

BRD – Groupe Société Générale S.A.

INTERIM FINANCIAL STATEMENTS

JUNE 30, 2023



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REPORT ON REVIEW OF INTERIM SEPARATE FINANCIAL STATEMENTS

To the shareholders of BRD – Groupe Societe Generale SA

Introduction

We have reviewed the accompanying interim separate financial statements of BRD – Groupe Societe Generale SA ("the Bank") with official head office in 1-7 Ion Mihalache Bld., 1 District, Bucharest, Romania, identified by sole fiscal registration number 361579, as at 30 June 2023, which comprise the interim separate statement of financial position as at 30 June 2023, and the related interim separate profit or loss, interim separate statement of comprehensive income, interim separate statement of changes in equity and interim separate statement of cash flows for the six-month period then ended, and explanatory notes.

Management is responsible for the preparation and presentation of these interim separate financial statements in accordance with IAS 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on these interim separate financial statements based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

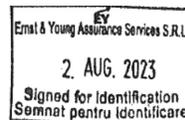
Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim separate financial statements are not prepared, in all material respects, in accordance with IAS 34 Interim Financial Reporting.

Emphasis of matter

Without qualifying our review conclusion, we draw attention to Note 2a) Basis of preparation to the financial statements which states that the interim consolidated financial statements for the period ended 30 June 2023 and 30 June 2022 are not audited nor reviewed. We have not audited nor reviewed the consolidated interim financial statements as of and for the period ended 30 June 2023 and do not express an opinion or a review conclusion on the consolidated interim financial statements as of and for the period ended 30 June 2023 of the Bank.

On behalf of,

Ernst & Young Assurance Services SRL
15-17, Ion Mihalache Blvd., floor 21, Bucharest, Romania
Registered in the electronic Public Register under No. FA77



Name of the Auditor/ Partner: Alina Dimitriu
Registered in the electronic Public Register under No. AF1272

Bucharest, Romania
2 August 2023

BRD – Groupe Société Générale S.A.
CONSOLIDATED AND SEPARATE STATEMENT OF FINANCIAL POSITION
for the period ended June 30, 2023
(Amounts in thousands RON)

	Note	Group		Bank	
		Unaudited (*)		June 30, 2023	December 31, 2022
		June 30, 2023	December 31, 2022		
ASSETS					
Cash and due from Central Bank	4, 34	10,137,630	7,625,002	10,137,628	7,624,933
Due from banks	5	5,643,792	7,220,963	5,628,732	7,204,987
Derivatives and other financial instruments held for trading	6	1,628,958	2,343,377	1,618,052	2,337,311
Financial assets at fair value through profit and loss	7	12,656	14,262	10,334	8,132
Financial assets at fair value through other comprehensive income	8	13,221,971	13,439,596	13,221,971	13,439,596
Financial assets at amortised cost	9	42,103,551	39,019,048	41,394,134	38,272,985
Loans and advances to customers	9.1	37,991,030	36,288,342	37,281,613	35,542,279
Treasury bills at amortised cost	9.2	4,112,521	2,730,706	4,112,521	2,730,706
Finance lease receivables	10	1,567,195	1,407,394	-	-
Investments in subsidiaries, associates and joint ventures		79,041	113,670	115,744	129,964
Property, plant and equipment	11	1,044,721	1,063,863	1,021,754	1,046,443
Investment property	11	14,986	15,503	14,986	15,503
Goodwill	12	50,130	50,130	50,130	50,130
Intangible assets	13	433,445	407,487	431,655	405,667
Current tax asset	22	-	23,563	-	23,563
Deferred tax asset	22	382,382	496,034	369,153	478,893
Other assets	14	617,682	590,963	503,927	473,958
Non-current assets held for sale		22,505	10,912	22,943	10,912
Total assets		76,960,645	73,841,767	74,541,143	71,522,977
LIABILITIES AND SHAREHOLDERS' EQUITY					
Due to banks	15	1,143,855	636,888	1,143,855	636,888
Derivatives and other financial instruments held for trading	6	891,084	1,443,546	891,084	1,443,546
Due to customers	16	58,440,681	56,660,841	58,626,400	56,915,740
Borrowed funds	17	5,668,496	5,625,488	3,579,033	3,567,262
Subordinated debts	18	1,242,916	1,238,651	1,242,916	1,238,651
Current tax liability	22	77,701	5,595	73,128	-
Provisions	19	375,621	393,452	365,815	380,172
Other liabilities	20	835,691	877,540	725,020	763,682
Total liabilities		68,676,045	66,882,001	66,647,251	64,945,941
Share capital	21	2,515,622	2,515,622	2,515,622	2,515,622
Other reserves		(1,489,402)	(2,054,109)	(1,489,402)	(2,054,109)
Retained earnings and capital reserves		7,192,849	6,439,441	6,867,672	6,115,523
Non-controlling interest		65,531	58,812	-	-
Total equity		8,284,600	6,959,766	7,893,892	6,577,036
Total liabilities and equity		76,960,645	73,841,767	74,541,143	71,522,977

