-	-	(2,001)
Other financial corporations	(1)	-	1	(197)	(1)	-	-	-	(198)
Non-financial corporations	(6,115)	-	2,644	(7,061)	(5,128)	-	45	(10)	(15,625)
Households	(714)	-	105	(746)	-	-	129	(1)	(1,227)
Stage 3	**(74,910)**	**-**	**88**	**26,518**	**(1,101)**	**-**	**10,445**	**66**	**(38,894)**
General governments	(84)	-	2	(6)	-	-	-	-	(88)
Other financial corporations	(454)	-	-	357	(3)	-	2	(4)	(102)
Non-financial corporations	(72,394)	-	-	27,169	(1,098)	-	10,005	82	(36,236)
Households	(1,978)	-	86	(1,002)	-	-	438	(12)	(2,468)
POCI	**(3,980)**	**-**	**2,580**	**562**	**-**	**-**	**68**	**(61)**	**(831)**
General governments	(106)	-	-	-	-	-	-	-	(106)
Non-financial corporations	(3,718)	-	2,580	585	-	-	25	(60)	(588)
Households	(156)	-	-	(23)	-	-	43	(1)	(137)
Total	**(90,262)**	**(3,080)**	**6,525**	**20,977**	**(6,188)**	**-**	**10,712**	**(8)**	**(61,324)**

14. Trade and other receivables *(continued)*

in RON thousands	Opening balance	Increases due to origination and acquisition	Decreases due to derecognition	Net changes due to change in credit risk	Transfers between Stage 1 and Stages 2/3	Net changes due to modifications without derecognition	Decrease in allowance account due to write-offs	Exchange-rate and other changes (+/-)	Closing balance
								31.12.2021	Bank
Stage 1	**(2,355)**	**(7,770)**	**4,498**	**(8,416)**	**6,431**	**-**	**26**	**(6)**	**(7,592)**
General governments	(40)	(343)	718	(532)	-	-	-	-	(197)
Credit institutions	(78)	(30)	87	20	-	-	-	-	(1)
Other financial corporations	(5)	(11)	8	(2)	-	-	-	-	(10)
Non-financial corporations	(2,204)	(7,226)	3,622	(7,979)	6,431	-	3	(5)	(7,358)
Households	(28)	(160)	63	77	-	-	23	(1)	(26)
Stage 2	**(18,674)**	**-**	**2,788**	**10,339**	**(1,377)**	**-**	**215**	**(4)**	**(6,713)**
General governments	(4)	-	376	(378)	-	-	-	-	(6)
Credit institutions	(2,002)	-	31	(314)	-	-	-	-	(2,285)
Other financial corporations	(198)	-	1	194	-	-	-	-	(3)
Non-financial corporations	(15,244)	-	2,157	11,142	(1,377)	-	35	(1)	(3,288)
Households	(1,226)	-	223	(305)	-	-	180	(3)	(1,131)
Stage 3	**(29,804)**	**-**	**5,319**	**(9,951)**	**-**	**-**	**1,559**	**1,332**	**(31,545)**
General governments	(88)	-	8	(11)	-	-	-	-	(91)
Other financial corporations	(102)	-	92	(26)	-	-	5	(1)	(32)
Non-financial corporations	(27,220)	-	4,837	(7,918)	-	-	1,211	1,342	(27,748)
Households	(2,394)	-	382	(1,996)	-	-	343	(9)	(3,674)
POCI	**(831)**	**-**	**82**	**(67)**	**-**	**-**	**48**	**(2)**	**(770)**
General governments	(106)	-	16	-	-	-	-	-	(90)
Non-financial corporations	(588)	-	66	(97)	-	-	12	(1)	(608)
Households	(137)	-	-	30	-	-	36	(1)	(72)
Total	**(51,664)**	**(7,770)**	**12,687**	**(8,095)**	**5,054**	**-**	**1,848**	**1,320**	**(46,620)**

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	Exchange-rate and other changes (+/-)	Closing balance
								31.12.2020	Bank
Stage 1	**(3,142)**	**(2,925)**	**1,102**	**2,564**	**24**	**-**	**24**	**(2)**	**(2,355)**
General governments	(30)	(202)	209	(17)	-	-	-	-	(40)
Credit institutions	(35)	(108)	70	(5)	-	-	-	-	(78)
Other financial corporations	(17)	(6)	3	15	-	-	-	-	(5)
Non-financial corporations	(3,043)	(2,527)	787	2,552	24	-	5	(2)	(2,204)
Households	(17)	(82)	33	19	-	-	19	-	(28)
Stage 2	**(7,934)**	**-**	**2,754**	**(8,610)**	**(5,061)**	**-**	**175**	**2**	**(18,674)**
General governments	(4)	-	4	(1)	(4)	-	1	-	(4)
Credit institutions	(1,287)	-	-	(715)	-	-	-	-	(2,002)
Other financial corporations	-	-	1	(199)	-	-	-	-	(198)
Non-financial corporations	(5,930)	-	2,644	(6,949)	(5,057)	-	45	3	(15,244)
Households	(713)	-	105	(746)	-	-	129	(1)	(1,226)
Stage 3	**(64,263)**	**-**	**88**	**24,539**	**-**	**-**	**9,766**	**66**	**(29,804)**
General governments	(84)	-	2	(6)	-	-	-	-	(88)
Other financial corporations	(244)	-	-	144	-	-	2	(4)	(102)
Non-financial corporations	(62,313)	-	-	25,685	-	-	9,326	82	(27,220)
Households	(1,622)	-	86	(1,284)	-	-	438	(12)	(2,394)
POCI	**(3,980)**	**-**	**2,580**	**562**	**-**	**-**	**68**	**(61)**	**(831)**
General governments	(106)	-	-	-	-	-	-	-	(106)
Non-financial corporations	(3,718)	-	2,580	585	-	-	25	(60)	(588)
Households	(156)	-	-	(23)	-	-	43	(1)	(137)
Total	**(79,319)**	**(2,925)**	**6,524**	**19,055**	**(5,037)**	**-**	**10,033**	**5**	**(51,664)**

The year-end total gross carrying amount of trade receivables that were initially recognized (purchased) during the year 2021 and not fully derecognized by 31 December 2021 amounts to RON 310,886 thousands (2020: RON 318,402 thousands) at Group level, RON 306,956 thousands (2020: RON 307,317 thousands) at Bank level. The gross carrying amount of trade receivables that were held at 1 January 2021 and derecognized during the year 2021 amounts to RON 203,833 thousand at Group level (2020: RON 326,998 thousand), RON 202,014 thousands (2020: RON 324,260 thousands) at Bank level.

15. Financial liabilities measured at amortised cost

For presentation on the statement of financial position, the line item 'Financial liabilities measured at amortised cost' is used. The liabilities are further broken down into 'Deposits from banks' 'Borrowings and financing lines', 'Subordinated loans', 'Deposits from customers', 'Debt securities issued' and 'Other financial liabilities'.

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

Deposits from banks

	Group		Bank	
in RON thousands	**31.12.2021**	**31.12.2020**	**31.12.2021**	**31.12.2020**
Current accounts / overnight deposits	260,229	917,110	273,372	947,984
Term deposits from other banks	170,154	113,251	157,735	103,676
Repurchase agreements	-	35,864	1,138,338	1,013,477
Deposits from banks	430,383	1,066,225	1,569,445	2,065,137
Borrowings and financing lines	849,192	1,453,289	246,763	426,827
Total Borrowings and financing lines	**849,192**	**1,453,289**	**246,763**	**426,827**
Subordinated loans	503,964	1,087,260	503,964	1,087,260
Total	**1,783,539**	**3,606,774**	**2,320,172**	**3,579,224**

Borrowings and financing lines

Maturity of other financing lines is between June 2022 and September 2030, the interest rates are fixed or variable in a range between 0.349%-5.291 %.

Liabilities from financing activities			**Group**
in RON thousands	**Other borrowed funds**	**Subordinated debt**	**Total**
Borrowings at 01.01.2020	**2,105,646**	**1,067,313**	**3,172,959**
Cash flow	(707,202)	(48,155)	(755,357)
Foreign exchange adjustments	32,686	20,394	53,080
Other non-cash movements	22,159	47,708	69,867
Borrowings at 31.12.2020	**1,453,289**	**1,087,260**	**2,540,549**
Cash flow	(708,356)	(642,357)	(1,350,713)
Foreign exchange adjustments	21,940	17,247	39,187
Other non-cash movements	12,590	41,814	54,404
Liabilities associated with assets held for sale reclassified in deposits	69,729	-	69,729
Borrowings at 31.12.2021	**849,192**	**503,964**	**1,353,156**

Liabilities from financing activities			**Bank**
in RON thousands	**Other borrowed funds**	**Subordinated debt**	**Total**
Borrowings at 01.01.2020	**572,786**	**1,067,313**	**1,640,099**
Cash flow	(168,840)	(48,155)	(216,995)
Foreign exchange adjustments	14,340	20,394	34,734
Other non-cash movements	8,541	47,708	56,249
Borrowings at 31.12.2020	**426,827**	**1,087,260**	**1,514,087**
Cash flow	(195,688)	(642,357)	(838,045)
Foreign exchange adjustments	9,529	17,247	26,776
Other non-cash movements	6,095	41,814	47,909
Borrowings at 31.12.2021	**246,763**	**503,964**	**750,727**

Subordinated loans

The Bank has one subordinated loan contracted in 2012 in amount of EUR100,000 thousands (RON 494,810 thousand) with the maturity date of 27 June 2022 .

The loan agreement do not stipulate circumstances in which early disbursement is required and contain no provisions for converting subordinated debt in equity or other liability.

The debt ranks after all other creditors in the case of liquidation.

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

Debt securities issued

	Group		Bank	
in RON thousands	**31.12.2021**	**31.12.2020**	**31.12.2021**	**31.12.2020**
Senior non-preferred bonds	2,227,709	601,407	2,227,709	601,407
Other debt securities issued	505,411	13,394	505,411	13,394
Debt securities issued	**2,733,120**	**614,801**	**2,733,120**	**614,801**

Deposits from customers

Deposits from Customers have seen an upward development driven by both retail and corporate.

	Group		Bank	
in RON thousands	**31.12.2021**	**31.12.2020**	**31.12.2021**	**31.12.2020**
Overnight deposits	45,434,373	37,902,428	45,231,120	37,718,740
Savings deposits	1,467	1,819	-	-
Households	1,467	1,819	-	-
Non-savings deposits	45,432,906	37,900,609	45,231,120	37,718,740
General governments	3,468,443	2,886,018	3,468,443	2,886,018
Other financial corporations	1,772,394	889,028	1,849,329	1,044,544
Non-financial corporations	15,619,397	13,490,065	15,424,720	13,224,773
Households	24,572,672	20,635,498	24,488,628	20,563,405
Term deposits	27,024,043	26,974,346	26,490,391	25,872,978
Deposits with agreed maturity	27,024,043	26,974,346	26,490,391	25,872,978
Savings deposits	510,016	1,038,774	-	-
Households	510,016	1,038,774	-	-
Non-savings deposits	26,514,027	25,935,572	26,490,391	25,872,978
General governments	3,521,667	3,057,243	3,521,667	3,057,243
Other financial corporations	936,355	805,407	1,057,354	890,717
Non-financial corporations	6,370,508	4,719,501	6,379,911	4,708,271
Households	15,685,497	17,353,421	15,531,459	17,216,747
Deposits from customers	**72,458,416**	**64,876,774**	**71,721,511**	**63,591,718**
General governments	6,990,110	5,943,261	6,990,110	5,943,261
Other financial corporations	2,708,749	1,694,435	2,906,683	1,935,261
Non-financial corporations	21,989,905	18,209,566	21,804,631	17,933,044
Households	40,769,652	39,029,512	40,020,087	37,780,152

Other financial liabilities

	Group		Bank	
in RON thousands	**31.12.2021**	**31.12.2020**	**31.12.2021**	**31.12.2020**
Intrabanking settlement liabilities	224,747	203,997	224,747	203,997
Settlement liabilities due to clients	212,962	254,676	212,743	254,237
Client accounts for securities transactions	118,966	96,752	118,966	96,752
Financial liabilities - suppliers	245,997	154,989	229,275	151,517
Other financial liabilities	57,887	38,322	57,193	35,753
Total other financial liabilities	**860,559**	**748,736**	**842,924**	**742,256**

Financial instruments at fair value

Financial instruments at fair value through profit or loss

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

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

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

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

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

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

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

16. Derivatives

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

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

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

Group

in RON thousands	2021 Notional amount	2021 Fair value Positive	2021 Fair value Negative	2020 Notional amount	2020 Fair value Positive	2020 Fair value Negative
Derivatives held in Trading book	**7,369,147**	**23,717**	**21,021**	**5,872,523**	**39,082**	**45,363**
Interest rate instruments and related derivatives	4,608,348	13,977	14,566	3,740,070	26,271	27,541
Foreign exchange trading and related derivatives	2,760,799	9,740	6,455	2,132,453	12,811	17,822
Derivatives held in Banking Book	**2,242,695**	**277**	**1,322**	**2,445,210**	**809**	**6,688**
Interest rate instruments and related derivatives	-	-	-	13,395	246	-
Equity instruments and related derivatives	-	-	-	19,478	-	-
Foreign exchange trading and related derivatives	2,242,695	277	1,322	2,412,337	563	6,688
Total	**9,611,842**	**23,994**	**22,343**	**8,317,733**	**39,891**	**52,051**

16. Derivatives *(continued)*

Bank

in RON thousands	2021 Notional amount	2021 Fair value Positive	2021 Fair value Negative	2020 Notional amount	2020 Fair value Positive	2020 Fair value Negative
Derivatives held in Trading book	**7,418,628**	**23,716**	**21,037**	**5,872,523**	**39,082**	**45,363**
Interest rate instruments and related derivatives	4,608,348	13,976	14,566	3,740,070	26,271	27,541
Foreign exchange trading and related derivatives	2,810,280	9,740	6,471	2,132,453	12,811	17,822
Derivatives held in Banking Book	**2,242,695**	**278**	**1,322**	**2,445,210**	**809**	**6,688**
Interest rate instruments and related derivatives	-	-	-	13,395	246	-
Equity instruments and related derivatives	-	-	-	19,478	-	-
Foreign exchange trading and related derivatives	2,242,695	278	1,322	2,412,337	563	6,688
Total	**9,661,323**	**23,994**	**22,359**	**8,317,733**	**39,891**	**52,051**

17. Other financial assets held for trading

	Group		Bank	
in RON thousands	**31.12.2021**	**31.12.2020**	**31.12.2021**	**31.12.2020**
Debt securities	1,680,546	1,208,931	1,680,546	1,208,931
General governments (i)	1,680,546	1,208,931	1,680,546	1,208,931
Other financial assets held for trading	**1,680,546**	**1,208,931**	**1,680,546**	**1,208,931**

(i) Debt securities include treasury bills and bonds denominated in RON. The amount increased during 2021 due to 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	
	31.12.2021	31.12.2020	31.12.2021	31.12.2020
in RON thousands	Mandatorily at fair value		Mandatorily at fair value	
Equity instruments	35,121	75,033	34,870	74,798
Debt securities	30,632	27,781	30,632	27,781
Other financial corporations	30,632	27,781	30,632	27,781
Loans and advances to customers	-	1,925	-	1,925
Non-financial corporations (i)	-	1,925	-	1,925
Non-trading financial assets mandatorly at fair value through profit or loss	**65,753**	**104,739**	**65,502**	**104,504**

(i) Loans and advances to customers include loans whose contractual cash flows are not considered as SPPI.

19. Financial assets at fair value through other comprehensive income

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

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

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

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

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

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

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

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

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

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

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

									31.12.2021	Group
in RON thousands	Gross carrying amount				Credit loss allowances				Accumulated other fair value changes	Carrying amount
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total		
Debt securities	**7,898,193**	**5,211**	**-**	**7,903,404**	**(8,953)**	**(718)**	**-**	**(9,671)**	**(68,449)**	**7,834,955**
Central banks	29,283	-	-	29,283	(1,377)	-	-	(1,377)	1	29,284
General governments	7,868,909	-	-	7,868,909	(7,576)	-	-	(7,576)	(68,429)	7,800,480
Non-financial corporations	1	5,211	-	5,212	-	(718)	-	(718)	(21)	5,191
Total	**7,898,193**	**5,211**	**-**	**7,903,404**	**(8,953)**	**(718)**	**-**	**(9,671)**	**(68,449)**	**7,834,955**

									31.12.2020	Group
in RON thousands	Gross carrying amount				Credit loss allowances				Accumulated other fair value changes	Carrying amount
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total		
Debt securities	**7,384,062**	**5,209**	**-**	**7,389,271**	**(8,235)**	**(603)**	**-**	**(8,838)**	**146,855**	**7,536,126**
Central banks	23,502	-	-	23,502	(1,105)	-	-	(1,105)	-	23,502
General governments	7,360,560	-	-	7,360,560	(7,130)	-	-	(7,130)	146,582	7,507,142
Other financial corporations	-	5,209	-	5,209	-	(603)	-	(603)	273	5,482
Total	**7,384,062**	**5,209**	**-**	**7,389,271**	**(8,235)**	**(603)**	**-**	**(8,838)**	**146,855**	**7,536,126**

Allowances for financial assets at fair value through other comprehensive income								31.12.2021	Group
in RON thousands	Opening balance	Increases due to origination and acquisition	Decreases due to derecognition	Net changes due to change in credit risk	Transfers between Stage 1 and Stages 2/3	Net changes due to modifications without derecognition	Decrease in allowance account due to write-offs	Exchange-rate and other changes (+/-)	Closing balance
Debt securities									
Stage 1	**(8,235)**	**(4,266)**	**3,647**	**4**	**-**	**-**	**-**	**(103)**	**(8,953)**
Central banks	(1,105)	(1,316)	1,105	-	-	-	-	(61)	(1,377)
General governments	(7,130)	(2,950)	2,542	4	-	-	-	(42)	(7,576)
Stage 2	**(603)**	**-**	**-**	**(115)**	**-**	**-**	**-**	**-**	**(718)**
Non-financial corporations	(603)	-	-	(115)	-	-	-	-	(718)
Total	**(8,838)**	**(4,266)**	**3,647**	**(111)**	**-**	**-**	**-**	**(103)**	**(9,671)**

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

Allowances for financial assets at fair value through other comprehensive income — 31.12.2020 — 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	Exchange-rate and other changes (+/-)	Closing balance
Debt securities									
Stage 1	**(2,670)**	**(4,362)**	**1,715**	**(2,970)**	**-**	**-**	**-**	**52**	**(8,235)**
Central banks	-	(1,175)	-	-	-	-	-	70	(1,105)
General governments	(2,670)	(3,187)	1,715	(2,970)	-	-	-	(18)	(7,130)
Stage 2	**(649)**	**-**	**-**	**46**	**-**	**-**	**-**	**-**	**(603)**
Non-financial corporations	(649)	-	-	46	-	-	-	-	(603)
Total	**(3,319)**	**(4,362)**	**1,715**	**(2,924)**	**-**	**-**	**-**	**52**	**(8,838)**

31.12.2021 — Bank

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

31.12.2020 — Bank

in RON thousands	Gross carrying amount				Credit loss allowances				Accumulated other fair value changes	Carrying amount
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total		
Debt securities	**7,359,463**	**5,209**	**-**	**7,364,672**	**(7,078)**	**(603)**	**-**	**(7,681)**	**146,853**	**7,511,525**
General governments	7,359,463	-	-	7,359,463	(7,078)	-	-	(7,078)	146,580	7,506,043
Non-financial corporations	-	5,209	-	5,209	-	(603)	-	(603)	273	5,482
Total	**7,359,463**	**5,209**	**-**	**7,364,672**	**(7,078)**	**(603)**	**-**	**(7,681)**	**146,853**	**7,511,525**

Allowances for financial assets at fair value through other comprehensive income — 31.12.2021 — Bank

in RON thousands	Opening balance	Increases due to origination and acquisition	Decreases due to derecognition	Net changes due to change in credit risk	Transfers between Stage 1 and Stages 2/3	Net changes due to modifications without derecognition	Decrease in allowance account due to write-offs	Exchange-rate and other changes (+/-)	Closing balance
Debt securities									
Stage 1	**(7,078)**	**(2,925)**	**2,491**	**5**	**-**	**-**	**-**	**(41)**	**(7,548)**
General governments	(7,078)	(2,925)	2,491	5	-	-	-	(41)	(7,548)
Stage 2	**(603)**	**-**	**-**	**(115)**	**-**	**-**	**-**	**-**	**(718)**
Non-financial corporations	(603)	-	-	(115)	-	-	-	-	(718)
Total	**(7,681)**	**(2,925)**	**2,491**	**(110)**	**-**	**-**	**-**	**(41)**	**(8,266)**

Allowances for financial assets at fair value through other comprehensive income — 31.12.2020 — 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	Exchange-rate and other changes (+/-)	Closing balance
Debt securities									
Stage 1	**(2,583)**	**(3,136)**	**1,715**	**(3,051)**	**-**	**-**	**-**	**(23)**	**(7,078)**
General governments	(2,583)	(3,136)	1,715	(3,051)	-	-	-	(23)	(7,078)
Stage 2	**(649)**	**-**	**-**	**46**	**-**	**-**	**-**	**-**	**(603)**
Non-financial corporations	(649)	-	-	46	-	-	-	-	(603)
Total	**(3,232)**	**(3,136)**	**1,715**	**(3,005)**	**-**	**-**	**-**	**(23)**	**(7,681)**

The year-end total gross carrying amount of FVOCI debt securities that were initially recognized (purchased) during the year 2021 and not fully derecognized by 31 December 2021 amounts to RON 3,009,349 thousands (2020: RON 3,143,958 thousands) at Group level, RON 2,979,485 thousands (2020: RON 3,121,162 thousands) at Bank level. The gross carrying amount of FVOCI debt securities that were held at 1 January 2021 and derecognized during the year 2021 amounts to RON 2,526,956 thousand at Group level (2020: RON 1,801,855 thousand), RON 2,500,669 thousands (2020: RON 1,801,855 thousands) at Bank level.

Financial instruments - other disclosure matters

20. Securities

Group

in RON thousands	2021 Financial Assets				2020 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	**15,570,473**	**1,680,546**	**30,632**	**7,834,955**	**14,827,570**	**1,208,931**	**27,781**	**7,536,126**
Listed	15,459,941	619,770	-	4,875,048	14,731,329	1,208,931	-	4,765,556
Unlisted	110,532	1,060,776	30,632	2,959,907	96,241	-	27,781	2,770,570
Equity related securities	**-**	**-**	**35,121**	**-**	**-**	**-**	**75,033**	**-**
Listed	-	-	4,251	-	-	-	42,076	-
Unlisted	-	-	30,870	-	-	-	32,957	-
Total	**15,570,473**	**1,680,546**	**65,753**	**7,834,955**	**14,827,570**	**1,208,931**	**102,814**	**7,536,126**

Bank

in RON thousands	2021 Financial Assets				2020 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	**15,382,134**	**1,680,546**	**30,632**	**7,805,091**	**13,986,991**	**1,208,931**	**27,781**	**7,511,525**
Listed	15,382,134	619,770	-	4,875,048	13,986,991	1,208,931	-	4,765,556
Unlisted	-	1,060,776	30,632	2,930,043	-	-	27,781	2,745,969
Equity related securities	**-**	**-**	**34,870**	**-**	**-**	**-**	**74,798**	**-**
Listed	-	-	4,251	-	-	-	42,076	-
Unlisted	-	-	30,619	-	-	-	32,722	-
Total	**15,382,134**	**1,680,546**	**65,502**	**7,805,091**	**13,986,991**	**1,208,931**	**102,579**	**7,511,525**

21. Fair value of financial assets and liabilities

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

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

The fair value is best evidenced by a quoted market price, if such exists. Credit Value Adjustment/Debt Value Adjustment is included in the fair value of derivatives, being not significant amount both at 31 December 2020 and 31 December 2021.

Level 1 of the fair value hierarchy

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

Level 2 of the fair value hierarchy

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

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

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:

31.12.2021

in RON thousands	Group					Bank				
	Carrying amount	Fair value	Fair value hierarchy			Carrying amount	Fair value	Fair value hierarchy		
			Level 1	Level 2	Level 3			Level 1	Level 2	Level 3
Assets			-	-	-					
Cash and cash balances	13,317,439	13,317,439	13,317,439	-	-	13,069,516	13,069,516	13,069,516	-	-
Financial assets at amortised cost	62,702,857	63,609,921	14,820,192	313,468	48,476,261	63,381,929	64,319,982	14,743,354	197,480	49,379,148
Loans and advances to banks	1,362,313	1,348,714	-	-	1,348,714	1,362,004	1,348,406	-	-	1,348,406
Loans and advances to customers	45,770,071	47,127,547	-	-	47,127,547	46,637,791	48,030,742	-	-	48,030,742
Debt securities	15,570,473	15,133,660	14,820,192	313,468	-	15,382,134	14,940,834	14,743,354	197,480	-
Finance lease receivables	1,445,231	1,445,231	-	-	1,445,231	11,240	11,240	-	-	11,240
Trade and other receivables	653,237	666,835	-	-	666,835	631,610	645,285	-	-	645,285
Liabilities										
Financial liabilities measured at amortised cost	77,835,634	77,485,210	-	2,748,005	74,737,205	77,617,727	77,276,176	-	2,748,005	74,528,171
Deposits from banks	1,783,539	1,781,523	-	-	1,781,523	2,320,172	2,326,789	-	-	2,326,789
Deposits from customers	72,458,416	72,095,123	-	-	72,095,123	71,721,511	71,358,458	-	-	71,358,458
Debt securities in issue	2,733,120	2,748,005	-	2,748,005	-	2,733,120	2,748,005	-	2,748,005	-
Other financial liabilities	860,559	860,559	-	-	860,559	842,924	842,924	-	-	842,924
Lease liabilities	435,710	435,710	-	-	435,710	435,710	435,710	-	-	435,710
Financial guarantees and commitments	**17,144,687**	**211,683**	**-**	**-**	**211,683**	**17,460,433**	**131,737**	**-**	**-**	**131,737**
Financial guarantees	39,218	(147)	-	-	(147)	24,147	(91)	-	-	(91)
Irrevocable commitments	17,105,469	211,830	-	-	211,830	17,436,286	131,828	-	-	131,828

31.12.2020

in RON thousands	Group					Bank				
	Carrying amount	Fair value	Fair value hierarchy			Carrying amount	Fair value	Fair value hierarchy		
			Level 1	Level 2	Level 3			Level 1	Level 2	Level 3
Assets										
Cash and cash balances	10,538,199	10,538,199	10,538,199	-	-	10,193,736	10,193,736	10,193,736	-	-
Financial assets at amortised cost	57,990,947	59,844,564	14,939,275	359,332	44,545,957	57,372,656	59,250,569	14,192,096	273,998	44,784,475
Loans and advances to banks	2,028,021	2,028,996	-	-	2,028,996	2,026,208	2,027,184	-	-	2,027,184
Loans and advances to customers	41,135,356	42,500,308	-	-	42,500,308	41,359,457	42,756,295	-	-	42,756,295
Debt securities	14,827,570	15,315,260	14,939,275	359,332	16,653	13,986,991	14,467,090	14,192,096	273,998	996
Finance lease receivables	1,301,380	1,301,380	-	-	1,301,380	15,106	15,106	-	-	15,106
Trade and other receivables	563,885	582,305	-	-	582,305	548,097	562,278	-	-	562,278
Liabilities										
Financial liabilities measured at amortised cost	69,847,085	69,799,845	-	674,478	69,125,367	68,527,999	68,344,201	-	674,478	67,669,723
Deposits from banks	3,606,774	3,759,237	-	-	3,759,237	3,579,224	3,595,162	-	-	3,595,162
Deposits from customers	64,876,774	64,617,394	-	-	64,617,394	63,591,718	63,332,305	-	-	63,332,305
Debt securities in issue	614,801	674,478	-	674,478	-	614,801	674,478	-	674,478	-
Other financial liabilities	748,736	748,736	-	-	748,736	742,256	742,256	-	-	742,256
Lease liabilities	428,737	428,737	-	-	428,737	426,424	426,424	-	-	426,424
Financial guarantees and commitments	**16,626,788**	**129,143**	**-**	**-**	**129,143**	**17,203,999**	**128,756**	**-**	**-**	**128,756**
Financial guarantees	39,770	(116)	-	-	(116)	27,304	(201)	-	-	(201)
Irrevocable commitments	16,587,018	129,259	-	-	129,259	17,176,695	128,957	-	-	128,957

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	**31.12.2021**	**31.12.2020**	**31.12.2021**	**31.12.2020**	**31.12.2021**	**31.12.2020**	**31.12.2021**	**31.12.2020**
Financial assets - held for trading	**1,305,267**	**1,062,340**	**398,373**	**185,081**	**900**	**1,401**	**1,704,540**	**1,248,822**
Derivatives	-	-	23,094	38,490	900	1,401	23,994	39,891
Other financial assets held for trading	1,305,267	1,062,340	375,279	146,591	-	-	1,680,546	1,208,931
Non-trading financial assets at fair value through profit or loss	**-**	**40,726**	**2,914**	**-**	**62,839**	**64,013**	**65,753**	**104,739**
Equity instruments	-	40,726	2,914	-	32,207	34,307	35,121	75,033
Debt securities	-	-	-	-	30,632	27,781	30,632	27,781
Loans and advances	-	-	-	-	-	1,925	-	1,925
Financial assets at fair value through other comprehensive income	**7,542,861**	**7,416,019**	**263,768**	**90,986**	**28,326**	**29,121**	**7,834,955**	**7,536,126**
Debt securities	7,542,861	7,416,019	263,768	90,986	28,326	29,121	7,834,955	7,536,126
Total assets	**8,848,128**	**8,519,085**	**665,055**	**276,067**	**92,065**	**94,535**	**9,605,248**	**8,889,687**
Liabilities								
Financial liabilities - held for trading	-	-	22,343	52,051	-	-	22,343	52,051
Derivatives	-	-	22,343	52,051	-	-	22,343	52,051
Total liabilities	**-**	**-**	**22,343**	**52,051**	**-**	**-**	**22,343**	**52,051**

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	**31.12.2021**	**31.12.2020**	**31.12.2021**	**31.12.2020**	**31.12.2021**	**31.12.2020**	**31.12.2021**	**31.12.2020**
Financial assets - held for trading	**1,305,267**	**1,062,340**	**398,373**	**185,081**	**900**	**1,401**	**1,704,540**	**1,248,822**
Derivatives	-	-	23,094	38,490	900	1,401	23,994	39,891
Other financial assets held for trading	1,305,267	1,062,340	375,279	146,591	-	-	1,680,546	1,208,931
Non-trading financial assets at fair value through profit or loss	**-**	**40,726**	**2,914**	**-**	**62,588**	**63,778**	**65,502**	**104,504**
Equity instruments	-	40,726	2,914	-	31,956	34,072	34,870	74,798
Debt securities	-	-	-	-	30,632	27,781	30,632	27,781
Loans and advances	-	-	-	-	-	1,925	-	1,925
Financial assets at fair value through other comprehensive income	**7,542,861**	**7,416,019**	**233,904**	**90,024**	**28,326**	**5,482**	**7,805,091**	**7,511,525**
Debt securities	7,542,861	7,416,019	233,904	90,024	28,326	5,482	7,805,091	7,511,525
Total assets	**8,848,128**	**8,519,085**	**635,191**	**275,105**	**91,814**	**70,661**	**9,575,133**	**8,864,851**
Liabilities								
Financial liabilities - held for trading	-	-	22,359	52,051	-	-	22,359	52,051
Derivatives	-	-	22,359	52,051	-	-	22,359	52,051
Total liabilities	**-**	**-**	**22,359**	**52,051**	**-**	**-**	**22,359**	**52,051**

Financial assets held for trading position has increased during 2021 compared 2020 mostly due to investment in government bonds.

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

- loans and advances to customers classified at fair value through profit and loss according to IFRS 9 due to failure to pass the SPPI (solely payments of principal and interest) test. The methodology to compute the fair value of these assets corresponds to the basic present value technique where expected cash flows of assets are discounted by the full rate including credit risk, market risk and cost components. The credit risk is incorporated in the assessment of cash flows in order to come to expected cash flows accounting for customer's probability of default. These cash flows are then adjusted with the discount rate;

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

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

Financial assets at fair value through other comprehensive income include:

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

Valuation of level 3 financial instruments

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

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

The unobservable inputs from CVA calculation are the probability of default (PD) and loss given default (LGD). The probabilities of default are the result of the rating models development internally (at Erste Group level) and are used to evaluate the credit risk including CVA. According to the allocated rating, each counterparty has assigned a probability of default. The value of LGD parameter for the calculation of CVA is 60%. As at December 2021, 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: 6,861 and two additional haircuts were applied of 12.65% to account for market price uncertainty related to the illiquidity of Class C shares and a haircut of 17.21% accounting for conversion factor risk.

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

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

Group

in RON thousands	Balance	Gain/(loss) in profit or loss	Gain/(loss) in other comprehensive income	Purchases	Sales	Settlements	Transfers into Level 3	Exchange rate differences	Balance
Assets	**01.01.2020**								**31.12.2020**
Financial assets - held for trading	**1,828**	**(427)**	**-**	**-**	**-**	**-**	**-**	**-**	**1,401**
Derivatives	1,828	(427)	-	-	-	-	-	-	1,401
Non-trading financial assets at fair value through profit or loss	**90,923**	**12,509**	**-**	**-**	**-**	**(39,402)**	**-**	**(17)**	**64,013**
Equity instruments	37,439	(3,115)	-	-	-	-	-	(17)	34,307
Debt securities	49,922	13,708	-	-	-	(35,849)	-	-	27,781
Loans and advances	3,562	1,916	-	-	-	(3,553)	-	-	1,925
Financial assets at fair value through other comprehensive income	**6,133**	**(3)**	**(649)**	**25,137**	**-**	**-**	**-**	**(1,497)**	**29,121**
Debt securities	6,133	(3)	(649)	25,137	-	-	-	(1,497)	29,121
Total assets	**98,884**	**12,079**	**(649)**	**25,137**	**-**	**(39,402)**	**-**	**(1,514)**	**94,535**

Bank

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

Bank

in RON thousands	Balance	Gain/(loss) in profit or loss	Gain/(loss) in other comprehensive income	Purchases	Sales	Settlements	Transfers into Level 3	Exchange rate differences	Balance
Assets	**01.01.2020**								**31.12.2020**
Financial assets - held for trading	**1,828**	**(427)**	**-**	**-**	**-**	**-**	**-**	**-**	**1,401**
Derivatives	1,828	(427)	-	-	-	-	-	-	1,401
Non-trading financial assets at fair value through profit or loss	**90,671**	**12,509**	**-**	**-**	**-**	**(39,402)**	**-**	**-**	**63,778**
Equity instruments	37,187	(3,115)	-	-	-	-	-	-	34,072
Debt securities	49,922	13,708	-	-	-	(35,849)	-	-	27,781
Loans and advances	3,562	1,916	-	-	-	(3,553)	-	-	1,925
Financial assets at fair value through other comprehensive income	**6,133**	**(3)**	**(648)**	**-**	**-**	**-**	**-**	**-**	**5,482**
Debt securities	6,133	(3)	(648)	-	-	-	-	-	5,482
Total assets	**98,632**	**12,079**	**(648)**	**-**	**-**	**(39,402)**	**-**	**-**	**70,661**

22. Encumbered assets

	Group		Bank	
in RON thousands	**31.12.2021**	**31.12.2020**	**31.12.2021**	**31.12.2020**
Financial assets at amortised cost	210,331	421,310	1,425,072	1,416,847
Total	**210,331**	**421,310**	**1,425,072**	**1,416,847**

On 31 December 2021, government bonds with a total book value of RON 210,331 thousands (31 December 2020: RON 421,310 thousands) have been used as pledge for funding received from International Financial Institutions and to ensure final settlement of interbank multilateral clearing operations according to NBR regulations for the settlement of transactions through ROCLEAR Bucharest, NBR's Clearing House, and Visa and MasterCard card transactions.

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

23. Transfers of financial assets

Repurchase transactions

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

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

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

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

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

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

Group

in RON thousands	Carrying amount of transferred assets	Carrying amount of associated liabilities	Carrying amount of transferred assets	Carrying amount of associated liabilities
	31.12.2021		31.12.2020	
Repurchase agreements				
Financial assets at amortised cost	-	-	31,920	35,864
Total - repurchase agreements	**-**	**-**	**31,920**	**35,864**

Bank

in RON thousands	Carrying amount of transferred assets	Carrying amount of associated liabilities	Carrying amount of transferred assets	Carrying amount of associated liabilities
	31.12.2021		31.12.2020	
Repurchase agreements				
Financial assets at amortised cost	1,214,741	1,138,338	1,027,457	1,013,477
Total - repurchase agreements	**1,214,741**	**1,138,338**	**1,027,457**	**1,013,477**

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

At Bank level, the total amount RON 1,214,741 thousands as at 31 December 2021 (RON 1,027,457 thousands at 31 December 2020) represents the carrying amount of financial assets in the respective balance sheet positions for which the transferee has a right to sell or repledged.

At Bank level, liabilities from repo transaction in the amount of RON 1,138,338 thousands as at 31 December 2021 (RON 1,013,477 thousands at 31 December 2020), which are measured at amortised cost, represent an obligation to repay the borrowed funds.

23. Transfers of financial assets *(continued)*

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.

				Group
in RON thousands	Fair value of transferred assets	Fair value of associated liabilities	Fair value of transferred assets	Fair value of associated liabilities
	31.12.2021		31.12.2020	
Financial assets at amortised cost	-	-	34,167	35,864
Total	**-**	**-**	**34,167**	**35,864**

				Bank
in RON thousands	Fair value of transferred assets	Fair value of associated liabilities	Fair value of transferred assets	Fair value of associated liabilities
	31.12.2021		31.12.2020	
Financial assets at amortised cost	1,172,196	1,172,196	1,023,670	1,023,670
Total	**1,172,196**	**1,172,196**	**1,023,670**	**1,023,670**

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 2021, the Bank concluded reverse repurchase transactions in amount of RON 1,169,525 thousands. The Bank received as collateral financial assets consisting in bonds. The Bank has the right to sell or repledge the assets in the absence of default situation of the owner of the collateral.

				Group
in RON thousands	Carrying value of the assets	Fair value of collateral	Carrying value of the assets	Fair value of collateral
	31.12.2021		31.12.2020	
Loans and advances to banks	1,169,525	1,233,498	1,809,451	1,808,442
Total	**1,169,525**	**1,233,498**	**1,809,451**	**1,808,442**

				Bank
in RON thousands	Carrying value of the assets	Fair value of collateral	Carrying value of the assets	Fair value of collateral
	31.12.2021		31.12.2020	
Loans and advances to banks	1,169,525	1,233,498	1,809,451	1,808,442
Total	**1,169,525**	**1,233,498**	**1,809,451**	**1,808,442**

23. Transfers of financial assets *(continued)*

Derecognised in their entirety but where the Bank has continuing involvement

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

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

The portfolio containing private individuals receivables had a total exposure of approx. RON 1,825 mn as of 28 February 2016 comprising both BCR and Suport Colect clients with secured and unsecured receivables. Regarding the purpose of the continuing involvement as at 31 December 2021 retained after transferring those assets, the following clauses are active:

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

In this respect the following amounts have been assessed by the Group as at 31 December 2021:

- for General Claims Clause, the obligation was settled during 2020: settlement amount RON 9.3 mn;
- provisions booked as pending legal issue provisions, for the Indemnity clause, in amount of RON 18.5 mn as at 31.12.2021 (31.12.2020: RON 20 mn).

In this respect the following amounts have been assessed by Bank as at 31 December 2021:

- for General Claims Clause, the obligation was settled during 2020: settlement amount RON 4.1 mn;
- provisions booked as pending legal issue provisions, for the Indemnity clause, in amount of RON 18 mn as at 31.12.2021 (31.12.2020: RON 19.1 mn).

Related to the upside sharing clause for recoveries to which the Group is entitled after a certain level of profitability/collections is realized by the buyer is in amount of RON 14.7 mn for 2021 (2020: RON 2.4mn) (BCR: 2021: RON 9.1mn and for 2020: RON 2.4 mn).

Risk and capital management

24. Risk management

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

Risk policy and risk strategy

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

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

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

In 2021, management attention has been dedicated not only to ongoing Covid-19 pandemic, but also to Environmental, Social and Governance (ESG) risks. Significant resources in both business and risk area have been dedicated to set-up and implement ESG action plan, which includes the establishment of comprehensive internal framework ranging from business strategy, dedicated governance, over risk management to disclosures. From risk management perspective, ESG risks were already integrated into the risk materiality assessment process and stress testing annual comprehensive exercise, as well as into the Bank risk appetite as qualitative statements.

In 2021, the management has continued to steer critical portfolios, including active management of non-performing exposures, and further strengthening of the risk profile. This has been particularly demonstrated by the continuous improvement of the credit quality and the ongoing decrease of non-performing loans and risk costs. Management actions resulted in improved profitability, asset quality, lending and capital levels. In addition, emphasis was put on strengthening risk governance and ensuring compliance with regulatory requirements.

The Group uses the Internet as the way for publishing its disclosures under NBR Regulation no. 11/2020 for the amendment and completion of the NBR Regulation no. 5 / 2013 regarding prudential requirements for credit institutions and to Article 434 of the Regulation (EU) No. 575/2013 on prudential requirements for credit institutions and investment firms (Capital Requirements Regulation - CRR). Details are available in the Disclosure Report on the website of the Group.

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.

24. Risk management *(continued)*

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.

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.

24. Risk management *(continued)*

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, 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).

The Risk Management governance structure of the Bank is presented below. Risk management function is consolidated under the Risk Functional Line, coordinated by the Chief Risk Officer (Vice-President):

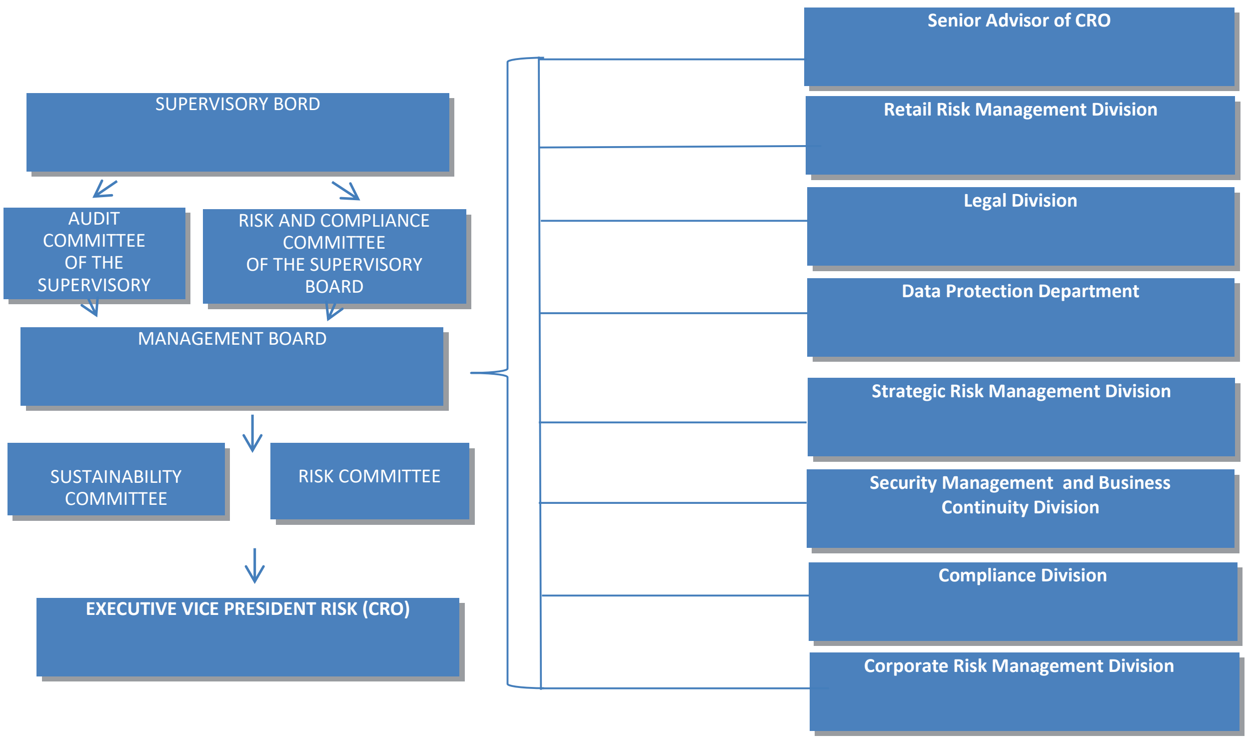

Figure: Risk governance structure as of end 2021

Group-wide risk and capital management

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

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

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

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

24. Risk management *(continued)*

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

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

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

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

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

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

Risk appetite

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

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

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

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

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

24. Risk management *(continued)*

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

The RAS horizon covers 5 years to ensure a stronger interplay with the other strategic processes such as long-term planning and budgeting. The Group RAS 2021 was pre-approved by both Management Board and the Risk Committee of the Management Board and approved by the Supervisory Board, as part of the increased role of the Supervisory Board in RAS setting and monitoring.

Portfolio and risk analytics

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

Risk materiality assessment

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

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

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

Risk Profile

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

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

Risk concentration analysis

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

Stress testing

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

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

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

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

24. Risk management *(continued)*

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

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

Risk Capacity

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

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

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

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

Risk planning and forecasting

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

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

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

Risk-weighted asset management

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

Risk monitoring and review

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

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

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

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

Capital planning and capital allocation

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

24. Risk management *(continued)*

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

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

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

The capital planning process is dynamic and forward-looking in relation to the Group's risk profile and its stated RAS.

Sound capital planning is critical for determining the prudent amount, type and composition of capital that is consistent with the Bank long-term strategy of being able to pursue business objectives, while also withstanding stress economic conditions.

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

Leverage ratio

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

The calculation and disclosure of the leverage ratio is based on the European Commission's delegated regulation ((EU) 2015/62 of 10 October 2014), which was published in the Official Journal of the European Union on 17 January 2015.

Recovery and resolution planning

Recovery Plan concept

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

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

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

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

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

Resolution Planning and Resolution Plan concept

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

24. Risk management *(continued)*

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

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

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

Preferred Resolution strategy

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

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

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

25. Own funds and capital requirements

Own funds disclosure

Regulatory Requirements

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	**31.12.2021**	**31.12.2020**	**31.12.2021**	**31.12.2020**
Tier 1 Capital	8,215,155	8,035,470	7,961,053	7,857,623
Tier 2 Capital	48,234	232,163	48,234	232,163
Total own funds	**8,263,389**	**8,267,633**	**8,009,287**	**8,089,786**
Risk Weighted Exposure Amounts For Credit, Counterparty Credit And Dilution Risks And Free Deliveries	33,308,681	30,493,637	30,715,913	28,148,819
Total Risk Exposure Amount for Position, Foreign Exchange and Commodities Risks	104,855	208,349	104,855	208,349
Total Risk Exposure Amount for Operational Risk	8,006,328	7,836,738	7,655,095	7,512,134
Total Risk Exposure Amount for Credit Valuation Adjustment	32,277	20,018	32,277	20,018
Total Risk Exposure amount for settlement	10	1	10	1
Total Risk Exposure Amount	**41,452,151**	**38,558,743**	**38,508,150**	**35,889,321**
Capital Ratios				
Total capital ratio	19.93%	21.44%	20.80%	22.54%
T1 Capital ratio	19.82%	20.84%	20.67%	21.89%

The YTD September 2021 net of any foreseeable dividends profit is included in Total own funds as per NBR permission .
During 2021, the Group and also the Bank were fully compliant with the limits imposed by the above regulations.

26. Credit Risk

Definition and overview

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

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

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

It also involves credit losses due to counterparty risk from trading in instruments and derivatives bearing market risk. Country risk and related macro-economic forward looking information is also recognised in the calculation of credit risk.

Credit risk is inherent in the following forms:

Cash and cash equivalents – other demand deposits represents all balance receivables on demand with credit institutions (nostro accounts).

Lending facilities - the full amount of the repayment obligations to the Bank by debtors / borrowers, including loans and receivables to credit institution and to customers.

Irrevocable and revocable contingent liabilities - the potential amount that the Bank has recourse to its client in respect to transactions undertaken but not yet settled, i.e. underwriting, pending settlement date etc.

Financial markets transactions - the deemed risk amount arising from the non-settlement of transactions and/or the replacement cost of various financial markets contracts based on methodologies and calculation formulae approved by the Bank. Such transactions with individual counterparties may also be accounted for on a 'netted'/'cross-collateralized' basis where such arrangements have clear legal precedent or are well established in market practice. This positions includes financial assets held for trading or mandatorily at fair value through profit or loss or at fair value through other comprehensive income or at amortised cost, together with the positive fair value of derivatives without equity instruments.

The Bank grants loans to the corporate customers that can generate appropriate cash-flows, with a good reputation in the business environment, that have a proper credit rating and to the retail customers which have stable incomes and are trustworthy as regards the fulfilment of the contract obligations towards the Bank.

In the loan approval process the Bank is mainly interested in the first credit repayment source, the customer's capacity to generate cash-flows (for corporate customers) and to gain stable incomes (for retail customers).

Credit risk includes subcategories among which:

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

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

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

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

26. Credit risk *(continued)*

Internal rating system

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

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

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

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

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

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

Credit risk classification

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

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

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

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

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

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

26. Credit risk *(continued)*

Credit risk review and monitoring

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 exposure

Credit risk exposure relates to the following balance sheet items:

- cash and cash balances – demand deposits to central and 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;
- debt instruments held for sale in disposal groups;
- finance lease receivables;
- trade and other receivables (for disclosure purposes in the tabular summaries below, any contract assets are also included in this category);
- positive fair value of derivatives;
- off-balance sheet credit risks (primarily financial guarantees and undrawn credit 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 comprises the gross carrying amount (or nominal value in the case of off-balance-sheet positions) without taking into account the followings:

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

The gross carrying amount of the credit risk exposure of the Group increased by RON 6,686,008 thousands from almost RON 87,984,308 thousands as of 31 December 2020 to approximately RON 94,670,316 thousands as of 31 December 2021.

26. Credit risk *(continued)*

The gross carrying amount of the credit risk exposure of the Bank increased by RON 7,562,672 thousands, from almost RON 86,423,729 thousands as of 31 December 2020 to approximately RON 93,986,401 thousands as of 31 December 2021.

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
	31.12.2021							
Cash and cash balances - demand deposits to central banks and credit institutions	309,890	(1,266)	-	308,624	210,777	-	-	210,777
Debt instruments held for trading	1,704,540	-	-	1,704,540	1,704,540	-	-	1,704,540
Non-trading debt instruments at FVPL	30,632	-	-	30,632	30,632	-	-	30,632
Debt securities	30,632	-	-	30,632	30,632	-	-	30,632
Debt instruments at FVOCI	7,903,401	(9,671)	(68,446)	7,834,955	7,873,535	(8,266)	(68,444)	7,805,091
Debt securities	7,903,401	(9,671)	(68,446)	7,834,955	7,873,535	(8,266)	(68,444)	7,805,091
Debt instruments at AC	65,341,876	(2,639,019)	-	62,702,857	66,013,392	(2,631,464)	-	63,381,929
Debt securities	15,590,868	(20,395)	-	15,570,473	15,396,998	(14,865)	-	15,382,134
Loans and advances to banks	1,363,193	(880)	-	1,362,313	1,431,384	(69,380)	-	1,362,004
Loans and advances to customers	48,387,815	(2,617,744)	-	45,770,071	49,185,010	(2,547,219)	-	46,637,791
Trade and other receivables	716,765	(63,528)	-	653,237	678,228	(46,618)	-	631,610
Finance lease receivables	1,502,031	(56,800)	-	1,445,231	14,864	(3,624)	-	11,240
Off balance-sheet exposures	17,161,181	(414,935)	-	-	17,460,433	(420,902)	-	-
Total	**94,670,316**	**(3,185,219)**	**(68,446)**	**74,680,076**	**93,986,401**	**(3,110,874)**	**(68,444)**	**73,775,819**

	Group				Bank			
in RON thousands	Credit risk exposure	Credit loss allowances	Adjustments	Carrying amount	Credit risk exposure	Credit loss allowances	Adjustments*	Carrying amount
	31.12.2020							
Cash and cash balances - demand deposits to central banks and credit institutions	315,202	(1,436)	-	313,767	178,521	(225)	-	178,296
Debt instruments held for trading	1,248,822	-	-	1,248,822	1,248,822	-	-	1,248,822
Non-trading debt instruments at FVPL	29,706	-	-	29,706	29,706	-	-	29,706
Debt securities	27,781	-	-	27,781	27,781	-	-	27,781
Loans and advances to customers	1,925	-	-	1,925	1,925	-	-	1,925
Debt instruments at FVOCI	7,389,269	(8,838)	146,857	7,536,126	7,364,672	(7,681)	146,854	7,511,525
Debt securities	7,389,269	(8,838)	146,857	7,536,126	7,364,672	(7,681)	146,854	7,511,525
Debt instruments at AC	60,403,522	(2,412,575)	-	57,990,947	59,778,467	(2,405,811)	-	57,372,656
Debt securities	14,847,648	(20,078)	-	14,827,570	14,001,606	(14,615)	-	13,986,991
Loans and advances to banks	2,029,037	(1,016)	-	2,028,021	2,093,992	(67,784)	-	2,026,208
Loans and advances to customers	43,526,837	(2,391,481)	-	41,135,356	43,682,869	(2,323,412)	-	41,359,457
Trade and other receivables	625,208	(61,323)	-	563,885	599,760	(51,663)	-	548,097
Finance lease receivables	1,345,791	(44,411)	-	1,301,380	19,782	(4,677)	-	15,106
Off balance-sheet exposures	16,626,788	(384,053)	-	-	17,203,999	(389,299)	-	-
Total	**87,984,308**	**(2,912,636)**	**146,857**	**68,984,633**	**86,423,729**	**(2,859,356)**	**146,854**	**66,904,208**

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

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.

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:

- counterparty sector and financial instrument;
- off-balance sheet exposure by product;
- industry and IFRS 9 treatment;
- risk category;
- region and risk category;
- region and IFRS 9 treatment;
- business segment and risk category;
- business segment and IFRS 9 treatment;
- geographical segment and risk category;
- geographical segment and IFRS 9 treatment;
- business segment and coverage by credit loss allowances;
- geographical segment and coverage by credit loss allowances and collateral.

26. Credit risk *(continued)*

Credit risk exposure by counterparty sector and financial instrument

Group

in RON thousands	Cash and cash balances - demand deposits to central banks and credit institutions	Debt instruments held for trading	Non-trading debt instruments at FVPL	Debt instruments at FVOCI	At amortised cost			Trade and other receivables	Finance lease receivables	Off balance-sheet exposures	Total
					Debt securities	Loans and advances to banks	Loans and advances to customers				
						31.12.2021					
Central banks	-	-	-	29,283	115,988	1,878	-	-	-	-	147,149
General governments	-	1,680,546	-	7,868,908	15,474,880	-	4,348,262	26,096	1,028	3,203,594	32,603,314
Credit institutions	309,890	8,660	-	-	-	1,361,315	-	62,977	-	770,541	2,513,383
Other financial corporations	-	-	30,632	-	-	-	178,729	16,614	17,838	608,789	852,602
Non-financial corporations	-	15,334	-	5,210	-	-	15,893,291	538,634	1,445,114	11,196,166	29,093,749
Households	-	-	-	-	-	-	27,967,533	72,444	38,051	1,382,091	29,460,119
Total	**309,890**	**1,704,540**	**30,632**	**7,903,401**	**15,590,868**	**1,363,193**	**48,387,815**	**716,765**	**1,502,031**	**17,161,181**	**94,670,316**

Group

in RON thousands	Cash and cash balances - demand deposits to central banks and credit institutions	Debt instruments held for trading	Non-trading debt instruments at FVPL	Debt instruments at FVOCI	At amortised cost			Trade and other receivables	Finance lease receivables	Off balance-sheet exposures	Total
					Debt securities	Loans and advances to banks	Loans and advances to customers				
						31.12.2020					
Central banks	-	-	-	23,502	100,991	1,990	-	-	-	-	126,483
General governments	-	1,208,932	-	7,360,557	14,694,945	-	3,576,653	24,680	550	3,927,346	30,793,663
Credit institutions	315,202	13,275	-	-	51,712	2,027,047	-	94,808	-	627,146	3,129,190
Other financial corporations	-	-	27,781	-	-	-	224,507	13,974	18,149	399,765	684,176
Non-financial corporations	-	26,615	1,925	5,210	-	-	13,784,695	396,635	1,315,757	10,354,919	25,885,756
Households	-	-	-	-	-	-	25,940,982	95,111	11,335	1,317,612	27,365,040
Total	**315,202**	**1,248,822**	**29,706**	**7,389,269**	**14,847,648**	**2,029,037**	**43,526,837**	**625,208**	**1,345,791**	**16,626,788**	**87,984,308**

Bank

in RON thousands	Cash and cash balances - demand deposits to central banks and credit institutions	Debt instruments held for trading	Non-trading debt instruments at FVPL	Debt instruments at FVOCI	At amortised cost			Trade and other receivables	Finance lease receivables	Off balance-sheet exposures	Total
					Debt securities	Loans and advances to banks	Loans and advances to customers				
						31.12.2021					
Central banks	-	-	-	-	-	1,878	-	-	-	-	1,878
General governments	-	1,680,546	-	7,868,325	15,396,998	-	4,348,180	26,096	-	3,203,282	32,523,427
Credit institutions	210,777	8,660	-	-	-	1,429,506	-	62,541	3,609	847,880	2,562,973
Other financial corporations	-	-	30,632	-	-	-	2,247,648	15,917	10,804	914,060	3,219,061
Non-financial corporations	-	15,334	-	5,210	-	-	14,845,824	501,706	451	11,114,183	26,482,708
Households	-	-	-	-	-	-	27,743,358	71,968	-	1,381,028	29,196,354
Total	**210,777**	**1,704,540**	**30,632**	**7,873,535**	**15,396,998**	**1,431,384**	**49,185,010**	**678,228**	**14,864**	**17,460,433**	**93,986,401**

Bank

in RON thousands	Cash and cash balances - demand deposits to central banks and credit institutions	Debt instruments held for trading	Non-trading debt instruments at FVPL	Debt instruments at FVOCI	At amortised cost			Trade and other receivables	Finance lease receivables	Off balance-sheet exposures	Total
					Debt securities	Loans and advances to banks	Loans and advances to customers				
						31.12.2020					
Central banks	-	-	-	-	-	1,990	-	-	-	-	1,990
General governments	-	1,208,932	-	7,359,462	13,949,894	-	3,576,653	24,679	-	3,927,346	30,046,966
Credit institutions	178,521	13,275	-	-	51,712	2,092,002	-	94,172	4,654	702,818	3,137,154
Other financial corporations	-	-	27,781	-	-	-	1,535,485	13,284	14,548	914,450	2,505,548
Non-financial corporations	-	26,615	1,925	5,210	-	-	12,861,778	373,146	580	10,342,532	23,611,786
Households	-	-	-	-	-	-	25,708,953	94,479	-	1,316,853	27,120,285
Total	**178,521**	**1,248,822**	**29,706**	**7,364,672**	**14,001,606**	**2,093,992**	**43,682,869**	**599,760**	**19,782**	**17,203,999**	**86,423,729**

Contingent liabilities / Off-balance sheet exposures by product

	Group		Bank	
in RON thousands	**31.12.2021**	**31.12.2020**	**31.12.2021**	**31.12.2020**
Financial guarantees	39,218	39,770	24,147	27,304
Loan commitments	11,823,287	11,458,241	12,132,476	12,043,515
Other commitments	5,298,676	5,128,777	5,303,810	5,133,180
Total	**17,161,181**	**16,626,788**	**17,460,433**	**17,203,999**

26. Credit risk *(continued)*

Credit risk exposure by industry and IFRS 9 treatment

In 2021, the loans and advances, debt securities and off-balance-sheet exposures on a total level amount to RON 94,670,316 thousands, of which RON 87,636,467 thousands is eligible for IFRS, in case of BCR Group. Of the IFRS eligible exposure, the highest exposure is represented by Public administration in debt securities, followed by Households in loans and advances. Loans and advances portfolio is entirely IFRS eligible.

Group

in RON thousands	Stage 1	Stage 2	Stage 3	POCI	Credit risk exposure (AC and FVOCI)	Not subject to IFRS 9 impairment	Total
				31.12.2021			
Agriculture and forestry	972,232	316,051	22,179	179	1,310,641	8,672	1,319,313
Mining	744,668	16,760	45,807	14,031	821,266	1,087,207	1,908,473
Manufacturing	4,655,429	1,405,656	462,139	19,772	6,542,996	304,938	6,847,934
Energy and water supply	851,120	164,064	41,855	-	1,057,039	211,296	1,268,335
Construction	1,874,140	292,591	213,393	14,662	2,394,786	858,018	3,252,804
Trade	5,282,070	787,048	60,770	1,361	6,131,249	1,409,242	7,540,491
Transport and communication	2,607,576	1,158,700	67,380	2,005	3,835,661	67,989	3,903,650
Hotels and restaurants	59,757	246,870	12,690	-	319,317	1,668	320,985
Financial and insurance services	3,016,263	582,749	28,721	-	3,627,733	783,984	4,411,717
Real estate and housing	1,536,401	80,805	21,760	-	1,638,966	6,128	1,645,094
Services	366,170	491,380	29,089	752	887,391	48,702	936,093
Public administration	28,611,226	623,349	1,516	10,363	29,246,454	2,233,527	31,479,981
Education, health and art	476,608	33,434	3,203	-	513,245	12,478	525,723
Households	22,728,136	5,413,107	948,672	219,808	29,309,723	-	29,309,723
Total	**73,781,796**	**11,612,564**	**1,959,174**	**282,933**	**87,636,467**	**7,033,849**	**94,670,316**

Group

in RON thousands	Stage 1	Stage 2	Stage 3	POCI	Credit risk exposure (AC and FVOCI)	Not subject to IFRS 9 impairment	Total
				31.12.2020			
Agriculture and forestry	1,023,451	140,261	30,040	965	1,194,717	11,666	1,206,383
Mining	834,751	20,544	36,211	9,838	901,344	951,765	1,853,109
Manufacturing	4,283,041	1,735,054	525,505	25,315	6,568,915	278,073	6,846,988
Energy and water supply	889,035	181,459	44,450	10,472	1,125,416	249,930	1,375,346
Construction	1,594,886	481,871	158,839	22,288	2,257,884	861,229	3,119,113
Trade	3,532,696	1,184,462	48,350	4,142	4,769,650	1,612,433	6,382,083
Transport and communication	2,725,156	571,600	52,852	2,065	3,351,673	77,730	3,429,403
Hotels and restaurants	45,077	275,051	9,807	3,051	332,986	1,795	334,781
Financial and insurance services	2,958,628	320,308	33,495	-	3,312,431	658,736	3,971,167
Real estate and housing	886,534	668,772	28,991	-	1,584,297	12,844	1,597,141
Services	395,444	397,588	20,532	1	813,565	33,151	846,716
Public administration	27,048,676	678,798	3,099	12,301	27,742,874	1,635,112	29,377,986
Education, health and art	227,391	111,549	6,058	-	344,998	12,538	357,536
Households	20,967,768	5,098,115	965,359	245,002	27,276,244	10,303	27,286,547
Other	9	-	-	-	9	-	9
Total	**67,412,543**	**11,865,432**	**1,963,588**	**335,440**	**81,577,003**	**6,407,305**	**87,984,308**

Bank

in RON thousands	Stage 1	Stage 2	Stage 3	POCI	Credit risk exposure (AC and FVOCI)	Not subject to IFRS 9 impairment	Total
				31.12.2021			
Agriculture and forestry	710,635	288,551	11,447	179	1,010,812	8,672	1,019,484
Mining	708,944	7,934	45,807	14,031	776,716	1,087,207	1,863,923
Manufacturing	4,331,743	1,383,796	442,697	19,772	6,178,008	304,938	6,482,946
Energy and water supply	812,339	152,254	37,634	-	1,002,227	211,296	1,213,523
Construction	1,546,764	248,494	196,918	14,662	2,006,838	858,018	2,864,856
Trade	4,750,705	727,066	43,758	1,361	5,522,890	1,409,242	6,932,132
Transport and communication	1,754,194	1,078,278	25,975	2,005	2,860,452	67,989	2,928,441
Hotels and restaurants	24,519	243,057	10,511	-	278,087	1,668	279,755
Financial and insurance services	5,309,789	645,844	100,683	-	6,056,316	785,409	6,841,725
Real estate and housing	1,518,292	78,945	14,200	-	1,611,437	6,128	1,617,565
Services	418,763	589,081	21,270	752	1,029,866	52,410	1,082,276
Public administration	28,415,786	622,821	1,516	10,363	29,050,486	2,233,527	31,284,013
Education, health and art	432,703	24,631	2,539	-	459,873	12,478	472,351
Households	22,586,223	5,376,881	920,535	219,772	29,103,411	-	29,103,411
Total	**73,321,399**	**11,467,633**	**1,875,490**	**282,897**	**86,947,419**	**7,038,982**	**93,986,401**

26. Credit risk *(continued)*

Bank

in RON thousands	Stage 1	Stage 2	Stage 3	POCI	Credit risk exposure (AC and FVOCI)	Not subject to IFRS 9 impairment	Total
				31.12.2020			
Agriculture and forestry	790,081	118,006	20,978	965	930,030	11,666	941,696
Mining	817,344	19,432	36,138	9,838	882,752	951,765	1,834,517
Manufacturing	4,006,659	1,714,703	511,123	25,315	6,257,800	278,073	6,535,873
Energy and water supply	841,246	181,459	40,159	10,472	1,073,336	249,930	1,323,266
Construction	1,326,584	471,289	144,503	22,288	1,964,664	861,229	2,825,893
Trade	3,086,344	1,136,409	33,781	4,142	4,260,676	1,612,433	5,873,109
Transport and communication	1,956,772	515,153	19,446	2,065	2,493,436	77,730	2,571,166
Hotels and restaurants	16,181	272,858	8,657	3,051	300,747	1,795	302,542
Financial and insurance services	4,624,652	426,643	104,753	-	5,156,048	659,110	5,815,158
Real estate and housing	873,961	668,548	19,284	-	1,561,793	12,844	1,574,637
Services	304,818	573,163	15,008	1	892,990	37,180	930,170
Public administration	26,200,556	678,795	3,099	12,301	26,894,751	1,635,112	28,529,863
Education, health and art	195,305	110,058	5,458	-	310,821	12,538	323,359
Households	20,773,978	5,084,998	928,239	244,962	27,032,177	10,303	27,042,480
Total	**65,814,481**	**11,971,514**	**1,890,626**	**335,400**	**80,012,021**	**6,411,708**	**86,423,729**

Credit risk exposure by industry and risk category

Group

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

Group

in RON thousands	Low risk	Management attention	Substandard	Non-performing	Total
			31.12.2020		
Agriculture and forestry	554,879	562,752	57,761	30,991	1,206,383
Mining	1,590,410	187,206	5,818	69,675	1,853,109
Manufacturing	3,825,576	2,298,674	162,319	560,419	6,846,988
Energy and water supply	984,153	197,419	135,902	57,872	1,375,346
Construction	1,989,118	574,528	205,647	349,820	3,119,113
Trade	4,794,859	1,312,718	218,931	55,575	6,382,083
Transport and communication	2,508,743	834,550	29,424	56,686	3,429,403
Hotels and restaurants	67,291	178,802	75,830	12,858	334,781
Financial and insurance services	3,879,121	52,909	5,642	33,495	3,971,167
Real estate and housing	988,837	509,875	68,037	30,392	1,597,141
Services	514,426	273,603	33,237	25,450	846,716
Public administration	29,051,518	315,397	7,972	3,099	29,377,986
Education, health and art	306,943	30,012	14,118	6,463	357,536
Private households	24,204,135	1,127,833	904,816	1,049,763	27,286,547
Other	9	-	-	-	9
Total	**75,260,018**	**8,456,278**	**1,925,454**	**2,342,558**	**87,984,308**

26. Credit risk *(continued)*

Bank

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

Bank

in RON thousands	Low risk	Management attention	Substandard	Non-performing	Total
			31.12.2020		
Agriculture and forestry	346,180	520,134	53,453	21,929	941,696
Mining	1,573,936	185,843	5,135	69,603	1,834,517
Manufacturing	3,595,402	2,234,070	160,364	546,037	6,535,873
Energy and water supply	951,773	182,010	135,902	53,581	1,323,266
Construction	1,745,640	539,953	204,817	335,483	2,825,893
Trade	4,342,209	1,273,238	216,656	41,006	5,873,109
Transport and communication	1,766,447	758,759	22,680	23,280	2,571,166
Hotels and restaurants	39,070	176,121	75,643	11,708	302,542
Financial and insurance services	5,605,354	23,481	81,570	104,753	5,815,158
Real estate and housing	976,977	508,938	68,037	20,685	1,574,637
Services	355,938	523,184	31,121	19,927	930,170
Public administration	28,305,480	213,312	7,972	3,099	28,529,863
Education, health and art	275,299	28,841	13,356	5,863	323,359
Private households	24,004,932	1,121,890	903,015	1,012,643	27,042,480
Total	**73,884,637**	**8,289,774**	**1,979,721**	**2,269,597**	**86,423,729**

Low risk exposure has a significant share in total credit risk exposure (Bank: 86.9% and Group: 86.8%) as of December 2021, higher than 2020 (Bank: 85.49% and Group: 85.54%) as a result of business growth.
Non-performing risk category registered a decrease in 2021, for both Bank (2021: 2.3% and 2020: 2.6%) and Group (2021: 2.4% and 2020: 2.7%). 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.

From industry point of view, credit risk exposure distribution remained stable for both Bank and Group, the highest exposure is represented by Public administration in debt securities, followed by Households in loans and advances.

Credit risk exposure by region and risk category

The geographic analysis of credit exposure is based on the country of risk of the borrower and counterparty. It comprises 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 6,698,737 thousands from RON 85,086,363 thousands in 2020 to RON 91,785,100 thousands in 2021 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 7,616,336 thousands from RON 84,031,487 thousands in 2020 to RON 91,647,823 thousands in 2021.

26. Credit risk *(continued)*

In total, BCR Group's core markets and the EU accounted for 99.3% (2020: 99.5%) of credit risk exposure as of 31 December 2021. At 0.7% (2020: 0.5%), the share of emerging markets remained of minor importance.

Group

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

Group

in RON thousands	Low risk	Management attention	Substandard	Non-performing	Total
			31.12.2020		
Core markets	**73,119,650**	**8,267,943**	**1,924,122**	**2,157,402**	**85,469,117**
Austria	381,484	114	3	12	381,613
Romania	72,737,999	8,267,342	1,923,632	2,157,390	85,086,363
Serbia	-	487	-	-	487
Slovakia	6	-	-	-	6
Czech Republic	108	-	-	-	108
Hungary	53	-	487	-	540
Other EU	**1,892,607**	**7,420**	**1,099**	**174,268**	**2,075,394**
Other industrialised countries	**30,494**	**3**	**212**	**6**	**30,715**
Emerging markets	**217,267**	**180,912**	**21**	**10,882**	**409,082**
Southeastern Europe/CIS	184,618	174,679	15	10,546	369,858
Asia	32,010	37	1	-	32,048
Latin America	170	-	-	-	170
Middle East/Africa	469	6,196	5	336	7,006
Total	**75,260,018**	**8,456,278**	**1,925,454**	**2,342,558**	**87,984,308**

Bank

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

26. Credit risk *(continued)*

Bank

in RON thousands	Low risk	Management attention	Substandard	Non-performing	Total
			31.12.2020		
Core markets	**71,928,532**	**8,280,963**	**1,978,389**	**2,094,984**	**84,282,868**
Austria	250,115	114	3	8	250,240
Romania	71,678,250	8,280,362	1,977,899	2,094,976	84,031,487
Serbia	-	487	-	-	487
Slovakia	6	-	-	-	6
Czech Republic	108	-	-	-	108
Hungary	53	-	487	-	540
Other EU	**1,892,605**	**2,543**	**1,099**	**174,268**	**2,070,515**
Other industrialised countries	**30,494**	**3**	**212**	**6**	**30,715**
Emerging markets	**33,006**	**6,265**	**21**	**339**	**39,631**
Southeastern Europe/CIS	357	32	15	3	407
Asia	32,010	37	1	-	32,048
Latin America	170	-	-	-	170
Middle East/Africa	469	6,196	5	336	7,006
Total	**73,884,637**	**8,289,774**	**1,979,721**	**2,269,597**	**86,423,729**

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
				31.12.2021			
Core markets	**73,156,361**	**11,567,651**	**1,912,633**	**281,505**	**86,918,150**	**6,333,594**	**93,251,744**
Austria	1,075,926	81,007	20,335	-	1,177,268	156,880	1,334,148
Croatia	-	-	1	-	1	-	1
Romania	72,071,648	11,362,936	1,892,297	281,505	85,608,386	6,176,714	91,785,100
Slovakia	-	5	-	-	5	-	5
Czech Republic	30	-	-	-	30	-	30
Hungary	8,757	123,703	-	-	132,460	-	132,460
Other EU	**219,477**	**5,514**	**38,060**	**1,428**	**264,479**	**447,390**	**711,869**
Other industrialised countries	**2,173**	**632**	**9**	**-**	**2,814**	**223,576**	**226,390**
Emerging markets	**403,785**	**38,767**	**8,472**	**-**	**451,024**	**29,289**	**480,313**
Southeastern Europe/CIS	402,764	38,679	8,277	-	449,720	-	449,720
Asia	665	69	1	-	735	14,107	14,842
Latin America	231	1	-	-	232	-	232
Middle East/Africa	125	18	194	-	337	15,182	15,519
Total	**73,781,796**	**11,612,564**	**1,959,174**	**282,933**	**87,636,467**	**7,033,849**	**94,670,316**

Group

in RON thousands	Stage 1	Stage 2	Stage 3	POCI	Credit risk exposure (AC and FVOCI)	Not subject to IFRS 9 impairment	Total
				31.12.2020			
Core markets	65,426,094	11,802,231	1,917,481	333,493	79,479,299	5,989,818	85,469,117
Austria	234,818	70,416	12	-	305,246	76,367	381,613
Romania	65,190,706	11,731,322	1,917,469	333,493	79,172,990	5,913,373	85,086,363
Serbia	487	-	-	-	487	-	487
Slovakia	-	6	-	-	6	-	6
Czech Republic	30	-	-	-	30	78	108
Hungary	53	487	-	-	540	-	540
Other EU	**1,674,426**	**12,457**	**35,219**	**1,947**	**1,724,049**	**351,345**	**2,075,394**
Other industrialised countries	**1,521**	**987**	**6**	**-**	**2,514**	**28,201**	**30,715**
Emerging markets	**310,502**	**49,757**	**10,882**	**-**	**371,141**	**37,941**	**409,082**
Southeastern Europe/CIS	309,689	49,623	10,546	-	369,858	-	369,858
Asia	139	129	-	-	268	31,780	32,048
Latin America	170	-	-	-	170	-	170
Middle East/Africa	504	5	336	-	845	6,161	7,006
Total	**67,412,543**	**11,865,432**	**1,963,588**	**335,440**	**81,577,003**	**6,407,305**	**87,984,308**

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
				31.12.2021			
Core markets	**73,102,304**	**11,461,391**	**1,837,221**	**281,467**	**86,682,383**	**6,338,727**	**93,021,110**
Austria	982,574	81,007	20,330	-	1,083,911	156,880	1,240,791
Croatia	-	-	1	-	1	-	1
Romania	72,110,943	11,256,676	1,816,890	281,467	85,465,976	6,181,847	91,647,823
Slovakia	-	5	-	-	5	-	5
Large Corporates	30	-	-	-	30	-	30
Hungary	8,757	123,703	-	-	132,460	-	132,460
Other EU	**215,509**	**5,514**	**38,059**	**1,430**	**260,512**	**447,389**	**707,901**
Other industrialised countries	**2,174**	**632**	**9**	**-**	**2,815**	**223,575**	**226,390**
Emerging markets	**1,412**	**96**	**201**	**-**	**1,709**	**29,291**	**31,000**
Southeastern Europe/CIS	390	11	6	-	407	-	407
Asia	666	69	1	-	736	14,106	14,842
Latin America	231	1	-	-	232	-	232
Middle East/Africa	125	15	194	-	334	15,185	15,519
Total	**73,321,399**	**11,467,633**	**1,875,490**	**282,897**	**86,947,419**	**7,038,982**	**93,986,401**

Bank

in RON thousands	Stage 1	Stage 2	Stage 3	POCI	Credit risk exposure (AC and FVOCI)	Not subject to IFRS 9 impairment	Total
				31.12.2020			
Core markets	**64,142,110**	**11,958,021**	**1,855,063**	**333,453**	**78,288,647**	**5,994,221**	**84,282,868**
Austria	103,449	70,416	8	-	173,873	76,367	250,240
Romania	64,038,091	11,887,112	1,855,055	333,453	78,113,711	5,917,776	84,031,487
Serbia	487	-	-	-	487	-	487
Slovakia	-	6	-	-	6	-	6
Czech Republic	30	-	-	-	30	78	108
Hungary	53	487	-	-	540	-	540
Other EU	**1,669,648**	**12,357**	**35,218**	**1,947**	**1,719,170**	**351,345**	**2,070,515**
Other industrialised countries	**1,521**	**987**	**6**	**-**	**2,514**	**28,201**	**30,715**
Emerging markets	**1,202**	**149**	**339**	**-**	**1,690**	**37,941**	**39,631**
Southeastern Europe/CIS	389	15	3	-	407	-	407
Asia	139	129	-	-	268	31,780	32,048
Latin America	170	-	-	-	170	-	170
Middle East/Africa	504	5	336	-	845	6,161	7,006
Total	**65,814,481**	**11,971,514**	**1,890,626**	**335,400**	**80,012,021**	**6,411,708**	**86,423,729**

In 2021, the defaulted part of POCI amounted to RON 112,895 thousands in Group and Bank as well, while the non-defaulted part to RON 170,038 thousands for Group and RON 170,002 thousands for Bank.
In 2020, the defaulted part of POCI amounted to RON 152,777 thousands in Group and Bank as well, while the non-defaulted part to RON 168,489 thousands.

Credit risk exposure by business segment and risk category

Group

in RON thousands	Low risk	Management attention	Substandard	Non-performing	Total
			31.12.2021		
Retail	**27,227,020**	**1,421,268**	**857,908**	**1,083,920**	**30,590,116**
Retail	27,227,020	1,421,268	857,908	1,083,920	30,590,116
Corporates	**27,145,154**	**7,066,090**	**787,586**	**1,102,108**	**36,100,938**
Small and Medium Enterprises	7,173,522	3,997,313	443,366	306,306	11,920,507
Group Large Corporates	-	-	-	-	-
Large Corporates	9,734,559	1,972,928	210,790	752,270	12,670,547
Public Sector	7,877,072	981,454	15,749	10,409	8,884,684
Commercial Real Estate	2,360,001	114,395	117,681	33,123	2,625,200
Group Markets	**4,202,337**	**13,097**	**1,151**	**200**	**4,216,785**
Group Markets - Trading	2,112,839	648	-	-	2,113,487
Group Markets - Financial Institutions	2,089,498	12,449	1,151	200	2,103,298
Asset/Liability Management and Local Corporate Center	**23,624,171**	**54,177**	**5,385**	**78,744**	**23,762,477**
Asset/Liability Management	23,443,171	1,953	766	67,457	23,513,347
Corporate Center	181,000	52,224	4,619	11,287	249,130
Total	**82,198,682**	**8,554,632**	**1,652,030**	**2,264,972**	**94,670,316**

26. Credit risk *(continued)*

Group

in RON thousands	Low risk	Management attention	Substandard	Non-performing	Total
			31.12.2020		
Retail	**25,389,467**	**1,491,285**	**1,088,976**	**1,131,827**	**29,101,555**
Retail	25,389,467	1,491,285	1,088,976	1,131,827	29,101,555
Corporates	**24,016,483**	**6,881,830**	**836,290**	**1,131,074**	**32,865,677**
Small and Medium Enterprises	5,949,268	4,181,570	299,986	311,331	10,742,155
Group Large Corporates	5,950,983	1,075,070	152,328	134,919	7,313,300
Local Large Corporates	1,993,664	591,072	218,565	672,769	3,476,070
Public Sector	8,298,182	516,611	13,364	9,557	8,837,714
Commercial Real Estate	1,824,386	517,507	152,047	2,498	2,496,438
Group Markets	**2,541,000**	**19,395**	**132**	**3,602**	**2,564,129**
Group Markets - Trading	1,730,984	219	-	-	1,731,203
Group Markets - Financial Institutions	810,016	19,176	132	3,602	832,926
Asset/Liability Management and Local Corporate Center	**23,313,068**	**63,768**	**56**	**76,055**	**23,452,947**
Asset/Liability Management	23,034,222	3,710	-	69,318	23,107,250
Corporate Center	278,846	60,058	56	6,737	345,697
Total	**75,260,018**	**8,456,278**	**1,925,454**	**2,342,558**	**87,984,308**

Bank

in RON thousands	Low risk	Management attention	Substandard	Non-performing	Total
			31.12.2021		
Retail	**27,019,458**	**1,418,841**	**857,567**	**1,056,407**	**30,352,273**
Retail	27,019,458	1,418,841	857,567	1,056,407	30,352,273
Corporates	**24,365,499**	**6,621,507**	**754,662**	**1,045,905**	**32,787,573**
Small and Medium Enterprises	4,393,867	3,552,730	410,442	250,103	8,607,142
Group Large Corporates	-	-	-	-	-
Large Corporates	9,734,559	1,972,928	210,790	752,270	12,670,547
Public Sector	7,877,072	981,454	15,749	10,409	8,884,684
Commercial Real Estate	2,360,001	114,395	117,681	33,123	2,625,200
Group Markets	**4,207,670**	**20,045**	**1,156**	**200**	**4,229,071**
Group Markets - Trading	2,112,839	648	5	-	2,113,492
Group Markets - Financial Institutions	2,094,831	19,397	1,151	200	2,115,579
Asset/Liability Management and Local Corporate Center	**26,039,482**	**414,325**	**84,904**	**78,773**	**26,617,484**
Asset/Liability Management	25,850,857	362,100	80,284	67,487	26,360,728
Corporate Center	188,625	52,225	4,620	11,286	256,756
Total	**81,632,109**	**8,474,718**	**1,698,289**	**2,181,285**	**93,986,401**

Bank

in RON thousands	Low risk	Management attention	Substandard	Non-performing	Total
			31.12.2020		
Retail	**24,476,561**	**1,488,261**	**1,088,469**	**1,095,122**	**28,148,413**
Retail	24,476,561	1,488,261	1,088,469	1,095,122	28,148,413
Corporates	**21,683,815**	**6,449,811**	**814,109**	**1,094,788**	**30,042,523**
Small and Medium Enterprises	3,616,600	3,749,551	277,805	275,045	7,919,001
Group Large Corporates	5,950,983	1,075,070	152,328	134,919	7,313,300
Local Large Corporates	1,993,664	591,072	218,565	672,769	3,476,070
Public Sector	8,298,182	516,611	13,364	9,557	8,837,714
Commercial Real Estate	1,824,386	517,507	152,047	2,498	2,496,438
Group Markets	**2,546,374**	**26,263**	**132**	**3,602**	**2,576,371**
Group Markets - Trading	1,730,984	219	-	-	1,731,203
Group Markets - Financial Institutions	815,390	26,044	132	3,602	845,168
Asset/Liability Management and Local Corporate Center	**25,177,887**	**325,439**	**77,011**	**76,085**	**25,656,422**
Asset/Liability Management	24,889,248	265,232	76,949	69,348	25,300,777
Corporate Center	288,639	60,207	62	6,737	355,645
Total	**73,884,637**	**8,289,774**	**1,979,721**	**2,269,597**	**86,423,729**

Credit risk exposure increased by 7.6% to RON 94,670,316 thousands as of December 2021 from RON 87,984,308 thousands as of December 2020 in case of BCR Group, supported by increases in both retail and corporate. Similar evolution is also observed at Bank level – increase by 8.8% to RON 93,986,401 thousands as of December 2021 from RON 86,423,729 thousands as of December 2020, mainly in loans and advances and debt securities portfolios.

26. Credit risk *(continued)*

Credit risk exposure by business segment and IFRS 9 treatment

Group

in RON thousands	Credit risk exposure					Loan loss allowances				Stage 2 coverage ratio	Stage 3 coverage ratio	POCI coverage ratio
	Stage 1	Stage 2	Stage 3	POCI	Not subject to impairment	Stage 1	Stage 2	Stage 3	POCI			
					31.12.2021							
Retail	23,534,479	5,803,006	1,016,372	220,633	15,625	(124,500)	(613,020)	(808,115)	(53,379)	10.56%	79.51%	24.19%
Corporates	24,920,717	5,713,775	864,761	62,300	4,539,383	(195,067)	(470,285)	(616,626)	(13,580)	8.23%	71.31%	21.80%
Group Markets	1,755,532	47,627	200	-	2,413,426	(306)	(2,294)	(15)	-	4.82%	7.50%	0.00%
ALM & LCC	23,571,068	48,156	77,841	-	65,415	(23,660)	(3,327)	(78,081)	-	6.91%	100.31%	0.00%
Total	**73,781,796**	**11,612,564**	**1,959,174**	**282,933**	**7,033,849**	**(343,533)**	**(1,088,926)**	**(1,502,837)**	**(66,959)**	**9.38%**	**76.71%**	**23.67%**

Group

in RON thousands	Credit risk exposure					Loan loss allowances				Stage 2 coverage ratio	Stage 3 coverage ratio	POCI coverage ratio
	Stage 1	Stage 2	Stage 3	POCI	Not subject to impairment	Stage 1	Stage 2	Stage 3	POCI			
					31.12.2020							
Retail	22,246,361	5,546,916	1,045,988	245,902	16,393	(70,991)	(512,169)	(774,123)	(66,661)	9.23%	74.01%	27.11%
Corporates	21,357,531	6,092,888	839,345	89,538	4,486,372	(162,834)	(372,173)	(605,351)	(18,224)	6.11%	72.12%	20.35%
Group Markets	660,968	82,585	3,602	-	1,816,974	(118)	(2,219)	(13)	-	2.69%	0.37%	0.00%
ALM & LCC	23,147,683	143,043	74,653	-	87,566	(22,212)	(6,297)	(77,660)	-	4.40%	104.03%	0.00%
Total	**67,412,543**	**11,865,432**	**1,963,588**	**335,440**	**6,407,305**	**(256,155)**	**(892,858)**	**(1,457,147)**	**(84,885)**	**7.52%**	**74.21%**	**25.31%**

Bank

in RON thousands	Credit risk exposure					Loan loss allowances				Stage 2 coverage ratio	Stage 3 coverage ratio	POCI coverage ratio
	Stage 1	Stage 2	Stage 3	POCI	Not subject to impairment	Stage 1	Stage 2	Stage 3	POCI			
					31.12.2021							
Retail	23,355,548	5,771,641	988,859	220,597	15,625	(123,814)	(610,921)	(781,701)	(53,379)	10.58%	79.05%	24.20%
Corporates	21,964,310	5,413,022	808,557	62,300	4,539,383	(147,617)	(454,769)	(619,122)	(13,580)	8.40%	76.57%	21.80%
Group Markets	1,762,603	47,709	200	-	2,418,559	(325)	(2,296)	(15)	-	4.81%	7.50%	0.00%
ALM & LCC	26,238,938	235,261	77,874	-	65,415	(31,338)	(10,953)	(78,081)	-	4.66%	100.27%	0.00%
Total	**73,321,399**	**11,467,633**	**1,875,490**	**282,897**	**7,038,982**	**(303,094)**	**(1,078,939)**	**(1,478,919)**	**(66,959)**	**9.41%**	**78.86%**	**23.67%**

Bank

in RON thousands	Credit risk exposure					Loan loss allowances				Stage 2 coverage ratio	Stage 3 coverage ratio	POCI coverage ratio
	Stage 1	Stage 2	Stage 3	POCI	Not subject to impairment	Stage 1	Stage 2	Stage 3	POCI			
					31.12.2020							
Retail	21,338,751	5,538,126	1,009,282	245,862	16,393	(69,563)	(511,426)	(738,890)	(66,661)	9.23%	73.21%	27.11%
Corporates	18,750,403	5,913,149	803,059	89,538	4,486,372	(122,882)	(363,508)	(624,833)	(18,224)	6.15%	77.81%	20.35%
Group Markets	668,712	82,680	3,602	-	1,821,377	(654)	(2,223)	(13)	-	2.69%	0.37%	0.00%
ALM & LCC	25,056,615	437,559	74,683	-	87,566	(24,624)	(16,604)	(77,660)	-	3.79%	103.99%	0.00%
Total	**65,814,481**	**11,971,514**	**1,890,626**	**335,400**	**6,411,708**	**(217,723)**	**(893,761)**	**(1,441,396)**	**(84,885)**	**7.47%**	**76.24%**	**25.31%**

Credit risk exposure by geographical segment and IFRS 9 treatment

Group

in RON thousands	Credit risk exposure					Loan loss allowances				Stage 2 coverage ratio	Stage 3 coverage ratio	POCI coverage ratio
	Stage 1	Stage 2	Stage 3	POCI	Not subject to impairment	Stage 1	Stage 2	Stage 3	POCI			
					31.12.2021							
CEE	**73,781,796**	**11,612,564**	**1,959,174**	**282,933**	**7,033,849**	**(343,533)**	**(1,088,926)**	**(1,502,837)**	**(66,959)**	**9.38%**	**76.71%**	**23.67%**
Romania	73,781,796	11,612,564	1,959,174	282,933	7,033,849	(343,533)	(1,088,926)	(1,502,837)	(66,959)	9.38%	76.71%	23.67%
Total	**73,781,796**	**11,612,564**	**1,959,174**	**282,933**	**7,033,849**	**(343,533)**	**(1,088,926)**	**(1,502,837)**	**(66,959)**	**9.38%**	**76.71%**	**23.67%**

Group

in RON thousands	Credit risk exposure					Loan loss allowances				Stage 2 coverage ratio	Stage 3 coverage ratio	POCI coverage ratio
	Stage 1	Stage 2	Stage 3	POCI	Not subject to impairment	Stage 1	Stage 2	Stage 3	POCI			
					31.12.2020							
CEE	**67,412,543**	**11,865,432**	**1,963,588**	**335,440**	**6,407,305**	**(256,155)**	**(892,858)**	**(1,457,147)**	**(84,885)**	**7.52%**	**74.21%**	**25.31%**
Romania	67,412,543	11,865,432	1,963,588	335,440	6,407,305	(256,155)	(892,858)	(1,457,147)	(84,885)	7.52%	74.21%	25.31%
Total	**67,412,543**	**11,865,432**	**1,963,588**	**335,440**	**6,407,305**	**(256,155)**	**(892,858)**	**(1,457,147)**	**(84,885)**	**7.52%**	**74.21%**	**25.31%**

Bank

in RON thousands	Credit risk exposure					Loan loss allowances				Stage 2 coverage ratio	Stage 3 coverage ratio	POCI coverage ratio
	Stage 1	Stage 2	Stage 3	POCI	Not subject to impairment	Stage 1	Stage 2	Stage 3	POCI			
					31.12.2021							
CEE	**73,321,399**	**11,467,633**	**1,875,490**	**282,897**	**7,038,982**	**(303,094)**	**(1,078,939)**	**(1,478,919)**	**(66,959)**	**9.41%**	**78.86%**	**23.67%**
Romania	73,321,399	11,467,633	1,875,490	282,897	7,038,982	(303,094)	(1,078,939)	(1,478,919)	(66,959)	9.41%	78.86%	23.67%
Total	**73,321,399**	**11,467,633**	**1,875,490**	**282,897**	**7,038,982**	**(303,094)**	**(1,078,939)**	**(1,478,919)**	**(66,959)**	**9.41%**	**78.86%**	**23.67%**

Bank

in RON thousands	Credit risk exposure					Loan loss allowances				Stage 2 coverage ratio	Stage 3 coverage ratio	POCI coverage ratio
	Stage 1	Stage 2	Stage 3	POCI	Not subject to impairment	Stage 1	Stage 2	Stage 3	POCI			
					31.12.2020							
CEE	**65,814,481**	**11,971,514**	**1,890,626**	**335,400**	**6,411,708**	**(217,723)**	**(893,761)**	**(1,441,396)**	**(84,885)**	**7.47%**	**76.24%**	**25.31%**
Romania	65,814,481	11,971,514	1,890,626	335,400	6,411,708	(217,723)	(893,761)	(1,441,396)	(84,885)	7.47%	76.24%	25.31%
Total	**65,814,481**	**11,971,514**	**1,890,626**	**335,400**	**6,411,708**	**(217,723)**	**(893,761)**	**(1,441,396)**	**(84,885)**	**7.47%**	**76.24%**	**25.31%**

26. Credit risk *(continued)*

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 144.89% (2020: 126.85%) in case of Group and 147.25% (2020: 128.77%) in case of BCR of the reported non-performing on-balance and off-balance credit risk exposure as of 31 December 2021. 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 2,264,972 thousands as of December 2021 (2020: RON 2,342,558 thousands) in case of BCR Group and RON 2,181,285 thousands (2020: RON 2,269,597 thousands) in case of Bank, as a result of good performance in workout exceeding the regular level of new defaults.