The financial statements have been authorized by the Group's management on August 2, 2023 and are signed on the Group's behalf by:

Giovanni Luca Soma
Chairman of the Board of
Directors

François Bloch
Chief Executive Officer

Etienne Loulergue
Deputy Chief Executive Officer

BRD – Groupe Société Générale S.A.
CONSOLIDATED AND SEPARATE PROFIT OR LOSS
for the period ended June 30, 2023
(Amounts in thousands RON)

	Note	Group Unaudited (*)		Bank	
		Six months ended June 30, 2023	Six months ended June 30, 2022	Six months ended June 30, 2023	Six months ended June 30, 2022
Interest and similar income	23	1,991,354	1,274,687	1,899,104	1,201,003
Interest and similar expense	24	(662,286)	(151,628)	(636,623)	(144,230)
Net interest income		1,329,068	1,123,059	1,262,481	1,056,773
Fees and commission income	25	565,576	536,496	546,475	514,363
Fees and commission expense	25	(205,010)	(163,181)	(200,647)	(158,522)
Fees and commissions, net		360,566	373,315	345,828	355,841
Gain on derivative, other financial instruments held for trading and foreign exchange	26	169,635	133,856	168,723	132,969
Gain from financial instruments at fair value through other comprehensive income		-	2,415	-	2,415
Gain from financial instruments at fair value through profit and loss		4,157	2,352	3,837	2,360
Net (loss)/Income from associates and joint ventures		1,838	(4,418)	17,040	(5,054)
Other income/(expense) from banking activities	27	(3,812)	10,940	6,309	46,372
Net banking income		1,861,452	1,641,519	1,804,218	1,591,676
Personnel expenses	29	(461,791)	(415,227)	(440,087)	(387,739)
Depreciation, amortization and impairment on tangible and intangible assets	30	(121,564)	(113,111)	(119,239)	(110,053)
Contribution to Guarantee Scheme and Resolution Fund	28	(68,094)	(69,171)	(68,094)	(69,171)
Other operating expenses	31	(292,117)	(255,195)	(277,406)	(239,387)
Total operating expenses		(943,566)	(852,704)	(904,826)	(806,350)
Gross operating profit		917,886	788,815	899,392	785,326
Cost of risk	32	5,230	(46,095)	(1,572)	(52,368)
Operating profit		923,116	742,720	897,820	732,958
Profit before income tax		923,116	742,720	897,820	732,958
Current tax expense	22	(149,509)	(112,485)	(143,496)	(103,237)
Deferred tax income/(expense)		(6,087)	(13,464)	(2,175)	(13,049)
Total income tax		(155,596)	(125,949)	(145,671)	(116,286)
Profit for the period		767,520	616,771	752,149	616,672
Profit attributable to equity holders of the parent		753,410	608,509	-	-
Profit attributable to non-controlling interests		14,110	8,262	-	-
Basic earnings per share (in RON)	33	1.0811	0.8732	1.0793	0.8849

The accompanying notes are an integral part of this financial statements
(*) Unaudited / unreviewed by the financial auditor

BRD – Groupe Société Générale S.A.
CONSOLIDATED AND SEPARATE STATEMENT OF COMPREHENSIVE INCOME
for the period ended June 30, 2023
(Amounts in thousands RON)

	Group Unaudited (*)		Bank	
	June 30, 2023	June 30, 2022	June 30, 2023	June 30, 2022
Profit for the period	767,520	616,771	752,149	616,672
Other comprehensive income				
Net comprehensive income that may be reclassified to profit and loss in subsequent periods	564,707	(1,936,724)	564,707	(1,936,724)
Net gain/(loss) on financial assets at fair value through other comprehensive income	564,707	(1,936,724)	564,707	(1,936,724)
Reclassifications to profit and loss during the period	(6)	2,895	(6)	2,895
Revaluation differences	672,278	(2,308,424)	672,278	(2,308,424)
Income tax	(107,565)	368,805	(107,565)	368,805
Other comprehensive income for the period, net of tax	564,707	(1,936,724)	564,707	(1,936,724)
Total comprehensive income for the period, net of tax	1,332,227	(1,319,953)	1,316,856	(1,320,052)
Attributable to:				
Equity holders of the parent	1,318,117	(1,328,215)		
Non-controlling interest	14,110	8,262		

The accompanying notes are an integral part of this financial statements
 (*) Unaudited / unreviewed by the financial auditor