The following tables show the coverage of the non-performing credit risk exposure by credit loss allowances (without taking into consideration the collateral) as of 31 December 2021 and 31 December 2020.

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

Group

in RON thousands	Non-performing		Credit risk exposure		Credit loss allowances	Collateral for NPE		NPE ratio		NPE coverage (excl. collateral)	NPE collateralization ratio	
	Total	AC and FVOCI	Total	AC and FVOCI	AC and FVOCI	Total	AC and FVOCI	Total	AC and FVOCI	AC and FVOCI	Total	AC and FVOCI
						31.12.2021						
Retail	1,083,920	1,083,900	30,590,116	30,574,491	(1,599,014)	326,488	326,488	3.54%	3.55%	147.52%	30.12%	30.12%
Corporates	1,102,108	910,129	36,100,938	31,561,552	(1,295,558)	372,153	372,153	3.05%	2.88%	142.35%	33.77%	40.89%
Group Markets	200	200	4,216,785	1,803,359	(2,615)	-	-	0.00%	0.01%	1307.50%	0.00%	0.00%
Asset/Liability Management and Local Corporate Center	78,744	77,842	23,762,477	23,697,065	(105,068)	-	-	0.33%	0.33%	134.98%	0.00%	0.00%
Total	**2,264,972**	**2,072,071**	**94,670,316**	**87,636,467**	**(3,002,255)**	**698,641**	**698,641**	**2.39%**	**2.36%**	**144.89%**	**30.85%**	**33.72%**

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
						31.12.2020						
Retail	1,131,827	1,131,241	29,101,555	29,085,164	(1,423,943)	380,576	380,053	3.89%	3.89%	125.87%	33.62%	33.60%
Corporates	1,131,074	911,914	32,865,677	28,379,302	(1,158,583)	410,402	375,042	3.44%	3.21%	127.05%	36.28%	41.13%
Group Markets	3,602	3,602	2,564,129	747,156	(2,350)	-	-	0.14%	0.48%	65.24%	0.00%	0.00%
Asset/Liability Management and Local Corporate Center	76,055	74,611	23,452,947	23,365,381	(106,169)	-	-	0.32%	0.32%	142.30%	0.00%	0.00%
Total	**2,342,558**	**2,121,368**	**87,984,308**	**81,577,003**	**(2,691,045)**	**790,978**	**755,095**	**2.66%**	**2.60%**	**126.85%**	**33.77%**	**35.59%**

Bank

in RON thousands	Non-performing		Credit risk exposure		Credit loss allowances	Collateral for NPE		NPE ratio		NPE coverage (excl. collateral)	NPE collateralization ratio	
	Total	AC and FVOCI	Total	AC and FVOCI	AC and FVOCI	Total	AC and FVOCI	Total	AC and FVOCI	AC and FVOCI	Total	AC and FVOCI
						31.12.2021						
Retail	1,056,407	1,056,387	30,352,273	30,336,647	(1,569,815)	324,833	324,833	3.48%	3.48%	148.60%	30.75%	30.75%
Corporates	1,045,905	853,926	32,787,573	28,248,188	(1,235,087)	307,831	307,831	3.19%	3.02%	144.64%	29.43%	36.05%
Group Markets	200	200	4,229,071	1,810,513	(2,637)	-	-	0.00%	0.01%	1318.50%	0.00%	0.00%
Asset/Liability Management and Local Corporate Center	78,773	77,872	26,617,484	26,552,071	(120,372)	-	-	0.30%	0.29%	154.58%	0.00%	0.00%
Total	**2,181,285**	**1,988,385**	**93,986,401**	**86,947,419**	**(2,927,911)**	**632,664**	**632,664**	**2.32%**	**2.29%**	**147.25%**	**29.00%**	**31.82%**

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
						31.12.2020						
Retail	1,095,122	1,094,535	28,148,413	28,132,022	(1,386,540)	380,259	379,736	3.89%	3.89%	126.68%	34.72%	34.69%
Corporates	1,094,788	875,628	30,042,523	25,556,148	(1,129,447)	333,177	297,816	3.64%	3.43%	128.99%	30.43%	34.01%
Group Markets	3,602	3,602	2,576,371	754,995	(2,890)	-	-	0.14%	0.48%	80.23%	0.00%	0.00%
Asset/Liability Management and Local Corporate Center	76,085	74,683	25,656,422	25,568,856	(118,888)	-	-	0.30%	0.29%	159.19%	0.00%	0.00%
Total	**2,269,597**	**2,048,448**	**86,423,729**	**80,012,021**	**(2,637,765)**	**713,436**	**677,552**	**2.63%**	**2.56%**	**128.77%**	**31.43%**	**33.08%**

26. Credit risk *(continued)*

Non-performing credit risk exposure by geographical segment and coverage by credit 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 and FVOCI	Total	AC and FVOCI	AC and FVOCI	Total	AC and FVOCI	Total	AC and FVOCI	AC and FVOCI	Total	AC and FVOCI
						31.12.2021						
CEE	**2,264,972**	**2,072,071**	**94,670,316**	**87,636,467**	**(3,002,255)**	**698,641**	**698,641**	**2.39%**	**2.36%**	**144.89%**	**30.85%**	**33.72%**
Romania	2,264,972	2,072,071	94,670,316	87,636,467	(3,002,255)	698,641	698,641	2.39%	2.36%	144.89%	30.85%	33.72%
Total	**2,264,972**	**2,072,071**	**94,670,316**	**87,636,467**	**(3,002,255)**	**698,641**	**698,641**	**2.39%**	**2.36%**	**144.89%**	**30.85%**	**33.72%**

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 and FVOCI	Total	AC and FVOCI	AC and FVOCI	Total	AC and FVOCI	Total	AC and FVOCI	AC and FVOCI	Total	AC and FVOCI
						31.12.2020						
CEE	**2,342,559**	**2,121,411**	**87,984,308**	**81,577,004**	**(2,691,045)**	**790,978**	**789,993**	**2.66%**	**2.60%**	**126.85%**	**33.77%**	**37.24%**
Romania	2,342,559	2,121,411	87,984,308	81,577,004	(2,691,045)	790,978	789,993	2.66%	2.60%	126.85%	33.77%	37.24%
Total	**2,342,559**	**2,121,411**	**87,984,308**	**81,577,004**	**(2,691,045)**	**790,978**	**789,993**	**2.66%**	**2.60%**	**126.85%**	**33.77%**	**37.24%**

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 and FVOCI	Total	AC and FVOCI	AC and FVOCI	Total	AC and FVOCI	Total	AC and FVOCI	AC and FVOCI	Total	AC and FVOCI
						31.12.2021						
CEE	**2,181,285**	**1,988,385**	**93,986,401**	**86,947,419**	**(2,927,911)**	**632,664**	**632,664**	**2.32%**	**2.29%**	**147.25%**	**29.00%**	**31.82%**
Romania	2,181,285	1,988,385	93,986,401	86,947,419	(2,927,911)	632,664	632,664	2.32%	2.29%	147.25%	29.00%	31.82%
Total	**2,181,285**	**1,988,385**	**93,986,401**	**86,947,419**	**(2,927,911)**	**632,664**	**632,664**	**2.32%**	**2.29%**	**147.25%**	**29.00%**	**31.82%**

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 and FVOCI	Total	AC and FVOCI	AC and FVOCI	Total	AC and FVOCI	Total	AC and FVOCI	AC and FVOCI	Total	AC and FVOCI
						31.12.2020						
CEE	**2,269,597**	**2,048,449**	**86,423,729**	**80,012,021**	**(2,637,765)**	**713,436**	**712,451**	**2.63%**	**2.56%**	**128.77%**	**31.43%**	**34.78%**
Romania	2,269,597	2,048,449	86,423,729	80,012,021	(2,637,765)	713,436	712,451	2.63%	2.56%	128.77%	31.43%	34.78%
Total	**2,269,597**	**2,048,449**	**86,423,729**	**80,012,021**	**(2,637,765)**	**713,436**	**712,451**	**2.63%**	**2.56%**	**128.77%**	**31.43%**	**34.78%**

The Expected Credit Loss (ECL) model

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

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

- A financial instrument that is not credit-impaired on initial recognition or for which credit risk has not increased significantly since initial recognition is classified in Stage 1. Financial instruments in Stage 1 have their ECL measured at an amount equal to the portion of lifetime expected credit losses that result from default events possible within the next 12 months;

- If a significant increase in credit risk (SICR) since initial recognition is identified but the exposure is not yet deemed to be credit-impaired, the financial instrument is moved to Stage 2. Instruments in Stage 2 have their ECL measured based on lifetime ('LT') expected credit losses arising from default events that are possible over the expected life of the instrument. In the case of drawings by non-defaulted customers on previously committed credit lines, depending on the development of credit risk between the commitment date and the drawing date, the whole exposure (on-balance and off-balance) is categorised as either Stage 1 or Stage 2.

- If the financial instrument is considered credit-impaired, it is moved to Stage 3. Instruments in Stage 3 have their ECL measured based on lifetime expected credit losses;

- Purchased or originated credit-impaired (POCI) financial instruments are those financial instruments that are credit-impaired on initial recognition. Their ECL is always measured on LT basis.

26. Credit risk *(continued)*

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

Significant increase in credit risk determination

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

Quantitative criteria

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

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

Relative thresholds for SICR assessment by geographical operating segment

Romania	Threshold intervals	
	Min	Max
31.12.2021	1.13	3.37
31.12.2020	1.13	3.37

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

BCR Group has not significantly recalibrated relative thresholds since IFRS9 implementation. They are kept stable as one of the most significant estimates in ECL measurement.

For migration back to Stage 1 there are no additional cure periods established for quantitative criteria other than those already established in general credit risk practice (e.g. for rating improvement).

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

Qualitative criteria

Some of the main qualitative SICR criteria used include:

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

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

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

26. Credit risk *(continued)*

The Bank has introduced additional portfolio level SICR assessment criteria due to Covid-19 pandemic and related economic impacts. Please see Covid-19 disclosures in the next chapter.

There are no additional cure periods established for qualitative criteria for migration back to Stage 1 other than those already established in general credit risk practice for the used above-mentioned flags (forbearance, watch lists).

Backstop

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

BCR assigns Stage 2 to 'Datio in solutum' eligible performing portfolio of the Bank considered to be with increased risk of notification and expected credit losses using lifetime risk parameters are booked. Stage 2 is assigned to all loans where notifications were received based on law's provisions (77/2016). The total number of notifications received based on Law 77/2016 (Datio in solutum law 77/2016 allows the borrowers to fully settle their liability by transferring to the Bank the ownership right over the real estate mortgages used as collateral for loans) in 2021 is 56 (out of which 29 represent active accounts at 31st December 2021), lower than 2020 when the total number of notifications received based on Law 77/2016 provisions were related to 104 (out of which 61 represent active accounts at 31st December 2020).

Low credit risk exemption

The 'low credit risk exemption' allowed by IFRS 9 for 'investment grade' assets or other assets deemed 'low risk' (and resulting in 12 months expected credit losses being calculated irrespective of SICR quantitative measures) has been implemented with limitations in Group.Thus, the potential activation of this exemption is limited to particular types of debt instruments and counterparty categories, and only if supported by sufficient 'low risk' evidence. On this basis, the 'low risk exemption' is expected to be occasionally applied only to banks and sovereigns. As of 31 December 2021 the Group registered low credit risk exposures for sovereign clients in amount of RON 26,875,402 thousands (2020: RON 24,174,122 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 ECL

The measurement of ECLs is a probability-weighted average estimate of credit losses that reflect the time value of money. A credit loss is the difference between the cash flows that are due to the Group in accordance with the contractual terms of the instrument and the cash flows that the Group expects to receive (i.e. cash shortfalls) discounted at the original effective interest rate ('EIR') of the same instrument, or the credit-adjusted EIR in case of purchased or originated credit impaired assets. For the purposes of measuring ECL, the Group estimates expected cash shortfalls, which reflect the cash flows expected from all possible sources including collateral and other credit enhancements that are part of the contractual terms. In the case of a collateralized financial instrument, the estimated expected cash flows related to the collateral reflects the amount and timing of cash flows that are expected from foreclosure on the collateral less the discounted costs of obtaining and selling the collateral. ECL is calculated over the residual period over which the Bank is exposed to credit risk. The residual period is defined based on the substantive terms of the instrument, including the Group's ability to demand repayment or cancellation and the customer's ability to require extension. However, for revolving credit facilities (i.e. those that include both a loan and an undrawn commitment component) the period of exposure is determined in accordance with the Group's expected credit risk management actions to mitigate credit risk, including terminating or limiting credit exposure. In doing so, the Group considers its normal credit risk mitigation process, its past practice, future intentions and expected credit risk mitigation actions.

26. Credit risk *(continued)*

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).

Considering the COVID-19 pandemic, BCR included in the estimation of Expected Credit Losses updated forward looking macro-economic scenarios as well as additional IFRS 9 staging criteria (stage overlays) for the exposures which are considered to be more sensitive to the current context.

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.

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 an 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. Related to sensitivity of the staging and ECL on macro scenarios, see also Covid-19 section.

Following factors, materializing at the end of 2021 led to assigning 40% probability of occurrence to baseline forecast that could not fully reflect them:

- new variant (omicron);
- increasing inflation through-the region with potential effect on the increasing interest rates and;
- unstable development of the geo-political situation – conflict Ukraine/Russia – that can as well effect energy prices.

26. Credit risk *(continued)*

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

	Scenario	Probability weights 2021-2023	GDP growth in % 2020	2021	2022	2023
31.12.2021						
Romania	Upside	14%	(3.7)	9.0	6.6	7.6
	Baseline	40%	(3.7)	6.4	4.0	5.0
	Downside	46%	(3.7)	(1.7)	(0.5)	2.0

	Scenario	Probability weights 2021-2023	GDP growth in % 2020	2021	2022	2023
31.12.2020						
Romania	Upside	18%	(5.9)	5.3	7.1	7.3
	Baseline	40%	(5.9)	2.7	4.5	4.7
	Downside	42%	(5.9)	(3.6)	(0.2)	1.9

The specific situation of the Covid-19 pandemic and extensive supporting measures additionally lead to the lagging of the macroeconomic reflection in credit risk parameters. Therefore, macroeconomic variables of 2020 and 2021 were included as additional predictors for future values of credit risk parameters. Variables of crisis year 2020 have the same values across all three scenarios. They were updated during 2021 according to the latest statistical offices updates and publications.

The 2021 represent additional lagged variable, therefore, values disclosed under baseline scenario represent probability weighted average value. Scenario approach for 2021 was kept due to late realization of the baseline forecast risk and possibility of re-visions of the final values within next 12 months.

In order to reflect on the higher volatility of macro-economic variables estimates and significantly higher downward risk of macro-economic recovery due to current developments of the Covid-19 pandemics we have introduced a conservative downside scenario with relatively high probability of occurrence as shown in the GDP overview table above.

BCR Group recognizes additional challenges caused by the ESG (environmental, social and governance) risks. We are in the process of analysing how these risks can be incorporated into ECL measurement. In the Risk Materiality Assessment, climate and environment-related risks are overall assessed as medium and therefore classified as material, expected to generate a higher impact on credit risk in the medium to long run. Therefore, in the short-term we have not included additional overlays for ESG risks for year-end 2021 in our calculations of ECL.

ECL for Stage 3 or POCI

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

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

COVID-19

In light of the spread of COVID-19, a variety of measures have been taken by the Romanian government aimed at addressing the economic consequences of the outbreak on individuals, households and businesses.

26. Credit risk *(continued)*

Such measures include legislative / public moratorium on repayment of loans, overdraft facilities and mortgages. Further, during 2020 and 2021 BCR has offered renegotiations of repayment schedules and payment deferrals to customers facing liquidity shortages.

The below table contains a breakdown by type of measure of loans and advances granted to non-financial corporations. All payments defferals that meet the requirements described in the EBA Guidelines on moratorium have expired as of December 31st, 2021.

Regarding newly originated loans, subject to public guarantee schemes that the Romanian government introduced in response to the COVID-19 crisis, the state can cover up to 90% of the value of the loans access through one of the partner banks.

Credit risk exposure of non-financial corporations by industry – measures applied in response to the COVID-19 crisis

				Group
in RON thousands	Loans and advances subject to EBA-compliant moratoria	Other loans and advances subject to Covid-19-related forbearance measures	Newly originated loans and advances subject to public guarantee schemes in the context of the Covid-19 crisis	Public guarantees received in the context of the Covid-19 crisis
		31.12.2021		
Agriculture and forestry	-	-	139,251	113,128
Mining	-	-	6,033	4,992
Manufacturing	-	-	429,812	352,763
Energy and water supply	-	-	10,598	9,363
Construction	-	-	101,662	88,298
Trade	-	953	786,773	657,230
Transport and communication	-	-	494,044	151,171
Hotels and restaurants	-	171,898	26,544	23,082
Financial and insurance services	-	-	11	11
Services	-	-	1,368	1,257
Public administration	-	-	43,806	39,206
Education, health and art	-	-	8,326	7,403
Total	**-**	**172,851**	**2,048,228**	**1,447,904**

				Group
in RON thousands	Loans and advances subject to EBA-compliant moratoria	Other loans and advances subject to Covid-19-related forbearance measures	Newly originated loans and advances subject to public guarantee schemes in the context of the Covid-19 crisis	Public guarantees received in the context of the Covid-19 crisis
		31.12.2020		
Agriculture and forestry	-	-	52,784	43,893
Mining	-	-	652	585
Manufacturing	-	9,977	148,769	108,481
Energy and water supply	-	-	6,166	5,020
Construction	-	36,348	72,601	46,513
Trade	-	321	333,901	270,915
Transport and communication	-	307	84,180	59,154
Hotels and restaurants	-	-	14,934	11,493
Financial and insurance services	-	-	15	14
Services	-	-	1,619	1,522
Public administration	-	-	20,278	17,144
Education, health and art	-	-	7,800	6,781
Total	**-**	**46,953**	**743,699**	**571,515**

26. Credit risk *(continued)*

Bank

in RON thousands	Loans and advances subject to EBA-compliant moratoria	Other loans and advances subject to Covid-19-related forbearance measures	Newly originated loans and advances subject to public guarantee schemes in the context of the Covid-19 crisis	Public guarantees received in the context of the Covid-19 crisis
		31.12.2021		
Agriculture and forestry	-	-	139,251	113,128
Mining	-	-	6,033	4,992
Manufacturing	-	-	429,812	352,763
Energy and water supply	-	-	10,598	9,363
Construction	-	-	101,662	88,298
Trade	-	953	786,773	657,230
Transport and communication	-	-	494,044	151,171
Hotels and restaurants	-	171,898	26,544	23,082
Financial and insurance services	-	-	11	11
Services	-	-	1,368	1,257
Public administration	-	-	43,806	39,206
Education, health and art	-	-	8,326	7,403
Total	**-**	**172,851**	**2,048,228**	**1,447,904**

Bank

in RON thousands	Loans and advances subject to EBA-compliant moratoria	Other loans and advances subject to Covid-19-related forbearance measures	Newly originated loans and advances subject to public guarantee schemes in the context of the Covid-19 crisis	Public guarantees received in the context of the Covid-19 crisis
		31.12.2020		
Agriculture and forestry	-	-	52,784	43,893
Mining	-	-	652	585
Manufacturing	-	9,977	148,769	108,481
Energy and water supply	-	-	6,166	5,020
Construction	-	36,348	72,601	46,513
Trade	-	321	333,901	270,915
Transport and communication	-	-	84,180	59,154
Hotels and restaurants	-	-	14,934	11,493
Financial and insurance services	-	-	15	14
Services	-	-	1,619	1,522
Public administration	-	-	20,278	17,144
Education, health and art	-	-	7,800	6,781
Total	**-**	**46,646**	**743,699**	**571,515**

In March 2020, risk management function together with business divisions started a joint initiative aiming to quickly provide a harmonised guidance for a focused industry approach within BCR, reflecting the changed economic environment. Industries and sub-industries were categorised into high, medium and low expected impacts due to COVID-19 based on a combination of research material, feedback collected from client meetings and single name analyses.

Main drivers for assigning corresponding low, medium and high risk industry classification was the assessment of both, short-term as well as medium-term impacts of the crisis on the specific sub-industry. A respective business and risk strategy for the sub-industries was formulated based on the assessment.

The industry heat-map used by the Group contains 4 categories (no risk, medium risk industry, high risk industry and critical).

The classifications are regularly reviewed on a 12-month rolling forecast basis to take current developments into account. In 2021, the economic development and the ability of many industries to adapt to new conditions resulted in some upgrades into lower risk categories. However, the Group keeps cautious view on the several, mostly affected industries (mainly hotels and leisure, air transportation). In light of this, the respective business and risk strategies for the (sub)industries were also adapted accordingly.

26. Credit risk *(continued)*

In the course of the year 2021, challenges on top of Covid-19-impacts had to be addressed by corporate clients: 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. Developments as mentioned above are reflected in the regular updates of the industry heatmap and the industry strategies.

Exposures in particular industries that belong to critical or high-risk sub-industries are referred to as significant risk in the following tables.

Credit risk exposure and credit loss allowances by industry and IFRS 9 treatment – industry heatmap

Bank

in RON thousands	Stage 1	Stage 2	Stage 3	POCI	Credit risk exposure (AC and FVOCI)	Not subject to IFRS 9 impairment	Total
				31.12.2021			
Agriculture and forestry	710,635	288,551	11,447	179	1,010,812	8,672	1,019,484
Mining	708,944	7,934	45,807	14,031	776,716	1,087,207	1,863,923
Manufacturing	4,331,743	1,383,796	442,697	19,772	6,178,008	304,938	6,482,946
of which high risk	153,194	81,105	23,913	105,106	363,317	50,791	414,108
Energy and water supply	812,339	152,254	37,634	-	1,002,227	211,296	1,213,523
Construction	1,546,764	248,494	196,918	14,662	2,006,838	858,018	2,864,856
Trade	4,750,705	727,066	43,758	1,361	5,522,890	1,409,242	6,932,132
of which high risk	21,142	33,405	1,528	61	56,135	5,009	61,144
Transport and communication	1,754,194	1,078,278	25,975	2,005	2,860,452	67,989	2,928,441
of which high risk	643	14,276	38	2,729	17,686	-	17,686
Hotels and restaurants	24,519	243,057	10,511	-	278,087	1,668	279,755
of which high risk	9,163	248,013	11,246	50	268,473	1,694	270,167
Financial and insurance services	5,309,789	645,844	100,683	-	6,056,316	785,409	6,841,725
Real estate and housing	1,518,292	78,945	14,200	-	1,611,437	6,128	1,617,565
Services	418,763	589,081	21,270	752	1,029,866	52,410	1,082,276
of which high risk	7,175	366,225	4,048	-	377,448	14,116	391,564
Public administration	28,415,786	622,821	1,516	10,363	29,050,486	2,233,527	31,284,013
Education, health and art	432,703	24,631	2,539	-	459,873	12,478	472,351
of which high risk	22,512	3,820	1,602	-	27,934	2,348	30,282
Households	22,586,223	5,376,881	920,535	219,772	29,103,411	-	29,103,411
Total	**73,321,399**	**11,467,633**	**1,875,490**	**282,897**	**86,947,419**	**7,038,982**	**93,986,401**

Bank

in RON thousands	Stage 1	Stage 2	Stage 3	POCI	Credit risk exposure (AC and FVOCI)	Not subject to IFRS 9 impairment	Total
				31.12.2020			
Agriculture and forestry	790,081	118,006	20,978	965	930,030	11,666	941,696
of which high risk	-	-	-	-	-	-	-
Mining	817,344	19,432	36,138	9,838	882,752	951,765	1,834,517
of which high risk	810,381	14,907	35,926	141,923	1,003,136	949,176	1,952,312
Manufacturing	4,006,659	1,714,703	511,123	25,315	6,257,800	278,073	6,535,873
of which high risk	891,413	835,689	129,012	131,417	1,987,530	122,879	2,110,409
Energy and water supply	841,246	181,459	40,159	10,472	1,073,336	249,930	1,323,266
Construction	1,326,584	471,289	144,503	22,288	1,964,664	861,229	2,825,893
Trade	3,086,344	1,136,409	33,781	4,142	4,260,676	1,612,433	5,873,109
of which high risk	436,891	313,973	10,447	67	761,378	137,602	898,980
Transport and communication	1,956,772	515,153	19,446	2,065	2,493,436	77,730	2,571,166
of which high risk	724,516	49,432	964	2,935	777,846	11,869	789,715
Hotels and restaurants	16,181	272,858	8,657	3,051	300,747	1,795	302,542
of which high risk	9,717	279,558	7,719	-	296,995	1,821	298,816
Financial and insurance services	4,624,652	426,643	104,753	-	5,156,048	659,110	5,815,158
Real estate and housing	873,961	668,548	19,284	-	1,561,793	12,844	1,574,637
of which high risk	790,764	923,423	19,171	7,068	1,740,426	68	1,740,494
Services	304,818	573,163	15,008	1	892,990	37,180	930,170
of which high risk	222,614	766,222	10,354	2,132	1,001,322	32,373	1,033,695
Public administration	26,200,556	678,795	3,099	12,301	26,894,751	1,635,112	28,529,863
Education, health and art	195,305	110,058	5,458	-	310,821	12,538	323,359
of which high risk	453	39,703	3,134	-	43,290	3,642	46,931
Households	20,773,978	5,084,998	928,239	244,962	27,032,177	10,303	27,042,480
Total	**65,814,481**	**11,971,514**	**1,890,626**	**335,400**	**80,012,021**	**6,411,708**	**86,423,729**

26. Credit risk *(continued)*

Effect on Expected Credit Loss (ECL)

An increase of the expected credit losses (ECL) might result from a reassessment of the credit risk parameters and a migration to worse stages either via significant increase in credit risk (SICR - significant increase in credit risk since initial recognition) or a default.

Reliefs offered to credit owners in form of payment deferrals under public and private moratorium did not result in an automatic transfer from Stage 1 to Stage 2. However, BCR continued to perform individual assessments whether there were other circumstances that would lead to forbearance or default classification.

BCR has addressed expected SICR by introducing COVID-19 portfolio overlays. The portfolio subject to public and private moratorium was treated separately based on the client's segment: private individuals (PIs) and non-private individuals (non-PIs). The customers were assessed by taking into account any COVID-19 related relieve measure granted as well as the internal industry heat-map and corresponding probabilities of default (PD) levels. Based on this assessment and individual reviews, customers were migrated to stage 2, i.e. lifetime ECL measure. The industry heat map and the portfolio overlays are subject to regular reviews.

The effect of Covid-19 portfolio overlays in the ECL calculation as of 31 December 2021 amounted to a release of RON 19,199 thousands (2020: allocation of RON 156,624 thousands).

The Bank re-assessed credit risk parameters based on the new macro-scenarios FLI overlay in December 2021. Specifics of the COVID pandemics (support measures) led to lagging of macroeconomic variables. Late materialization of the baseline forecast risks in the end of 2021 led to keeping probability of occurrence of baseline scenario on 40%. GDP scenarios and weights are shown in the table displayed within Incorporation of forward-looking information section above. The effect of the FLI in the ECL calculation as of 31 December 2021 amounted to RON 100,500 thousands (2020:RON 142,100 thousands).

The analysis tables below present effects of the portfolio overlays and FLI macro overlays both on exposure migration to stage 2 and corresponding increase of ECL. Additional sensitivities to the baseline, upside and downside scenarios are simulated. Effects on industry segments and high risk industry sub-segments are disclosed.

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 particular 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 above). Both staging and resulting ECL were simulated with the scenario PDs.

Analysis shows that out of a RON 11,467,633 thousands exposure in Stage 2, RON 1,193,229 thousands were migrated due to Covid-19 overlays, resulting in an increase of ECL of RON 54,427 thousands. Further RON 4,214,014 thousands were migrated to Stage 2 due to FLI overlay, resulting in an ECL increase of RON 631,159 thousands.

FLI macro shift resulting from the Covid-19 induced macro situation is comperable in both exposure and ECL as of 31 December 2021 (RON 4,214,014 thousands exposure, RON 631,159 thousands ECL) and 31 December 2020 (RON 2,337,803 thousands exposure and RON 332,433 thousands ECL).

Incorporation of 100% baseline scenario instead of probability weighted, would lead to a decrease of Stage 2 exposure by RON 1,058,150 thousands, resulting in an ECL drop by RON 133,037 thousands. The downside scenario would lead to additional RON 1,802,033 thousands of exposure migration to Stage 2, resulting in ECL increase of RON 236,038 thousands, with a significant impact coming from Households. The downside scenario of 2021 leads to a higher spread in 2021 in comparison with 2020.

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

26. Credit risk *(continued)*

Sensitivity analyses – Forward looking information (FLI) and stage overlays due to the Covid-19 pandemic

Impact on credit risk exposure by industry

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	FLI shifts	Upside scenario	Baseline scenario	Downside scenario
31.12.2021								
Agriculture and forestry	710,635	288,551	999,186	21,757	101,019	(33,117)	(9,070)	14,683
Mining	708,944	7,934	716,878	13	1,004	-	-	-
of which high risk	-	-	-	-	-	-	-	-
Manufacturing	4,331,743	1,383,796	5,715,539	173,663	306,796	(195,606)	(106,671)	87,894
of which high risk	153,194	81,105	234,299	34,048	6,067	(694)	-	299
Energy and water supply	812,339	152,254	964,593	-	57,870	(2,503)	(2,388)	55,547
Construction	1,546,764	248,494	1,795,258	42	134,098	(11,351)	(3,899)	72,729
Trade	4,750,705	727,066	5,477,771	165,141	216,761	(80,674)	(36,873)	68,411
of which high risk	21,142	33,405	54,547	11,775	34	-	-	130
Transport and communication	1,754,194	1,078,278	2,832,472	15,124	309,289	(241,842)	(9,202)	12,135
of which high risk	643	14,276	14,919	7,798	1,484	(1,000)	(1,000)	-
Hotels and restaurants	24,519	243,057	267,576	34,401	7,968	(1,242)	(1,110)	601
of which high risk	9,163	248,013	257,177	34,401	7,968	(1,242)	(1,110)	601
Financial and insurance services	5,309,789	645,844	5,955,633	-	20	-	-	-
Real estate and housing	1,518,292	78,945	1,597,237	1,612	13,673	(5,082)	(5,082)	1,253
of which high risk	-	-	-	-	-	-	-	-
Services	418,763	589,081	1,007,844	168,346	138,446	(1,933)	(1,460)	4,708
of which high risk	7,175	366,225	373,399	168,325	127,549	(191)	(169)	3,389
Public administration	28,415,786	622,821	29,038,607	-	2,029	(2,029)	-	37
Education, health and art	432,703	24,631	457,334	2,865	2,446	(728)	(728)	1,916
of which high risk	22,512	3,820	26,331	2,822	120	-	-	0
Households	22,586,223	5,376,881	27,963,104	610,265	2,922,596	(1,612,640)	(881,667)	1,482,118
Other	-	-	-	-	-	-	-	-
Total	**73,321,399**	**11,467,633**	**84,789,032**	**1,193,229**	**4,214,014**	**(2,188,747)**	**(1,058,150)**	**1,802,033**

26. Credit risk *(continued)*

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	FLI shifts	Upside scenario	Baseline scenario	Downside scenario
	31.12.2020							
Agriculture and forestry	790,081	118,006	908,087	31,798	1,299	(322)	(301)	495
Mining	817,344	19,432	836,776	32,459	101	-	-	-
of which high risk	810,381	14,907	825,288	17,935	-	-	-	-
Manufacturing	4,006,659	1,714,703	5,721,362	1,057,969	226,527	(13,830)	(5,545)	28,864
of which high risk	891,413	835,689	1,727,102	755,467	10,447	-	-	6,069
Energy and water supply	841,246	181,459	1,022,705	300	39,541	-	-	-
Construction	1,326,584	471,289	1,797,873	512	12,945	(6,797)	(339)	768
Trade	3,086,344	1,136,409	4,222,753	466,782	70,179	(21,514)	(21,148)	5,495
of which high risk	436,891	313,973	750,864	288,229	12,434	(899)	(899)	4,249
Transport and communication	1,956,772	515,153	2,471,925	160,753	21,383	(13,847)	(850)	646
of which high risk	724,516	49,432	773,947	32,818	(78)	(168)	(168)	-
Hotels and restaurants	16,181	272,858	289,039	74,642	5,504	(1,582)	(351)	5,418
of which high risk	9,717	279,558	289,276	74,642	5,504	(1,582)	(351)	5,418
Financial and insurance services	4,624,652	426,643	5,051,295	-	(0)	-	-	0
Real estate and housing	873,961	668,548	1,542,509	818,862	418	(100)	(100)	-
of which high risk	790,764	923,423	1,714,187	818,676	17	-	-	-
Services	304,818	573,163	877,981	337,943	12,696	(1,353)	(1,218)	589
of which high risk	222,614	766,222	988,836	335,924	7,899	(1,010)	(986)	265
Public administration	26,200,556	678,795	26,879,351	6,235	-	-	-	-
Education, health and art	195,305	110,058	305,363	22,790	4,449	(177)	(177)	882
of which high risk	453	39,703	40,156	7,301	2,385	(177)	(177)	0
Households	20,773,978	5,084,998	25,858,976	851,334	1,936,821	(1,470,361)	(597,668)	1,160,470
Other	-	-	-	-	5,940	(3,594)	(1,168)	1,920
Total	**65,814,481**	**11,971,514**	**77,785,995**	**3,862,377**	**2,337,803**	**(1,533,477)**	**(628,864)**	**1,205,548**

Impact on credit loss allowances by industry

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	FLI shifts	Upside scenario	Baseline scenario	Downside scenario
	31.12.2021							
Agriculture and forestry	(8,008)	(43,006)	(51,014)	(701)	(27,879)	8,943	3,506	(5,659)
Mining	(1,518)	(1,880)	(3,398)	-	(1,264)	254	131	(182)
of which high risk	-	-	-	-	-	-	-	-
Manufacturing	(40,314)	(140,559)	(180,873)	(5,032)	(86,879)	31,053	16,908	(24,202)
of which high risk	(867)	(8,963)	(9,830)	(1,258)	(4,276)	918	454	(700)
Energy and water supply	(7,861)	(30,613)	(38,473)	-	(9,157)	1,942	1,063	(8,172)
Construction	(9,312)	(36,661)	(45,973)	-	(36,165)	9,988	5,118	(15,883)
Trade	(65,078)	(77,548)	(142,626)	(5,922)	(53,915)	15,936	7,778	(14,352)
of which high risk	(205)	(3,078)	(3,283)	(385)	(962)	178	97	(157)
Transport and communication	(13,549)	(104,573)	(118,122)	(414)	(41,190)	28,654	6,353	(9,287)
of which high risk	(10)	(1,275)	(1,284)	(325)	(393)	185	118	(119)
Hotels and restaurants	(130)	(40,523)	(40,653)	(1,083)	(3,556)	974	549	(816)
of which high risk	(130)	(40,523)	(40,653)	(1,083)	(3,556)	974	549	(816)
Financial and insurance services	(11,518)	(11,363)	(22,881)	-	(1,708)	629	336	(469)
Real estate and housing	(5,430)	(15,462)	(20,893)	(201)	(2,431)	1,317	1,157	(434)
of which high risk	-	-	-	-	-	-	-	-
Services	(3,234)	(20,734)	(23,968)	(1,074)	(6,204)	1,322	704	(1,110)
of which high risk	(54)	(12,939)	(12,993)	(1,074)	(3,228)	683	361	(630)
Public administration	(25,795)	(5,167)	(30,962)	-	(1,300)	29	3	(5)
Education, health and art	(2,151)	(4,202)	(6,353)	(89)	(2,179)	619	371	(541)
of which high risk	(120)	(451)	(571)	(89)	(148)	41	23	(32)
Households	(136,372)	(540,659)	(677,031)	(40,211)	(357,330)	174,158	89,059	(154,927)
Other	-	-	-	-	-	-	-	-
Total	**(330,270)**	**(1,072,950)**	**(1,403,220)**	**(54,727)**	**(631,159)**	**275,819**	**133,037**	**(236,038)**

26. Credit risk *(continued)*

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	FLI shifts	Upside scenario	Baseline scenario	Downside scenario
31.12.2020								
Agriculture and forestry	(7,864)	(8,436)	(16,301)	(840)	(2,350)	175	83	(144)
Mining	(1,172)	(1,000)	(2,172)	(199)	(151)	13	4	(9)
of which high risk	(1,141)	(93)	(1,234)	(85)	(42)	(0)	(0)	(0)
Manufacturing	(35,720)	(110,554)	(146,274)	(24,015)	(27,038)	1,658	665	(2,694)
of which high risk	(7,968)	(50,847)	(58,815)	(17,578)	(4,841)	278	97	(441)
Energy and water supply	(5,237)	(40,700)	(45,937)	0	(1,867)	67	24	(51)
Construction	(8,489)	(36,779)	(45,268)	(3)	(9,039)	1,063	386	(751)
Trade	(40,516)	(50,341)	(90,856)	(6,428)	(14,533)	2,523	2,087	(1,211)
of which high risk	(3,513)	(15,292)	(18,805)	(4,025)	(3,203)	275	181	(316)
Transport and communication	(19,699)	(20,380)	(40,079)	(2,656)	(5,114)	1,278	342	(626)
of which high risk	(1,882)	(2,052)	(3,934)	(639)	(297)	60	38	(43)
Hotels and restaurants	(91)	(36,782)	(36,873)	(2,049)	(1,431)	343	152	(625)
of which high risk	(91)	(36,782)	(36,873)	(2,049)	(1,431)	343	152	(625)
Financial and insurance services	(5,342)	(5,027)	(10,370)	-	(13)	0	0	(0)
Real estate and housing	(2,757)	(66,452)	(69,209)	(36,242)	(309)	55	28	(38)
of which high risk	(2,458)	(66,347)	(68,805)	(36,242)	(242)	33	11	(24)
Services	(2,647)	(23,266)	(25,913)	(7,723)	(2,076)	282	198	(245)
of which high risk	(896)	(21,992)	(22,888)	(7,707)	(1,334)	195	147	(153)
Public administration	(25,229)	(8,409)	(33,637)	(74)	(725)	0	0	0
Education, health and art	(1,330)	(7,918)	(9,248)	(824)	(1,089)	75	45	(153)
of which high risk	(8)	(2,250)	(2,258)	(81)	(508)	38	26	(23)
Households	(93,117)	(4,699,395)	(4,792,512)	(49,443)	(262,398)	124,700	57,443	(126,056)
Other	(23)	-	(23)	-	(4,302)	1,242	576	(1,184)
Total	**(249,233)**	**(5,115,439)**	**(5,364,673)**	**(130,497)**	**(332,433)**	**133,475**	**62,031**	**(133,788)**

Composition of credit loss allowances

	Group		Bank	
in RON thousands	**31.12.2021**	**31.12.2020**	**31.12.2021**	**31.12.2020**
Credit loss allowances	(2,770,284)	(2,528,584)	(2,689,972)	(2,470,058)
Loss allowances for loan commitments and financial guarantees	(231,972)	(162,461)	(237,939)	(167,707)
Provisions for other commirments	(182,963)	(221,592)	(182,963)	(221,592)
Total	**(3,185,219)**	**(2,912,637)**	**(3,110,874)**	**(2,859,357)**

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

Restructuring and renegotiation

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

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;

26. Credit risk *(continued)*

- the contract modification involves total or partial cancellation by write-off of the debt on any of the customer's credit obligations while at customer level open credit exposure still remains (only for retail clients);
- riskier ratings are assigned following a deterioration by minimum 2 points of the previous rating (applicable only for non-retail clients).

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

Concession means that any of the following conditions are met:

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

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

Forbearance measures are divided and reported as:

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

Forborne exposures are considered performing when:

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

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

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

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 have 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.

26. Credit risk *(continued)*

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.

Non performing 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 day past due during the monitoring period, or
- the customer meets any of the default event criteria defined in the Group internal default definition.

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

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

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

26. Credit risk *(continued)*

Credit risk exposure, forbearance exposure and credit loss allowances

Group

in RON thousands	Loans and advances	Debt securities	Other on- and off-balance-sheet positions	Loan commitments	Total
			31.12.2021		
Gross exposure	**51,969,803**	**23,524,902**	**7,352,325**	**11,823,286**	**94,670,316**
thereof gross forborne exposure	1,599,150	-	-	128,403	1,727,553
Performing exposure	**49,990,376**	**23,524,902**	**7,139,102**	**11,750,964**	**92,405,344**
thereof performing forborne exposure	525,227	-	-	106,472	631,699
Credit loss allowances for performing exposure	**(1,255,529)**	**(30,065)**	**(41,563)**	**(154,955)**	**(1,482,112)**
thereof credit loss allowances for performing forborne exposure	(82,160)	-	-	(3,511)	(85,671)
Non-performing exposure	**1,979,427**	**-**	**213,223**	**72,322**	**2,264,972**
thereof non-performing forborne exposure	1,073,923	-	-	21,931	1,095,854
Credit loss allowances for non-performing exposure	**(1,483,424)**	**-**	**(157,215)**	**(62,468)**	**(1,703,107)**
thereof credit loss allowances for non-performing forborne exposure	(752,442)	-	-	(17,512)	(769,954)

Group

in RON thousands	Loans and advances	Debt securities	Other on- and off-balance-sheet positions	Loan commitments	Total
			31.12.2020		
Gross exposure	**47,528,798**	**22,264,698**	**6,732,571**	**11,458,241**	**87,984,308**
thereof gross forborne exposure	1,167,020	-	-	91,050	1,258,070
Performing exposure	**45,490,889**	**22,263,343**	**6,493,349**	**11,394,169**	**85,641,750**
thereof performing forborne exposure	523,354	-	-	78,140	601,494
Credit loss allowances for performing exposure	**(1,028,085)**	**(28,510)**	**(46,677)**	**(100,539)**	**(1,203,811)**
thereof credit loss allowances for performing forborne exposure	(78,445)	-	-	(5,596)	(84,041)
Non-performing exposure	**2,037,909**	**1,355**	**239,222**	**64,072**	**2,342,558**
thereof non-performing forborne exposure	643,667	-	-	12,910	656,577
Credit loss allowances for non-performing exposure	**(1,470,147)**	**(406)**	**(183,631)**	**(53,207)**	**(1,707,391)**
thereof credit loss allowances for non-performing forborne exposure	(441,873)	-	-	(8,010)	(449,883)

Bank

in RON thousands	Loans and advances	Debt securities	Other on- and off-balance-sheet positions	Loan commitments	Total
			31.12.2021		
Gross exposure	**51,309,485**	**23,301,166**	**7,243,275**	**12,132,475**	**93,986,401**
thereof gross forborne exposure	1,535,094	-	-	128,403	1,663,497
Performing exposure	**49,412,532**	**23,301,166**	**7,030,052**	**12,061,366**	**91,805,116**
thereof performing forborne exposure	513,888	-	-	106,472	620,360
Credit loss allowances for performing exposure	**(1,207,336)**	**(23,131)**	**(40,245)**	**(160,974)**	**(1,431,686)**
thereof credit loss allowances for performing forborne exposure	(81,535)	-	-	(3,511)	(85,046)
Non-performing exposure	**1,896,953**	**-**	**213,223**	**71,109**	**2,181,285**
thereof non-performing forborne exposure	1,021,205	-	-	21,931	1,043,136
Credit loss allowances for non-performing exposure	**(1,459,505)**	**-**	**(157,215)**	**(62,468)**	**(1,679,188)**
thereof credit loss allowances for non-performing forborne	(723,831)	-	-	(17,512)	(741,343)

26. Credit risk *(continued)*

Bank

in RON thousands	Loans and advances	Debt securities	Other on- and off-balance-sheet positions	Loan commitments	Total
			31.12.2020		
Gross exposure	**46,398,328**	**21,394,060**	**6,587,826**	**12,043,515**	**86,423,729**
thereof gross forborne exposure	1,102,512	-	-	91,050	1,193,562
Performing exposure	**44,433,410**	**21,392,705**	**6,348,604**	**11,979,413**	**84,154,132**
thereof performing forborne exposure	508,553	-	-	78,140	586,693
Credit loss allowances for performing exposure	**(993,141)**	**(21,890)**	**(46,636)**	**(105,825)**	**(1,167,492)**
thereof credit loss allowances for performing forborne exposure	(77,655)	-	-	(5,596)	(83,251)
Non-performing exposure	**1,964,918**	**1,355**	**239,222**	**64,102**	**2,269,597**
thereof non-performing forborne exposure	593,959	-	-	12,910	606,869
Credit loss allowances for non-performing exposure	**(1,454,396)**	**(406)**	**(183,631)**	**(53,207)**	**(1,691,640)**
thereof credit loss allowances for non-performing forborne	(419,023)	-	-	(8,010)	(427,033)

This section provides a comprehensive picture of the credit quality of the banks' assets per financial instrument. Total forborne exposure increased by RON 469,483 thousands in case of Group, respectivelly by RON 469,935 thousands in case of Bank, noticeable in loans and advances and loan commitments.

Types of forbearance exposure

Group

in RON thousands	Gross forborne exposure	Modification in terms and conditions	Refinancing	Gross forborne exposure	Modification in terms and conditions	Refinancing
		31.12.2021			31.12.2020	
Loans and advances	1,599,150	1,596,637	2,513	1,167,020	1,135,824	31,196
Debt securities	-	-	-	-	-	-
Loan commitments	128,403	116,887	11,516	91,050	79,520	11,530
Total	**1,727,553**	**1,713,524**	**14,029**	**1,258,070**	**1,215,344**	**42,726**

- -

Bank

in RON thousands	Gross forborne exposure	Modification in terms and conditions	Refinancing	Gross forborne exposure	Modification in terms and conditions	Refinancing
		31.12.2021			31.12.2020	
Loans and advances	1,535,094	1,532,581	2,513	1,102,512	1,071,356	31,156
Debt securities	-	-	-	-	-	-
Loan commitments	128,403	116,887	11,516	91,050	79,520	11,530
Total	**1,663,497**	**1,649,468**	**14,029**	**1,193,562**	**1,150,876**	**42,686**

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

Collaterals

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.

26. Credit risk *(continued)*

Credit risk exposure by business segment and collateral

The following tables compare the credit risk exposure and allocated collateral broken down by business segments.

Group

in RON thousands	Total credit risk exposure	Collateral total	Collateralised by			Credit risk exposure net of collateral
			Guarantees	Real estate	Other	
			31.12.2021			
Retail	**30,590,116**	**19,295,436**	**5,085,216**	**13,916,433**	**293,787**	**11,294,680**
Retail	30,590,116	19,295,436	5,085,216	13,916,433	293,787	11,294,680
Corporates	**36,100,938**	**10,870,455**	**2,755,742**	**3,001,947**	**5,112,766**	**25,230,483**
Small and Medium Enterprises	11,920,507	6,061,282	1,746,609	1,262,774	3,051,899	5,859,225
Group Large Corporates	-	-	-	-	-	-
Large Corporates	12,670,547	1,821,450	501,228	531,273	788,949	10,849,097
Public Sector	8,884,684	1,809,264	507,905	29,541	1,271,818	7,075,420
Commercial Real Estate	2,625,200	1,178,459	-	1,178,359	100	1,446,741
Group Markets	**4,216,785**	**1,823,575**	**-**	**-**	**1,823,575**	**2,393,210**
Group Markets - Trading	2,113,487	305,770	-	-	305,770	1,807,717
Group Markets - Financial Institutions	2,103,298	1,517,805	-	-	1,517,805	585,493
Asset/Liability Management and Local Corporate Center	**23,762,477**	**-**	**-**	**-**	**-**	**23,762,477**
Asset/Liability Management	23,513,347	-	-	-	-	23,513,347
Corporate Center	249,130	-	-	-	-	249,130
Total	**94,670,316**	**31,989,466**	**7,840,958**	**16,918,380**	**7,230,128**	**62,680,850**

Group

in RON thousands	Total credit risk exposure	Collateral total	Collateralised by			Credit risk exposure net of collateral
			Guarantees	Real estate	Other	
			31.12.2020			
Retail	**29,101,555**	**17,619,965**	**4,889,282**	**12,623,729**	**106,954**	**11,481,590**
Retail	29,101,555	17,619,965	4,889,282	12,623,729	106,954	11,481,590
Corporates	**32,865,677**	**11,495,395**	**3,317,063**	**3,821,628**	**4,356,704**	**21,370,282**
Small and Medium Enterprises	10,742,155	5,308,184	1,516,407	1,389,967	2,401,810	5,433,971
Group Large Corporates	7,313,300	1,343,516	1,005,317	230,102	108,097	5,969,784
Local Large Corporates	3,476,070	637,502	122,019	197,357	318,126	2,838,568
Public Sector	8,837,714	2,242,766	661,070	53,025	1,528,671	6,594,948
Commercial Real Estate	2,496,438	1,963,427	12,250	1,951,177	-	533,011
Group Markets	**2,564,129**	**856,647**	**488,537**	**-**	**368,110**	**1,707,482**
Group Markets - Trading	1,731,203	363,928	-	-	363,928	1,367,275
Group Markets - Financial Institutions	832,926	492,719	488,537	-	4,182	340,207
Asset/Liability Management and Local Corporate Center	**23,452,947**	**1,478,489**	**-**	**-**	**1,478,489**	**21,974,458**
Asset/Liability Management	23,107,250	1,444,514	-	-	1,444,514	21,662,736
Corporate Center	345,697	33,975	-	-	33,975	311,722
Total	**87,984,308**	**31,450,496**	**8,694,882**	**16,445,357**	**6,310,257**	**56,533,812**

Bank

in RON thousands	Total credit risk exposure	Collateral total	Collateralised by			Credit risk exposure net of collateral
			Guarantees	Real estate	Other	
			31.12.2021			
Retail	**30,352,273**	**19,221,614**	**5,085,106**	**13,847,957**	**288,551**	**11,130,659**
Retail	30,352,273	19,221,614	5,085,106	13,847,957	288,551	11,130,659
Corporates	**32,787,573**	**8,636,225**	**2,717,783**	**2,885,205**	**3,033,237**	**24,151,348**
Small and Medium Enterprises	8,607,142	3,827,052	1,708,650	1,146,032	972,370	4,780,090
Group Large Corporates	-	-	-	-	-	-
Large Corporates	12,670,547	1,821,450	501,228	531,273	788,949	10,849,097
Public Sector	8,884,684	1,809,264	507,905	29,541	1,271,818	7,075,420
Commercial Real Estate	2,625,200	1,178,459	-	1,178,359	100	1,446,741
Group Markets	**4,229,071**	**1,827,034**	**-**	**-**	**1,827,034**	**2,402,037**
Group Markets - Trading	2,113,492	305,770	-	-	305,770	1,807,722
Group Markets - Financial Institutions	2,115,579	1,521,264	-	-	1,521,264	594,315
Asset/Liability Management and Local Corporate Center	**26,617,484**	**-**	**-**	**-**	**-**	**26,617,484**
Asset/Liability Management	26,360,728	-	-	-	-	26,360,728
Corporate Center	256,756	-	-	-	-	256,756
Total	**93,986,401**	**29,684,873**	**7,802,889**	**16,733,162**	**5,148,822**	**64,301,528**

Bank

in RON thousands	Total credit risk exposure	Collateral total	Collateralised by			Credit risk exposure net of collateral
			Guarantees	Real estate	Other	
			31.12.2020			
Retail	**28,148,413**	**17,537,686**	**4,889,075**	**12,547,216**	**101,395**	**10,610,727**
Retail	28,148,413	17,537,686	4,889,075	12,547,216	101,395	10,610,727
Corporates	**30,042,523**	**9,387,918**	**3,286,105**	**3,717,943**	**2,383,870**	**20,654,605**
Small and Medium Enterprises	7,919,001	3,200,707	1,485,449	1,286,282	428,976	4,718,294
Group Large Corporates	7,313,300	1,343,516	1,005,317	230,102	108,097	5,969,784
Local Large Corporates	3,476,070	637,502	122,019	197,357	318,126	2,838,568
Public Sector	8,837,714	2,242,766	661,070	53,025	1,528,671	6,594,948
Commercial Real Estate	2,496,438	1,963,427	12,250	1,951,177	-	533,011
Group Markets	**2,576,371**	**858,547**	**488,537**	**-**	**370,010**	**1,717,824**
Group Markets - Trading	1,731,203	363,928	-	-	363,928	1,367,275
Group Markets - Financial Institutions	845,168	494,619	488,537	-	6,082	350,549
Asset/Liability Management and Local Corporate Center	**25,656,422**	**1,478,489**	**-**	**-**	**1,478,489**	**24,177,933**
Asset/Liability Management	25,300,777	1,444,514	-	-	1,444,514	23,856,263
Corporate Center	355,645	33,975	-	-	33,975	321,670
Total	**86,423,729**	**29,262,640**	**8,663,717**	**16,265,159**	**4,333,764**	**57,161,089**

26. Credit risk *(continued)*

Credit risk exposure by financial instrument and collateral

Group

in RON thousands	Total credit risk exposure	Collateral total	Collateralised by: Guarantees	Collateralised by: Real estate	Collateralised by: Other	Credit risk exposure net of collateral	IFRS9 impairment relevant: Neither past due nor credit impaired	IFRS9 impairment relevant: Past due but not credit impaired	IFRS9 impairment relevant: Credit impaired
					31.12.2021				
Cash and cash balances - demand deposits to central banks and credit institutions	309,890	-	-	-	-	309,890	309,890	-	-
Debt instruments held for trading	1,704,540	-	-	-	-	1,704,540	-	-	-
Non-trading debt instruments at FVPL	30,632	-	-	-	-	30,632	-	-	-
Debt instruments at FVOCI	7,903,401	-	-	-	-	7,903,401	7,903,401	-	-
Debt instruments at AC	67,560,672	28,223,833	7,835,912	16,410,387	3,977,534	39,336,839	63,383,613	2,197,633	1,979,426
Debt securities	15,590,868	-	-	-	-	15,590,868	15,590,868	-	-
Loans and advances to banks	1,363,193	1,169,492	-	-	1,169,492	193,701	1,363,193	-	-
Loans and advances to customers	48,387,815	25,875,487	7,828,759	16,398,656	1,648,072	22,512,328	44,398,591	2,134,603	1,854,621
Trade and other receivables	716,765	9,177	7,154	566	1,457	707,588	655,149	3,536	58,080
Finance lease receivables	1,502,031	1,169,678	-	11,165	1,158,513	332,353	1,375,813	59,493	66,725
Off balance-sheet exposures	17,161,181	3,765,633	5,046	507,993	3,252,594	13,395,548	11,769,859	-	92,645
out of which: other commitments	5,298,677	2,086,602	-	40,020	2,046,582	3,212,075	-	-	-
Total	**94,670,316**	**31,989,466**	**7,840,958**	**16,918,380**	**7,230,128**	**62,680,850**	**83,366,763**	**2,197,633**	**2,072,071**

Group

in RON thousands	Total credit risk exposure	Collateral total	Collateralised by: Guarantees	Collateralised by: Real estate	Collateralised by: Other	Credit risk exposure net of collateral	IFRS9 impairment relevant: Neither past due nor credit impaired	IFRS9 impairment relevant: Past due but not credit impaired	IFRS9 impairment relevant: Credit impaired
					31.12.2020				
Cash and cash balances - demand deposits to central banks and credit	315,202	-	-	-	-	315,202	315,202	-	-
Debt instruments held for trading	1,248,822	-	-	-	-	1,248,822	-	-	-
Non-trading debt instruments at FVPL	29,706	985	-	985	-	28,721	-	-	-
Debt instruments at FVOCI	7,389,269	-	-	-	-	7,389,269	7,389,269	-	-
Debt instruments at AC	62,374,521	27,672,433	7,007,245	15,988,738	4,676,450	34,702,088	58,330,782	2,006,399	2,037,340
Debt securities	14,847,648	-	-	-	-	14,847,648	14,846,293	-	1,355
Loans and advances to banks	2,029,037	1,808,442	-	-	1,808,442	220,595	2,029,037	-	-
Loans and advances to customers	43,526,837	24,581,139	6,999,081	15,977,726	1,604,332	18,945,698	39,674,397	1,911,842	1,940,598
Trade and other receivables	625,208	46,196	8,166	979	37,051	579,012	579,981	3,825	41,402
Finance lease receivables	1,345,791	1,236,657	-	10,031	1,226,626	109,134	1,201,073	90,732	53,986
Off balance-sheet exposures	16,626,788	3,777,078	1,687,637	455,634	1,633,807	12,849,710	11,413,876	34	84,101
out of which: other commitments	5,128,777	2,242,329	627,820	41,306	1,573,203	2,886,448	-	-	-
Total	**87,984,308**	**31,450,496**	**8,694,882**	**16,445,357**	**6,310,257**	**56,533,812**	**77,449,129**	**2,006,433**	**2,121,441**

Bank

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

26. Credit risk *(continued)*

Bank

in RON thousands	Total credit risk exposure	Collateral total	Collateralised by: Guarantees	Collateralised by: Real estate	Collateralised by: Other	Credit risk exposure net of collateral	IFRS9 impairment relevant: Neither past due nor credit impaired	IFRS9 impairment relevant: Past due but not credit impaired	IFRS9 impairment relevant: Credit impaired
					31.12.2020				
Cash and cash balances - demand deposits to central banks and credit	178,521	-	-	-	-	178,521	178,521	-	-
Debt instruments held for trading	1,248,822	-	-	-	-	1,248,822	-	-	-
Non-trading debt instruments at FVPL	29,706	985	-	985	-	28,721	-	-	-
Debt instruments at FVOCI	7,364,672	-	-	-	-	7,364,672	7,364,672	-	-
Debt instruments at AC	60,398,009	25,490,104	6,979,171	15,810,821	2,700,112	34,907,905	56,624,882	1,808,779	1,964,348
Debt securities	14,001,606	-	-	-	-	14,001,606	14,000,251	-	1,355
Loans and advances to banks	2,093,992	1,808,442	-	-	1,808,442	285,550	2,027,401	-	66,591
Loans and advances to customers	43,682,869	23,643,129	6,975,987	15,809,849	857,293	20,039,740	40,014,928	1,806,840	1,861,101
Trade and other receivables	599,760	38,534	3,185	971	34,378	561,226	567,174	1,939	30,647
Finance lease receivables	19,782	-	-	-	-	19,782	15,128	-	4,654
Off balance-sheet exposures	17,203,999	3,771,551	1,684,546	453,353	1,633,652	13,432,448	11,986,718	-	84,101
out of which: other commitments	5,133,180	2,242,329	627,820	41,306	1,573,203	2,890,851	-	-	-
Total	**86,423,729**	**29,262,640**	**8,663,717**	**16,265,159**	**4,333,764**	**57,161,089**	**76,154,793**	**1,808,779**	**2,048,449**

Loans and advances to customers

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

On the next pages loans and advances to customers are presented by:

- business segment and risk category;
- business segment and IFRS 9 treatment;
- business segment and coverage of non-performing loans to customers by loan loss allowances;
- business segment and coverage by loan loss allowances and IFRS 9 treatment;
- business segment and currency.

Loans and advances to customers by business segment and risk category

Group

in RON thousands	Low risk	Management attention	Substandard	Non-performing	Total
			31.12.2021		
Retail	25,383,670	1,254,855	806,745	1,078,564	28,523,834
Corporates	15,822,830	4,496,260	639,068	894,736	21,852,894
Group Markets	30,783	1,334	236	200	32,553
Asset/Liability Management and Local Corporate	81,496	46,905	27	5,927	134,355
Total	**41,318,779**	**5,799,354**	**1,446,076**	**1,979,427**	**50,543,636**

Group

in RON thousands	Low risk	Management attention	Substandard	Non-performing	Total
			31.12.2020		
Retail	23,034,908	1,389,584	1,049,631	1,124,488	26,598,611
Corporates	12,482,904	4,548,436	648,755	907,735	18,587,830
Group Markets	17,217	730	132	3,602	21,681
Asset/Liability Management and Local Corporate	138,279	56,418	50	2,084	196,831
Total	**35,673,308**	**5,995,168**	**1,698,568**	**2,037,909**	**45,404,953**

26. Credit risk *(continued)*

Bank

in RON thousands	Low risk	Management attention	Substandard	Non-performing	Total
			31.12.2021		
Retail	25,255,708	1,252,427	806,403	1,051,050	28,365,588
Corporates	13,222,143	4,242,948	606,227	767,830	18,839,148
Group Markets	30,783	1,334	236	200	32,553
Asset/Liability Management and Local Corporate Center	2,166,494	402,213	27	5,927	2,574,661
Total	**40,675,128**	**5,898,922**	**1,412,893**	**1,825,007**	**49,811,950**

Bank

in RON thousands	Low risk	Management attention	Substandard	Non-performing	Total
			31.12.2020		
Retail	22,870,692	1,386,558	1,049,126	1,087,783	26,394,159
Corporates	10,333,776	4,256,938	626,629	800,204	16,017,547
Group Markets	17,217	730	132	3,602	21,681
Asset/Liability Management and Local Corporate Center	1,463,780	306,209	50	2,084	1,772,123
Total	**34,685,465**	**5,950,435**	**1,675,937**	**1,893,673**	**44,205,510**

Loans and advances to customers by geographical segment and risk category

Group

in RON thousands	Low risk	Management attention	Substandard	Non-performing	Total
		31.12.2021			
CEE	**41,318,781**	**5,799,353**	**1,446,076**	**1,979,426**	**50,543,636**
Romania	41,318,781	5,799,353	1,446,076	1,979,426	50,543,636
Total	**41,318,781**	**5,799,353**	**1,446,076**	**1,979,426**	**50,543,636**

Group

in RON thousands	Low risk	Management attention	Substandard	Non-performing	Total
		31.12.2020			
CEE	**35,673,309**	**5,995,167**	**1,698,568**	**2,037,909**	**45,404,953**
Romania	35,673,309	5,995,167	1,698,568	2,037,909	45,404,953
Total	**35,673,309**	**5,995,167**	**1,698,568**	**2,037,909**	**45,404,953**

Bank

in RON thousands	Low risk	Management attention	Substandard	Non-performing	Total
		31.12.2021			
CEE	**40,675,127**	**5,898,922**	**1,412,893**	**1,825,008**	**49,811,950**
Romania	40,675,127	5,898,922	1,412,893	1,825,008	49,811,950
Total	**40,675,127**	**5,898,922**	**1,412,893**	**1,825,008**	**49,811,950**

Bank

in RON thousands	Low risk	Management attention	Substandard	Non-performing	Total
		31.12.2020			
CEE	**34,685,466**	**5,950,434**	**1,675,937**	**1,893,673**	**44,205,510**
Romania	34,685,466	5,950,434	1,675,937	1,893,673	44,205,510
Total	**34,685,466**	**5,950,434**	**1,675,937**	**1,893,673**	**44,205,510**

26. Credit risk *(continued)*

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

Group

in RON thousands	Non-performing		Gross customer loans		Loan loss allowances	Collateral for NPL		NPL ratio		NPL coverage (exc collateral)	NPL collateralisation ratio	
	Total	AC	Total	AC	AC	Total	AC	Total	AC	AC	Total	AC
						31.12.2021						
Retail	1,078,564	1,078,564	28,523,834	28,523,834	(1,567,165)	326,019	326,019	3.78%	3.78%	145.30%	30.23%	30.23%
Corporates	894,736	894,736	21,852,894	21,852,894	(1,158,851)	354,352	354,352	4.09%	4.09%	129.52%	39.60%	39.60%
Group Markets	200	200	32,553	32,553	(45)	-	-	0.62%	0.62%	22.46%	0.00%	0.00%
Asset/Liability Management and Local Corporate Center	5,927	5,927	134,355	134,355	(9,725)	-	-	4.41%	4.41%	164.07%	0.00%	0.00%
Total	**1,979,427**	**1,979,427**	**50,543,636**	**50,543,636**	**(2,735,786)**	**680,371**	**680,371**	**3.92%**	**3.92%**	**138.21%**	**34.37%**	**34.37%**

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
						31.12.2020						
Retail	1,124,489	1,124,489	26,598,610	26,598,610	(1,408,625)	379,107	379,107	4.23%	4.23%	125.27%	33.71%	33.71%
Corporates	907,735	905,809	18,587,830	18,585,905	(1,074,546)	369,262	368,276	4.88%	4.87%	118.63%	40.68%	40.66%
Group Markets	3,602	3,602	21,681	21,681	(223)	-	-	16.62%	16.62%	6.20%	0.00%	0.00%
Asset/Liability Management and Local Corporate Center	2,084	2,084	196,831	196,831	(11,742)	-	-	1.06%	1.06%	563.57%	0.00%	0.00%
Total	**2,037,910**	**2,035,984**	**45,404,952**	**45,403,027**	**(2,495,136)**	**748,369**	**747,383**	**4.49%**	**4.48%**	**122.55%**	**36.72%**	**36.71%**

Bank

in RON thousands	Non-performing		Gross customer loans		Loan loss allowances	Collateral for NPL		NPL ratio		NPL coverage (exc collateral)	NPL collateralisation ratio	
	Total	AC	Total	AC	AC	Total	AC	Total	AC	AC	Total	AC
						31.12.2021						
Retail	1,051,050	1,051,050	28,365,588	28,365,588	(1,538,040)	324,364	324,364	3.71%	3.71%	146.33%	30.86%	30.86%
Corporates	767,830	767,829	18,839,148	18,839,148	(1,034,637)	290,030	290,030	4.08%	4.08%	134.75%	37.77%	37.77%
Group Markets	200	200	32,553	32,553	(45)	-	-	0.61%	0.61%	22.50%	0.00%	0.00%
Asset/Liability Management and Local Corporate Center	5,927	5,927	2,574,661	2,574,661	(18,844)	-	-	0.23%	0.23%	317.93%	0.00%	0.00%
Total	**1,825,007**	**1,825,006**	**49,811,950**	**49,811,950**	**(2,591,566)**	**614,394**	**614,394**	**3.66%**	**3.66%**	**142.00%**	**33.67%**	**33.67%**

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
						31.12.2020						
Retail	1,087,783	1,087,783	26,394,160	26,394,160	(1,371,935)	378,791	378,791	4.12%	4.12%	126.12%	34.82%	34.82%
Corporates	800,204	798,278	16,017,547	16,015,622	(981,325)	292,036	291,051	5.00%	4.98%	122.93%	36.50%	36.46%
Group Markets	3,602	3,602	21,681	21,681	(223)	-	-	16.61%	16.61%	6.19%	0.00%	0.00%
Asset/Liability Management and Local Corporate Center	2,084	2,084	1,772,123	1,772,123	(19,536)	-	-	0.12%	0.12%	937.43%	0.00%	0.00%
Total	**1,893,673**	**1,891,747**	**44,205,511**	**44,203,586**	**(2,373,019)**	**670,827**	**669,842**	**4.28%**	**4.28%**	**125.44%**	**35.42%**	**35.41%**

Total gross customer loans, total non-performing loans, and total collateral include both AC and FVPL portfolios.

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.

26. Credit risk *(continued)*

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

Group

in RON thousands	Loans to customers				Loan loss allowances				Stage 2 coverage ratio	Stage 3 coverage ratio	POCI coverage ratio
	Stage 1	Stage 2	Stage 3	POCI	Stage 1	Stage 2	Stage 3	POCI			
	31.12.2021										
Retail	21,787,546	5,512,431	1,011,262	212,595	(117,214)	(590,210)	(806,566)	(53,175)	10.71%	79.76%	25.01%
Corporates	17,065,463	3,876,888	850,319	60,224	(147,403)	(384,420)	(613,759)	(13,269)	9.92%	72.18%	22.03%
Group Markets	27,531	4,822	200	-	(22)	(8)	(15)	-	0.17%	7.50%	0.00%
Asset/Liability Management and Local Corporate Center	80,335	48,093	5,927	-	(262)	(3,327)	(6,136)	-	6.92%	103.53%	0.00%
Total	**38,960,875**	**9,442,234**	**1,867,708**	**272,819**	**(264,901)**	**(977,965)**	**(1,426,476)**	**(66,444)**	**10.36%**	**76.38%**	**24.35%**

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			
	31.12.2020										
Retail	19,988,516	5,333,418	1,039,970	236,706	(66,913)	(503,886)	(771,537)	(66,289)	9.45%	74.19%	28.00%
Corporates	13,128,365	4,535,429	837,552	84,559	(119,589)	(319,061)	(621,649)	(14,247)	7.03%	74.22%	16.85%
Group Markets	6,868	11,211	3,602	-	(9)	(201)	(13)	-	1.79%	0.36%	0.00%
Asset/Liability Management and Local Corporate Center	119,221	75,526	2,084	-	(228)	(5,506)	(6,008)	-	7.29%	288.29%	0.00%
Total	**33,242,970**	**9,955,584**	**1,883,208**	**321,265**	**(186,739)**	**(828,654)**	**(1,399,207)**	**(80,536)**	**8.32%**	**74.30%**	**25.07%**

Bank

in RON thousands	Loans to customers				Loan loss allowances				Stage 2 coverage ratio	Stage 3 coverage ratio	POCI coverage ratio
	Stage 1	Stage 2	Stage 3	POCI	Stage 1	Stage 2	Stage 3	POCI			
	31.12.2021										
Retail	21,688,215	5,481,065	983,749	212,559	(116,600)	(588,111)	(780,154)	(53,175)	10.73%	79.30%	25.02%
Corporates	14,476,567	3,578,944	723,413	60,224	(108,152)	(368,907)	(544,309)	(13,269)	10.31%	75.24%	22.03%
Group Markets	27,531	4,822	200	-	(22)	(8)	(15)	-	0.17%	7.50%	0.00%
Asset/Liability Management and Local Corporate Center	2,398,204	170,530	5,927	-	(6,775)	(5,934)	(6,135)	-	3.48%	103.51%	0.00%
Total	**38,590,517**	**9,235,361**	**1,713,289**	**272,783**	**(231,549)**	**(962,960)**	**(1,330,613)**	**(66,444)**	**10.43%**	**77.66%**	**24.36%**

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			
	31.12.2020										
Retail	19,829,601	5,324,628	1,003,264	236,667	(66,199)	(503,144)	(736,303)	(66,289)	9.45%	73.39%	28.01%
Corporates	10,844,862	4,356,180	730,021	84,559	(86,798)	(310,396)	(569,884)	(14,247)	7.13%	78.06%	16.85%
Group Markets	6,868	11,211	3,602	-	(9)	(201)	(13)	-	1.79%	0.36%	0.00%
Asset/Liability Management and Local Corporate Center	1,518,803	251,236	2,084	-	(2,640)	(10,888)	(6,008)	-	4.33%	288.29%	0.00%
Total	**32,200,134**	**9,943,255**	**1,738,971**	**321,226**	**(155,646)**	**(824,629)**	**(1,312,208)**	**(80,536)**	**8.29%**	**75.46%**	**25.07%**

Non-performing loans and advances to customers by geographical 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
	31.12.2021											
CEE	**1,979,427**	**1,979,427**	**50,543,636**	**50,543,636**	**(2,735,786)**	**680,371**	**680,371**	**3.92%**	**3.92%**	**138.21%**	**34.37%**	**34.37%**
Romania	1,979,427	1,979,427	50,543,636	50,543,636	(2,735,786)	680,371	680,371	3.92%	3.92%	138.21%	34.37%	34.37%
Total	**1,979,427**	**1,979,427**	**50,543,636**	**50,543,636**	**(2,735,786)**	**680,371**	**680,371**	**3.92%**	**3.92%**	**138.21%**	**34.37%**	**34.37%**

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
	31.12.2020											
CEE	**2,037,909**	**2,035,985**	**45,404,952**	**45,403,029**	**(2,495,136)**	**748,369**	**747,384**	**4.49%**	**4.48%**	**122.55%**	**36.72%**	**36.71%**
Romania	2,037,909	2,035,985	45,404,952	45,403,029	(2,495,136)	748,369	747,384	4.49%	4.48%	122.55%	36.72%	36.71%
Total	**2,037,909**	**2,035,985**	**45,404,952**	**45,403,029**	**(2,495,136)**	**748,369**	**747,384**	**4.49%**	**4.48%**	**122.55%**	**36.72%**	**36.71%**

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
	31.12.2021											
CEE	**1,825,007**	**1,825,007**	**49,811,950**	**49,811,950**	**(2,591,566)**	**614,394**	**614,394**	**3.66%**	**3.66%**	**142.00%**	**33.67%**	**33.67%**
Romania	1,825,007	1,825,007	49,811,950	49,811,950	(2,591,566)	614,394	614,394	3.66%	3.66%	142.00%	33.67%	33.67%
Total	**1,825,007**	**1,825,007**	**49,811,950**	**49,811,950**	**(2,591,566)**	**614,394**	**614,394**	**3.66%**	**3.66%**	**142.00%**	**33.67%**	**33.67%**

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
	31.12.2020											
CEE	**1,893,673**	**1,891,748**	**44,205,511**	**44,203,586**	**(2,373,019)**	**670,827**	**669,842**	**4.28%**	**4.28%**	**125.44%**	**35.42%**	**35.41%**
Romania	1,893,673	1,891,748	44,205,511	44,203,586	(2,373,019)	670,827	669,842	4.28%	4.28%	125.44%	35.42%	35.41%
Total	**1,893,673**	**1,891,748**	**44,205,511**	**44,203,586**	**(2,373,019)**	**670,827**	**669,842**	**4.28%**	**4.28%**	**125.44%**	**35.42%**	**35.41%**

Total gross customer loans, total non-performing loans, and total collateral include both AC and FVPL portfolios.

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.

Loans and advances to customers and coverage by loan loss allowances by geographical segment and IFRS 9 treatment

Group

in RON thousands	Credit risk exposure					Loan loss allowances				Stage 2 coverage ratio	Stage 3 coverage ratio	POCI coverage ratio
	Stage 1	Stage 2	Stage 3	POCI	Not subject to impairment	Stage 1	Stage 2	Stage 3	POCI			
	31.12.2021											
CEE	**38,960,875**	**9,442,234**	**1,867,708**	**272,819**	**-**	**(264,901)**	**(977,965)**	**(1,426,476)**	**(66,444)**	**10.36%**	**76.38%**	**24.35%**
Romania	38,960,875	9,442,234	1,867,708	272,819	-	(264,901)	(977,965)	(1,426,476)	(66,444)	10.36%	76.38%	24.35%
Total	**38,960,875**	**9,442,234**	**1,867,708**	**272,819**	**-**	**(264,901)**	**(977,965)**	**(1,426,476)**	**(66,444)**	**10.36%**	**76.38%**	**24.35%**

Group

in RON thousands	Credit risk exposure					Loan loss allowances				Stage 2 coverage ratio	Stage 3 coverage ratio	POCI coverage ratio
	Stage 1	Stage 2	Stage 3	POCI	Not subject to impairment	Stage 1	Stage 2	Stage 3	POCI			
	31.12.2020											
CEE	**33,242,970**	**9,955,584**	**1,883,208**	**321,265**	**1,925**	**(186,740)**	**(828,655)**	**(1,399,205)**	**(80,537)**	**8.32%**	**74.30%**	**25.07%**
Romania	33,242,970	9,955,584	1,883,208	321,265	1,925	(186,740)	(828,655)	(1,399,205)	(80,537)	8.32%	74.30%	25.07%
Total	**33,242,970**	**9,955,584**	**1,883,208**	**321,265**	**1,925**	**(186,740)**	**(828,655)**	**(1,399,205)**	**(80,537)**	**8.32%**	**74.30%**	**25.07%**

Bank

in RON thousands	Credit risk exposure					Loan loss allowances				Stage 2 coverage ratio	Stage 3 coverage ratio	POCI coverage ratio
	Stage 1	Stage 2	Stage 3	POCI	Not subject to impairment	Stage 1	Stage 2	Stage 3	POCI			
	31.12.2021											
CEE	**38,590,517**	**9,235,361**	**1,713,289**	**272,783**	**-**	**(231,549)**	**(962,960)**	**(1,330,613)**	**(66,444)**	**10.43%**	**77.66%**	**24.36%**
Romania	38,590,517	9,235,361	1,713,289	272,783	-	(231,549)	(962,960)	(1,330,613)	(66,444)	10.43%	77.66%	24.36%
Total	**38,590,517**	**9,235,361**	**1,713,289**	**272,783**	**-**	**(231,549)**	**(962,960)**	**(1,330,613)**	**(66,444)**	**10.43%**	**77.66%**	**24.36%**

Bank

in RON thousands	Credit risk exposure					Loan loss allowances				Stage 2 coverage ratio	Stage 3 coverage ratio	POCI coverage ratio
	Stage 1	Stage 2	Stage 3	POCI	Not subject to impairment	Stage 1	Stage 2	Stage 3	POCI			
	31.12.2020											
CEE	**32,200,134**	**9,943,255**	**1,738,971**	**321,226**	**1,925**	**(155,645)**	**(824,628)**	**(1,312,209)**	**(80,537)**	**8.29%**	**75.46%**	**25.07%**
Romania	32,200,134	9,943,255	1,738,971	321,226	1,925	(155,645)	(824,628)	(1,312,209)	(80,537)	8.29%	75.46%	25.07%
Total	**32,200,134**	**9,943,255**	**1,738,971**	**321,226**	**1,925**	**(155,645)**	**(824,628)**	**(1,312,209)**	**(80,537)**	**8.29%**	**75.46%**	**25.07%**

26. Credit risk *(continued)*

Loans and advances to customers by geographical segment and currency

in RON thousands	EUR	CEE-LCY	CHF	USD	Other	Group Total
			31.12.2021			
CEE	**14,903,499**	**35,289,921**	**8**	**350,181**	**27**	**50,543,636**
Romania	14,903,499	35,289,921	8	350,181	27	50,543,636
Total	**14,903,499**	**35,289,921**	**8**	**350,181**	**27**	**50,543,636**

in RON thousands	EUR	CEE-LCY	CHF	USD	Other	Group Total
			31.12.2020			
CEE	**15,134,782**	**29,889,125**	**23**	**381,002**	**20**	**45,404,952**
Romania	15,134,782	29,889,125	23	381,002	20	45,404,952
Total	**15,134,782**	**29,889,125**	**23**	**381,002**	**20**	**45,404,952**

in RON thousands	EUR	CEE-LCY	CHF	USD	Other	Bank Total
			31.12.2021			
CEE	**14,562,776**	**34,927,867**	**8**	**321,272**	**27**	**49,811,950**
Romania	14,562,776	34,927,867	8	321,272	27	49,811,950
Total	**14,562,776**	**34,927,867**	**8**	**321,272**	**27**	**49,811,950**

in RON thousands	EUR	CEE-LCY	CHF	USD	Other	Bank Total
			31.12.2020			
CEE	**14,349,097**	**29,485,752**	**23**	**370,619**	**20**	**44,205,511**
Romania	14,349,097	29,485,752	23	370,619	20	44,205,511
Total	**14,349,097**	**29,485,752**	**23**	**370,619**	**20**	**44,205,511**

27. Market risk

Definition and overview

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

Methods and instruments employed

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

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

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

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

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.

27. Market risk *(continued)*

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.

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.

Principles of managing Interest Rate Risk in Banking Book

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

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

- Economic value measures (MVoE, EVE) to assess the market value change under certain scenarios;
- Value at Risk based measures used for economic capital allocation under Pillar 2;
- Earnings at risk measure (NII sensitivity) to assess the impact on operating income of certain scenarios on BCR level. This also comprises valuation impacts on other comprehensive income (OCI);
- Sensitivity measures (BP01,CR01) to assess the market value sensitivity of certain portfolios.

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

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

Exchange rate risk

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

Principles of managing foreign exchange risk

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

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

Analysis of market risk

The following table shows the sensitivities amounts for open FX positions as of 31 December 2021 calculated based on the alternative standardized approach in line with the Regulation (EU) 876/2019.

27. Market risk *(continued)*

Sensitivities BCR Bank (RON ths)

Currency	Long	Short	Net
AED	398	-	398
AUD	845	-	845
BAM	1	-	1
BGN	380	-	380
CAD	111	-	111
CHF	1,246	-	1,246
CNY	25	-	25
CZK	945	-	945
DKK	423	-	423
DZD	-	(88)	(88)
EUR	-	(6,166)	(6,166)
GBP	989	-	989
HRK	26	-	26
HUF	1,392	-	1,392
INR	-	-	-
JOD	-	(25)	(25)
JPY	517	-	517
MDL	879	-	879
MXN	-	-	-
NOK	226	-	226
NZD	62	-	62
PLN	1,050	-	1,050
RON	-	-	-
RSD	5	-	5
RUB	25	-	25
SEK	743	-	743
TND	-	(2)	(2)
TRY	1	-	1
UAH	-	-	-
USD	-	(660)	(660)
ZAR	14	-	14
Total	**10,303**	**(6,941)**	**3,362**

Value at Risk of trading book

The following tables show the VaR amounts as of 31 December 2021 and 31 December 2020 using equally weighted market data and with a holding period of one year. The confidence level is 99.92%.

Bank

in RON thousands	FX position	Fixed Income	Money Market	Equity	Total Trading Book
As at 31 December 2021	191	10,981	16,435	-	18,479
As at 31 December 2020	274	34,924	7,728	-	37,539

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 2021 and 31 December 2020. Positive values indicate a surplus of asset items, while negative values represent a surplus on the liability side.

27. Market risk *(continued)*

Bank							31.12.2021
in RON thousands		RON		EUR		Other currencies	
Maturity band	Weighting factors	Net position	Weighted position	Net position	Weighted position	Net position	Weighted position
≤ 1 m	0.08%	3,401,896	2,722	2,976,823	2,381	1,061,607	849
> 1 m, ≤ 3 m	0.32%	(2,831,921)	(9,062)	3,425,228	10,961	(504,020)	(1,613)
> 3 m, ≤ 6 m	0.72%	(93,437)	(673)	(1,885,807)	(13,578)	(510,708)	(3,677)
> 6 m, ≤ 12 m	1.43%	(1,678,711)	(24,006)	(6,103,052)	(87,274)	(910,439)	(13,019)
> 1 y, ≤ 2 y	2.77%	4,220,720	116,914	1,698,925	47,060	(117,389)	(3,252)
> 2 y, ≤ 3 y	4.49%	2,550,679	114,525	621,479	27,904	(105,162)	(4,722)
> 3 y, ≤ 4 y	6.14%	2,374,008	145,764	244,546	15,015	(105,225)	(6,461)
> 4 y, ≤ 5 y	7.71%	(7,065,352)	(544,739)	(2,788,402)	(214,986)	(567,162)	(43,728)
> 5 y, ≤ 7 y	10.15%	433,366	43,987	495,436	50,287	(237)	(24)
> 7 y, ≤ 10 y	13.26%	2,288,478	303,452	728,829	96,643	-	-
> 10 y, ≤ 15 y	17.84%	295,665	52,747	763,231	136,160	-	-
> 15 y, ≤ 20 y	22.43%	(36)	(8)	(28,886)	(6,479)	-	-
> 20 y	26.03%	(15,230)	(3,964)	(10,831)	(2,819)	(5,748)	(1,496)
Total		-	**197,659**	-	**61,275**	-	**(77,143)**

Bank							31.12.2020
in RON thousands		RON		EUR		Other currencies	
Maturity band	Weighting factors	Net position	Weighted position	Net position	Weighted position	Net position	Weighted position
≤ 1 m	0.08%	2,735,934	2,189	3,714,407	2,972	23,701	19
> 1 m, ≤ 3 m	0.32%	2,545,234	8,145	4,978,337	15,931	(350,802)	(1,123)
> 3 m, ≤ 6 m	0.72%	575,133	4,141	(166,335)	(1,198)	(330,166)	(2,377)
> 6 m, ≤ 12 m	1.43%	(785,840)	(11,238)	(2,526,208)	(36,125)	(369,361)	(5,282)
> 1 y, ≤ 2 y	2.77%	1,921,549	53,227	(969,868)	(26,865)	(234,515)	(6,496)
> 2 y, ≤ 3 y	4.49%	2,746,262	123,307	(70,512)	(3,166)	(216,646)	(9,727)
> 3 y, ≤ 4 y	6.14%	663,323	40,728	(261,124)	(16,033)	(217,063)	(13,328)
> 4 y, ≤ 5 y	7.71%	(7,891,481)	(608,433)	(4,788,317)	(369,179)	(864,821)	(66,678)
> 5 y, ≤ 7 y	10.15%	1,221,230	123,955	54,031	5,484	(215)	(22)
> 7 y, ≤ 10 y	13.26%	844,955	112,041	1,066,308	141,392	-	-
> 10 y, ≤ 15 y	17.84%	(8,934)	(1,594)	322,491	57,532	-	-
> 15 y, ≤ 20 y	22.43%	86	19	(3,365)	(755)	-	-
> 20 y	26.03%	(16,518)	(4,300)	(26,915)	(7,006)	(5,216)	(1,358)
Total			**(157,813)**		**(237,016)**		**(106,372)**

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

			Group
in RON thousands			31.12.2021
Own Funds			8,263,389
The Potential Decrease in the Market Value of Equity	in absolute value	RON	212,766
		EUR	74,760
		Other currencies	76,523
		Total	364,049
	% of Own Funds		4.41%

			Group
in RON thousands			31.12.2020
Own Funds			8,267,633
The Potential Decrease in the Market Value of Equity	in absolute value	RON	136,633
		EUR	230,157
		Other currencies	105,832
		Total	472,622
	% of Own Funds		5.72%

27. Market risk *(continued)*

			Bank
in RON thousands			**31.12.2021**
Own Funds			**8,009,287**
The Potential Decrease in the Market Value of Equity	in absolute value	RON	197,659
		EUR	61,276
		Other currencies	77,143
		Total	**336,078**
	% of Own Funds		4.20%

			Bank
in RON thousands			31.12.2020
Own Funds			8,089,786
The Potential Decrease in the Market Value of Equity	in absolute value	RON	157,812
		EUR	237,016
		Other currencies	106,371
		Total	501,199
	% of Own Funds		6.20%

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

		Bank
RON thousands		**31.12.2021**
Shift	**Sensitivity of Net Interest Income**	**Sensitivity of Fair Value reserve (Equity)**
2%	348,174	(290,143)
1%	153,422	(147,511)
-1%	(174,587)	152,624
-2%	(364,112)	310,609

		Bank
RON thousands		**31.12.2020**
Shift	**Sensitivity of Net Interest Income**	**Sensitivity of AFS reserve (equity)**
2%	365,515	(275,398)
1%	177,335	(140,200)
-1%	(124,086)	145,449
-2%	(293,878)	296,410

28. Liquidity risk

Definition and overview

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

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

Liquidity strategy

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

Methods and instruments employed

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

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

28. Liquidity risk *(continued)*

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

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

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

Methods and instruments of risk mitigation

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

The Contingency 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 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 2021 and 31 December 2020 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 2021								
Non-derivative assets	**83,885,883**	**101,734,133**	**20,793,754**	**3,781,125**	**2,327,637**	**6,891,586**	**37,103,079**	**30,836,952**
Cash and cash balances	13,317,439	13,317,439	13,317,439	-	-	-	-	-
Debt securities	23,436,060	27,647,868	574,742	2,123,424	379,368	2,729,620	15,245,606	6,595,108
Loans and advances to banks	1,362,313	1,690,309	1,670,173	20,136	-	-	-	-
Loans and advances to customers	45,770,071	59,078,517	5,231,400	1,637,565	1,948,269	4,161,966	21,857,473	24,241,844
Derivatives	**23,994**	**5,076,987**	**3,450,908**	**359,001**	**796,630**	**452,192**	**17,951**	**305**

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 2020								
Non-derivative assets	**76,094,978**	**92,309,976**	**17,422,246**	**5,344,765**	**4,152,961**	**5,312,824**	**33,696,604**	**26,380,576**
Cash and cash balances	10,538,199	10,538,199	10,538,199	-	-	-	-	-
Debt securities	22,391,477	25,874,179	130,197	2,777,980	2,148,122	1,878,755	15,411,986	3,527,139
Loans and advances to banks	2,028,021	3,476,683	1,864,370	1,263,388	348,371	-	-	554
Loans and advances to customers	41,137,281	52,420,915	4,889,480	1,303,397	1,656,468	3,434,069	18,284,618	22,852,883
Derivatives	**39,891**	**4,581,269**	**3,224,621**	**1,122,993**	**39,442**	**176,604**	**17,521**	**88**

The financial assets as of 31 December 2021 and 31 December 2020 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 2021								
Non-derivative assets	**84,287,167**	**100,165,639**	**20,294,496**	**3,573,548**	**2,084,631**	**6,319,066**	**37,185,758**	**30,708,140**
Cash and cash balances	13,069,516	13,069,516	13,069,516	-	-	-	-	-
Debt securities	23,217,857	27,480,408	516,377	2,079,380	314,318	2,729,620	15,245,605	6,595,108
Loans and advances to banks	1,362,004	1,593,438	1,573,302	20,136	-	-	-	-
Loans and advances to customers	46,637,791	58,022,277	5,135,301	1,474,032	1,770,313	3,589,446	21,940,153	24,113,032
Derivatives	**23,994**	**5,126,468**	**3,500,389**	**359,001**	**796,630**	**452,192**	**17,951**	**305**

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 2020								
Non-derivative assets	**75,107,623**	**89,028,486**	**16,717,465**	**4,748,038**	**3,293,973**	**5,208,764**	**32,797,109**	**26,263,137**
Cash and cash balances	10,193,736	10,193,736	10,193,736	-	-	-	-	-
Debt securities	21,526,297	24,525,495	59,154	2,710,440	1,664,373	1,847,511	14,716,878	3,527,139
Loans and advances to banks	2,026,208	2,327,109	1,581,595	744,960	-	-	-	554
Loans and advances to customers	41,361,382	51,982,146	4,882,980	1,292,638	1,629,600	3,361,253	18,080,231	22,735,444
Derivatives	**39,891**	**4,581,269**	**3,224,621**	**1,122,993**	**39,442**	**176,604**	**17,521**	**88**

Financial liabilities

Maturities of contractual undiscounted cash flows from financial liabilities as of 31 December 2021 and 31 December 2020 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 2021								
Non-derivative liabilities	**76,975,075**	**77,838,137**	**54,837,221**	**8,170,647**	**4,338,770**	**4,364,012**	**3,469,421**	**2,658,066**
Deposits by banks	1,279,575	1,040,484	438,765	55,096	45,082	106,430	285,730	109,381
Customer deposits	72,458,416	72,719,318	54,398,456	8,102,612	3,748,952	4,164,602	2,055,771	248,925
Debt securities in issue	2,733,120	3,559,660	-	-	39,000	92,980	1,127,920	2,299,760
Subordinated liabilities	503,964	518,675	-	12,939	505,736	-	-	-
Contingent liabilities	**-**	**10,970,017**	**10,970,017**	**-**	**-**	**-**	**-**	**-**
Financial guarantees	-	24,669	24,669	-	-	-	-	-
Irrevocable commitments	-	10,945,348	10,945,348	-	-	-	-	-
Derivatives	**22,343**	**5,069,344**	**3,452,041**	**356,252**	**779,759**	**463,088**	**17,882**	**322**

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 2020								
Non-derivative liabilities	**69,098,349**	**71,335,816**	**49,570,826**	**8,032,382**	**4,303,437**	**5,415,487**	**2,994,335**	**1,019,349**
Deposits by banks	2,519,514	4,140,136	2,768,737	538,279	350,289	111,494	249,625	121,712
Customer deposits	64,876,774	65,235,697	46,802,089	7,470,830	3,953,148	4,641,864	2,102,229	265,537
Debt securities in issue	614,801	802,339	-	-	-	41,839	128,400	632,100
Subordinated liabilities	1,087,260	1,157,644	-	23,273	-	620,290	514,081	-
Contingent liabilities	**-**	**11,019,696**	**11,019,696**	**-**	**-**	**-**	**-**	**-**
Financial guarantees	-	31,054	31,054	-	-	-	-	-
Irrevocable commitments	-	10,988,642	10,988,642	-	-	-	-	-
Derivatives	**52,051**	**4,591,659**	**3,230,493**	**1,131,482**	**39,280**	**172,920**	**17,395**	**89**

Compared to 2020, the volume of deposits (customers and banks) for the Group as of 31 December 2021 increased from RON 67,396,288 thousands to RON 73,737,991 thousands.

28. Liquidity risk *(continued)*

Maturities of contractual undiscounted cash flows from financial liabilities as of 31 December 2021 and 31 December 2020 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 2021								
Non-derivative liabilities	**76,774,803**	**77,693,761**	**55,238,598**	**8,113,832**	**4,260,097**	**4,227,213**	**3,203,653**	**2,650,368**
Deposits by banks	1,816,208	1,862,402	1,578,758	19,967	-	32,415	121,881	109,381
Customer deposits	71,721,511	71,753,024	53,659,840	8,080,926	3,715,361	4,101,818	1,953,852	241,227
Debt securities in issue	2,733,120	3,559,660	-	-	39,000	92,980	1,127,920	2,299,760
Subordinated liabilities	503,964	518,675	-	12,939	505,736	-	-	-
Contingent liabilities	**-**	**10,852,974**	**10,852,974**	**-**	**-**	**-**	**-**	**-**
Financial guarantees	-	9,650	9,650	-	-	-	-	-
Irrevocable commitments	-	10,843,324	10,843,324	-	-	-	-	-
Derivatives	**22,359**	**5,118,909**	**3,501,606**	**356,252**	**779,759**	**463,088**	**17,882**	**322**

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 2020								
Non-derivative liabilities	**67,785,743**	**68,123,807**	**46,633,901**	**8,002,007**	**4,276,295**	**5,284,681**	**2,917,019**	**1,009,904**
Deposits by banks	2,491,964	2,523,485	1,222,453	537,075	348,371	44,249	249,625	121,712
Customer deposits	63,591,718	63,640,339	45,411,448	7,441,659	3,927,924	4,578,303	2,024,913	256,092
Debt securities in issue	614,801	802,339	-	-	-	41,839	128,400	632,100
Subordinated liabilities	1,087,260	1,157,644	-	23,273	-	620,290	514,081	-
Contingent liabilities	**-**	**10,954,935**	**10,954,935**	**-**	**-**	**-**	**-**	**-**
Financial guarantees	-	18,628	18,628	-	-	-	-	-
Irrevocable commitments	-	10,936,307	10,936,307	-	-	-	-	-
Derivatives	**52,051**	**4,591,659**	**3,230,493**	**1,131,482**	**39,280**	**172,920**	**17,395**	**89**

Compared to 2020, the volume of deposits (customers and banks) for the Bank as of 31 December 2021 increased from RON 66,083,682 thousands to RON 73,537,719 thousands.

As of year-end 2021, the currency composition of the deposits consisted of approximately 66.22% RON (63.93% as of year-end 2020), 29.35% EUR (31.19% as of year-end 2020), 3.92%USD (4.41%as of year-end 2020) and the rest 0.52% in other currencies.

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Non-current assets and other investments

29. Property, equipment and investment properties

Property and equipment

Property and equipment is stated at cost excluding the costs of day-to-day servicing, less accumulated depreciation and accumulated impairment in value. Changes in the expected useful life are accounted for by changing the amortization period or method, as appropriate, and treated as changes in accounting estimates.

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

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

Depreciation is recognised in the statement of profit or loss in the line item 'Depreciation and amortisation' and impairment in the line item 'Other operating result'.
An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is recognized in 'Other operating result' in the statement of profit or loss in the year the asset is derecognized.

Investment properties

Investment property is property (land and buildings or part of a building or both) held for the purpose of earning rental income or for capital appreciation or both. In the case of partial own use, the property is classified as investment property only if the owner-occupied portion is less than 50% and separation between investement and owner occupied property is possible.

Investments in land and buildings under construction, where the future use is expected to be the same as for investment property, are treated as investment property.

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

After initial recognition an investment property is measured at cost (cost model) in accordance with IAS 16. Following that, an investment property is carried at its cost less any accumulated depreciation and any accumulated impairment losses. Investment property is presented in the statement of financial position in the line item 'Investment properties'.

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

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

Impairment

The Group assesses at each reporting date or more frequently if events or changes in circumstances indicate that the carrying value may be impaired, whether there is an indication that a non-financial asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount.

Where the carrying amount of an asset (or cash-generating unit) exceeds its recoverable amount, the asset (or cash-generating unit) is considered impaired and is written down to its recoverable amount.

The Bank performed an analysis aiming at identifying cash generating units and concluded that its branches does not generate independent cash flows and, therefore, the impairment assessment for assets classified under IAS 16 should be made at the level of CGU represented by the Bank as a whole.
In order to determine the impairment of assets classified under IAS 16 assets, 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.

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

For assets classified under IAS 40 (which includes both rented buildings and vacant buildings), the impairment was assessed based on their fair value as established by an external valuation report.

						Group
	Property and equipment - Acquisition and production costs					
in RON thousands	Land and buildings	Office and equipment / other fixed assets	IT assets (hardware)	Movable other property	Total property and equipment	Investment properties
Balance as of 01.01.2020	**575,761**	**472,456**	**275,190**	**145,220**	**1,468,627**	**302,860**
Additions in current year (+)	30,469	42,155	15,295	34,989	122,908	5,740
Disposals and write off (-)	(71,691)	(48,417)	(30,673)	-	(150,781)	(65,755)
Reclassification	(116,163)	3,319	(1,299)	-	(114,143)	115,171
Assets held for sale	(38,873)	-	-	-	(38,873)	-
Currency translation (+/-)	(42)	(473)	(396)	-	(911)	-
Balance as of 31.12.2020	**379,461**	**469,040**	**258,117**	**180,209**	**1,286,827**	**358,016**
Balance as of 01.01.2021	**379,461**	**469,040**	**258,117**	**180,209**	**1,286,827**	**358,016**
Additions in current year (+)	16,722	40,787	26,926	218,969	303,404	1,000
Disposals and write off (-)	(50,579)	(57,614)	(26,730)	(96,348)	(231,271)	(26,801)
Reclassification	16	(33)	67	-	50	(3)
Assets held for sale	40,598	21,256	-	127,586	189,440	-
Currency translation (+/-)	37	372	370	-	779	-
Balance as of 31.12.2021	**386,255**	**473,808**	**258,750**	**430,416**	**1,549,229**	**332,212**

						Group
	Property and equipment - Accumulated depreciation					
in RON thousands	Land and buildings	Office and equipment / other fixed assets	IT assets (hardware)	Movable other property	Total property and equipment	Investment properties
Balance as of 01.01.2020	**(235,945)**	**(335,263)**	**(217,912)**	**(53,481)**	**(842,601)**	**(141,679)**
Amortisation and depreciation (-)	(14,773)	(25,876)	(19,206)	(5,523)	(65,378)	(4,966)
Disposals (+)	44,117	46,666	30,905	112	121,800	32,171
Impairment (-)	(47,628)	(8,897)	(288)	(76,738)	(133,551)	(326)
Reversal of impairment (+)	-	-	-	292	292	-
Reclassification (+/-)	71,356	195	(382)	-	71,169	(71,356)
Assets held for sale	25,498	-	-	-	25,498	-
Currency translation (+/-)	11	499	409	-	919	-
Balance as of 31.12.2020	**(157,364)**	**(322,676)**	**(206,474)**	**(135,338)**	**(821,852)**	**(186,156)**
Balance as of 01.01.2021	**(157,364)**	**(322,676)**	**(206,474)**	**(135,338)**	**(821,852)**	**(186,156)**
Amortisation and depreciation (-)	(13,344)	(26,839)	(18,313)	(5,059)	(63,555)	(5,632)
Disposals (+)	25,486	57,807	27,059	55	110,407	7,702
Impairment (-)	(19,954)	(2,671)	(29)	(99,823)	(122,477)	(3,501)
Reversal of impairment (+)	3,023	-	-	352	3,375	5,598
Currency translation (+/-)	(11)	(299)	(340)	-	(650)	-
Balance as of 31.12.2021	**(162,164)**	**(294,678)**	**(198,097)**	**(239,813)**	**(894,752)**	**(181,989)**

						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 31.12.2020	**222,097**	**146,364**	**51,643**	**44,871**	**464,975**	**171,860**
Balance as of 31.12.2021	**224,091**	**179,130**	**60,653**	**190,603**	**654,477**	**150,223**

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 01.01.2020	**357,796**	**-**	**-**	**1,605**	**359,401**	**-**
Additions in current year (+)	209,916	-	-	1,144	**211,060**	-
Disposals and write off (-)	(64,216)	-	-	(1,257)	**(65,473)**	-
Currency translation (+/-)	(464)	-	-	-	(464)	-
Balance as of 31.12.2020	**503,032**	**-**	**-**	**1,492**	**504,524**	**-**
Balance as of 01.01.2021	**503,032**	**-**	**-**	**1,492**	**504,524**	**-**
Additions in current year (+)	87,655	851	-	52,044	**140,550**	-
Disposals and write off (-)	(45,128)	-	-	(308)	**(45,436)**	-
Currency translation (+/-)	418	-	-	-	418	-
Balance as of 31.12.2021	**545,977**	**851**	**-**	**53,228**	**600,056**	**-**

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 01.01.2020	**(46,968)**	**-**	**-**	**(1,192)**	**(48,160)**	**-**
Amortisation and depreciation (-)	(70,011)	-	-	(217)	(70,228)	-
Disposals (+)	12,355	-	-	100	12,455	-
Currency translation (+/-)	177	-	-	-	177	-
Balance as of 31.12.2020	**(104,447)**	**-**	**-**	**(1,309)**	**(105,756)**	**-**
Balance as of 01.01.2021	**(104,447)**	**-**	**-**	**(1,309)**	**(105,756)**	**-**
Amortisation and depreciation (-)	(69,047)	(41)	-	(6)	(69,094)	-
Disposals (+)	14,968	-	-	190	15,158	-
Currency translation (+/-)	(235)	-	-	-	(235)	-
Balance as of 31.12.2021	**(158,761)**	**(41)**	**-**	**(1,125)**	**(159,927)**	**-**

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 01.01.2021	**398,585**	**-**	**-**	**183**	**398,768**	**-**
Balance as of 31.12.2021	**387,216**	**810**	**-**	**52,103**	**440,129**	**-**

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 01.01.2021	**620,682**	**146,364**	**51,643**	**45,054**	**863,743**	**171,860**
Balance as of 31.12.2021	**611,307**	**179,940**	**60,653**	**242,706**	**1,094,606**	**150,223**

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 01.01.2020	**572,453**	**440,789**	**264,328**	**-**	**1,277,570**	**302,860**
Additions in current year (+)	30,469	36,518	14,584	-	**81,571**	5,740
Disposals and write off (-)	(72,088)	(44,027)	(29,490)	-	**(145,605)**	(65,755)
Reclassification (+/-)	(116,163)	3,319	(1,299)	-	**(114,143)**	115,171
Assets held for sale	(38,873)	-	-	-	**(38,873)**	-
Balance as of 31.12.2020	**375,798**	**436,599**	**248,123**	**-**	**1,060,520**	**358,016**
Balance as of 01.01.2021	**375,798**	**436,599**	**248,123**	**-**	**1,060,520**	**358,016**
Additions in current year (+)	16,717	40,780	25,571	-	**83,068**	1,000
Disposals and write off (-)	(47,464)	(57,193)	(26,535)	-	**(131,192)**	(26,801)
Reclassification (+/-)	16	(25)	58	-	**49**	(3)
Assets held for sale	40,598	-	-	-	**40,598**	-
Balance as of 31.12.2021	**385,665**	**420,161**	**247,217**	**-**	**1,053,043**	**332,212**

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 01.01.2020	**(233,461)**	**(306,476)**	**(208,048)**	**-**	**(747,985)**	**(141,679)**
Amortisation and depreciation (-)	(14,753)	(24,557)	(18,775)	-	(58,085)	(4,966)
Disposals (+)	44,067	43,518	29,483	-	117,068	32,171
Impairment (-)	(47,159)	(4,626)	(4)	-	(51,789)	(326)
Reclassification (+/-)	71,356	(187)	-	-	71,169	(71,356)
Assets held for sale	25,498	-	-	-	25,498	-
Balance as of 31.12.2020	**(154,452)**	**(292,328)**	**(197,344)**	**-**	**(644,124)**	**(186,156)**
Balance as of 01.01.2021	**(154,452)**	**(292,328)**	**(197,344)**	**-**	**(644,124)**	**(186,156)**
Amortisation and depreciation (-)	(13,333)	(26,122)	(17,444)	-	(56,899)	(5,632)
Disposals (+)	22,717	56,819	26,524	-	106,060	7,702
Impairment (-)	(19,953)	(2,671)	(29)	-	(22,653)	(3,501)
Reversal of impairment (+)	3,023	-	-	-	3,023	5,598
Balance as of 31.12.2021	**(161,998)**	**(264,302)**	**(188,293)**	**-**	**(614,593)**	**(181,989)**

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 31.12.2020	**221,346**	**144,271**	**50,779**	**-**	**416,396**	**171,860**
Balance as of 31.12.2021	**223,667**	**155,859**	**58,924**	**-**	**438,450**	**150,223**

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

Bank

Right of use property and equipment - Acquisition costs						
in RON thousands	Land and buildings	Office and equipment / other fixed assets	IT assets (hardware)	Movable other property	Total property and equipment	Investment properties
Balance as of 01.01.2020	**350,867**	**-**	**-**	**3,313**	**354,180**	**-**
Additions in current year (+)	201,823	-	-	893	**202,716**	-
Disposals and write off (-)	(67,580)	-	-	(357)	**(67,937)**	-
Balance as of 31.12.2020	**485,110**	**-**	**-**	**3,849**	**488,959**	**-**
Balance as of 01.01.2021	**485,110**	**-**	**-**	**3,849**	**488,959**	**-**
Additions in current year (+)	86,728	851	-	2,852	**90,431**	-
Disposals and write off (-)	(42,235)	-	-	(907)	**(43,142)**	-
Balance as of 31.12.2021	**529,603**	**851**	**-**	**5,794**	**536,248**	**-**

Bank

Right of use Property and equipment - Accumulated depreciation						
in RON thousands	Land and buildings	Office and equipment / other fixed assets	IT assets (hardware)	Movable other property	Total property and equipment	Investment properties
Balance as of 01.01.2020	**(45,285)**	**-**	**-**	**(975)**	**(46,260)**	**-**
Amortisation and depreciation (-)	(67,040)	-	-	(1,066)	(68,106)	-
Disposals (+)	11,855	-	-	161	12,016	-
Balance as of 31.12.2020	**(100,470)**	**-**	**-**	**(1,880)**	**(102,350)**	**-**
Balance as of 01.01.2021	**(100,470)**	**-**	**-**	**(1,880)**	**(102,350)**	**-**
Amortisation and depreciation (-)	(65,764)	(41)	-	(2,132)	(67,937)	-
Disposals (+)	14,963	-	-	804	15,767	-
Balance as of 31.12.2021	**(151,271)**	**(41)**	**-**	**(3,208)**	**(154,520)**	**-**

Bank

Right of use Property and equipment net						
in RON thousands	Land and buildings	Office and equipment / other fixed assets	IT assets (hardware)	Movable other property	Total property and equipment	Investment properties
Balance as of 31.12.2020	**384,640**	**-**	**-**	**1,969**	**386,609**	**-**
Balance as of 31.12.2021	**378,332**	**810**	**-**	**2,586**	**381,728**	**-**

Bank

Total Property and equipment net						
in RON thousands	Land and buildings	Office and equipment / other fixed assets	IT assets (hardware)	Movable other property	Total property and equipment	Investment properties
Balance as of 31.12.2020	**605,986**	**144,271**	**50,779**	**1,969**	**803,005**	**171,860**
Balance as of 31.12.2021	**601,999**	**156,669**	**58,924**	**2,586**	**820,178**	**150,223**

There are no fixed assets pledged as collateral as at 31 December 2021 and 31 December 2020.

The total cost of the Group's tangible fixed assets in use and fully amortized at the end of 2021 was RON 359,736 thousands (2020: RON 410,125 thousands). The total cost of the Bank's tangible fixed assets in use and fully amortized at the end of 2021 was RON 352,462 thousands (2020: RON 398,924 thousands).

The investment properties are measured at cost. As at 31 December 2021, the fair value is RON 162,090 thousands (2020: RON 193,623 thousands). Fair values are determined based on an annual evaluation performed by an accredited external independent valuator. Please refer to note 30 for fair value disclosure.

Assets under construction are in amount of RON 99,204 thousands (2020: RON 84,563 thousands) for the Bank.

As at 31 December 2021, the total tangible assets subject to operating lease was RON 277,347 thousand for the Group (2020: RON 463,062 thousand) and RON 35,759 thousand (2020: RON 38,075 thousand) for the Bank out of which classified in IAS 16 RON 10,362 thousand and IAS 40 RON 25,397 thousand with a depreciation charge presented in Note 6.

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 2021 and 2020:

				2021	Group
in RON thousands	Carrying amount	Fair value	Quoted market prices in active markets Level 1	Marked to model based on observable market data Level 2	Marked to model based on non-observable inputs Level 3
Assets whose Fair Value is disclosed in the notes					
Investment property	150,223	162,090	-	-	162,090
Assets whose Fair Value is presented in the Balance sheet					
Assets held for sale (IFRS 5)	227,730	231,367	-	-	231,367

				2020	Group
in RON thousands	Carrying amount	Fair value	Quoted market prices in active markets Level 1	Marked to model based on observable market data Level 2	Marked to model based on non-observable inputs Level 3
Assets whose Fair Value is disclosed in the notes					
Investment property	171,860	193,623	-	-	193,623
Assets whose Fair Value is presented in the Balance sheet					
Assets held for sale (IFRS 5)	625,253	686,513	-	-	686,513

				2021	Bank
in RON thousands	Carrying amount	Fair value	Quoted market prices in active markets Level 1	Marked to model based on observable market data Level 2	Marked to model based on non-observable inputs Level 3
Assets whose Fair Value is disclosed in the notes					
Investment property	150,223	162,090	-	-	162,090
Assets whose Fair Value is presented in the Balance sheet					
Assets held for sale (IFRS 5)	9,153	9,639	-	-	9,639

				2020	Bank
in RON thousands	Carrying amount	Fair value	Quoted market prices in active markets Level 1	Marked to model based on observable market data Level 2	Marked to model based on non-observable inputs Level 3
Assets whose Fair Value is disclosed in the notes					
Investment property	171,860	193,623	-	-	193,623
Assets whose Fair Value is presented in the Balance sheet					
Assets held for sale (IFRS 5)	192,247	253,506	-	-	253,506

The fair values of non-financial assets are determined by experts with recognized and relevant professional qualification.

					2021	Group
in RON thousands	Fair value	Valuation technique	Inputs used	Range of inputs (weighted average)	Reasonable change	Sensitivity of fair value measurement
Investment property	162,090	Market value	Discounted cash flow	Comparable market data	10%	16,209
Assets held for sale (IFRS 5)	231,367	Market value	Discounted cash flow	Comparable market data	10%	23,137
Total recurring fair value measurements at Level 3	**393,457**					**39,346**

					2020	Group
in RON thousands	Fair value	Valuation technique	Inputs used	Range of inputs (weighted average)	Reasonable change	Sensitivity of fair value measurement
Investment property	193,623	Market value	Discounted cash flow	Comparable market data	10%	19,362
Assets held for sale (IFRS 5)	686,513	Market value	Discounted cash flow	Comparable market data	10%	68,651
Total recurring fair value measurements at Level 3	**880,136**					**88,013**

30. Fair values of non-financial assets *(continued)*

						2021	Bank
in RON thousands	Fair value	Valuation technique	Inputs used	Range of inputs (weighted average)	Reasonable change	Sensitivity of fair value measurement
Investment property	162,090	Market value	Discounted cash flow	Comparable market data	10%	16,209
Assets held for sale (IFRS 5)	9,639	Market value	Discounted cash flow	Comparable market data	10%	964
Total recurring fair value measurements at Level 3	**171,729**					**17,173**

					2020	Bank
in RON thousands	Fair value	Valuation technique	Inputs used	Range of inputs (weighted average)	Reasonable change	Sensitivity of fair value measurement
Investment property	193,623	Market value	Discounted cash flow	Comparable market data	10%	19,362
Assets held for sale (IFRS 5)	253,506	Market value	Discounted cash flow	Comparable market data	10%	25,351
Total recurring fair value measurements at Level 3	**447,129**					**44,713**

For non-financial assets owned by Group, the valuations are carried out mainly using the comparative and investment methods. Assessment is made on the basis of a comparison and analysis of appropriate comparable investment and rental transactions, together with evidence of demand within the vicinity of the relevant property. The characteristics of such similar transactions are then applied to the asset, taking into account size, location, terms, covenant and other material factors. Such measurements are presented in Level 3 of the fair value hierarchy.

31. Intangible assets

Intangible assets include the value of computer software and licenses. Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses.

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortized over the useful economic life. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at each financial year-end.

Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortization period or method, as appropriate, and treated as changes in accounting estimates.

Amortization is calculated using the straight-line method to write down the cost of intangible assets to their residual values over their estimated useful lives as follows:

- Computer software and licenses 3-7 years
- Licences are amortized on the duration of the utilization.

				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 01.01.2020	**745,207**	**148,012**	**231,700**	**1,124,919**
Additions in current year (+)	44,818	25,732	4,711	75,261
Disposals and write off (-)	(26,484)	-	(347)	(26,831)
Reclassification (+/-) (i)	8,474	(9,919)	417	(1,028)
Currency translation (+/-)	(466)	-	-	(466)
Balance as of 31.12.2020	**771,549**	**163,825**	**236,481**	**1,171,855**
Balance as of 01.01.2021	**771,549**	**163,825**	**236,481**	**1,171,855**
Additions in current year (+)	49,362	33,279	8,823	91,464
Disposals and write off (-)	(27,334)	(5)	(11,922)	(39,261)
Reclassification (+/-)	20,889	(19,821)	(1,115)	(47)
Currency translation (+/-)	421	-	-	421
Balance as of 31.12.2021	**814,887**	**177,278**	**232,267**	**1,224,432**

31. Intangible assets *(continued)*

Group

in RON thousands	Intangible assets - Accumulated amortisation: Software acquired	Self-developed software within the Group	Others (licenses, patents)	Total
Balance as of 01.01.2020	**(469,637)**	**(89,141)**	**(207,056)**	**(765,834)**
Amortisation and depreciation (-)	(56,989)	(8,557)	(13,577)	(79,123)
Disposals and write off (+)	22,951	-	347	23,298
Impairment (-)	(1,876)	-	-	(1,876)
Reclassification (+/-) (i)	187	-	-	187
Currency translation (+/-)	393	-	-	393
Balance as of 31.12.2020	**(504,971)**	**(97,698)**	**(220,286)**	**(822,955)**
Balance as of 01.01.2021	**(504,971)**	**(97,698)**	**(220,286)**	**(822,955)**
Amortisation and depreciation (-)	(55,702)	(11,288)	(10,161)	(77,151)
Disposals and write off (+)	25,836	5	11,922	37,763
Impairment (-)	(31)	(5)	(16)	(52)
Currency translation (+/-)	(363)	-	-	(363)
Balance as of 31.12.2021	**(535,231)**	**(108,986)**	**(218,541)**	**(862,758)**

Group

in RON thousands	Net intangible assets: Software acquired	Self-developed software within the Group	Others (licenses, patents)	Total
Balance as of 31.12.2020	**266,578**	**66,127**	**16,195**	**348,900**
Balance as of 31.12.2021	**279,656**	**68,292**	**13,726**	**361,674**

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 01.01.2020	**707,777**	**148,012**	**231,340**	**1,087,129**
Additions in current year (+)	38,773	25,732	4,711	**69,216**
Disposals and write off (-)	(22,975)	-	(347)	**(23,322)**
Reclassification (+/-) (i)	8,474	(9,919)	417	**(1,028)**
Balance as of 31.12.2020	**732,049**	**163,825**	**236,121**	**1,131,995**
Balance as of 01.01.2021	**732,049**	**163,825**	**236,121**	**1,131,995**
Additions in current year (+)	42,300	33,279	8,823	**84,402**
Disposals and write off (-)	(24,398)	(5)	(11,923)	**(36,326)**
Reclassification (+/-)	20,889	(19,821)	(1,115)	**(47)**
Balance as of 31.12.2021	**770,840**	**177,278**	**231,906**	**1,180,024**

Bank

in RON thousands	Intangible assets - Accumulated amortisation: Software acquired	Self-developed software within the Group	Others (licenses, patents)	Total
Balance as of 01.01.2020	**(442,710)**	**(89,141)**	**(206,696)**	**(738,547)**
Amortisation and depreciation (-)	(53,505)	(8,557)	(13,577)	**(75,639)**
Disposals and write off (+)	22,976	-	347	**23,323**
Impairment (-)	(1,657)	-	-	**(1,657)**
Reclassification (+/-) (i)	187	-	-	**187**
Balance as of 31.12.2020	**(474,709)**	**(97,698)**	**(219,926)**	**(792,333)**
Balance as of 01.01.2021	**(474,709)**	**(97,698)**	**(219,926)**	**(792,333)**
Amortisation and depreciation (-)	(53,449)	(11,288)	(10,161)	**(74,898)**
Disposals and write off (+)	24,399	5	11,923	**36,327**
Impairment (-)	(31)	(5)	(16)	**(52)**
Balance as of 31.12.2021	**(503,790)**	**(108,986)**	**(218,180)**	**(830,956)**

Bank

in RON thousands	Net intangible assets: Software acquired	Self-developed software within the Group	Others (licenses, patents)	Total
Balance as of 31.12.2020	**257,340**	**66,127**	**16,195**	**339,662**
Balance as of 31.12.2021	**267,050**	**68,292**	**13,726**	**349,068**

(i) The reclassification referes 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).

31. Intangible assets *(continued)*

The total cost of the Group's intangible fixed assets in use and fully amortized at the end of 2021 was RON 400,176 thousands (2020: RON 267,208 thousands). The total cost of the Bank's intangible fixed assets in use and fully amortized at the end of 2021 was RON 384,474 thousands (2020: RON 246,876 thousands).

Assets under construction are in amount of RON 43,219 thousands (2020: RON 30,805 thousands) for the Group and the Bank and represent various software developments.

32. Other assets

	Group		Bank	
in RON thousands	**31.12.2021**	**31.12.2020**	**31.12.2021**	**31.12.2020**
Accrued income	47,697	38,312	27,653	23,886
Inventories (i)	56,491	75,276	47,608	61,127
Sundry assets (ii)	164,225	135,842	88,469	76,394
Other assets	**268,413**	**249,430**	**163,730**	**161,407**
Subsidiaries (iii)	-	-	518,464	448,521
Total Investments in subsidiaries and other assets	**268,413**	**249,430**	**682,194**	**609,928**

(i) Under this position the major part is represented by 'Repossessed Assets', which amounts to net of RON 47,607 thousands (2020: RON 61,127 thousands), for the Bank and RON 8,883 thousands (2020: RON 14,149 thousands) for subsidiaries. During 2021, a part of the repossessed assets was sold. The selling price in amount of RON 32,809 thousands (2020: RON 35,989 thousands) was booked as other operating income and the NBV in amount of RON 20,838 thousands (2020: RON 23,130 thousands) was recorded as other operating expenses.
After termination of operating leases, the car fleets are included in this position in accordance with principal actitivity of Fleet Management.

(ii) The deviation versus December 2020 is explained by higher gold stock following clients' order, recoverable VAT and due to declassification of BCR Fleet Management from asset held for sale .

(iii) The Bank's investments in subsidiaries and other companies are in amount of RON 518,464 thousands (2020: RON 448,521 thousands). There is no active market for these investments and the Bank intends to hold them for the long term.

Fiduciary assets

Assets held in a fiduciary capacity are not reported in the financial statements, as they are not the assets of the Group.

33. Leases

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

Leases where the Group is a lessor

A finance lease is a lease that transfers substantially all the risks and rewards incidental to ownership of an asset. In the case of a finance lease, the lessor reports a receivable from the lessee under the line item 'Finance lease receivables'. The receivable is equal to the present value of the contractually agreed payments taking into account any residual value. Interest income on the receivable is reported in the statement of profit or loss in the line item 'Other similar income' under 'Net interest income'.

In the case of operating leases, which are leases other than finance leases, the leased asset is reported by the lessor in 'Property and equipment' or in 'Investment properties' and is depreciated in accordance with the principles applicable to the assets involved.

Finance leases

The Group acts as a lessor under finance leases through the subsidiary BCR Leasing IFN SA, mainly on motor vehicles and equipment. The leases are mainly denominated in EUR and typically run for a period of between 1-7 years, with transfer of ownership of the leased asset at the end of the lease term. Interest is charged over the period of the lease based on fixed and variable (amost the entire portfolio is linked to EURIBOR) interest rates.

33. Leases *(continued)*

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	
	31.12.2021	31.12.2020	31.12.2021	31.12.2020
Total amount of outstanding lease payments receivables	1,586,292	1,425,773	15,371	23,005
Gross investment	**1,586,292**	**1,425,773**	**15,371**	**23,005**
Total amount of related unearned finance income from lease agreements	(84,261)	(79,982)	(507)	(3,222)
Net investment	**1,502,031**	**1,345,791**	**14,864**	**19,783**
Present value of outstanding lease payments	**1,502,031**	**1,345,791**	**14,864**	**19,783**

The residual maturity analysis of gross investment in leases and present values of outstanding lease payments under non-cancellable leases is as follows:

	Gross investment		Present value of outstanding lease payments	
Group	**31.12.2021**	**31.12.2020**	**31.12.2021**	**31.12.2020**
< 1 year	573,999	513,235	534,192	475,602
1-2 years	434,077	388,146	409,700	365,754
2-3 years	304,364	271,456	291,498	258,746
3-4 years	180,633	164,272	175,188	159,167
4-5 years	78,040	67,624	76,554	66,089
> 5 years	15,180	21,040	14,900	20,433
Total	**1,586,293**	**1,425,773**	**1,502,032**	**1,345,791**

	Gross investment		Present value of outstanding lease payments	
Bank	**31.12.2021**	**31.12.2020**	**31.12.2021**	**31.12.2020**
< 1 year	4,194	6,096	4,062	5,260
1-2 years	4,625	5,017	4,480	4,325
2-3 years	4,698	5,089	4,551	4,387
3-4 years	1,239	4,737	1,189	4,083
4-5 years	561	1,376	530	1,163
> 5 years	54	690	52	565
Total	**15,371**	**23,005**	**14,864**	**19,783**

Finance lease receivables

										31.12.2021	Group
in RON thousands	**Gross carrying amount**					**Credit loss allowances**					**Carrying**
in EUR million	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**	**amount**
General governments	611	417	-	-	**1,028**	(42)	(3)	-	-	**(45)**	**983**
Other financial corporations	15,018	2,788	33	-	**17,839**	(254)	(119)	(11)	-	**(384)**	**17,455**
Non-financial corporations	1,245,102	133,474	66,537	-	**1,445,113**	(18,237)	(6,616)	(30,310)	-	**(55,163)**	**1,389,950**
Households	26,323	11,573	155	-	**38,051**	(276)	(880)	(52)	-	**(1,208)**	**36,843**
Total	**1,287,054**	**148,252**	**66,725**	**-**	**1,502,031**	**(18,809)**	**(7,618)**	**(30,373)**	**-**	**(56,800)**	**1,445,231**

										31.12.2020	Group
in RON thousands	**Gross carrying amount**					**Credit loss allowances**					**Carrying**
in EUR million	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**	**amount**
General governments	550	-	-	-	**550**	(5)	-	-	-	**(5)**	**545**
Other financial corporations	17,553	581	15	-	**18,149**	(167)	(45)	(6)	-	**(218)**	**17,931**
Non-financial corporations	1,201,765	60,109	53,884	-	**1,315,758**	(17,500)	(3,481)	(22,890)	-	**(43,871)**	**1,271,887**
Households	9,529	1,719	86	-	**11,334**	(25)	(259)	(33)	-	**(317)**	**11,017**
Total	**1,229,397**	**62,409**	**53,985**	**-**	**1,345,791**	**(17,697)**	**(3,785)**	**(22,929)**	**-**	**(44,411)**	**1,301,380**

										31.12.2021	Bank
in RON thousands	**Gross carrying amount**					**Credit loss allowances**					**Carrying**
	Stage 1	**Stage 2**	**Stage 3**	**POCI**	**Total**	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**	**amount**
Credit institutions	-	-	3,609	-	**3,609**	-	-	(3,609)	-	**(3,609)**	**-**
Other financial corporations	9,716	1,088	-	-	**10,804**	(12)	(3)	-	-	**(15)**	**10,789**
Non-financial corporations	-	451	-	-	**451**	-	-	-	-	**-**	**451**
Total	**9,716**	**1,539**	**3,609**	**-**	**14,864**	**(12)**	**(3)**	**(3,609)**	**-**	**(3,624)**	**11,240**

										31.12.2020	Bank
in RON thousands	**Gross carrying amount**					**Credit loss allowances**					**Carrying**
	Stage 1	**Stage 2**	**Stage 3**	**POCI**	**Total**	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**	**amount**
Credit institutions	-	-	4,654	-	**4,654**	-	-	(4,654)	-	**(4,654)**	**-**
Other financial corporations	14,549	-	-	-	**14,549**	(23)	-	-	-	**(23)**	**14,526**
Non-financial corporations	580	-	-	-	**580**	-	-	-	-	**-**	**580**
Total	**15,129**	**-**	**4,654**	**-**	**19,783**	**(23)**	**-**	**(4,654)**	**-**	**(4,677)**	**15,106**

33. Leases *(continued)*

The movements in allowances for finance lease are presented below:

								31.12.2021	Group
in RON thousands	**Opening balance**	**Increases due to origination and acquisition**	**Decreases due to derecognition**	**Net changes due to change in credit risk**	**Transfers between Stage 1 and Stages 2/3**	**Net changes due to modifications without derecognition**	**Decrease in allowance account due to write-offs**	**Exchange-rate and other changes (+/-)**	**Closing balance**
Stage 1	**(17,697)**	**(10,276)**	**137**	**8,616**	**733**	**-**	**-**	**(322)**	**(18,809)**
General governments	(5)	(36)	-	-	-	-	-	(1)	(42)
Other financial corporations	(167)	(131)	10	88	20	-	-	(74)	(254)
Non-financial corporations	(17,500)	(9,862)	127	8,545	696	-	-	(243)	(18,237)
Households	(25)	(247)	-	(17)	17	-	-	(4)	(276)
Stage 2	**(3,785)**	**-**	**42**	**1,305**	**(5,083)**	**-**	**-**	**(97)**	**(7,618)**
General governments	-	-	-	(3)	-	-	-	-	(3)
Other financial corporations	(45)	-	-	9	(82)	-	-	(1)	(119)
Non-financial corporations	(3,481)	-	42	1,431	(4,523)	-	-	(85)	(6,616)
Households	(259)	-	-	(132)	(478)	-	-	(11)	(880)
Stage 3	**(22,929)**	**-**	**65**	**(22,539)**	**(877)**	**-**	**18,213**	**(2,306)**	**(30,373)**
Other financial corporations	(6)	-	-	(4)	-	-	-	(1)	(11)
Non-financial corporations	(22,890)	-	65	(21,658)	(877)	-	17,324	(2,274)	(30,310)
Households	(33)	-	-	(877)	-	-	889	(31)	(52)
Total	**(44,411)**	**(10,276)**	**244**	**(12,618)**	**(5,227)**	**-**	**18,213**	**(2,725)**	**(56,800)**

								31.12.2020	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**	**Exchange-rate and other changes (+/-)**	**Closing balance**
Stage 1	**(16,328)**	**(8,255)**	**139**	**5,521**	**1,226**	**-**	**-**	**-**	**(17,697)**
General governments	-	(5)	-	-	-	-	-	-	(5)
Other financial corporations	(209)	(90)	2	122	8	-	-	-	(167)
Non-financial corporations	(16,037)	(8,154)	135	5,339	1,217	-	-	-	(17,500)
Households	(82)	(6)	2	60	1	-	-	-	(25)
Stage 2	**(2,171)**	**-**	**17**	**1,018**	**(2,649)**	**-**	**-**	**-**	**(3,785)**
Other financial corporations	(18)	-	-	10	(37)	-	-	-	(45)
Non-financial corporations	(1,421)	-	15	418	(2,493)	-	-	-	(3,481)
Households	(732)	-	2	590	(119)	-	-	-	(259)
Stage 3	**(20,375)**	**-**	**140**	**(12,818)**	**(11,063)**	**-**	**21,187**	**-**	**(22,929)**
Other financial corporations	-	-	-	(69)	(6)	-	69	-	(6)
Non-financial corporations	(20,205)	-	140	(12,664)	(11,014)	-	20,853	-	(22,890)
Households	(170)	-	-	(85)	(43)	-	265	-	(33)
Total	**(38,874)**	**(8,255)**	**296**	**(6,279)**	**(12,486)**	**-**	**21,187**	**-**	**(44,411)**

								31.12.2021	Bank
in RON thousands	**Opening balance**	**Increases due to origination and acquisition**	**Decreases due to derecognition**	**Net changes due to change in credit risk**	**Transfers between Stage 1 and Stages 2/3**	**Net changes due to modifications without derecognition**	**Decrease in allowance account due to write-offs**	**Exchange-rate and other changes (+/-)**	**Closing balance**
Stage 1	**(23)**	**-**	**-**	**81**	**-**	**-**	**-**	**(70)**	**(12)**
Other financial corporations	(23)	-	-	81	-	-	-	(70)	(12)
Stage 2	**-**	**-**	**-**	**(3)**	**-**	**-**	**-**	**-**	**(3)**
Other financial corporations	-	-	-	(3)	-	-	-	-	(3)
Stage 3	**(4,654)**	**-**	**-**	**1,045**	**-**	**-**	**-**	**-**	**(3,609)**
Credit institutions	(4,654)	-	-	1,045	-	-	-	-	(3,609)
Total	**(4,677)**	**-**	**-**	**1,123**	**-**	**-**	**-**	**(70)**	**(3,624)**

								31.12.2020	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**	**Exchange-rate and other changes (+/-)**	**Closing balance**
Stage 1	**(1)**	**(23)**	**-**	**1**	**-**	**-**	**-**	**-**	**(23)**
Other financial corporations	(1)	(23)	-	1	-	-	-	-	(23)
Stage 3	**(292)**	**(4,654)**	**-**	**292**	**-**	**-**	**-**	**-**	**(4,654)**
Credit institutions	(292)	(4,654)	-	292	-	-	-	-	(4,654)
Total	**(293)**	**(4,677)**	**-**	**293**	**-**	**-**	**-**	**-**	**(4,677)**

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 2021 or initial recognition date to Stages 2 or 3 as of 31 December 2021 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)'.

33. Leases *(continued)*

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 2021 amounts to RON 603,928 thousands at Group level (2020: RON 562,722 thousands). The GCA of finance lease receivables that were held at 1 January 2021 and fully derecognized during the reporting period amounts to RON 34,700 thousands at Group level (2020: RON 33,965 thousands).
One significant driver of the CLA movements for the year has been the transfer of the related instruments across impairment stages. The year-end GCA of finance lease receivables that were assigned at 31 December 2021 to a different stage compared to 1 January 2021 (or to the initial recognition date, if originated during the year) are summarized below:

Transfers between stages

					31.12.2021	Group
	Transfers between Stage 1 and Stage 2		Transfers between Stage 2 and Stage 3		Transfers between Stage 1 and Stage 3	
in RON thousands	To Stage 2 from Stage 1	To Stage 1 from Stage 2	To Stage 3 from Stage 2	To Stage 2 from Stage 3	To Stage 3 from Stage 1	To Stage 1 from Stage 3
General governments						
Other financial corporations	1,580	142	20	-	12	-
Non-financial corporations	117,295	7,443	13,196	1,564	18,817	368
Households	9,365	71	-	34	103	-
Total	**128,240**	**7,656**	**13,216**	**1,598**	**18,932**	**368**

					31.12.2020	Group
	Transfers between Stage 1 and Stage 2		Transfers between Stage 2 and Stage 3		Transfers between Stage 1 and Stage 3	
in RON thousands	To Stage 2 from Stage 1	To Stage 1 from Stage 2	To Stage 3 from Stage 2	To Stage 2 from Stage 3	To Stage 3 from Stage 1	To Stage 1 from Stage 3
General governments						
Other financial corporations	544	34	-	-	-	-
Non-financial corporations	39,187	5,254	7,990	319	26,034	391
Households	403	35	-	-	-	-
Total	**40,134**	**5,323**	**7,990**	**319**	**26,034**	**391**

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	31.12.2021	31.12.2020	31.12.2021	31.12.2020
< 1 year	141,046	147,519	4,011	4,822
1-2 years	108,576	118,890	2,838	3,168
2-3 years	66,349	89,277	2,665	2,405
3-4 years	32,978	50,994	1,567	2,130
4-5 years	6,616	25,152	964	1,185
> 5 years	532	38,828	532	2,825
Total	**356,097**	**470,660**	**12,577**	**16,535**

Leases where the Group is a lessee

Under IFRS 16, a lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases (less than 12 months) and leases of low-value items.
Lease term is considered as the non-cancellable period for which a lessee has the right to use an underlying asset together with both periods covered by an option to extend the lease if the lessee is reasonably certain to exercise that option and periods covered by an option to terminate the lease if the lessee is reasonably certain not to exercise that option.
In determining the lease term and assessing the length of the non-cancellable period of a lease, the Bank uses the contractual terms of the lease.The lease is no longer enforceable when the lessee and the lessor each has the right to terminate the lease without permission from the other party with no more than an insignificant penalty.

33. Leases *(continued)*

If only the lessor has the right to terminate a lease, the non-cancellable period includes the option to terminate the lease.
Any optional rights to extend or to terminate the lease beyond the non-cancellable period must be enforceable by considering the broader economics of the contract, and not only contractual termination payments. If the assessment leads to the result that lessee's right to extend or to terminate the lease are enforceable and the lessee is reasonably certain to exercise his rights beyond the non-cancellable period, those optional periods have to be considered in the assessment of the lease term.

The right-of-use asset is initially measured at cost. The cost comprises the amount of the initial measurement of the lease liability and also includes other elements such as initial direct costs incurred by the lessee. Subsequently, the right-of-use asset is depreciated to the earlier of the end of its useful life or the end of the lease term. The Group uses the straight-line method of depreciation. The right-of-use assets are presented in the statement of financial position as part of 'Property and equipment' or, if they are subleased to third parties, as part of 'Investment properties'.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if the rate cannot be readily determined, the lessee's incremental borrowing rate. Lease payments comprise fixed lease payments that depend on an index or a rate, amounts expected to be payable under a residual value guarantee. Additionally, the exercise price under a purchase option and lease payments in an optional renewal period are considered if the lessee is reasonably certain to exercise the options.
Subsequently, the carrying amount of the lease liability is increased by interest accrued using the applicable discount rate, reduced by lease payments made and remeasured to reflect any reassessment or lease modification.In the 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	**31.12.2021**	**31.12.2020**	**31.12.2021**	**31.12.2020**
< 1 year	75,076	77,862	74,993	77,205
1-5 years	318,851	76,070	319,069	74,293
> 5 years	87,618	332,025	87,618	332,025
Total	**481,545**	**485,957**	**481,680**	**483,523**

During 2021, interest expenses on lease liabilities were recognised in the amount of RON 8,899 thousand (2020: RON 8,353 thousands) at Group level and RON 8,813 thousand (2020: RON 7,994 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 14,684 thousand (2020:RON 4,821 thousand) at Group level and RON 14,170 thousand (2020: RON 4,560 thousand) for the Bank.

Other liabilities and provisions

34. Other liabilities

	Group		Bank	
in RON thousands	**31.12.2021**	**31.12.2020**	**31.12.2021**	**31.12.2020**
Payables related to employee cost	191,225	149,930	176,653	139,302
Taxes payable other than on income (i)	59,203	9,129	58,423	6,336
Sundry creditors	77,673	82,915	43,764	40,873
Deferred income	51,983	44,784	51,574	44,405
Other liabilities	3,894	4,375	3,073	3,493
Total	**383,978**	**291,133**	**333,487**	**234,409**

(i) For details regarding the variation please see Note 36 and Note 10.

35. Provisions

Provisions are recognized when the Bank and Group has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

In the statement of financial position, provisions are reported under the line item 'Provisions'.They include mainly credit risk loss provisions (particularly for financial guarantees and loan commitments) as well as provisions for litigations and restructuring. Expenses or income related to provisions for loan commitments and financial guarantees are reported in the statement of income under the line item 'Net impairment loss on financial instruments'.
Expenses or income related to other provisions are reported in the statement of income under the line item 'Other operating result'.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

In accordance with the provisions of IAS 37, BCR Group does not recognize on-balance the contingent liabilities because they are, either:

- possible obligations depending on whether some uncertain future event occurs, or
- present obligations but payment is not probable or the amount cannot be measured reliably.

Contingent assets which are defined as possible assets that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity. The Bank does not recognize on-balance contingent assets until the inflow of economic benefits becomes virtually certain.

Contingent liabilities as well as contingent assets are monitored and revalued on a continuous basis in order to ensure that all subsequent to initial recognition developments have been considered and a provision will be recognized, if the case.

	Group		Bank	
in RON thousands	**31.12.2021**	**31.12.2020**	**31.12.2021**	**31.12.2020**
Long-term employee provisions	49,278	60,030	49,228	59,980
Pending legal issues	690,676	673,100	665,923	645,940
Loan commitments given	217,423	153,745	223,441	159,031
Provisions for commitments given in Stage 1	47,056	39,527	48,217	40,060
Provisions for commitments given in Stage 2	107,717	60,904	112,574	65,657
Provisions for commitments given - Defaulted	62,650	53,314	62,650	53,314
Provisions for commitments given in Stage 3	62,135	48,966	62,135	48,966
Provisions for commitments given - POCI	515	4,348	515	4,348
Financial Guarantees given	14,549	8,715	14,497	8,675
Provisions for financial guarantees in Stage 1	83	147	34	107
Provisions for financial guarantees in Stage 2	240	-	237	-
Provisions for financial guarantees - Defaulted	14,226	8,568	14,226	8,568
Provisions for financial guarantees in Stage 3	14,226	8,568	14,226	8,568
Other provisions	822,005	962,043	196,165	272,358
Provisions	**1,793,931**	**1,857,633**	**1,149,254**	**1,145,984**

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 Labor Agreement, the Bank and one of its Romanian subsidiaries have a contractual obligation to make a one-off payment of up to four (the Bank), respectively two (the subsidiaries) gross monthly salaries to retiring employees on the date of retiring. The defined benefit obligations are calculated by a qualified actuary taking into account the estimated salary at the date of retirement and the number of years served by each individual.

Movement in long term employee provisions

	Group		Bank	
in RON thousands	**31.12.2021**	**31.12.2020**	**31.12.2021**	**31.12.2020**
Opening defined benefit obligation	60,030	45,350	59,980	45,259
Interest cost	1,893	1,979	1,893	1,979
Current service cost	5,316	4,044	5,316	4,044
Past service cost	(4,288)	(2,786)	(4,288)	(2,786)
Benefits paid	(1,620)	(1,700)	(1,620)	(1,659)
Actuarial (gains)/loss on obligations	(11,734)	13,661	(11,734)	13,661
effect of experience adjustments	2,208	9,552	2,208	9,552
effect of demopraphic assumptions	(13,942)	4,109	(13,942)	4,109
Settlements gain	(319)	(518)	(319)	(518)
Total	**49,278**	**60,030**	**49,228**	**59,980**

35. Provisions *(continued)*

The principal assumptions used in determining the defined benefit obligation of the Group's plan are shown below:

	2021 %	2020 %
Discount rate	5.40%	3.20%
Future salary increases	3.00%	3.00%
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	2021	2020	2021	2020
Sensivity - Discount rate +/- %	0.50%	0.50%	0.50%	0.50%
Impact on DBO: Discount rate decrease -	2,731	3,846	2,731	3,896
Impact on DBO: Discount rate increase +	(2,518)	(3,612)	(2,518)	(3,562)
Sensivity - Salary increase rate +/- %	0.50%	0.50%	0.50%	0.50%
Impact on DBO: Salary decrease rate -	(2,637)	(3,635)	(2,587)	(3,585)
Impact on DBO: Salary increase rate +	2,733	3,834	2,783	3,884

The remaining average duration of the defined benefit obligation at the end of the reporting period is 14.45 years.

The expected service cost for 2022 is RON 4,053 thousands for the Bank.

According to the collective labour agreement, employees are entitled to one lump sum payment on the date of normal age retirement, of up to 4 gross monthly salaries (the Bank) and up to 2 gross monthly salaries (the subsidiaries), depending on seniority.

This is a defined benefit plan that defines an amount of benefit that an employee is entitled to receive on the date of normal age retirement, dependent on one or more factors such as age, years of service and salary. A full actuarial valuation by a qualified independent actuary is carried out every year.

The plan liability is measured on an actuarial basis using the projected unit credit method. The defined benefit plan liability is discounted using rates equivalent to the market yields at the balance sheet date of government bonds that are denominated in the currency in which benefits will be paid and that have a maturity approximating to the terms of the related liability. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are recognized in the statement of changes in equity.

Provisions for allegedly abusive clauses

Starting with the enactment of Government Emergency Ordinance no.50/2010 on loan agreements for private individuals, as subsequently modified ('Ordinance 50'), the Bank was involved in consumer litigations with certain financial implications. The Law 288 enacted in December 2010 modified Ordinance 50 so that certain provisions are not applicable to loan agreements with individuals existing at the date of the Ordinance 50 issuance.

Following these changes, litigations under the Ordinance 50 were generally dismissed by the Courts and the Bank won most of cases. 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.
Currently, BCR is involved in a number of litigations with ANPC (National Consumer Protection Agency - 10 disputes filed by the institution), having as grounds the interpretations over Law 193/2000 featuring potential cross portfolio contamination effects. 3 of the initial 10 ANPC litigations are in progress, 4 cases were irrevocably won and other 3 irrevocably lost.
The Bank has recognized collectively assessed provisions for its potential obligation to reimburse the customers counterparty in such contracts who are likely to initiate litigations in the future. The provisions recognized represent the best estimate of potential economic outflows related to relevant accounts with clauses that might be assessed as allegedly abusive.
Given the fact that the amount recognized as provision is significant, it is reviewed semi-annually by the Bank in order to take account of the future trends in litigations, new court resolutions for litigations with clients for contracts which contain allegedly abusive clauses (of ANPC type or not) and future changes in the relevant legislation.
As at December 2021, the Group recorded provisions for potential unfair terms included in contracts and which are not subject to a litigation file as at 31.12.2021 in total amount of RON 530.29 mil (December 2020: RON 493.01 mil).

35. Provisions *(continued)*

The increase recorded compared to the previous year was mainly due to the following facts:

- the basis of calculation for the collective provision remained relatively stable (only one partially negative ruling in 2021 with little impact in BCR) meaning that the accumulated amount of interest allegedly abusive paid by the clients increased as the period of time from origination of the loan increased;
- the increase in the exchange rate for loans granted in foreign currencies (especially, loans in EUR).

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 83.5 mil (December 2021: RON 114.8 mil) due to the decrease in the number of open cases.
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. Since 2015, the Group analyses regularly the amount of collective provisions for cases with allegedly abusive clauses relating to the reimbursement risk (payment risk) of interest and commissions, related to the contracts having similar clauses with the ones subject to the existing litigation portfolio.

The provisions are calculated for the portfolios at risk based on expected values, using statistical methods, separately for active loans, closed loans and loans sold for which the Bank has retained continuing involvement (described in Note 23 Transfers of financial assets). The key parameters used are the following: the potential abusive amount, the show up rate (percentage of clients that would open litigation) and the loss probability.

Sensitivity analysis

Collective Provision for allegedly abusive amounts on active and closed loans	Group		Bank	
in RON thousands	31.12.2021	31.12.2020	31.12.2021	31.12.2020
1. Show up parameter deviation only				
+10% deviation	52,527	49,284	52,523	48,836
-10% deviation	(52,527)	(49,284)	(52,523)	(48,836)
2. Win-loss parameter deviation only (for interest)				
-10% deviation	(52,519)	(49,284)	(52,523)	(48,836)

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.

Assessment of the alleged prejudice in respect of BCR Banca pentru Locuinte SA (‘BpL’) litigation with Romanian Court of Accounts

Following the final ruling of the High Court of Cassation and Justice on 21 June 2019, as detailed in Note 36 – Litigations and contingent liabilities, the management started a process for assessing the damage in respect of all findings from the CoA for which BpL lost the trial. The alleged damage includes state subsidies paid to BCR BpL clients, deemed not eligible to receive those amounts, according to Court of Accounts Decision No. 17/2015, and the related withholding tax including part of penalties. Computation of prejudice includes assessment of applicable civil and tax laws in Romania. In performing those assessments management involved both legal and tax consultants including audit on the calculation.

35. Provisions *(continued)*

The deviation is explained mainly by lower provisions allocation for other commiments.

Movement in provisions (other than long term employee provisions)

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
						2021	Group
Pending legal issues	673,100	115,805	(4,680)	(95,386)	-	1,837	690,676
Other provisions	962,043	212,393	(141,501)	(215,408)	-	4,478	822,005
Total provisions less long-term employee provisions	**1,635,143**	**328,198**	**(146,181)**	**(310,794)**	**-**	**6,315**	**1,512,681**

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
						2020	Group
Pending legal issues	657,726	43,411	-	(30,601)	-	2,564	673,100
Other provisions	710,095	258,561	(59,481)	(246,574)	-	299,442	962,043
Total provisions less long-term employee provisions	**1,367,821**	**301,972**	**(59,481)**	**(277,175)**	**-**	**302,006**	**1,635,143**

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
						2021	Bank
Pending legal issues	645,940	109,282	-	(91,136)	-	1,837	665,923
Other provisions	272,358	209,731	(121,695)	(168,707)	-	4,478	196,165
Total provisions less long-term employee provisions	**918,298**	**319,013**	**(121,695)**	**(259,843)**	**-**	**6,315**	**862,088**

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
						2020	Bank
Pending legal issues	614,148	39,104	-	(9,618)	-	2,306	645,940
Other provisions	20,407	252,119	(55,167)	(242,378)	-	297,377	272,358
Total provisions less long-term employee provisions	**634,555**	**291,223**	**(55,167)**	**(251,996)**	**-**	**299,683**	**918,298**

Loand commitments and financial guarantees

In the ordinary course of business, the Group gives financial guarantees, consisting of letters of credit, guarantees and acceptances. Financial guarantees are initially recognized in the financial statements at fair value, in 'Other liabilities', being the premium received. Subsequent to initial recognition, the Group financial guarantees are measured at the higher of the amount of the loss allowance determined as expected credit loss under IFRS 9 and the amount initially recognized less any cumulative amortization recognized in line with IFRS 15.

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

Movement in allowances for loan commitments and financial guarantees

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
						2021	Group
Stage 1	39,674	45,528	(13,033)	(8,130)	(16,418)	(482)	47,139
Stage 2	60,904	-	(22,707)	58,713	8,925	2,122	107,957
Defaulted	61,882	712	(4,024)	1,002	14,995	2,309	76,876
Total	**162,460**	**46,240**	**(39,764)**	**51,585**	**7,502**	**3,949**	**231,972**

35. Provisions *(continued)*

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
						2020	Group
Stage 1	30,766	22,649	(9,388)	(3,080)	6,412	(7,685)	39,674
Stage 2	61,822	-	(29,912)	29,803	34,443	(35,252)	60,904
Defaulted	273,852	105,652	(69,232)	2,135	(15,823)	(234,702)	61,882
Total	**366,440**	**128,301**	**(108,532)**	**28,858**	**25,032**	**(277,639)**	**162,460**

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
						2021	Bank
Stage 1	40,167	45,492	(13,012)	(8,152)	(15,758)	(486)	48,251
Stage 2	65,657	-	(22,707)	58,704	9,035	2,122	112,811
Defaulted	61,882	712	(4,024)	1,002	14,995	2,309	76,876
Total	**167,706**	**46,204**	**(39,743)**	**51,554**	**8,272**	**3,945**	**237,938**

in 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
						2020	Bank
Stage 1	30,889	22,627	(9,369)	(3,080)	6,783	(7,683)	40,167
Stage 2	64,926	-	(29,913)	29,860	35,996	(35,212)	65,657
Defaulted	273,852	105,651	(69,231)	2,135	(15,823)	(234,702)	61,882
Total	**369,667**	**128,278**	**(108,513)**	**28,915**	**26,956**	**(277,597)**	**167,706**

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 (at 1 January 2021 or initial recognition date) to Stages 2 or Defaulted at 31 December 2021 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.

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 at 31 December 2021, the Bank was involved in the normal course of its business in a number of 2,016 litigations as defendant (31 December 2020: 2,669).

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 2021.

36. Litigations and contingent liabilities *(continued)*

The audit mission of the Romanian Court of Accounts – BCR Banca pentru Locuinte SA (BpL)

In 2015, the Romanian Court of Accounts (hereinafter referred to as 'the CoA') conducted a control at the BpL. Following the mission, the CoA claims that several deficiencies were identified, the vast majority grounded on a different interpretation of the applicable legal provisions. On 15 December 2015, the CoA issued the Decision no. 17 ("Decision 17"), maintaining all the claims included in their initial report and requested BpL to establish exactly the amount of the prejudice. On 23 December 2015, BpL appealed the Decision no. 17 of the CoA, appeal that was rejected by the Commission for Solving Claims of the CoA through Decision No 2/29 February 2016, maintaining as such the Decision 17.

Court of Appeal pronounced its resolution on March 1st 2017 and decided in favour of BpL for 5 out of 8 claims. Both BpL and CoA filed second appeal against this decision and, on June 21, 2019 High Court of Cassation and Justice ("HCCJ") decided as follows:

- Both second appeals were admitted and the decision of the first court was annulled; as a consequence, the HCCJ re-judged the request of BpL and annulled only two measures, maintaining 6 of them;
- The maintained measures relate to the incorrect calculation of state premium by BpL.

BpL received on 18th of July 2019, the motivation of HCCJ decision.

As a consequence, BCR Banca Pentru Locuinte S.A. started the process for establishing all the amounts that should be part of a future potential outflow related to the litigation with CoA, in accordance with the Court of Justice final decision (consisting of state premiums, interest and penalties).

The assessment of the alleged damage was carried out by evaluating the civil and fiscal laws applicable in Romania. In assessing them, BpL management involved and obtained the opinion of the internal legal department, qualified external legal and tax consultants. Considering the high complexity, there is legal uncertainty regarding the scope of payment of the alleged damage. In the process of assessing the level of provisioning, both internal and external legal and tax opinions were included, and significant judgements were made. BpL's management considers that the amount of the provision outstanding as at 31 December 2021 represents the best estimate, taking into account the elements mentioned above.

The potential future outflow of resources was estimated and booked as a provision in accordance with IAS 37 requirements. An additional provision, for covering 'WHT' associated to the claimed prejudice, was set in December 2019. The provision for withholding tax ('WHT provision') is not strictly related to the litigation, it derives from the fiscal regime that might be applicable by the State in case of possible fiscal reinterpretation. This provision has been aggregated, and included, in the one set for the alleged prejudice, in the same category, named 'Other Provisions / CoA Litigation' (Total CoA Provision), and total resulted value as of 31 December 2021 is RON 625,799,830 (RON 689,352,755 as of 31 December 2020).

On the other hand, BpL partially implemented the Decision 17, paying until now the amount of RON 50.9mn representing part of the alleged prejudice and fiscal accessories; namely, the equivalent of client's savings used to cover the bank's fees included in the calculation basis for state premiums.

The deadline for carrying out all the measures ordered by the Decision 17, maintained by the HCCJ decision, namely the exact calculation and taking of the relevant measures regarding the recovery of the damage, as a result of the last extension obtained from the CoA in this respect, was set for February 2, 2021. The BpL requested an extension of this term. Between 17 and 31 August 2021, CoA carried out a control action (follow-up) at BpL, regarding the manner of carrying out the measures, in charge of the BpL, ordered by the Decision 17. Following this control mission, it was found the fully implementation of the measures II.1 (the opening fees (for saving contracts) were unlawfully included in the state subsidy calculation basis), II. 3 (the contractual interest, pertaining to the unlawfully state subsidy granted into clients' saving deposits, not returned to the Ministry of Development, Public Work and Administration ("MDPWA") together with the unlawfully state subsidy) and II.4 (other BpL fees were included in the basis of state premium calculation, or were deducted from the amounts represented the state premium received by the customers), and the partial fulfilment of measures II.2 (no supporting documents for received /collected state premiums usage for housing purposes) were requested by BpL from customers who cancelled the saving contracts after 5 years minimum saving period), II.5 (minors assessed as ineligible clients (below 18 years old clients, at the date of signing the contract) benefited of the state subsidy) and II.6 (elderly clients assessed as ineligible (over 65 years old, at the date of signing the contract) benefited of the state subsidy). In connection with the latter three measures, the CoA Decision 17/8/2015 / 04.10.2021 granted the extension of deadline accomplishment until November 5, 2021. On January 21st, 2022, the BpL has fully implemented the measures II.2, II.5 and II.6 considered by the CoA as partially implemented, by paying the state premiums calculated as damage related to the above mentioned measures, in amount of RON 432,698,572.08. On January 28th, 2022 the BpL has submitted to the MDPWA the application for the exemption of the accessories payment, according to the GO no. 69/2020. BpL performed the above payments to comply with CoA Decision 17/2015, however it still oppose to the CoA Decision, hence continues its legal action against the CoA Decision 17/2015 at European level.

36. Litigations and contingent liabilities *(continued)*

BpL initiated all the formalities, towards MDPWA, related to the process of collecting the amounts (representing state premiums paid to customers and accessories), providing all the necessary data and exact calculations for each individual (the main debtor of the payment obligation).

BpL also officially initiated the fiscal amnesty application procedure - consisting in the payment of the main budgetary obligations and the related WHT, until January 31, 2022, and the request for exemption for the related accessories, according to the special legislation in force (GEO 69/2020).

The following legal actions are started by BpL following HCCJ Decision of 21.06.2019:

- In Romania: HCCJ Decision was attacked, BpL following the two extraordinary remedies:

Appeal for annulment: on May 27, 2021, the HCCJ rejected this extraordinary appeal filed by BpL against the HCCJ Decision, no. 3541 of 21 June 2019, and;

Revision: rejected by the HCCJ on November 9, 2021.

- At European level: BpL filed a complaint with the European Court of Human Rights ('ECHR'), in January 2020, thus forming case 4558/20: 'BCR Banca pentru Locuinte SA v. Romania'. Following the preliminary examination of the admissibility of the complaint (which cast some light on the solidity of BPL's claim, as less than 25% of the claims examined by ECHR reach such stage), on 15 September 2021 the application of BpL was accepted and the President of the Section to which the case was assigned decided: (i) that BpL's application may become a case of impact; (ii) notifying the Romanian Government of this complaint, and (iii) requesting the Romanian Government to submit a statement of facts together with its observations, to answer the question put by the Registrar/clerk, and to express its position on an amicable settlement of the cause.

The current status of the case no. 4558/20: the response of the Romanian Government was sent to ECHR on 10 January 2022.

On 12 January, ECHR notified BpL to answer until 23 February 2022 to the observations delivered by the Romanian Government and, also, requested to provide a detailed estimation of the incurred damage, altogether with the relevant attesting documents. BpL asked for the prolongation and this was granted up to 14th of April 2022.

Non-performing loan portfolio sale

In 2016 and 2017, the Group sold a part of non-performing loan portfolio in several transactions. Please refer to Note 23 Transfers of Financial Assets for further details.

BFP Litigation

On 23 December 2016, the BFP has received a request made by City Hall Bucharest to International Court of Arbitration of the International Chamber of Commerce, consisting of amounts due under the joint venture contract for the period from 2001 to 2013.

In November 2019, The International Court of Arbitration rejected the request of City Hall. Against this decision, the claimant filed an action for annulment which was rejected on October 12, 2020. Against this decision the claimant filed second appeal. The High Court of Justice suspended the judgement of the case until the final solution of the Constitutional Court on exception of non-constitutionality invoked by City Hall.

Up to the date of publishing these financial statements, there were no other significant updates related to the cases presented in the financial statements for the year ended - December 2021.

Tax related litigation

Transfer Pricing and related withholding tax

During the period May 9th, 2016 – June 9th, 2017, BCR was subject to a tax audit regarding Corporate Income Tax (CIT) and VAT for the period January 1st, 2012 – December 31st, 2015. One of the main aspects verified by the Romanian Tax authorities were the intragroup transactions performed by BCR with its related parties during the analyzed period, with focus on the financial transactions.

Based on the tax audit performed, the Romanian tax authorities adjusted the taxable base of CIT with RON 636,390,561 for the entire audited period 2012 – 2015, an adjustment which generated an additional CIT of RON 101,822,490, which was subsequently paid by the Bank. During the period April 10th, 2019 – April 22nd, 2019, BCR was subject to a partial tax audit in respect of withholding tax (WHT) due for the income obtained by non-residents from Romania, for the period January 1st, 2014 – December 31st, 2015.

36. Litigations and contingent liabilities *(continued)*

On May 15th, 2019, BCR received the tax audit report and the tax decision whereby the Romanian tax authorities established an additional amount of RON 43,070,398, representing WHT on income obtained by non-residents from Romania, in relation to interest of RON 226,119,588 paid by BCR to Erste, that was considered by the Romanian tax authorities as being above the market prices (the related interest expenses recorded by BCR were subject to transfer pricing adjustments made by the Romanian tax authorities during the aforementioned tax audit closed in 2017).

Following the assessment of additional WHT of RON 43,070,398, the Bank also received a tax decision for additional late payment interest and penalties in total amount of RON 23,903,244. The Bank has paid all the additional tax liabilities within the legal deadline and challenged (initially within the administrative procedure, and subsequently, in court) the tax decisions within the established legal deadlines.

The litigations initiated by the Bank following the results of the tax audits mentioned above are still in progress, no decision being rendered on the merits neither in the national suits nor in the EUAC proceedings.

Considering the results of the analysis performed by the Management of the Bank regarding the probable outcomes of these litigations and their impact on the fiscal treatment of similar transactions performed in the period following the tax audit, according to which it became probable that an outflow of economic resources will occur in the future, as of June 30, 2021, it was concluded that the IAS 37 conditions for booking a provision in relation with the tax treatment of the intragroup transactions applied by the Bank during 2016 – 2020, were met. Therefore, a related provision in amount of RON 85.9 mil has been recognized (out of which, RON 35 mil already recognized as of end of December 2020).

In December 2021, the Bank decided to pay by the end of January 2022 the additional CIT and WHT assessed in relation with the financial transactions between BCR and EGB from the period 2016 – 2021, by applying the RTA's approach as shown in the previous audit . Therefore, the provision previously booked was reversed and a tax liability amounting to RON 87.3 mil was recognized instead. The Bank also applied for fiscal amnesty for the period which is qualifying, in accordance with the special legislation in force (GEO 69/2020). However, after final resolution on the tax litigations, the Bank will perform favorable adjustments if the case will be won by the Bank.

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 February 2022.

According to the external consultants and lawyers' opinion and based on the available information and analysis, the Bank's Management appreciates that there are more likely than not chances for a favourable solution against the Romanian tax authorities.
Based on specialists' opinion mentioned above and the provisions of IAS 12 - Income Taxes, the Bank recognized in 2017 an asset of the nature of the income tax, in relation to the expenses with the impairment of shares in subsidiaries booked for the period 2012 – 2015.

The aforementioned asset was subject to successive independent evaluations in the period that followed and although, currently, there is still considerable uncertainty as to the timing of the final resolution in the Court, the likelihood of a favourable outcome for the Bank did not change and, therefore, it was maintained for the year end 2021.

Capital instruments, equity and reserves

37. Total equity

The statutory share capital of the Bank as at 31 December 2021 is represented by 16,253,416,254 ordinary shares (equal voting rights) of RON 0.10 each (31 December 2020: 16,253,416,254 ordinary shares of RON 0.10 each). The shareholders of the Bank are as follows:

	2021		2020	
	Number of shares	Percentage holding (%)	Number of shares	Percentage holding (%)
Erste Group Bank AG	16,235,046,977	99.8870%	16,234,373,129	99.8828%
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	18,128,665	0.1115%	18,802,513	0.1157%
Total	**16,253,416,254**	**100.0000%**	**16,253,416,254**	**100.0000%**

37. Total equity *(continued)*

The effect of hyperinflation on the share capital of the Bank is presented below:

in RON thousands	2021	2020
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**

Other reserve

The legal reserves require the transfer in a reserve fund of 5% of the net profit of the Bank up to minimum 20% of the Bank's share capital.

The reserve representing the fund for the general banking risks was allocated from the pre-tax accounting profit of the Bank starting with financial year 2004 until the end of financial year 2006 calculated as 1% of the banking risk assets.

The general reserve for credit risk was allocated from the pre-tax accounting profit of the Bank until the end of financial year 2003 until it reached the level 2% from the balance of the loans granted.

In the statement of financial position, the share premiums are presented in the line Other reserves together with the above reserves.

Scope of consolidation

38. Subsidiaries

A subsidiary is an entity controlled by another entity. All entities directly or indirectly controlled by Banca Comercială Română SA are consolidated in the Group financial statements on the basis of their annual accounts as of year end. The financial statements of the subsidiaries are prepared for the same reporting year as for the Bank, using consistent accounting policies.

The Bank measures investments in subsidiaries at cost.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of income and consolidated statement of comprehensive income from the date of acquisition or up to the date of disposal.

All intra-group balances, transactions, income and expenses and profits and losses resulting from intra-group transactions are eliminated in full as well as unrealised gains and losses and dividends are eliminated. Subsidiaries are fully consolidated from the date on which control is transferred to the Bank until the date when control is lost. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power to direct the relevant activities of the investee. Relevant activities are those which most significantly affect the variable returns of an entity.

Non-controlling interests represent those portions of total comprehensive income and net assets that are not attributable directly or indirectly to the owners of Banca Comercială Română SA. Non-controlling interests are presented separately in the consolidated Statement of profit or loss and other comprehensive income ('Statement of income') and within equity on the consolidated balance sheet. Acquisitions of non-controlling interests as well as disposals of non-controlling interests that do not lead to a change of control are accounted for as equity transactions, whereby the difference between the consideration transferred and the share in the carrying amount of the net assets acquired is recognised as equity.

The Bank has the following entities consolidated in the financial statements of the Group as at 31 December 2021 and 31 December 2020:

Company's name	Country of incorporation	Nature of the business	Shareholding 2021	Shareholding 2020	Gross Book Value	Net Book Value	Impaiment
BCR Chisinau SA	Moldova	Banking	100.00%	100.00%	200,064	36,475	163,589
BCR Leasing IFN SA	Romania	Financial leasing	99.97%	99.97%	389,493	232,598	156,895
BCR Pensii, Societate de Administrare a Fondurilor de Pensii Private SA	Romania	Pension Fund	99.99%	99.99%	269,820	247,491	22,329
BCR Banca pentru Locuinte SA	Romania	Banking	99.99%	99.99%	781,078	-	781,078
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					**2,625,402**	**518,464**	**2,106,938**

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

38. Subsidiaries *(continued)*

Impairment of subsidiaries

The Bank reviews its holdings in subsidiaries at each reporting date and whenever a trigger of impairment has appeared, in order to assess whether there is objective evidence that the investment in the subsidiary is impaired. If there is such evidence, the Bank calculates the amount of impairment as the difference between the recoverable amount of the subsidiary and its carrying value (higher of fair value less costs to sell and value in use), then, recognizes the loss under Other Operating Result in the statement of profit or loss.

Based on business specifics, specific valuation methods are applied for each subsidiary, such as Dividend Discount Model, Discounted Cash Flows model. The calculation of Fair Value and Value in Use for both foreign and local subsidiaries is most sensitive to discount rates and financial projections (budgets) used.

The movement in Subsidiaries' net book value is presented below:

in RON thousands	Bank
Balance as of 01.01.2020	**488,077**
Impairment of subsidiaries	(39,556)
Balance as of 31.12.2020	**448,521**
Balance as of 01.01.2021	**448,521**
Impairment of subsidiaries	69,943
Balance as of 31.12.2021	**518,464**

At 31 December 2021, the release of impairment for investments in subsidiaries was in amount of RON 69,943 thousand, consisting of RON 66,083 thousand impairment release for BCR Pensii and RON 6,209 thousand impairment release for BCR Leasing and RON 2,349 thousand impairment allocation for BCR Chisinau. The reversals were determine by the above budget results during the year and positive expectations over next years business developments.

The existing impairment booked at the Bank level for Subsidiaries is presented below:

in RON thousands	2021	2020
Suport Colect SRL	(983,047)	(983,047)
BCR Banca pentru Locuinte SA	(781,078)	(781,078)
BCR Chisinau SA	(163,589)	(161,238)
BCR Fond de Pensii	(22,329)	(88,412)
BCR Leasing IFN SA	(156,895)	(163,105)
Total	**(2,106,938)**	**(2,176,880)**

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 business specifics, specific valuation methods were applied for each company as follows:

- Dividend Discount Model - the value of the company is considered the present value of its future dividend payments, plus the excess capital distributions/ contributions; the model uses cost of equity (CoE) as discount factor – used for Banca pentru Locuinte and BCR Chisinau;
- Income approach – the value of the company is considered the present value of its future statement of profit or loss – used for BCR Pensii, BCR Payments, BCR Leasing.

The calculation of FV and ViU for both foreign and local subsidiaries is most sensitive to discount rates and financial projections (budgets) used.

Discount rates

The discount rates used were determined based on specific parameters (e.g. risk free rate, market risk premium, country risk premium, BETA rates, inflation spread) estimated for commercial banking industry and other financial services based on industry research.

The projected inflation rates are based on published industry research (median values of three sources of research).

Cost of equity (CoE) / Weighted average cost of capital (WACC)	Fair value	Value in use
Local subsidiaries	12%-13%	12%-14%
Foreign subsidiaries	19%	19%

38. Subsidiaries *(continued)*

Financial Projections

The financial projections are based on financial budgets, covering a five–year period.

For companies operating in a tight regulatory environment regarding capital adequacy (i.e. banks and leasing companies), the distributions resulting from the financial projections were adjusted in order to take into account the maximum capital distributions allowed in order to keep the targeted solvency position.

Sensitivity to changes in assumptions at Bank's level for all subsidiaries

in RON thousands	2021	2020
Impact in the Statement of Comprehensive Income: income/ (expense)		
Cost of equity/ Weighted average cost of capital increases by 10%	(34,495)	(31,565)
Cost of equity/ Weighted average cost of capital decreases by 10%	40,162	37,106
Net cash-flows increase by 10%	50,754	24,330
Net cash flows decrease by 10%	(46,140)	(22,119)

BCR Banca pentru Locuinte

In the case of BpL, the High Court of Cassation and Justice has issued on 2019, June 21 a final decision in the litigation started in the period 2015-2016 following the control performed by the Romanian Court of Accounts (details regarding the status of litigation are presented in Note 36 Litigations and contingent liabilities).

In 2021, BpL's activity was focused exclusively on reducing the damage by collecting supporting documents from eligible clients according to the HCCJ decision. The lending activity was suspended since September 2019 (the only active loan in the Bank's offer being the Bauspar loan), and the activity of selling savings-lending contracts was suspended in February 2016.

Considering the suspension of the lending activity, the Bank's prospects are as follows: continuation of lending activity only by granting loans based on a savings-credit agreement (Bauspar Loans), continuation of savings activity, by managing the portfolio of savings-lending contracts in the housing field, the continuation of current activity efficiency and automation processes, in order to satisfy the operational needs, acting in accordance with the accounting and legal requirements and regulations in force, and the continuation of investments in low risk assets according to the regulations in force.

BpL's management considered it appropriate to apply the going concern principle, in preparing the financial statements for the financial year ended December 31, 2021, taking into account the following additional elements:

(i) The levels recorded as of December 31, 2021 for the prudential indicators of capital adequacy and liquidity well above the minimum requirements, such as:

a. the solvency indicator registers the level of 75.25% compared to Supervisory Review and Evaluation Process (SREP) level of 25.66% communicated by NBR in February 2021; the indicator is in the green zone of the internal limits regarding the risk appetite (above the threshold of 28.66%);
b. the liquidity coverage indicator registers the level of 4,050.38% situated in the RAS green area (> 120%); and
c. the net stable financing indicator registers the level of 608.01% (green RAS limit> 105%).

(ii) The Bank has other sources of income besides loans, obtaining interest income from investments in liquid and low risk assets.

Also, Banca Comerciala Romana SA, as a majority shareholder, demonstrated its commitment to the continuous support of the Bank both by providing the necessary capital, in July 2019 an increase of the share capital was achieved, and by financing the Bank through a loan granted, which was extended in 2021 by another year, the final maturity being August 2, 2022. Thus, the management considers that the Bank will be able to fulfil its obligations in the near future.

Therefore, the management assessed the Bank's overall situation and concluded that, although both the outcome of the dispute is uncertain as well its impact on Bauspar's business, the Bank is financially stable for the foreseeable future.

Consequently, the preparation of BpL's financial statements for 31.12.2021 on going concern basis, was assessed as adequate.

BCR Fleet Management

In December 2021, the Management Board of BCR decided to declassifiy BCR Fleet Management from asset held for sale as the criteria for classification under IFRS 5 was not longer met. On the declassification date, the asset was recognized at the lower of i) its carrying amount prior to the asset or disposal group being classified as held for sale, adjusted for any depreciation, amortisation or revaluation that would have been recognized if the asset or disposal group had not been classified as held for sale and ii) its recoverable amount at the date of the decision not to sell.

38. Subsidiaries *(continued)*

The difference between the recalculated value of the asset and its existing carrying amount will be presented in the same income statement caption used to present any gain or loss recognized on classification as held for sale (OOR).
As at December 2021, the Management Board of BCR Fleet Management has evaluated the overall situation of the company and concluded that the appropriate approach is to prepare its financial statements for 2021 on a non-going concern basis because it intends to cease concluding new lease contract and consequently to wind down the remaining portfolio.

39. Investments in joint ventures and associates

Investments in associates and joint ventures are accounted for using the equity method. Under the equity method, an interest in an associate or joint venture is recognised on the consolidated balance sheet at cost plus post-acquisition changes in the Group's share of the net assets of the entity. The Group's share of the associate's or joint venture's result is recognised in the consolidated statement of income in line item Net result from equity method investments. The line item contains the result from associates and joint ventures recorded by applying the equity method (measured as the investor's share of profit or loss in the associates and joint ventures). However, impairment losses, reversal of impairment losses and realised gains and losses on investments in associates or joint ventures accounted for using the equity method are reported under the line item 'Other operating result'.

Associates are entities over which the Bank exercises significant influence ('associates'). IAS 28 'Investments in Associates and Joint Ventures' defines significant influence as the power to participate in the financial and operating policy decisions of the investee without having control or joint control of those policies. Furthermore, IAS 28 indicates that if an entity holds, directly or indirectly 20% or more of the voting power of the investee, it is presumed that the entity has significant influence unless it can be clearly demonstrated that this is not the case.

In the case of BCR Group, all equity method investments are direct or indirect investments in associates and joint ventures over which the Group exercises significant influence or joint control stemming from voting power greater than 20% up to 50%.

The Bank has a 33.33% interest in Fondul de Garantare a Creditului Rural, an unlisted financial institution whose main role is to facilitate the companies from the agriculture industry to obtain loans from the banks, 49% of BCR Social Finance IFN SA whose main role is to provide loans to customers, aquired in 2019.

Joint ventures are joint arrangements over which BCR Group exercises control jointly with one or more other venturers, with the ventur-ers having rights to the net assets of the arrangement, rather than to the assets and liabilities relating to the arrangement.

On 30 September 2020, the Bank entered with other investors into a transaction involving the share capital increase of CIT One S.R.L. ('CIT One'), pursuant to which the other investors become shareholders in CIT One, with equal shareholding of 33.33%.

The Bank's interest in these three companies is accounted for using the equity method in the consolidated financial statements.

in RON thousands	2021	2020
Financial institutions	28,799	39,031
Non-financial	13,310	-
Total	**42,109**	**39,031**

The table below shows the aggregated financial information of at equity measured entities:

	Fondul de Garantare a Creditului Rural		BCR Social Finance IFN		CIT One	
in RON thousands	**2021**	**2020**	**2021**	**2020**	**2021**	**2020**
Total assets	785,604	784,929	148,011	126,910	101,662	91,465
Total liabilities	728,262	728,615	128,241	108,368	61,728	57,935
Total equity	**57,342**	**56,314**	**19,770**	**18,542**	**39,934**	**33,530**
Proportional of the Group's ownership	33.33%	33.33%	49.00%	49.00%	33.33%	33.33%
Carying amount of the investment	**19,112**	**18,769**	**9,687**	**9,086**	**13,310**	**11,176**
in RON thousands						
Income	13,438	12,546	25,393	20,686	162,619	28,287
Expenses	(12,384)	(12,030)	(24,109)	(23,494)	(155,343)	(30,766)
Income tax expenses	(24)	(408)	(57)	217	217	-
Profit/loss	**1,030**	**108**	**1,227**	**(2,591)**	**7,493**	**(2,479)**
Proportional of the Group's ownership	33.33%	33.33%	49.00%	49.00%	33.33%	33.33%
Group's share of profit for the year	**343**	**36**	**601**	**(1,270)**	**2,496**	**(826)**

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.

For management purposes, the Bank is organized into the following business segments:

A. Retail

The Group provides individuals and micro clients with a range of financial products and services, including lending (consumer loans, vehicles purchase, personal needs, mortgages, overdrafts, credit cards facilities and funds transfer facilities), savings and deposit taking business, payment services and securities business.

B. Corporate

Within corporate banking, the Group provides corporations, real estate and large corporate clients with a range of financial products and services, including lending and deposit taking, providing cash management, foreign commercial business, leasing, investment advices, financial planning, securities business, project and structured finance transactions, syndicated loans and asset backed transactions. Principal activity is of granting loans, other credit facilities, deposits, and current accounts for corporate and institutional customers, investment banking services and financial products and services provided by the leasing, insurance, brokerage, asset management, real estate services and financial consultancy services operations of the Group.

The main Corporate segments are:

a. SME, comprising:

- companies with yearly turnover between EUR 1 mio - EUR 50 mio and a consolidated turnover < EUR 500 mio;
- companies part of a domestic group with at least one company with individual yearly turnover between EUR 1 mio - EUR 50 mio;
- companies part of an international group with at least one company with individual yearly turnover between EUR 1 mio - EUR 500 mio;
- companies with real estate financing for which total project value (including land acquisition, excluding VAT) is less than EUR 8 mio;
- companies having individual / consolidated turnover below EUR 1 mio.

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.

40. Segment reporting *(continued)*

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 mio 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 an yearly individual turnover above EUR 50 mio;
- 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 mio;
- 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, therefore treated within LLC. If special treatment is required due to the specificity of the clients or their activity (eg, Group Bank, significant RE exposure) then the exemption rules set out in Chap. 2.2. Exceptions Treatment;
- International groups that have their headquarters outside the expanded ERSTE target market (the target market where Erste is present plus Poland, Germany and Spain) with a consolidated annual turnover of over EUR 50 million are segmented by LLC only in which Erste Group has a relationship with its headquarters

d. Commercial Real Estate (CRE)

- companies that request financing of real estate projects with total project value > EUR 8 mio (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.

40. Segment reporting *(continued)*

The mapping of individual accounts by main line items of income and expenses, respectively assets and liabilities and equity, for purposes of segment reporting is done on an internal management approach, rather than an external financial reporting approach.

In order to split the Group results on business lines the following subsidiaries are allocated entirely on Retail segment: BCR Pensii SAFPP, Banca pentru Locuinte, Suport Colect and some of the consolidation adjustments; BCR Leasing and BCR Chisinau are allocated on Corporate. Intragroup eliminations and the rest of the consolidation adjustments are allocated on Corporate Center.

In geographical segmentation Erste Group shows BCR entirely under geographical area Romania. Furthermore, the only business done outside Romania is performed by BCR Chisinau, but the contribution to Balance Sheet and P&L is not material. There is no other geographical steering information used by BCR management.

Throughout the following tables related to Segment Reporting, the net trading result includes the following positions presented in the statement of income:

- Net trading result;
- Result from financial assets and liabilities designated at fair value through profit or loss;
- Foreign currency translation.

in RON thousands				2021	Group
	Group	Retail	Corporates	ALM & Local Corporate Center*	GM
Net interest income	2,422,069	1,460,802	646,050	318,175	(2,958)
Net fee and commission income	867,922	609,413	224,845	(7,966)	41,630
Dividend income	3,210	2,045	64	1,086	15
Net trading result	380,854	134,315	118,768	(3,707)	131,478
Gains/(losses) from non-trading financial instruments mandatorily measured at fair value through profit or loss	2,642	(2,825)	4,873	594	-
Net result from equity method investments	3,441	-	-	3,441	-
Rental income from investment properties and other operating leases	111,568	-	108,340	3,228	-
General Administrative expenses	(1,671,640)	(1,312,521)	(309,031)	(23,133)	(26,955)
Other gains/(losses) from derecognition of financial instruments not measured at fair value through profit or loss	(31)	-	-	(40)	9
Net impairment loss on financial instruments	(228,362)	(145,665)	(84,874)	264	1,913
Other operating result	(161,277)	26,466	(121,030)	(59,378)	(7,335)
Pre-tax result from continuing operations	**1,730,396**	**772,030**	**588,005**	**232,564**	**137,797**
Taxes on income	(320,618)	(117,141)	(100,264)	(81,165)	(22,048)
Net result for the period	**1,409,778**	**654,889**	**487,741**	**151,399**	**115,749**
Net result attributable to non-controlling interests	7	-	-	7	-
Net result attributable to owners of the parent	**1,409,771**	**654,889**	**487,741**	**151,392**	**115,749**
Operating income	3,791,706	2,203,750	1,102,940	314,851	170,165
Operating expenses	(1,671,640)	(1,312,521)	(309,031)	(23,133)	(26,955)
Operating result	**2,120,066**	**891,229**	**793,909**	**291,718**	**143,210**
Cost income ratio	44.09%	59.56%	28.02%	7.35%	15.84%

* All intercompany eliminations are included in the Local Corporate Center

40. Segment reporting *(continued)*

in RON thousands				2020	Group
	Group	Retail	Corporates	ALM & Local Corporate Center*	GM
Net interest income	2.371.025	1.468.138	592.557	301.440	8.890
Net fee and commission income	709.999	499.708	182.436	(7.439)	35.294
Dividend income	3.312	-	38	3.274	-
Net trading result	341.925	115.973	97.282	14.721	113.949
Gains/(losses) from non-trading financial instruments mandatorily measured at fair value through profit or loss	14.608	(3.177)	1.916	15.869	-
Net result from equity method investments	(2.060)	-	-	(2.060)	-
Rental income from investment properties and other operating leases	107.489	-	103.704	3.785	-
General Administrative expenses	(1.668.768)	(1.304.779)	(274.177)	(67.025)	(22.787)
Gains/(losses) from derecognition of financial assets measured at amortised cost	11	11	-	-	-
Other gains/(losses) from derecognition of financial instruments not measured at fair value through profit or loss	(59)	-	-	(59)	-
Net impairment loss on financial instruments	(521.271)	(311.526)	(181.008)	(23.762)	(4.975)
Other operating result	(291.102)	(34.734)	(96.306)	(156.286)	(3.776)
Pre-tax result from continuing operations	**1.065.109**	**429.614**	**426.442**	**82.458**	**126.595**
Taxes on income	(251.001)	(67.520)	(82.289)	(80.937)	(20.255)
Net result for the period	**814.108**	**362.094**	**344.153**	**1.521**	**106.340**
Net result attributable to non-controlling interests	(9)			(9)	
Net result attributable to owners of the parent	**814.117**	**362.094**	**344.153**	**1.530**	**106.340**
Operating income	3.546.298	2.080.642	977.933	329.590	158.133
Operating expenses	(1.668.768)	(1.304.779)	(274.177)	(67.025)	(22.787)
Operating result	**1.877.530**	**775.863**	**703.756**	**262.565**	**135.346**
Cost income ratio	47,06%	62,71%	28,04%	20,34%	14,41%

* All intercompany eliminations are included in the Local Corporate Center

40. Segment reporting *(continued)*

in RON thousands				2021	Group
	Group	Retail	Corporates	ALM & Local Corporate Center*	GM
Assets					
Cash and cash equivalents	13,317,439	5,904,231	344,143	6,965,408	103,657
Financial assets held for trading	1,704,540	-	11	1,067	1,703,462
Derivatives	23,994	-	11	1,067	22,916
Other financial assets held for trading	1,680,546	-	-	-	1,680,546
Non-trading financial assets mandatorily at fair value through profit or loss	65,753	27,061	251	38,441	-
Equity instruments	35,121	27,061	251	7,809	-
Debt securities	30,632	-		30,632	-
Financial assets at fair value through other comprehensive income	7,834,955	-	35,056	7,799,899	-
Debt securities	7,834,955	-	35,056	7,799,899	-
Financial assets at amortised cost	62,702,857	28,344,647	19,094,969	14,816,912	446,329
Debt securities	15,570,473	77,807	302,457	15,190,209	-
Loans and advances to banks	1,362,313	1,320,967	1,754	(386,142)	425,734
Loans and advances to customers	45,770,071	26,945,873	18,790,758	12,845	20,595
Finance lease receivables	1,445,231	-	1,487,913	(42,682)	-
Property and equipment	1,094,606	6,573	276,760	811,273	-
Investment property	150,223	-	-	150,223	-
Intangible assets	361,674	4,313	8,223	349,138	-
Investments in joint ventures and associates	42,109	-	900	41,209	-
Current tax assets	185,406	2,553	697	182,156	-
Deferred tax assets	200,946	1	9,452	191,493	-
Assets held for sale	227,730	-	218,576	9,154	-
Trade and other receivables	653,237	11,238	475,013	111,523	55,463
Other assets	268,413	70,966	76,840	120,322	285
Total assets	**90,255,119**	**34,371,583**	**22,028,804**	**31,545,536**	**2,309,196**
Liabilities and Equity					
Financial liabilities held for trading	22,343	-	-	2,132	20,211
Derivatives	22,343	-	-	2,132	20,211
Financial liabilities measured at amortised cost	77,835,634	46,390,975	27,159,971	1,524,385	2,760,303
Deposits from banks	430,383	68,917	3,061,045	(3,118,897)	419,318
Borrowings and financing lines	849,192	-	-	849,192	-
Deposits from customers	72,458,416	46,184,614	24,019,334	(16,263)	2,270,731
Debt securities issued	2,733,120	-	-	2,733,120	-
Subordinated loans	503,964	-	-	503,964	-
Other financial liabilities	860,559	137,444	79,592	573,269	70,254
Lease liabilities	435,710	-	-	435,710	-
Provisions	1,793,931	1,201,254	386,124	205,409	1,144
Current tax liabilities	48,764	636	3,012	45,116	-
Deferred tax liabilities	14,317	-	-	14,317	-
Other liabilities	383,978	12,841	70,958	298,030	2,149
Total equity	**9,720,442**	**2,654,560**	**2,600,993**	**4,314,511**	**150,378**
Total liabilities and equity	**90,255,119**	**50,260,266**	**30,221,058**	**6,839,610**	**2,934,185**

* All intercompany eliminations are included in the Local Corporate Center

40. Segment reporting *(continued)*

in RON thousands				2020	Group
	Group	Retail	Corporates	ALM & Local Corporate Center*	GM
Assets					
Cash and cash equivalents	10,538,199	5,128,775	513,649	4,860,999	34,776
Financial assets held for trading	1,248,822	-	72	27,008	1,221,742
Derivatives	39,891	-	72	27,008	12,811
Other financial assets held for trading	1,208,931	-	-	-	1,208,931
Non-trading financial assets mandatorily at fair value through profit or loss	104,739	29,886	2,160	72,693	-
Equity instruments	75,033	29,886	235	44,912	-
Debt securities	27,781	-	-	27,781	-
Loans and advances to customers	1,925	-	1,925	-	-
Financial assets at fair value through other comprehensive income	7,536,126	-	30,083	7,506,043	-
Debt securities	7,536,126	-	30,083	7,506,043	-
Financial assets at amortised cost	57,990,947	27,031,739	16,215,529	14,259,572	484,107
Debt securities	14,827,570	744,338	306,937	13,776,295	-
Loans and advances to banks	2,028,021	1,107,471	810	442,635	477,105
Loans and advances to customers	41,135,356	25,179,930	15,907,782	40,642	7,002
Finance lease receivables	1,301,380	-	1,321,293	(19,913)	-
Property and equipment	863,743	10,083	452,113	401,547	-
Investment property	171,860	-	-	171,860	-
Intangible assets	348,900	3,207	5,879	339,814	-
Investments in joint ventures and associates	39,031	-	-	39,031	-
Current tax assets	230,979	2,579	570	227,830	-
Deferred tax assets	173,378	518	7,308	165,552	-
Assets held for sale	625,253	-	-	625,253	-
Trade and other receivables	563,885	8,749	342,766	199,326	13,044
Other assets	249,430	75,096	74,228	100,098	8
Total assets	**81,986,672**	**32,290,632**	**18,965,650**	**28,976,713**	**1,753,677**
Liabilities and Equity					
Financial liabilities held for trading	52,051	-	-	34,229	17,822
Derivatives	52,051	-	-	34,229	17,822
Financial liabilities measured at amortised cost	69,847,085	43,904,364	22,614,917	981,235	2,346,569
Deposits from banks	1,066,225	67,252	2,757,972	(2,658,072)	899,073
Borrowings and financing lines	1,453,289	-	-	1,453,289	-
Deposits from customers	64,876,774	43,744,206	19,779,989	(28,508)	1,381,087
Debt securities issued	614,801	-	-	614,801	-
Subordinated loans	1,087,260	-	-	1,087,260	-
Other financial liabilities	748,736	92,906	76,956	512,465	66,409
Lease liabilities	428,737	-	-	428,737	-
Provisions	1,857,633	1,211,454	376,521	268,580	1,078
Current tax liabilities	2,985	-	2,963	22	-
Deferred tax liabilities	11,833	-	-	11,833	-
Liabilities associated with assets held for sale	150,294	-	-	150,294	-
Other liabilities	291,133	13,035	65,497	210,985	1,616
Total equity	**9,344,921**	**2,553,350**	**2,369,340**	**4,290,663**	**131,568**
Total liabilities and equity	**81,986,672**	**47,682,203**	**25,429,238**	**6,376,578**	**2,498,653**

* All intercompany eliminations are included in the Local Corporate Center

40. Segment reporting *(continued)*

in RON thousands				2021	Bank
	Bank	Retail	Corporates	ALM & Local Corporate Center	GM
Net interest income	2,305,635	1,447,434	552,762	308,397	(2,958)
Net fee and commission income	805,904	558,215	211,492	(5,433)	41,630
Dividend income	4,303	2,045	-	2,243	15
Net trading result	375,008	134,404	112,811	(3,685)	131,478
Gains/(losses) from non-trading financial instruments mandatorily measured at fair value through profit or loss	2,642	(2,825)	4,873	594	-
Rental income from investment properties and other operating leases	5,953	-	-	5,953	-
General Administrative expenses	(1,587,631)	(1,275,880)	(252,450)	(32,346)	(26,955)
Other gains/(losses) from derecognition of financial instruments not measured at fair value through profit or loss	(31)	-	-	(40)	9
Net impairment loss on financial instruments	(201,659)	(161,356)	(46,170)	3,954	1,913
Other operating result	(29,637)	(10,170)	(25,524)	13,392	(7,335)
Pre-tax result from continuing operations	**1,680,487**	**691,867**	**557,794**	**293,029**	**137,797**
Taxes on income	(302,570)	(110,699)	(89,247)	(80,576)	(22,048)
Net result for the period	**1,377,917**	**581,168**	**468,547**	**212,453**	**115,749**
Net result attributable to non-controlling interests	-	-	-	-	-
Net result attributable to owners of the parent	**1,377,917**	**581,168**	**468,547**	**212,453**	**115,749**
Operating income	3,499,445	2,139,273	881,938	308,069	170,165
Operating expenses	(1,587,631)	(1,275,880)	(252,450)	(32,346)	(26,955)
Operating result	**1,911,814**	**863,393**	**629,488**	**275,723**	**143,210**
Cost income ratio	45.37%	59.64%	28.62%	10.50%	15.84%

in RON thousands				2020	Bank
	Bank	Retail	Corporates	ALM & Local Corporate Center	GM
Net interest income	2,248,995	1,441,293	506,974	291,838	8,890
Net fee and commission income	664,455	460,638	173,822	(5,299)	35,294
Dividend income	3,683	-	-	3,683	-
Net trading result	336,546	116,022	94,925	11,650	113,949
Gains/(losses) from non-trading financial instruments mandatorily measured at fair value through profit or loss	14,608	(3,177)	1,916	15,869	-
Rental income from investment properties and other operating leases	8,298	-	-	8,298	-
General Administrative expenses	(1,561,747)	(1,263,795)	(219,802)	(55,363)	(22,787)
Gains/(losses) from derecognition of financial assets measured at amortised cost	11	11	-	-	-
Other gains/(losses) from derecognition of financial instruments not measured at fair value through profit or loss	(59)	-	-	(59)	-
Net impairment loss on financial instruments	(505,325)	(319,574)	(151,466)	(29,310)	(4,975)
Other operating result	(192,356)	(30,462)	52,061	(210,179)	(3,776)
Pre-tax result from continuing operations	**1,017,109**	**400,956**	**458,430**	**31,128**	**126,595**
Taxes on income	(237,151)	(64,153)	(73,349)	(79,394)	(20,255)
Net result for the period	**779,958**	**336,803**	**385,081**	**(48,266)**	**106,340**
Net result attributable to non-controlling interests	-	-	-	-	-
Net result attributable to owners of the parent	**779,958**	**336,803**	**385,081**	**(48,266)**	**106,340**
Operating income	3,276,585	2,014,776	777,637	326,039	158,133
Operating expenses	(1,561,747)	(1,263,795)	(219,802)	(55,363)	(22,787)
Operating result	**1,714,838**	**750,981**	**557,835**	**270,676**	**135,346**
Cost income ratio	47.66%	62.73%	28.27%	16.98%	14.41%

40. Segment reporting *(continued)*

in RON thousands				2021	Bank
	Bank	Retail	Corporates	ALM & Local Corporate Center	GM
Assets					
Cash and cash equivalents	13,069,516	5,877,196	-	7,088,663	103,657
Financial assets held for trading	1,704,540	-	-	1,077	1,703,463
Derivatives	23,994	-	-	1,078	22,916
Other financial assets held for trading	1,680,546	-	-	-	1,680,546
Non-trading financial assets mandatorily at fair value through profit or loss	65,502	27,061	-	38,441	-
Equity instruments	34,870	27,061	-	7,809	-
Debt securities	30,632	-	-	30,632	-
Financial assets at fair value through other comprehensive income	7,805,091	-	5,192	7,799,899	-
Debt securities	7,805,091	-	5,192	7,799,899	-
Financial assets at amortised cost	63,381,929	26,820,803	17,542,786	18,572,011	446,329
thereof pledged as collateral	1,425,072	-	-	1,425,072	-
Debt securities	15,382,134	-	191,925	15,190,209	-
Loans and advances to banks	1,362,004	-	-	936,270	425,734
Loans and advances to customers	46,637,791	26,820,802	17,350,861	2,445,533	20,595
Finance lease receivables	11,240	-	-	11,240	-
Property and equipment	820,178	-	-	820,178	-
Investment property	150,223	-	-	150,223	-
Intangible assets	349,068	-	-	349,068	-
Investments in joint ventures and associates	33,470	-	-	33,470	-
Current tax assets	182,155	-	-	182,155	-
Deferred tax assets	194,629	-	-	194,629	-
Assets held for sale	9,153	-	-	9,153	-
Trade and other receivables	631,610	6,751	453,691	115,705	55,463
Investments in subsidiaries	518,464	-	-	518,464	-
Other assets	163,730	27,616	255	135,574	285
Total assets	**89,090,498**	**32,759,427**	**18,001,924**	**36,019,950**	**2,309,197**
Liabilities and Equity					
Financial liabilities held for trading	22,359	-	-	2,148	20,211
Derivatives	22,359	-	-	2,148	20,211
Financial liabilities measured at amortised cost	77,617,727	45,809,771	23,562,299	5,485,354	2,760,303
Deposits from banks	1,569,445	576	211	1,149,340	419,318
Borrowings and financing lines	246,763	-	-	246,763	-
Deposits from customers	71,721,511	45,673,131	23,499,898	277,751	2,270,731
Debt securities issued	2,733,120	-	-	2,733,120	-
Subordinated loans	503,964	-	-	503,964	-
Other financial liabilities	842,924	136,064	62,190	574,416	70,254
Lease liabilities	435,710	-	-	435,710	-
Provisions	1,149,254	556,765	379,894	211,451	1,144
Current tax liabilities	45,104	-	-	45,104	-
Other liabilities	333,489	2,138	27,465	301,737	2,149
Total equity	**9,486,855**	**2,423,713**	**2,212,274**	**4,700,490**	**150,378**
Total liabilities and equity	**89,090,498**	**48,792,387**	**26,181,932**	**11,181,994**	**2,934,185**

40. Segment reporting *(continued)*

in RON thousands				2020	Bank
	Bank	Retail	Corporates	ALM & Local Corporate Center	GM
Assets					
Cash and cash equivalents	10,193,736	5,083,286	-	5,075,674	34,776
Financial assets held for trading	1,248,822	-	72	27,008	1,221,742
Derivatives	39,891	-	72	27,008	12,811
Other financial assets held for trading	1,208,931	-	-	-	1,208,931
Non-trading financial assets mandatorily at fair value through profit or loss	104,504	29,886	1,925	72,693	-
Equity instruments	74,798	29,886	-	44,912	-
Debt securities	27,781	-	-	27,781	-
Loans and advances to customers	1,925	-	1,925	-	-
Financial assets at fair value through other comprehensive income	7,511,525	-	5,483	7,506,042	-
Debt securities	7,511,525	-	5,483	7,506,042	-
Financial assets at amortised cost	57,372,656	25,016,268	14,938,431	16,933,850	484,107
Debt securities	13,986,991	-	210,697	13,776,294	-
Loans and advances to banks	2,026,208	-	-	1,549,103	477,105
Loans and advances to customers	41,359,457	25,016,268	14,727,734	1,608,453	7,002
Finance lease receivables	15,106	-	-	15,106	-
Property and equipment	803,005	-	-	803,005	-
Investment property	171,860	-	-	171,860	-
Intangible assets	339,662	-	-	339,662	-
Investments in joint ventures and associates	33,470	-	-	33,470	-
Current tax assets	227,831	-	-	227,831	-
Deferred tax assets	165,784	-	-	165,784	-
Assets held for sale	192,247	-	-	192,247	-
Trade and other receivables	548,097	3,998	306,080	224,975	13,044
Investments in subsidiaries	448,521	-	-	448,521	-
Other assets	161,407	25,800	378	135,221	8
Total assets	**79,538,233**	**30,159,238**	**15,252,369**	**32,372,949**	**1,753,677**
Liabilities and Equity					
Financial liabilities held for trading	52,051	-	-	34,229	17,822
Derivatives	52,051	-	-	34,229	17,822
Financial liabilities measured at amortised cost	68,527,999	42,794,767	19,289,718	4,096,945	2,346,569
Deposits from banks	2,065,137	579	207	1,165,278	899,073
Borrowings and financing lines	426,827	-	-	426,827	-
Deposits from customers	63,591,718	42,703,613	19,221,561	285,457	1,381,087
Debt securities issued	614,801	-	-	614,801	-
Subordinated loans	1,087,260	-	-	1,087,260	-
Other financial liabilities	742,256	90,575	67,950	517,322	66,409
Lease liabilities	426,424	-	-	426,424	-
Provisions	1,145,984	503,808	367,193	273,905	1,078
Other liabilities	234,409	965	18,346	213,482	1,616
Total equity	**9,151,366**	**2,337,538**	**2,049,855**	**4,632,405**	**131,568**
Total liabilities and equity	**79,538,233**	**45,637,078**	**21,725,112**	**9,677,390**	**2,498,653**

41. Return on assets and turnover information

Return on assets (net profit for the year divided by average total assets) was:

	Group		Bank	
	31.12.2021	31.12.2020	31.12.2021	31.12.2020
Return on assets	1.66%	1.04%	1.66%	0.95%

The return on assets is calculated based on monthly average total assets.

The Bank applies the stipulations of NBR Regulation 5/2013 regarding prudential requirements for credit institutions.

The consolidated turnover for the financial exercise ended 31 December 2021 amounts to RON 4,634,842 thousands (and is calculated and presented in compliance with Article 644 of the above mentioned regulation.

42. Related-party transactions and principal shareholders

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form.

The nature of the related party relationships for those related parties with whom the Group entered into significant transactions or had significant balances outstanding at 31 December 2021 and 2020 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 2021 and the interest rate is 0%.

Loans and advances accounts were opened between September 2005 and December 2021, maturing between April 2022 and July 2047, the interest rate is between 3.48-7.99% for loans and 6.85-28% for credit cards - fixed interest and 1.05-4.27% for loans and 5.27-16.27% for credit cards variable interest.

Term deposits were opened between July 2007 and December 2021, maturing between January 2022 and February 2023, and the interest rate is fixed between 0.01-3.27% depending on the currency and maturity of the deposit.

Loans commitments, financial guarantees and other commitments given includes revocable and irrevocable letters of guarantee, undrawn commitments for loans and credit cards granted in RON, EUR or USD.
Loan commitments, financial guarantees and other commitments received include letters of guarantee received from parent company.

42. Related-party transactions and principal shareholders *(continued)*

The following transactions were carried out with related parties:

Balances and off-balace exposures with related parties — Group

in RON thousands	2021 Parent	2021 Associates	2021 Key management personnel	2021 Other related parties	2020 Parent	2020 Associates	2020 Key management personnel	2020 Other related parties
Total assets	**1,053,413**	**64,381**	**5,899**	**90,555**	**269,217**	**88,418**	**8,364**	**86,891**
Cash and cash equivalents	131,690	-	-	-	202,688	-	-	1,390
Derivative financial instruments	4,844	-	-	-	4,142	-	-	-
Equity investments	-	33,470	-	25,461	-	33,470	-	27,828
Loans and advances	876,363	29,826	5,881	47,867	31,279	48,634	8,364	38,383
Loans and advances with credit institutions	876,363	-	-	-	31,279	-	-	31,906
Loans and advances with customers	-	29,826	5,881	47,867	-	48,634	8,364	6,477
Finance lease receivables	-	1,085	-	2,542	-	2,373	-	2,950
Trade and other receivables	40,516	-	5	4,294	31,108	-	-	7,211
Other assets	-	-	13	10,392	-	3,941	-	9,129
Deposits from banks	**999,394**	**9,271**	**9,224**	**356,576**	**3,090,420**	**27,960**	**8,897**	**263,094**
Deposits	960,818	9,255	9,224	251,935	3,051,425	27,960	8,867	178,450
Deposits by banks	38,109	-	-	2,349	731,642	-	-	44
Deposits by customers	-	9,255	9,224	249,586	-	27,960	8,867	178,406
Borrowings and financing lines	418,746	-	-	-	1,232,523	-	-	-
Subordinated loans	503,964	-	-	-	1,087,260	-	-	-
Derivative financial instruments	16,792	-	-	-	34,437	-	-	-
Other liabilities	21,784	16	0	104,641	4,558	-	30	84,644
Loans commitments, financial guarantees and other commitments given -Irrevocable [notional amount]	**54,992**	**14,844**	**-**	**14,314**	**450**	**-**	**523**	**22,490**
Loans commitments, financial guarantees and other commitments given -Revocabile [notional amount]	**41,517**	**91,055**	**367**	**327,534**	**69,350**	**81,892**	**-**	**77,394**
Loan commitments, financial guarantees and other commitments received	**247,405**	**-**	**-**	**-**	**243,470**	**-**	**-**	**-**
Derivatives [notional amount]	**5,030,776**	**-**	**-**	**-**	**4,581,023**	**-**	**-**	**-**

Related parties: expenses and income generated by transactions with related parties — Group

in RON thousands	2021 Parent	2021 Associates	2021 Key management personnel	2021 Other related parties	2020 Parent	2020 Associates	2020 Key management personnel	2020 Other related parties
Interest income	4,755	1,915	209	1,505	18,547	1,582	320	784
Interest expenses	(53,235)	(159)	(18)	(899)	(65,635)	(912)	(10)	(1,189)
Dividend income	-	435	-	2,060	-	-	-	2,367
Fee and commission income	2,268	211	37	90,185	4,782	55	25	86,562
Fee and commission expenses	(7,484)	-	-	(1,079)	(8,545)	-	-	(810)
Gains or (-) losses on derecognition of financial assets and liabilities not measured at fair value through profit or loss	-	-	-	-	-	-	-	-
Net impairment loss on financial instruments	(230)	18	(205)	(210)	(727)	(198)	(37)	63
Net trading results income/(expense)	61,257	5	128	3,407	7,420	-	90	(1,149)
Other operating income	-	1,019	42	2,380	-	1,167	9	2,000
Other operating expense	-	(23)	(13)	(32,128)	-	(10)	-	(113,150)
Profit before tax income/(expense)	**7,332**	**3,422**	**181**	**65,220**	**(44,158)**	**1,684**	**397**	**(24,522)**

42. Related-party transactions and principal shareholders *(continued)*

Balances and off-balace exposures with related parties — Bank

in RON thousands	2021 Parent	2021 Subsidiaries	2021 Associates	2021 Key management personnel	2021 Other related parties	2020 Parent	2020 Subsidiaries	2020 Associates	2020 Key management personnel	2020 Other related parties
Total assets	**961,344**	**2,954,077**	**64,453**	**5,886**	**80,148**	**138,309**	**2,019,857**	**88,417**	**8,364**	**86,804**
Cash and cash equivalents	39,621	-	-	-	-	71,780	-	-	-	1,390
Derivative financial instruments	4,844	-	-	-	-	4,142	-	-	-	-
Equity investments*	-	518,465	33,470	-	25,461	-	448,521	33,470	-	27,828
Loans and advances	**876,363**	**2,424,337**	**29,853**	**5,881**	**47,853**	**31,279**	**1,558,228**	**48,634**	**8,364**	**38,374**
Loans and advances with credit institutions	876,363	763	-	-	-	31,279	660	-	-	31,906
Loans and advances with customers	-	2,423,574	29,853	5,881	47,853	-	1,557,568	48,634	8,364	6,468
Finance lease receivables	-	7,613	1,085	-	2,542	-	9,783	2,372	-	2,950
Trade and other receivables	40,516	5	-	5	4,292	31,108	164	-	-	7,211
Right of use assets	-	2,435	-	-	-	-	1,819	-	-	-
Other assets	-	1,222	44	-	1	-	1,342	3,941	-	9,051
Deposits from banks	**752,186**	**1,449,077**	**9,271**	**9,224**	**335,569**	**1,555,906**	**1,324,607**	**27,960**	**8,897**	**258,387**
Deposits	713,610	1,448,683	9,255	9,224	251,935	1,516,911	1,323,564	27,960	8,867	178,450
Deposits by banks	21,193	1,163,882	-	-	2,349	223,590	1,020,535	-	-	44
Deposits by customers	-	284,801	9,255	9,224	249,586	-	303,029	27,960	8,867	178,406
Borrowings and financing lines	188,453	-	-	-	-	206,061	-	-	-	-
Subordinated loans	503,964	-	-	-	-	1,087,260	-	-	-	-
Derivative financial instruments	16,792	16	-	-	-	34,437	-	-	-	-
Lease liabilities	-	2,713	-	-	-	-	1,998	-	-	-
Other liabilities	21,784	378	16	0	83,634	4,558	1,043	-	30	79,937
Loans commitments, financial guarantees and other commitments given - Irrevocable [notional amount]	**54,992**	**83,725**	**14,844**	**-**	**14,314**	**450**	**110,512**	**-**	**523**	**22,490**
Loans commitments, financial guarantees and other commitments given - Revocabile [notional amount]	**41,517**	**342,330**	**91,055**	**367**	**327,534**	**69,350**	**529,063**	**81,892**	**-**	**77,394**
of which: defaulted	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Loan commitments, financial guarantees and other commitments received	**247,405**	**-**	**-**	**-**	**-**	**243,470**	**-**	**-**	**-**	**-**
Derivatives [notional amount]	**5,030,776**	**49,481**	**-**	**-**	**-**	**4,581,023**	**-**	**-**	**-**	**-**
Accumulated impairment, accumulated changes in fair value due to credit risk and provisions on non-performing exposures	**-**	**71,945**	**-**	**-**	**-**	**-**	**71,245**	**-**	**-**	**-**

Related parties: expenses and income generated by transactions with related parties — Bank

in RON thousands	2021 Parent	2021 Subsidiaries	2021 Associates	2021 Key management personnel	2021 Other related parties	2020 Parent	2020 Subsidiaries	2020 Associates	2020 Key management personnel	2020 Other related parties
Interest income	4,755	32,938	1,915	209	1,357	18,491	22,362	1,582	320	254
Interest expenses	(48,753)	(19,074)	(159)	(18)	(899)	(56,959)	(27,848)	(912)	(10)	(1,189)
Dividend income	-	722	871	-	2,060	-	409	-	-	2,367
Fee and commission income	2,265	646	211	37	88,650	4,782	983	55	25	86,562
Fee and commission expenses	(3,987)	(4)	-	-	(1,079)	(3,763)	(6)	-	-	(810)
Gains or (-) losses on derecognition of financial assets and liabilities not measured at fair value through profit or loss	-	-	-	-	-	-	-	-	-	-
Impairment of subsidiaries	-	-	-	-	-	-	(39,556)	-	-	-
Net impairment loss on non-performing exposures	-	-	-	-	-	-	(4,306)	-	-	-
Net impairment loss on financial instruments	(230)	(2,066)	18	(205)	(210)	(727)	(9,142)	(198)	(37)	63
Net trading results income/(expense)	61,257	(346)	5	128	3,407	7,420	(85)	-	90	(1,149)
Other operating income	-	3,978	949	-	398	-	4,443	649	9	353
Other operating expense	-	(74)	(23)	(130)	(94,819)	-	(100)	(10)	-	(106,218)
Profit before tax income/(expense)	**15,307**	**16,720**	**3,788**	**22**	**(1,136)**	**(30,756)**	**(52,846)**	**1,166**	**397**	**(19,767)**

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 2021 and 2020:

	Group		Bank	
in RON thousands	**31.12.2021**	**31.12.2020**	**31.12.2021**	**31.12.2020**
Fees for the audit of the financial statements	2,330	2,080	1,677	1,528
Other services involving the issuance of a report	2,378	1,949	2,024	1,646
Total	**4,708**	**4,029**	**3,701**	**3,174**

44. Assets held for sale and liabilities associated with assets held for sale

Non-current assets and disposal groups held for sale

Non-current assets are classified as held for sale if they can be sold in their present condition and the sale is highly probable within 12 months of classification as held for sale. If assets are to be sold as part of a group that may also contain liabilities (e.g. a subsidiary) they are referred to as disposal group held for sale.

The assessment on whether the sale is highly probable takes into account the following aspects:

- the appropriate level of management is committed to a plan to sale;
- an active programme to locate a buyer and complete the sale has already begun;
- the asset must be actively marketed at a price that is reasonable compared to its current fair value;
- the sale should be expected to be recorded as completed within one year from the date of classification;
- the actions required to complete the plan should indicate that it is not likely that there will be significant changes made to the plan or that the plan will be withdrawn.

Assets classified as held for sale and assets belonging to disposal groups held for sale are reported under the balance sheet line item 'Assets held for sale'. Liabilities belonging to the disposal groups held for sale are presented on the balance sheet under the line item 'Liabilities associated with assets held for sale'.

Non-current assets and disposal groups that are classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell.

45. Split between current and non-current assets and liabilities

Expected remaining maturities of assets and liabilities

Group

	31.12.2021		31.12.2020	
in RON thousands	**Current**	**Non - current**	**Current**	**Non - current**
Cash and cash equivalents	13,317,439	-	10,538,199	-
Financial assets held for trading	1,692,628	11,912	1,222,846	25,976
Derivatives	12,082	11,912	13,915	25,976
Other financial assets held for trading	1,680,546	-	1,208,931	-
Non-trading financial assets mandatorily at fair value through profit or loss	-	65,753	29,706	75,033
Equity instruments	-	35,121	-	75,033
Debt securities	-	30,632	27,781	-
Loans and advances to customers	-	-	1,925	-
Financial assets at fair value through other comprehensive income	1,533,247	6,301,708	2,525,269	5,010,857
Debt securities	1,533,247	6,301,708	2,525,269	5,010,857
Financial assets at amortised cost	13,509,904	49,192,953	13,199,314	44,791,633
Debt securities	2,327,355	13,243,118	3,103,798	11,723,772
Loans and advances to banks	1,362,149	164	2,028,021	-
Loans and advances to customers	9,820,400	35,949,671	8,067,495	33,067,861
Finance lease receivables	501,857	943,374	465,585	835,795
Property and equipment	-	1,094,606	-	863,743
Investment property	-	150,223	-	171,860
Intangible assets	-	361,674	-	348,900
Investments in joint ventures and associates	-	42,109	-	39,031
Current tax assets	185,406	-	230,979	-
Deferred tax assets	-	200,946	-	173,378
Assets held for sale	227,730	-	625,253	-
Trade and other receivables	381,232	272,005	418,880	145,005
Investments in subsidiaries	-	-	-	-
Other assets	236,685	31,728	182,360	67,070
Total assets	**31,586,128**	**58,668,991**	**29,438,391**	**52,548,281**
Financial liabilities held for trading	9,867	12,476	24,807	27,244
Derivatives	9,867	12,476	24,807	27,244
Financial liabilities measured at amortised cost	72,409,458	5,426,176	65,612,716	4,234,369
Deposits from banks	1,419,627	363,912	2,317,062	1,289,712
Deposits from customers	70,139,761	2,318,655	62,542,090	2,334,684
Debt securities issued	-	2,733,120	13,394	601,407
Other financial liabilities	850,070	10,489	740,170	8,566
Lease liabilities	67,956	367,754	60,597	368,140
Provisions	644,743	1,149,188	688,088	1,169,545
Current tax liabilities	48,764	-	2,985	-
Deferred tax liabilities	-	14,317	-	11,833
Liabilities associated with assets held for sale	-	-	150,294	-
Other liabilities	383,471	507	289,922	1,211
Total liabilities	**73,564,259**	**6,970,418**	**66,829,409**	**5,812,342**

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
	31.12.2021		31.12.2020	
in RON thousands	**Current**	**Non - current**	**Current**	**Non - current**
Cash and cash equivalents	13,069,516	-	10,193,736	-
Financial assets held for trading	1,692,628	11,912	1,222,846	25,976
Derivatives	12,082	11,912	13,915	25,976
Other financial assets held for trading	1,680,546	-	1,208,931	-
Non-trading financial assets mandatorily at fair value through profit or loss	-	65,502	29,706	74,798
Equity instruments	-	34,870	-	74,798
Debt securities	-	30,632	27,781	-
Loans and advances to customers	-	-	1,925	-
Financial assets at fair value through other comprehensive income	1,503,383	6,301,708	2,500,669	5,010,856
Debt securities	1,503,383	6,301,708	2,500,669	5,010,856
Financial assets at amortised cost	13,557,810	49,824,119	13,586,349	43,786,307
Debt securities	2,199,402	13,182,732	2,330,894	11,656,097
Loans and advances to banks	1,361,840	164	2,026,052	156
Loans and advances to customers	9,996,568	36,641,223	9,229,403	32,130,054
Finance lease receivables	2,978	8,262	4,110	10,996
Property and equipment	-	820,178	-	803,005
Investment property	-	150,223	-	171,860
Intangible assets	-	349,068	-	339,662
Investments in joint ventures and associates	-	33,470	-	33,470
Current tax assets	182,155	-	227,831	-
Deferred tax assets	-	194,629	-	165,784
Assets held for sale	9,153	-	192,247	-
Trade and other receivables	361,944	269,666	406,773	141,324
Investments in subsidiaries	-	518,464	-	448,521
Other assets	163,730	-	161,407	-
Total assets	**30,543,297**	**58,547,201**	**28,525,675**	**51,012,558**
Financial liabilities held for trading	9,883	12,476	24,807	27,244
Derivatives	9,883	12,476	24,807	27,244
Financial liabilities measured at amortised cost	72,461,775	5,155,952	64,835,240	3,692,759
Deposits from banks	2,132,820	187,352	2,755,283	823,941
Deposits from customers	69,496,520	2,224,991	61,332,873	2,258,845
Debt securities issued	-	2,733,120	13,394	601,407
Other financial liabilities	832,435	10,489	733,690	8,566
Lease liabilities	67,835	367,875	71,221	355,203
Provisions	-	1,149,254	-	1,145,984
Current tax liabilities	45,104	-	-	-
Other liabilities	333,489	-	234,409	-
Total liabilities	**72,918,086**	**6,685,557**	**65,165,677**	**5,221,190**

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

Country	Operating income	Pre-tax result from continuing operations	Taxes on income	Taxes paid
			Group	31.12.2021
Romania	3,764,939	1,729,785	(320,504)	(199,512)
Moldova	26,767	611	(114)	(314)
Total	**3,791,706**	**1,730,396**	**(320,618)**	**(199,826)**

Country	Operating income	Pre-tax result from continuing operations	Taxes on income	Taxes paid
			Group	31.12.2020
Romania	3,519,864	1,058,934	(250,720)	(241,440)
Moldova	26,434	6,175	(281)	(372)
Total	**3,546,298**	**1,065,109**	**(251,001)**	**(241,812)**

47. Events after the balance sheet date

On 24th of February 2022, Russia military attacked Ukraine. The conflict between these 2 countries could affect the economy of Romania and European Union on all levels: GDP is expected to grow slower than forecast, rising energy prices may lead to higher prices, and new investments may be delayed or can stay on standby.
While this is still an evolving situation at the time of issuing these financial statements, to date there has been no discernible/OBVIOUS impact on the Group's operations, however the future effects cannot be predicted. Management will continue to monitor the potential impact and will take all steps possible to mitigate any effects. This is a non adjusting post balance sheet event.

On 23 February 2022, under the provisions of GEO 69/2020, ANAF - Directorate General for the Administration of Large Taxpayers ("DGAMC") granted BpL the annulment of the ancillary obligations to the tax on state subsidies granted to customers and considered undue and the related contractual interest (associated with measures II.2, II.5 and II.6 of Decision 17). At the date of the financial statements, no response had been received from the competent authorities concerning the cancellation of the ancillary obligations on the principal for the state subsidies granted to customers (related to measures II.2, II.5 and II.6 of Decision 17).

Following the request for fiscal amnesty (please see Note 36 - section Tax related litigation), during January 2022, the Bank paid the tax liability ascertained as per ANAF's current computation methodology (ANAF computation methodology is separately challenged under the aforesaid tax litigations, as presented in the above mentioned Note) and in February 2022, it received the ANAF decision for the annulment of related interest and late payment penalties.

AUTHORISED PERSON,
First name and name
Signature

Executive Vice-President,

Elke Meier

AUTHORISED PERSON,
First name and name
Signature

Director Accounting Division,

Gina Badea

Banca Comercială Română S. A.
No. CEO Office: 5/ 25.03.2022
Supervisory Board

Banca Comercială Română S.A.
Consolidated and Separate Administrators' Report
(The Group and the Parent Bank)

LEI Code: 549300ORLU6LN5YD8X90

31 December 2021

BCR

Administrators' report
Consolidated and Separate for the year ended 31 December 2021

Contents of the Administrators' report

1. Macroeconomic developments

Economic growth came in at 7.1% y/y in 1Q21-3Q21. On the demand side, household consumption was the main economic growth driver, adding 4.7pp to the annual growth rate of 7.1% during the first nine months of 2021. Pent-up demand financed by savings accumulated during lockdowns, rising consumer loans in local currency and gradual strengthening of the labour market supported household consumption. Government consumption lowered real gross domestic product (GDP) by 0.2pp, amid pressures for more prudent fiscal policies. Change in inventories added 3.0pp and gross fixed capital formation 1.5pp, on a strong rise in foreign direct investments and EU-funded government investments. Net exports dragged real GDP down by 1.9pp.

The inflation rate climbed to 8.2% y/y in December 2021, from 2.1% in December 2020, on deregulation of the local energy market and imported inflation. Core inflation accelerated to 4.7% in December 2021, suggesting that underlying inflationary pressures are building up. Alternative measures of price increases in the economy posted fast advances; the producer price index to +32.2% y/y and the construction cost index to +17.4% y/y in November.

The NBR started a gradual normalization of monetary policy with the end of quantitative easing (QE) in April, 'more serious' control of money market liquidity at the start of the summer, followed by a pledge at the August Monetary Policy Committee (MPC) meeting for tight control of liquidity.

The key rate was raised in two steps of 25bp each to 1.75% in the autumn and the Lombard rate was hiked by 75bp to 2.50% to prevent a more significant slide of the leu.

The key arguments for monetary tightening were inflationary pressures, below-expectation fiscal consolidation and a narrowing interest rate differential vs. peers, against the backdrop of a weak external position.

The 3M ROBOR climbed close to 3.0% in 4Q21 from levels around 1.50% in 1Q21, mirroring the NBR's rate hikes.

The budget deficit was 6.7% of GDP in 2021, on local standards, below the 9.6% of GDP seen in 2020. Public revenues grew by 17.7% y/y, as economic growth gained speed and fiscal support to the private business environment during the corona crisis was gradually scaled back. Government expenditures were significantly slower at 8.3% y/y. The ratio between rigid public expenditures (wages plus social assistance) and cyclical government revenues (fiscal revenues plus social insurance contributions) stood at 82.6% in December 2021 vs. 94.3% in December 2020.

The current account deficit widened to EUR 16.5bn in November 2021 on a 12-month rolling basis, from EUR 11bn in December 2020. The trade deficit for goods added constant pressure to Romania's external position throughout the year. The foreign direct investments (FDI) coverage of the current account (c/a) gap was 45%, as FDI rose to EUR 7.5bn on a 12-month rolling basis, proving the attractiveness of the local business environment to external investors.

Most labour market indicators improved in 2021, except for real wage growth, which slipped into negative territory towards the end of the year. The unemployment rate dropped to 5.4% at the end of 2021, from 6.4% in December 2020. Nominal wage growth was 6.9% y/y in November, with a stark difference between private sector wages at 8.5% y/y and public wages at 0.7% y/y. The number of jobs in the economy, according to National Institute of Statistics data, except for military personnel, exceeded 5mn in October for the first time since the series was first published in 2000.

The RON depreciated by 1.7% on average in nominal terms in 2021, similar to previous years, affected by the wide current account deficit. The central bank continued to maintain a tight grip on the local FX market, reducing the volatility of the RON.

The NBR continued the monetary tightening cycle, amid elevated uncertainty, and delivered a 25bp hike in the key rate to 2% and a 50bp hike in the Lombard rate to 3% in January 2022.

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

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

Products & Services

BCR serves the following groups of clients:

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

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

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

Network

BCR provides a full range of financial products and services, through a network of 18 commercial business centres and 16 mobile offices dedicated to companies and 326 retail units located in most cities across the country with over 10,000 inhabitants.

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

Bank and subsidiaries

During 2021, 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
			2021	2020			
BCR Chisinau SA	Moldova	Banking	100.00%	100.00%	200,064	36,475	163,589
BCR Leasing IFN SA	Romania	Financial leasing	99.97%	99.97%	389,493	232,598	156,895
BCR Pensii, Societate de Administrare a Fondurilor de Pensii Private SA	Romania	Pension Fund	99.99%	99.99%	269,820	247,491	22,329
BCR Banca pentru Locuinte SA	Romania	Banking	99.99%	99.99%	781,078	-	781,078
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%	-	-	-

(i) 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 34,870 thousands (2020: RON 74,798 thousands) as presented in the statement of financial position as Equity Instruments.

3. 2021 financial and commercial highlights

The BCR impact in the economy

In **retail banking business**, BCR generated total new loans to individuals and micro businesses of RON 9.4 billion in 2021, up by 18% yoy, on the back of mortgage sales increasing by 16% yoy and cash loan originations by 30% yoy. Stock of mortgage in local currency increased by 16.9% yoy in 2021, while the stock of unsecured consumer loans (including credit cards and overdrafts) increased by 10% yoy.

In **corporate banking business**, BCR (bank standalone) approved new corporate loans of RON 9.4 billion in 2021, up by 7% yoy, of which more than a quarter were aimed for investments. The record 18% yoy advance in the stock of corporate financing was driven by significant increases in the large corporates, SMEs and public sector.

In the **intelligent banking platform George there are almost** 1.4 million active users, up by 33% as compared to 2020.

Almost **56%** of the new cash loans in 2021 were granted on a fully digital flow.

BCR Group performance in 2021

BCR achieved a **net profit of RON 1,409.8 million (EUR 286.5 million) in 2021**, up by 73.0% against RON 814.1 million (EUR 168.3 million) in 2020, on the back of both improved operating performance mainly due to higher business volumes and lower risk cost allocation.

Operating result improved by 12.9% to **RON 2,120.1 million (EUR 430.8 million**) in 2021 from to RON 1,877.5 million (EUR 388.1 million) in 2020, on the back of higher operating income, while operating expenses marginally increased.

Net interest income slightly improved by 2.2% to RON 2,422.1 million (EUR 492.2 million) in 2021, from RON 2,371.0 million (EUR 490.1 million) in 2020, driven by higher loan and deposit volumes in both retail and corporate, partly offset by lower market rates.

Net fee and commission income strongly increased by 22.2%, to RON 867.9 million (EUR 176.4 million) in 2021, from RON 710.0 million (EUR 146.8 million) in 2020, on the back of higher transactional business.

Net trading result increased by 7.6%, to RON 383.5 million (EUR 77.9 million) in 2021, from RON 356.5 million (EUR 73.7 million) in 2020, mainly driven by higher trading activity.

Operating income increased by 6.9%, to RON 3,791.7 million (EUR 770.5 million) in 2021, from RON 3,546.3 million (EUR 733.0 million) in 2020, driven by higher business volumes.

General administrative expenses reached RON 1,671.6 million (EUR 339.7 million) in 2021, marginally up by 0.2% in comparison to RON 1,668.8 million (EUR 344.9 million) in 2020, mainly due to higher investments in IT, partly compensated by positive impact from the deconsolidation of CIT One subsidiary and optimisation of retail branch network as well as by a slightly lower contribution to deposit insurance fund in 2021.

As such, **cost-income ratio improved to 44.1% in 2021**, versus 47.1% in 2020.

Risk costs and Asset Quality

Impairment result from financial instruments recorded an allocation of RON 228.4 million (EUR 46.4 million) in 2021, significantly below the amount of RON 521.3 million (EUR 107.7 million) booked in 2020. This allocation consisted mainly of collective provisions booked for the performing portfolio, which is in line with the bank's prudent risk approach in the current context.

NPL ratio reached 3.9% as of December 2021, lower than 4.5% recorded as of December 2020. This evolution is reflecting the low NPL formation, a good trend of recoveries and healings in both retail and corporate segments and also the increase in loans to customers. At the same time, the NPL provisioning coverage stood at 138.2% as of December 2021.

Capital position and funding

Solvency ratio for BCR Bank standalone, according to the capital requirements regulations (CRR) stood at 20.8% as of December 2021, well above the regulatory requirements of the National Bank of Romania. Furthermore, the Tier 1+2 capital ratio of 19.93% (BCR Group) as of December 2021 is clearly reflecting BCR's strong capital and funding positions.

Foreign exchange rates used for conversion of figures into EURO are the ones provided by the European Central Bank. The income statement is converted using the average exchange rate for 2021 of 4.921 RON/EUR (2020 of 4.8381 RON/EUR) The balance sheets are converted using the closing exchange rates 4.949 RON/EUR at 31 December 2021 (31 December 2020: 4.8683 RON/EUR) . All the percentage changes refer to RON figures.

3. 2021 financial and commercial highlights *(continued)*

Net loans and advances to customers increased by 11.3% to RON 47,868.5 million (EUR 9,672.4 million) as of 31 December 2021 from RON 43,002.5 million (EUR 8,833.2 million) as of 31 December 2020, supported by increases in both retail loans (+7.0% ytd to RON 26,957.1 million) and corporate loans (+18.1% ytd to RON 20,753.7 million).

Deposits from customers increased by 11.7% to RON 72,458.4 million (EUR 14,641.0 million) as of 31 December 2021 versus RON 64,876.8 million (EUR 13,326.4 million) as of 31 December 2020, supported by increases in both retail deposits (+5.6% ytd to RON 46,184.6 million) and corporate deposits (+21.4% ytd to RON 24,019.3 million).

4. Outlook for BCR's activity in 2022

4.1. 2022 expected macroeconomic development

Average economic growth over 2022-2026 is expected near 5% per year, with a peak of 5.3% in 2024 due to elections.

Inflows of EU funds up to EUR 79.9bn in 2021-2027 (EUR 46.3bn regular Multiannual Financial Framework 2021-2027 + EUR 33.5bn Next Generation EU) are top drivers of economic growth in the years to come. 70% of EU grants worth a total of EUR 13.7bn frontloaded in 2021-2022.

Economic growth rebalancing from consumption towards investments underway, negative contribution of net exports to real GDP requires structural reforms to boost competitiveness.

4.2. Balance Sheet developments

Loan production will continue to be the key growth driver for the total assets, with an estimated double-digit compound growth in 2022, sustained by digital lending initiatives and state programs (i.e. IMM invest, PNRR program, Prima Casa).

Retail loans portfolio is assumed to increase in 2022 on the account of dynamic consumer lending (double-digit growth in cash loans gross balance) and mortgages (high-single-digit growth), housing standard having a strong growth while Prima Casa remains stable. Retail lending stock will reach a double-digit growth rate by end of 2022 supported mainly by previously mentioned products.

Corporate is expected to see a double-digit increase in lending portfolio, with positive developments in SME and LC segments.

On the liabilities side, both Retail and Corporate deposits will continue their upward trend in line with market development as a result of BCR strategy to increase the number of active customers and our focus on digitalization, supported by new George value proposition.

4.3. Statement of profit or loss

Net interest income is expected to increase in 2022 due to favourable market rates environment and higher lending volumes.

Net fees and commissions income is expected to register a high-single-digit growth rate in 2022, driven by higher number of clients and our focus on fee-generating products (e.g. investment and insurance, factoring); positive effects are expected to be partially offset by pressure from competition and migration of transactions to machines and digital channels.

Sound advance in **Net trading result** estimated for 2022 mainly on the back of treasury sales.

Operating expense up within budget year, main driver being HR area, where salaries increases and bonus pool update are planned starting 2022, generated mainly by inflationary environment and market pressure.

Risk cost development in 2022 is expected to remain at similar levels to 2021.

The evolving Russia-Ukraine situation does not impact the Group directly, as it has no operating presence in those countries; exposures to both countries are negligible and no additional risk provisioning is currently required in this context. Indirect effects, such as financial market volatility or sanctions-related knock-on effects on some of our customers cannot be ruled out, though. Further geopolitical developments might lead to economic difficulties. Any resulting financial effects cannot be assessed at the current point in time.

5. Statement of financial position of the Group and of the BCR

5.1. Statement of compliance

As of 31 December 2021, 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 2021 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 2021 amounted to RON 89,090,498 thousand, increasing by 12% compared to 31 December 2020 (RON 79,538,233 thousand). At BCR Group level, the total assets increased by 10.1% from RON 81,986,672 thousand as at 31 December 2020 to RON 90,255,119 thousand as at 31 December 2021.

	Group			Bank		
in RON thousands	**31.12.2021**	**31.12.2020**	**Variance %**	**31.12.2021**	**31.12.2020**	**Variance %**
Assets						
Cash and cash equivalents	13,317,439	10,538,199	26.4%	13,069,516	10,193,736	28.2%
Financial assets held for trading	1,704,540	1,248,822	36.5%	1,704,540	1,248,822	36.5%
Derivatives	23,994	39,891	-39.9%	23,994	39,891	-39.9%
Other financial assets held for trading	1,680,546	1,208,931	39.0%	1,680,546	1,208,931	39.0%
Non-trading financial assets mandatorily at fair value through profit or loss	65,753	104,739	-37.2%	65,502	104,504	-37.3%
Equity instruments	35,121	75,033	-53.2%	34,870	74,798	-53.4%
Debt securities	30,632	27,781	10.3%	30,632	27,781	10.3%
Loans and advances to customers	-	1,925	-100.0%	-	1,925	-100.0%
Financial assets at fair value through other comprehensive income	7,834,955	7,536,126	4.0%	7,805,091	7,511,525	3.9%
Debt securities	7,834,955	7,536,126	4.0%	7,805,091	7,511,525	3.9%
Financial assets at amortised cost	62,702,857	57,990,947	8.1%	63,381,929	57,372,656	10.5%
thereof pledged as collateral	210,331	421,310	-50.1%	1,425,072	1,416,847	0.6%
Debt securities	15,570,473	14,827,570	5.0%	15,382,134	13,986,991	10.0%
Loans and advances to banks	1,362,313	2,028,021	-32.8%	1,362,004	2,026,208	-32.8%
Loans and advances to customers	45,770,071	41,135,356	11.3%	46,637,791	41,359,457	12.8%
Finance lease receivables	1,445,231	1,301,380	11.1%	11,240	15,106	-25.6%
Property and equipment	1,094,606	863,743	26.7%	820,178	803,005	2.1%
Investment property	150,223	171,860	-12.6%	150,223	171,860	-12.6%
Intangible assets	361,674	348,900	3.7%	349,068	339,662	2.8%
Investments in joint ventures and associates	42,109	39,031	7.9%	33,470	33,470	0.0%
Current tax assets	185,406	230,979	-19.7%	182,155	227,831	-20.0%
Deferred tax assets	200,946	173,378	15.9%	194,629	165,784	17.4%
Assets held for sale	227,730	625,253	-63.6%	9,153	192,247	-95.2%
Trade and other receivables	653,237	563,885	15.8%	631,610	548,097	15.2%
Investments in subsidiaries	-	-	-	518,464	448,521	15.6%
Other assets	268,413	249,430	7.6%	163,730	161,407	1.4%
Total assets	**90,255,119**	**81,986,672**	**10.1%**	**89,090,498**	**79,538,233**	**12.0%**

5. Statement of financial position of the Group and of the BCR *(continued)*

5.3. Statement of financial position – liabilities and equity

in RON thousands	Group			Bank		
Liabilities and Equity	**31.12.2021**	**31.12.2020**	**Variance %**	**31.12.2021**	**31.12.2020**	**Variance %**
Financial liabilities held for trading	22,343	52,051	-57.1%	22,359	52,051	-57.0%
Derivatives	22,343	52,051	-57.1%	22,359	52,051	-57.0%
Financial liabilities measured at amortised cost	77,835,634	69,847,085	11.4%	77,617,727	68,527,999	13.3%
Deposits from banks	430,383	1,066,225	-59.6%	1,569,445	2,065,137	-24.0%
Borrowings and financing lines	849,192	1,453,289	-41.6%	246,763	426,827	-42.2%
Deposits from customers	72,458,416	64,876,774	11.7%	71,721,511	63,591,718	12.8%
Debt securities issued	2,733,120	614,801	344.6%	2,733,120	614,801	344.6%
Subordinated loans	503,964	1,087,260	-53.6%	503,964	1,087,260	-53.6%
Other financial liabilities	860,559	748,736	14.9%	842,924	742,256	13.6%
Lease liabilities	435,710	428,737	1.6%	435,710	426,424	2.2%
Provisions	1,793,931	1,857,633	-3.4%	1,149,254	1,145,984	0.3%
Current tax liabilities	48,764	2,985	1533.6%	45,104	-	-
Deferred tax liabilities	14,317	11,833	21.0%	-	-	-
Liabilities associated with assets held for sale	-	150,294	-100.0%	-	-	-
Other liabilities	383,978	291,133	31.9%	333,489	234,409	42.3%
Total equity	**9,720,442**	**9,344,921**	**4.0%**	**9,486,855**	**9,151,366**	**3.7%**
Attributable to non-controlling interest	50	43	16.3%	-	-	-
Attributable to owners of the parent	9,720,392	9,344,878	4.0%	9,486,855	9,151,366	3.7%
Share capital	2,952,565	2,952,565	0.0%	2,952,565	2,952,565	0.0%
Retained earnings	5,143,334	4,630,400	11.1%	4,900,768	4,419,688	10.9%
Other reserves	1,624,493	1,761,913	-7.8%	1,633,522	1,779,113	-8.2%
Total liabilities and equity	**90,255,119**	**81,986,672**	**10.1%**	**89,090,498**	**79,538,233**	**12.0%**

6. Statement of profit or loss of the Group and of the BCR

	Group			Bank		
in RON thousands	**31.12.2021**	**31.12.2020**	**Variance %**	**31.12.2021**	**31.12.2020**	**Variance %**
Net interest income (1)	**2,422,069**	**2,371,025**	**2.2%**	**2,305,635**	**2,248,995**	**2.5%**
Interest income	2,695,293	2,721,402	-1.0%	2,631,663	2,635,589	-0.1%
Other similar income	65,960	63,517	3.8%	3,299	5,631	-41.4%
Interest expense	(320,385)	(393,464)	-18.6%	(310,614)	(372,153)	-16.5%
Other similar expense	(18,799)	(20,430)	-8.0%	(18,713)	(20,072)	-6.8%
Net fee and commission income (2)	**867,922**	**709,999**	**22.2%**	**805,904**	**664,455**	**21.3%**
Fee and commission income	1,093,800	913,890	19.7%	1,020,813	856,101	19.2%
Fee and commission expense	(225,878)	(203,891)	10.8%	(214,909)	(191,646)	12.1%
Dividend income (3)	3,210	3,312	-3.1%	4,303	3,683	16.8%
Net trading result (4)	386,284	345,186	11.9%	377,933	335,938	12.5%
Gains/(losses) from non-trading financial instruments mandatorily measured at fair value through profit or loss (5)	2,642	14,608	-81.9%	2,642	14,608	-81.9%
Foreign currency translation (6)	(5,430)	(3,261)	66.5%	(2,925)	608	-581.1%
Net result from equity method investments (7)	3,441	(2,060)	-267.0%	-	-	-
Rental income from investment properties and other operating leases (8)	111,568	107,489	3.8%	5,953	8,298	-28.3%
Personnel expenses (9)	(799,008)	(804,958)	-0.7%	(737,025)	(695,984)	5.9%
Other administrative expenses (10)	(657,200)	(644,115)	2.0%	(645,240)	(658,967)	-2.1%
Depreciation and amortisation (11)	(215,432)	(219,695)	-1.9%	(205,366)	(206,796)	-0.7%
Operating Income (1+2+3+4+5+6+7+8)	**3,791,706**	**3,546,298**	**6.9%**	**3,499,445**	**3,276,585**	**6.8%**
Operating Expense (9+10+11)	**(1,671,640)**	**(1,668,768)**	**0.2%**	**(1,587,631)**	**(1,561,747)**	**1.7%**
Operating Result	**2,120,066**	**1,877,530**	**12.9%**	**1,911,814**	**1,714,838**	**11.5%**
Gains/(losses) from derecognition of financial assets measured at amortised cost	-	11	-100.0%	-	11	-100.0%
Other gains/(losses) from derecognition of financial instruments not measured at fair value through profit or loss	(31)	(59)	-47.5%	(31)	(59)	-47.5%
Net impairment loss on financial instruments	(228,362)	(521,271)	-56.2%	(201,659)	(505,325)	-60.1%
Other operating result, out of which	**(161,277)**	**(291,102)**	**-44.6%**	**(29,637)**	**(192,356)**	**-84.6%**
Other income	226,959	208,479	8.9%	206,375	81,192	154.2%
Other expense	(388,236)	(499,581)	-22.3%	(236,012)	(273,548)	-13.7%
Pre-tax result from continuing operations	**1,730,396**	**1,065,109**	**62.5%**	**1,680,487**	**1,017,109**	**65.2%**
Taxes on income	(320,618)	(251,001)	27.7%	(302,570)	(237,151)	27.6%
Net result for the period	**1,409,778**	**814,108**	**73.2%**	**1,377,917**	**779,958**	**76.7%**
Net result attributable to non-controlling interests	7	(9)	-177.8%	-	-	-
Net result attributable to owners of the parent	**1,409,771**	**814,117**	**73.2%**	**1,377,917**	**779,958**	**76.7%**

7. Equity accounts and profit distribution

7.1. Equity accounts as at 31 December 2021

The Bank's equity as at December 31st 2021, amounts to RON 9,486,855 thousands and is detailed below:

in RON thousands	Bank
Share capital[1]	1,625,342
Adjustment of the capital – hyperinflation	1,327,223
Share premium	395,483
Other reserves	1,222,377
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	222,414
Other comprehensive income	15,662
Retained earnings	3,522,851
Net profit for the period	1,377,917
Total amount of the Bank's equity	**9,486,855**

[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 99.887% of share capital at 31st December 2021.

7.2. Profit distribution

The net profit of the Bank for the financial year ended 31 December 2021, amounting to RON 1,377,916,640 will be distributed according to the law and General Meeting of Shareholders' decision.

The proposal for the distribution of profit is in accordance with: art. 29 para. 1 of the Accounting Law no. 82/1991, republished as subsequently amended and supplemented, para. 67 of the Law no. 31/1990, republished as subsequently amended and supplemented and para. 27 of BCR Charter. The Supervisory Board proposes to the General Meeting of Shareholders the distribution of 2021 net profit as follows:

RON	Bank
Legal reserves	-
Other Reserves[1]	20,697,468
Dividend distribution[2]	964,541,648
Retained earnings[3]	392,677,524
Total	**1,377,916,640**

[1]The amount of RON 20,697,468 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 mandatorily allocated to Reserves.

[2]The amount of RON 964,541,648 represents the gross amount of the dividends.

[3] The retained earnings totalling RON 392,677,524 will be used in accordance with the Bank's capital strategy.

7.3. Own funds elements

Pursuant to Regulation 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No. 648/2012, Chapter II "Basic Tier 1 Own Funds", Article 26, paragraph 1, the main own funds items other than share capital instruments are: retained earnings, other items of accumulated comprehensive income, other reserves and funds for general banking risks. Eligible own funds items are included net of potential obligations (foreseeable dividends, taxation effects). In case of reinvested accounting profit, the amount included in own funds will be net of any potential tax charge at the moment of its calculation. The taxation effect will be maintained until the full amortization (useful life expiry) of assets for which fiscal facility was calculated.

These items are considered Own Funds Common Equity Tier 1 only if they are available to the Bank for unrestricted and immediate use in order to cover risks or losses as soon as they appear.

8. Subsidiaries business performance overview and predictions

8.1. BCR Chisinau SA

BCR Chisinau is an universal bank, subsidiary of BCR with strategic focus on corporate clients, their employees and partners.

In 2021, BCR Chisinau registered an increase of its loan portfolio of 16.4% compared to 2020 under Covid-19 conditions. The major contributor was the SME segment (54.8% of the total increase on the Bank). The Retail segment registered a positive trend as well, increasing by 14.6% as compared to 2020 figures. The major stack from this increase had mortgage loans disbursed to individuals with 13.7%. In the conditions of fierce competition, the bank was able to increase the portfolio thanks to the confidence of the clients towards the bank. During 2021, BCR Chisinau implemented an unique loan product for the retail market of Moldova, consisting of a long-term credit ceiling in which the clients can contract additional loans without incurring additional expenses related to the pledge.

The share of Non-performing loans decreased in 2021 to 3% from 4.7% in 2020 (the NPLs are concentrated in a limited number of loans of a single client and mostly provisioned). As a core part of its risk management strategy, BCR Chisinau maintained a prudential approach by increasing its provisions, calculated in accordance with International Financial Reporting Standards (IFRS) and in accordance with the requirements applied in BCR Group. In this context, the coverage rate on non-performing loans has increased from 98.5% in 2020 to 131.1% in 2021. BCR Chisinau registered a net profit in 2021 of MDL 2.1 mn (RON 0.5 mn) driven by the increase in its operating result (in 2020: MDL 23.7 mn or RON 5.8 mn).

The strategic pillars for 2022 remained unchanged, these being based on diversification, increasing revenues from operational activity, increasing the level of automation, continuous alignment with the requirements of the local regulator and group policies.

8.2. BCR Leasing IFN SA

BCR Leasing provides financial leasing products, such as leasing for cars, industrial equipment and car fleets.

In 2021, 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 12% compared to the previous year, reaching RON 2.9 billion based on new sales volumes of EUR 299.3mn, as well as the quality of the existing portfolio. The share of non-performing exposures remained at a low level of 4.13% (4.07% in 2020), reflecting the efforts to improve the quality of the portfolio, as well as the quality of new sales.

The operating result increased by 11% compared to the previous year (RON 81 mn in 2021 vs. RON 73 mn in 2020), mainly due to the increase in net interest income by 8% (RON 86mn in 2021 vs. RON 78mn in 2020). In 2021, the cost/income ratio improved from 31.7% in 2020 to 29.7%, reflecting the company's efficiency. BCR Leasing registered a net profit in 2021 of RON 33.9 mn. The sales volume continued to be stimulated by both sales channels, the Bank and the partnerships with dealers / importers.

In 2022, BCR Leasing will continue its development on key strategic 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 2021, according to the statistics published on website of Financial Supervisory Authority, the **mandatory private pension Fund** managed by BCR Pensii has a market share of 9.19%, managing the assets of 716,339 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 25.07% corresponding to a number of 141,356 participants, for the same date (31.12.2021). Net profit in 2021 is in amount of RON 28.1 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.

The BCR Pensii strategy continues in 2022 with the pursue of increasing the number of participants to the voluntary pension fund BCR Plus improving the quality of the products and services offered to the participants, as well as gaining participants' loyalty through the continuous improvement of the communication channels.

8.4. BCR Banca pentru Locuinte SA

The activity of BCR Banca pentru Locuinte SA consists in the sale and management of savings and loan products for housing purposes (type Bauspar).

The total portfolio of BCR Banca pentru Locuinte SA (saving contracts) as of 31 December 2021 is 44,031 number of contracts (84,208 as of 31.12.2020) and customers have realized savings in amount of RON 0.45 billion, as compared to RON 1.04 billion as of 31 December 2020, considering that the activity of selling new lending-saving contracts ("ECDL contracts") was suspended in February 2016.

Lending activity, for approved loans, decreased by 65.4% at the end of 2021 (RON 0.24 million) compared to the end of 2020 (RON 0.68 million).

The financial result of 2021 is profit in amount of RON 32 mn.

The update regarding the audit mission of the Romanian Court of Accounts at BpL is presented in the Financial Statements – Note 36 Litigations and contingent liabilities.

In preparing the financial statements for the financial year ended December 31, 2021, the BpL's management considered is appropriate to apply the going concern approach. For further details, please refer to Consolidated and Separate financial statements, Note 38 – Subsidiaries.

8.5. Suport Colect SRL

In 2021, Suport Colect continued performing its core business activity represented by the collection of the loans receivables portfolio owned, including cash collections from receivables, or through properties obtained as debt to asset swaps, either amiable or in enforcement or sale of receivables.

In 2021, the Company reported under IFRS standalone a net profit amount of RON 13.6 mn (2020: RON 8.8 mn) mainly due to positive effect obtained from collection activity on the portfolio of loan receivables and to the litigation's provisions release.

In 2022, the action plans are focused on the following main aspects: sale of the properties owned, continue the efforts to realize recoveries on the loans receivables portfolio and close the related litigations (having the enforcement process closed, collateral sold, close litigations).

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 9 years, BCR Fleet Management has become an important player in the operational leasing market with a total fleet of over 5,000 vehicles and total asset size of RON 489 mn at the end of 2021, showing an increase of 9% compared to last year. BCR Fleet Management's clients are mostly multinational corporations or large Romanian companies, as well as public sector organizations.

The operating income of the company reached RON 80mn, up 12% compared to last year sustained through increased rent revenue by new sales volume of approximately RON 135mn.

As at December 2021, the Management Board of BCR Fleet Management has evaluated the overall situation of the company and concluded that the appropriate approach is to prepare its financial statements for 2021 on a gone concern basis because it intends to cease concluding new lease contract and consequently to wind down the remaining portfolio in accordance with the Group's strategy.

Until the process is finalized, for 2022, BCR Fleet Management commercial strategy will be focused on developing further the cars and light commercial vehicles portfolio, selling a part of the existing fleet, without acquiring new transactions on heavy commercial vehicles and equipment segments. Apart for that, BCR Fleet Management will aim to improve operational efficiency by adjusting its processes and workflows to its actual size.

8. Subsidiaries business performance overview and predictions *(continued)*

8.7. BCR Payments Services SRL

BCR Payments Services SRL is a subsidiary of the BCR Group, founded in 2011, following the outsourcing of payment processing which were made until then integrated into the same unit BCR Sibiu Processing Centre of the Banking Operations Division. The company is responsible for centralized processing of payment transactions in local and foreign currency, debt instruments in local currency and foreign currency, accounts opening and maintenance.

BCR Payments Services serves all local units of BCR, Operations Division, and other BCR divisions, on the base of the outsourcing contract signed between the two parties. During 2021, 3.2mn transactions were processed and the company's net profit at 31 December 2021 amounted RON 658 thousand under IFRS standalone.

In 2022, 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

The overall focus of risk and capital management throughout 2021 was maintaining Group's risk profile in line with Bank's Risk Strategy, by supporting the strategic management initiatives with the focus on balance sheet optimization.

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. 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 requires an approach that takes differences in business structures, size, complexity and relevance into account. This will ensure a meaningful, suitable and adequate application across the Group in line with local needs and capabilities while still fulfilling overall 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 2021, 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. The Bank's and group risk profile *(continued)*

9.4. Individual risk profiles for the key risk types *(continued)*

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.

9.4.5. 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).

9. The Bank's and group risk profile *(continued)*

9.4. Individual risk profiles for the key risk types *(continued)*

9.4.6. Liquidity & Funding Risk *(continued)*

Furthermore, the funding liquidity risk is divided into structural liquidity risk (the long-term risk of losses due to a change in the Bank's own refinancing cost or spread) and insolvency risk (the short-term risk that current or future payment obligations cannot be met in full, on time in an economically justified way).

The Group has an appropriate reporting framework for liquidity and funding risk management which includes the scope, possible manifestations and frequency of these risks, and which also designates the entity responsible for preparing the specific reports.

Additionally, BCR Bank and BCR BpL implemented and delivers to the regulator the Additional Liquidity Monitoring Metrics (ALMM) reports, thus benefiting from a more comprehensive analysis of their financing sources.

The Bank has an adequate set of limits on the values of various liquidity risk indicators, which enable it to closely monitor and control liquidity risk. These limits are also cascaded down to the major entities of the Group (i.e. BCR BpL and BCR Chisinau), which have also implemented the limits and set their own values, based on prior approval from the Bank.

The Bank is also using the Survival Period Analysis ("SPA") as a key tool for measuring liquidity risk; its aim is to assess whether sufficient liquidity can be obtained in order to operate at a level where the Bank can survive for the length of all predefined liquidity crisis scenarios. The analysis is performed per each significant currency (i.e. RON and EUR), and per total currencies.

Another important tool for Bank's funding risk management process is the CFP (Contingency Funding Plan). It provides a useful framework in the event the Bank is unable to fund some or all of its activities in a timely manner, and at a reasonable cost.

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 – as accurately as possible – including prediction of the timing of these flows throughout the day;
- estimation of the possible cash-flow shortages throughout the day through a good information flow integrated in the current business process;
- 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 (both RON and EUR) 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. The Bank's and group risk profile *(continued)*

9.4. Individual risk profiles for the key risk types *(continued)*

9.4.7. Operational Risk

The Group's operational risk is governed by an operational risk management policy, which defines:

- the operational risk management structure, hierarchy and governance model ("three lines of defence model");
- the risk appetite setting the limits of residual operational risk tolerance (OpRisk scaling matrix);
- common standards for managing and documenting operational risk within the Group;
- the framework that ensure OpRisk (OpRisk concentrations) are adequately identified, assessed, documented and managed.

The quantitative measurement methods are based on internal loss experience data, which are collected across Erste Group using a standard methodology and entered into a central data pool. In addition to the quantitative methods, qualitative methods are also used to determine operational risk, such as risk and control self-assessment, outsourcing risk assessments, scenario analysis etc. The Group also reviews certain key indicators periodically to ensure early detection of changes in risk potential that may lead to losses.

To lower the operational risk profile, Bank has undertaken the following measures:

- permanent development and improvement of control environment;
- improvement of operational loss data collection;
- performing periodical stress tests/ sensitivity analysis related to the impact of operational risk on the Bank and Group.

The Bank and its subsidiaries have implemented a wide range of specific ratios for managing operational risk. The monitoring and regular reporting of operational risk indicators (KRI) is enabling the Bank to detect any change in its exposure to operational risk in due time. Also, the Bank is monitoring the evolution of recorded events, as well as through implementing/ solving corrective measures.

9.4.8. Reputational Risk

Reputational risk is defined as the current or prospective risk to earnings and capital arising from adverse perception of the image of the credit institution on the part of customers, counterparties, shareholders, investors or supervisory authorities.

Reputational risk issues arise from transactions with clients or through different business activities. However, due to its nature, these usually materialize through other risk types. The primary responsibility for the identification, escalation and resolution of reputational risk issues resides with business and the relevant risk type owner supports their resolution.

Reputational risk registered improvements based on continuing initiatives / projects, such as the financial education program, strengthening corporate culture, using the risk return decision tool, product approval process.

10. Risk management

10.1. ICAAP framework

The Group has continued to strengthen its ICAAP comprehensive framework. This includes as its fundamental pillar the ICAAP (Internal Capital Adequacy Assessment Process) required under Pillar 2 of the Basel framework.

The ICAAP framework is a holistic steering and management model designed to support the Group in managing its risk portfolios and its risk bearing capacity by ensuring that the Bank has, at all times, an adequate coverage potential which ensures the necessary capital adequacy to sustain its business and risk strategy.

A key component of ICAAP is the assessment of the group's capital adequacy using economic capital measures. In the ICAAP, the Group identifies and measures its risks and ensures that it has sufficient capital in relation to its risk profile. The process also ensures that adequate risk management systems are used and further developed. The relevant components of the framework refer to:

- risk profile & risk materiality assessment;
- risk appetite (RAS);
- risk bearing capacity (RCC);
- stress testing;
- limit framework;
- risk concentration analysis;
- risk planning and forecasting;
- recovery and resolution plan.

10.1.1 Risk profile

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

The Group Risk Profile is developed within the Risk Appetite and by evaluating the material risks to which the Bank is exposed. Group ICAAP Report monitors the development of BCR Group Risk Profile compared with the Risk Appetite and Risk Strategy and it is presented to the Management Board and Supervisory Board on a quarterly basis.

10.1.2 Risk appetite (RAS)

The Risk Appetite is defined as the aggregate level and types of risk that the Group is willing to assume within the limits of its risk capacity, according to its business model, in order to achieve its strategic objectives.

RAS represents a strategic statement expressing the maximum level of risks the Group is prepared to accept in order to achieve its business objectives. It consists of a set of core metrics providing quantitative direction for risk steering, as well as qualitative statements in the form of key risk principles that form part of the strategic guidelines for managing risks.

10.1.3 Risk bearing capacity (RCC)

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

The Risk Bearing Capacity calculation defines the capital adequacy required by ICAAP. Within the RCC the Group's risks measured from an internal economic perspective are summed up to provide the basis to determine the Group's Economic Capital. The Economic Capital is then compared to internal capital, as measured by the coverage potential.

The integral forecast, risk appetite limits and the traffic light system support management in its discussions and decision process. The traffic light system embedded in the Group's RCC helps to alert the management in case there is need to decide on, plan and execute actions either to replenish the capital base or to take measures for reducing risk.

10. 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 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.

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 creditability 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.

11.2. General Ordinary and Extraordinary Meeting of Shareholders

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.

11. Statement regarding corporate governance *(continued)*

11.2 General and Extraordinary Meeting of Shareholders *(continued)*

The Extraordinary GMS deliberates and decides on:

- change in the legal form of the Bank ;
- reducing the share capital or its increase, except the case when the increase is decided by the Management Board;
- reconstituting the share capital in order to meet the minimum capital requirements established by law;
- reshaping the Bank main business activity as set forth in Article 9 of the Charter;
- the merger of the Bank with any other company or the Bank splitting up process;
- the liquidation and dissolution of the Bank;
- issuance of bonds;
- conversion of one category of bonds into another category or into shares;
- conversion of shares from one class to another;
- re-organizing, consolidating or provision documents regarding to fixed assets, when the value of transactions exceeds 25 (twenty five) percent of the Bank own funds;
- contracts conclusion by the Management Board's members regarding the acquisition, selling, lease, exchange or pledge of the Bank assets if the value of such assets exceeds 50 % of the Bank's assets book value on the date of concluding such legal agreement, based on the last available annual financial statements;
- purchase by the Bank of its own shares, directly or indirectly, in accordance with the law;
- amending the Bank 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 three-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 three-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;

11. Statement regarding corporate governance *(continued)*

11.3. The Supervisory Board (SB) (*continued*)

- approves and assesses (at least yearly) the policy regarding compliance risk and its implementation;
- approves the guidelines for staff policy and the organizational structure of the Bank down to the level of independent entities inclusively and any changes thereof.

During 2021, the following changes in the Supervisory Board membership took place:

- Mrs Alexandra Habeler Drabek resigned from her position of member of the Supervisory Board starting February 1st, 2021;
- Mrs Birte Quitt resigned from her position of member of the Supervisory Board starting August 5th, 2021;
- On April 23rd, the Ordinary General Shareholders Meeting approved the appointment of Mr Stefan Dörfler as a member of the Supervisory Board. Mr Stefan Dörfler took over the responsibilities after the receival of NBR authorisation on October 20th, 2021;
- On November 15th, the Ordinary General Shareholders Meeting approved the appointment of Mrs Iris Bujatti as a member of the Supervisory Board – currently under NBR authorisation procedure.

As of 31.12.2021, the members of the Supervisory Board were:

- Manfred Wimmer – Chairman;
- Bernhard Spalt – Deputy Chairman;
- Daniela Camelia Nemoianu – member;
- Hildegard Gacek – member;
- Elisabeth Krainer Senger – Weiss – member;
- Stefan Dörfler – member;
- Iris Bujatti – appointed member - under NBR authorisation procedure.

The Supervisory Board may establish committees as necessary and appropriate consisting of at least 3 members of the Supervisory Board, the duties of which will include carrying out analysis and drawing up recommendations for the Supervisory Board in the following main areas: audit, remuneration, nomination and risk.

At December 31st, 2021 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 by 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 by 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 by 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;

11. Statement regarding corporate governance *(continued)*

11.4. Management Board (MB) *(continued)*

- approving the level of interest, commission, fees, costs and other similar bank changes collected and paid by the Bank in line with the budget approved by the General Meeting of Shareholders;
- approving the internal rules of the committees established by the Management Board.

The Members of the Management Board as of 31.12.2021 were as follows:

1. **Sergiu Cristian Manea** – Executive President, Chairman of the Management Board - mandate valid until 28.02.2026;
2. **Elke Meier** – Executive Vice-President coordinating the Financial functional line, Member of the Management Board - mandate valid until 31.12.2023;
3. **Ilinka Kajgana** – Executive Vice-President, coordinator of the Risk functional line, Member of the Management Board - mandate valid until 31.12.2023;
4. **Dana Luciana Dima** - Executive Vice-President coordinating the Retail and 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 – authorised by NBR starting with April 5th, 2021 with a mandate valid until 31.12.2023.

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

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

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

As at 31.12.2021, 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 by the ALCO 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 and Private Banking VP – member.

The responsibilities, organization, working means and procedures of Credit Committee are established by the Credit Committee and Subcommittee Internal Rules.

11. Statement regarding corporate governance *(continued)*

11.4. Management Board (MB) *(continued)*

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 – Chair of the Committee, COO – Deputy Chair of the Committee, CRO, VP Retail & Private Banking and B-1 Business Information Center Division - members. The responsibilities, organization, working means and procedures of Business Information Center Committee are established by the MB subcommittees Internal Rules.

11.4.5. Sustainability Committee

Sustainability Committee is subordinated to the Management Board and ensures in-depth discussions and review of all sustainable related topics coordinated with the Risk functional line.

The Committee comprises of 5 members of the Management Board, namely the CRO – Chair of the Committee, CEO – Deputy Chair of the Committee, CFO, COO and VP Retail and Private Banking – members of the Committee. The responsibilities, organization, working means and procedures of the Sustainability 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 of environmental, social responsibility, respect for human rights and fighting corruption and bribery, based on the best practices and the principles published and adopted by institutions such as the European Bank for Reconstruction and Development (EBRD) and International Finance Corporation (IFC).

BCR has an official internal policy aimed at fighting against bribery and corruption. It has implemented regular training and testing for all its employees in order to acknowledge and implement measures against acts of bribery and corruption.

The employees are offered the necessary tools to recognize and report.

In Erste Group, there is an official environmental and sustainability policy which is implemented in all the subsidiaries and there is an annual report on the topic.

BCR diversity and inclusion principles are embedded in the Code of Conduct as well as in BCR Diversity and Inclusion Policy which places emphasis on providing a work environment free of discrimination and harassment and valuing the work and worth of each and every person, regardless of gender, age, marital status, sexual orientation, disability, race, skin colour, religious or political affiliation, ethnic background, nationality, citizenship or any other aspect unrelated to employment.

The non-financial statement is at consolidated level, BCR is the main contributor, therefore certain information are presented at bank level.

12.1. Corporate Social Responsibility

BCR is an active member of the community who intermediates value and brings prosperity in the communities where it works. BCR's strategic directions regarding community involvement are:

- financial literacy for all ages;
- support and promote leaders and role models;
- civic leadership;
- young people empowerment and supporting youth projects;
- education for soft skills and practical competences.

BCR implements the most complex financial literacy program for all target groups (adults, teenagers and youth, kids) whose purpose is to make people aware of the importance of financial literacy and to help them identify the factors that influence their financial decisions.

Money School is a national financial literacy program for each age group whose purpose is to help Romanians to better understand and manage their budget and to make them aware of the factors that influence their financial decisions. 1,500 BCR employees became financial education teachers through an intensive and out of the box training. They deliver online workshops to clients and non-clients that lasts 1.5-2h online. Participants become more aware of the ways they take their financial decisions and how to make a monthly budget. Launched five years ago, the program delivered training courses to almost half of million Romanians so far. In 2021, workshops were organized online but also offline during the summer-time and we managed to reach 55,000 Romanians, 40,000 kids and 15,000 adults. The participants that took part in these workshops were employees from different companies (client and no-clients), people who registered on the website and wanted to learn more about better money management (each Thursday we organized free workshops for those who registered on our platform www.scoaladebani.ro).

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 2021, we launched an online course for parents called Money School for Parents. In 2021, 10,000 users registered on the website and attended our online courses.

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. 40,000 kids have participated to 1,100 online workshops that took place in 2021.

12. Social responsibility, diversity & development activities *(continued)*

12.1. Corporate Social Responsibility *(continued)*

The book, **The School of Well-Raised Money**, published in 2019 at Universe Publishing House, is a creative guide to financial education for children. At the School of the Well-Raised Money, the rabbits Muşu and Nuşu, the squirrels Chichi, Richi and Michi, the hedgehog Bobita, the owls Bibina and Georgina teach children aged 7 to 14 how to deal with others and money, how to make a personal budget, but especially how to learn to be good and thoughtful. In 2020, we launched the second volume of the book, with new characters and stories on entrepreneurship and how to get over difficult times and organized online workshops with the writer of the book, Cristina Andone, that reached 6,700 children. In 2021, we organized the second edition of the drawing competition The School of Well Raised Money and we had more than 200 schools registered and more than 2,000 kids sent drawings.

BCR also focuses on civic leadership by supporting projects that help hundreds of NGO's annually and by empowering its employees to become active members of the community and to contribute to increasing people's level of trust in themselves and in the contribution that they can have in the society.

"Bursa Binelui" is a crowd funding platform focusing on campaigns to encourage and teach NGOs to fundraise using the platform. All donations that are made on the platform go directly to the beneficiaries as BCR covers all transactions costs. "Bursa Binelui" connects NGOs which implement projects in the communities with people who want to support them. Donations on Bursa Binelui platform grow constantly, in 2020 the platform reached the highest number of donations since it was launched, 7 years ago. In 2021, the organizations, that have registered on the platform, have collected over 100,000 euro from 6,253 donations, 19 donations made daily and around 79 lei donated per donation.

In addition to supporting education projects, BCR continues to implement youth projects, the **Youth Capital** being the most important of these. In 2021, a series of events and activities were organized in Constanta, the city that has the title of Youth Capital.

BCR also continued to support **the Next Tech Lab project**, the largest robotics competition in Romania. Over 33,000 students between the ages of 8 and 16 were able to enrol 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.

In 2021 we launched a communication campaign, **A financially smart Romania**, in which we did not promote banking products, but tips for a better financial life, through smart spots on TV, radio and online. The "BCR for a financially smart Romania" campaign was developed based on the results of a study conducted by Unlock which says that Romanians want more financial education, but do not turn to experts, 1 in 2 Romanians prefer to seek financial advice from family and friends. Thus, the campaign aimed to democratize access to financial education for Romanians, helping them better manage their choices and savings to build a smart financial future. The campaign revolves around the four most important financial education tips, which ran in advertising blocks in the form of public utility pills, which have the role of making known to Romanians the most accessible financial education tips that they can apply to and develop financial intelligence:

- Rule 50/30/20 on the correct allocation of the budget: 50% for usual expenses, 30% for wishes and 20% for savings and investments;
- Me first - pay yourself first. Save first, spend on what's left;
- 24H - Postpones the purchase of something for at least 24H to make sure you need it;
- Emergency fund - a reserve fund, where you have 3-6 monthly salaries.

During the campaign, we also got involved the team of Ambassadors of the School of Money, made up of 110 colleagues who published messages on social media and contributed to the distribution of campaign message.

Another community support project was the **Emergency Fund for Hospitals**, an initiative through which BCR supported Romanian hospitals with cash donations. The purpose of this action is to support the health system that has been tested recently. One of the biggest initiatives was to support the construction of the ATI Modular Hospital in Piatra Neamt through Daruieste Viata Association.

Within the **Art Safari project**, in its 8th edition in 2021, the presence of the George brand materialized by supporting and arranging exhibition spaces of contemporary art, creations that combine art and technology to offer visitors an unique experience.

Given the large influx of people from the mountain resorts, we decided to associate the George brand during the winter season with the **Snowline** ski school in Azuga. In this partnership, all George cardholders received a 10% discount on equipment rental and payment for beginner / advanced courses for skiing and snowboarding. The presence of the brand at the location and on the slope is signaled by flags, cubes and fluff, as well as by personalized equipment for monitors and students.

We supported the **Little Ace Tennis Club Association** for organizing at the Ciric Base, Iasi, the most important professional men's tennis tournament held in Romania. The tournament is included in the category of ATP Challenger 100 tournaments and offered prizes worth EUR 88,520. The tournament was attended by professional players ranked in the top 200 worldwide. BCR clients were invited to the competition. The competition area benefited from the BCR logo branding on the tennis courts, spiders, flags and in the social media promotion materials.

12. Social responsibility, diversity & development activities *(continued)*

12.2. BCR position regarding ESG (Environmental, Social and Governance)

Moreover, we continued to support the **Tenis Comesad tournament** in Pitesti, BCR is the official partner and sponsor of the Comesad Pitesti Tennis tournament since 2016. The tournament took place in August 2021 and brought together 64 athletes in qualifications and 32 athletes on the main board. BCR clients were invited to the event. The competition area benefited from the BCR logo branding on the tennis courts, spiders, flags and in the social media promotion materials.

Last but not least, we supported the **Corona Brasov hockey team**, and the partnership included BCR promotion on the skating rink areas, on the team's jerseys and on the team's promotional materials. Guests were invited to BCR clients who participated in the team games.

For BCR, the overall journey towards the fulfilment of ESG goals includes addressing climate and environmental risks and fully observing all regulatory framework and recommendations and also goes beyond this, as part of the bank intention to provide value to the social and economical environment. To this end, in 2021 BCR expanded its actions:

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

Another milestone for BCR was the issuance in October 2021 of its first Green Bond, listed on the main market of the Bucharest Stock Exchange, worth RON 500mn, under the umbrella of the Erste Group Sustainable Financing Framework. The bonds received a BBB+ rating from Fitch. The order book was well diversified, as pension funds, asset management firms, insurance companies, credit institutions and IFIs had large interest in the transaction.

Banca Comercială Română:

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

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

Generally, business operations of financial institutions have impact mainly through the indirect environmental impact of the loan portfolios. Nevertheless, the Bank's ambition is also to reduce its direct ecological footprint. Therefore, in respect of its own operations, the most effective way for the Bank to proceed was by reducing CO2 emissions, by switching to electricity from renewable sources. The Bank increased its share of directly purchased energy to approximately 50% from renewable sources, with the aim in 2022 to increase this share to 100%. In 2021, 100% of the electricity used in both headquarter buildings in Bucharest came from renewable sources. Both premises hold a LEED Platinum (Leadership in Energy and Environmental Design) certification. In addition, the Bank upgraded old heating and air conditioning systems and installed new sensors for lightening logos on premises used. In 2022, the focus will be on the car fleet strategy and electrification.

For December 2021, 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: 75.99% women and 24.01% men;
- average age: 39.88 years;
- level of studies: 84.5% employees with higher education and 15.5% employees with secondary education.

12. Social responsibility, diversity & development activities *(continued)*

12.3. Diversity and professional development *(continued)*

Approximately 38.75% of the employees are part of a trade union.

Work relations between managers and employees are based on mutual professional respect and good cooperation.

Pursuant to the provisions of the NBR Regulation no 11/2020, amending the NBR Regulation no 5/2013 on the prudential requirements for the credit institutions, as well as the provisions of the Diversity and Inclusion Policy, BCR adopted in 2021 new quantitative targets related to the representation of women in management positions (management bodies and executive managers).

Setting a target for the representation of the underrepresented gender in BCR management body and preparing a strategy on how to increase the number of the underrepresented gender in the management body are the responsibility of the Nomination Committee.

Human Resources Division in coordination with Erste Group responsible function will support the Nomination Committee in achieving this target through the following actions:

- incorporating the diversity principles in human resources instruments and processes;
- nominating more women into the Group succession pool;
- gender and age-balanced talent pool where all employees who meet clearly defined criteria (applicable to all) can apply in a transparent selection process;
- creating an inclusive work environment (promoting work-life balance, family-friendly policies, intergenerational dialogue);
- giving more visibility to senior female leaders (internally & externally); and
- diversity campaigns, educational programs, awareness raising, etc.

Considering the current gender structure of the management body, namely 3 members of the Management Board and 3 members of the Supervisory Board belonging to the underrepresented gender (the cumulative percentage of women appointed in the management bodies being of 55%), we consider that the requirements on the gender diverse governance bodies have been fully met.

12.4. Improvement and professional development

During 2021, there were 14,462 participations in various training sessions and workshops organized in accordance with our annual training plan, of which 44% represents participation in technical training courses.

The total average number of training days was 4.39 days per employee, of which in virtual sessions 2.99 days/employee and 1.40 days/employee in e-learning format.

In the context of the COVID-19 pandemic, the vast majority of instructor-led sessions (including the Induction session for new hires) were delivered in a virtual format. All the training topics essential to our colleagues' activity were redesigned for online delivery by using interactive and engaging techniques.

Our e-learning platform is actively used for on-line education as well as for regular testing sessions, such as: prevention and combating money laundering, information security, market abuse, financial sanctions, transparency and consumer protection, health and safety at work (SSM), compliance, data protection etc. 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 727 colleagues benefited from online courses on various current topics available on the international Udemy for Business platform.

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

In 2021, the Bank continued the process of transformation in line with worldwide digitalisation trends and ever-changing customer expectations and, for this purpose, a series of events and workshops were organized on relevant topics such as new ways of working, design thinking and agile methodologies.

The Bank continued to focus on management education by providing managers with various specific courses on management & leadership skills, so as to ensure they are prepared to face the challenges brought about by work from home conditions and contribute to overall achievement of strategic objectives.

12. Social responsibility, diversity & development activities *(continued)*

12.5. Performance Management and Professional Development

The main purpose of Performance Management and Professional Development is to establish, monitor, measure, enhance targets achievement and facilitate the professional development of BCR Staff.

In the Bank, the assessment of the staff professional activity is conducted periodically, evaluated by individual performance evaluation, by measuring the achievement rate of pre-set targets and by assessing the quality level of all staff rendered activities and compliance with the Internal Regulation provisions.

The Performance Management and Professional Development process is continuously supported through Emma PDS application, designed considering the transparency and flexibility needs of the company.

Staff performance evaluation is a key step in the Performance Management and Professional Development process. The feedback as well as the recommendations derived from it are a crucial source of information, both for the manager and the staff. Consequently, it is essential that the evaluation process should be conducted in a transparent way, according to the agreed internal rules and should convey the highest possible objectivity level.

Evaluation is also a process that is very closely linked to other HR tools such as: personal and professional development procedure and remuneration policy. Its results provide the manager a starting point in planning the development as well as in implementing personnel measures (change of position, salary adjustments, improvement action plans etc.).

12.6. Flexible benefits

From the desire to be more flexible, BCR explored creative and friendly solutions to strengthen the spirit of the community within our team.

In order for each of the employees to enjoy a better life, we implement the FLEXIWORK program.

FLEXIWORK is a package of facilities created according to the specific activity of each BCR employee, so that everyone can enjoy a more flexible work schedule.

12.7. Flexible benefits using Benefit Online platform

Through this platform, BCR employees can more easily choose the flexible benefits that suit them best.

12.8. Remuneration Policy

The Remuneration Policy seeks to reward the achievement of both corporate and individual goals by linking success in those areas to the Erste Group and BCR Group strategy among others.

Taking a balanced approach to achieve growth, improve productivity, and maintain a sound and effective risk management, all of which help to build a sustainable business with a strong focus on delivering increased shareholder value.

The Remuneration Policy is revised annually, subject to the independent internal review, in order to be compliant with policies and procedures for remuneration adopted by the Supervisory Board, as well as for the alignment of the remuneration principles under the Erste Group's governance framework.

Fixed and variable components of total remuneration are properly balanced so that the remuneration structure does not favour the interests of the Bank and/ or of the relevant persons to the detriment of the client's interests.

The fixed component represents a sufficiently high proportion of total remuneration.

Variable remuneration is linked to a sustainable and risk adjusted performance as well as performance in excess of that required to fulfil the employee's job description, as part of the terms of employment. Variable remuneration is linked to sustainability and ensures that the payments made do not promote any incentive for excessive risk-taking or miss-selling of products.

12. Social responsibility, diversity & development activities *(continued)*

12.9. Recruitment Policy

The Recruitment, Training and Human Resources Administration Policy sets the general framework, methodology, responsibilities, stages, information flow and necessary documents of the recruitment and selection process for all types of positions within BCR. The Policy also sets forth the base principles guiding the promotion to managerial positions and internal moves processes.

In order to fulfil the professional experience requirements, the candidates should have solid knowledge, both theoretical and practical, about the Bank activity. The incumbents of managerial positions need to have the managerial experience required for both the organizational structure and job profile.

In order to ensure an efficient and constant recruitment and selection process, the following principles shall be taken into consideration:

- selection of the candidates that best match the job profile;
- equal opportunities for all candidates, both internal and external;
- all candidates will be treated equally and non-discriminatory;
- personal data and job application confidentiality is assured;
- promotion of BCR values;
- avoidance of conflict of interest, as outlined within internal documents and legal provisions in force.

The Recruitment, Training and Human Resources Administration Policy is annually revised in order to align internal processes for ensuring the recruitment adaptability to the company needs and the evolution of the labour market. The volume of recruitment activities must be adapted in order to ensure the stability and continuity of the activity, at the same time keeping a balance between external hiring and internal recruitments.

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 programs for young graduates and students (Learn@BCR - IT Academy), as well as partnerships with Universities and student non-government organizations (NGOs). As a result, the quality 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 positions within different areas of activity.

Moreover, for a good integration to the organizational environment, we organize Induction for all new hires, as well as Onboarding and dedicated training programs customized to the specific activity they will perform in the Bank (e.g. Smart Hub for new employees in Retail).

12.10. Organizational Climate – people surveys

In order to evaluate the organizational climate and the leadership at Bank level, the Human Resources Division provides managers with several feedback instruments, each used once a year.

Thus, we run the Employee Engagement Survey, which measures the level of employee engagement as well as how the employees appreciate the organizational climate. For middle and top management, we use a leadership capabilities assessment questionnaire (LEAD) which gathers feedback from superior, team and internal cooperation partners. The cooperation at managerial level, is measured using another feedback instrument, called Net Promoter Score (NPS).

All these climate and leadership surveys are run using a feedback platform. All data resulted by answering questions in the respective surveys and questionnaires are reinforced by open comments and contribute to drafting action plans to enhance the level of employee engagement and improve the leadership capabilities of our managers.

Supervisory Board Chairman,

Manfred WIMMER

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InfoBCR: *2227 number available in the Vodafone, Orange, RCS RDS, Telekom networks;
+4021.407.42.00, number available in any network in Romania or abroad

Trade Register Number: J40/90/1991
Registered with the Credit Institution Register: RB-PJR-40-008/18.02.1999

Taxpayer identification number: RO 361757
Share capital: 1,625,341,625.40 lei
SWIFT: RNCB RO BU

STATEMENT

According to the articles 30 and 31 of the Accounting Law no. 82/1991

The "Separate and Consolidated Financial Statements" as at December 31st, 2021 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 31.12.2021 and we confirm the following:

a) The accounting policies applied for the preparation of the separate and consolidated financial statements for the year ended 2021 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