BRD – Groupe Société Générale S.A.
CONSOLIDATED AND SEPARATE STATEMENT OF CHANGES IN EQUITY
for the period ended June 30, 2023
(Amounts in thousands RON)

Group

	Attributable to equity holders of the parent				Non-controlling interest	Total equity
	Issued capital	Other reserves				
		Reserves from financial assets at fair value through other comprehensive income	Reserves from defined pension plan	Retained earnings and capital reserves		
December 31, 2021	2,515,622	(401,602)	16,222	7,690,955	57,708	9,878,905
Total comprehensive income	-	(1,936,724)	-	608,509	8,262	(1,319,953)
Net Profit for the period	-	-	-	608,509	8,262	616,771
Other comprehensive income	-	(1,936,724)	-	-	-	(1,936,724)
Equity dividends	-	-	-	(2,579,511)	(7,977)	(2,587,488)
June 30, 2022	2,515,622	(2,338,326)	16,222	5,719,947	57,994	5,971,459

	Attributable to equity holders of the parent				Non-controlling interest	Total equity
	Issued capital	Other reserves				
		Reserves from financial assets at fair value through other comprehensive income	Reserves from defined pension plan	Retained earnings and capital reserves		
December 31, 2022	2,515,622	(2,084,244)	30,135	6,439,441	58,812	6,959,766
Total comprehensive income	-	564,707	-	753,410	14,110	1,332,227
Net Profit for the period	-	-	-	753,410	14,110	767,520
Other comprehensive income	-	564,707	-	-	-	564,707
Equity dividends	-	-	-	-	(7,391)	(7,391)
June 30, 2023	2,515,622	(1,519,537)	30,135	7,192,849	65,531	8,284,600

The accompanying notes are an integral part of this financial statements

(*) Unaudited / unreviewed by the financial auditor

BRD – Groupe Société Générale S.A.
CONSOLIDATED AND SEPARATE STATEMENT OF CHANGES IN EQUITY
for the period ended June 30, 2023
(Amounts in thousands RON)

Bank

	Other reserves				Total equity
	Issued capital	Reserves from financial assets at fair value through other comprehensive income	Reserves from defined pension plan	Retained earnings and capital reserves	
December 31, 2021	2,515,622	(401,602)	16,222	7,409,095	9,539,338
Total comprehensive income	-	(1,936,724)	-	616,672	(1,320,052)
Net Profit for the period	-	-	-	616,672	616,672
Other comprehensive income	-	(1,936,724)	-	-	(1,936,724)
Equity dividends	-	-	-	(2,579,511)	(2,579,511)
June 30, 2022	2,515,622	(2,338,326)	16,222	5,446,256	5,639,774

	Other reserves				Total equity
	Issued capital	Reserves from financial assets at fair value through other comprehensive income	Reserves from defined pension plan	Retained earnings and capital reserves	
December 31, 2022	2,515,622	(2,084,244)	30,135	6,115,523	6,577,036
Total comprehensive income	-	564,707	-	752,149	1,316,856
Net Profit for the period	-	-	-	752,149	752,149
Other comprehensive income	-	564,707	-	-	564,707
June 30, 2023	2,515,622	(1,519,537)	30,135	6,867,672	7,893,892

The accompanying notes are an integral part of this financial statements

(*) Unaudited / unreviewed by the financial auditor

BRD – Groupe Société Générale S.A.
CONSOLIDATED AND SEPARATE STATEMENT OF CASH FLOWS
for the year ended June 30, 2023
(Amounts in thousands RON)

	Note	Group		Bank	
		Unaudited (*)			
		Six months ended June 30, 2023	Six months ended June 30, 2022	Six months ended June 30, 2023	Six months ended June 30, 2022
Cash flows from operating activities					
Profit before tax		923,114	742,720	897,820	732,958
<i>Adjustments for:</i>					
Depreciation and amortization expense	30	121,564	113,111	119,239	110,053
Loss from reevaluation of investment in associates and joint ventures		15,200	(11,243)	-	(9,971)
Loss/ (Gain) from revaluation of assets at fair value through profit and loss	7	(2,521)	(989)	(2,202)	(989)
Impairment adjustments and provisions	34	91,122	140,713	84,865	131,576
Adjusted profit		1,148,479	984,312	1,099,722	963,627
Changes in operating assets and liabilities					
Due from Central Bank		756,212	(497,074)	756,145	(497,106)
Deposits with banks		51,086	(45,404)	50,232	(46,294)
Treasury bills at amortised cost		(1,381,815)	(740,403)	(1,381,815)	(740,403)
Sales of financial assets at fair value through profit and loss	7	4,127	-	-	-
Financial assets at fair value through other comprehensive income		782,332	2,835,383	782,332	2,835,383
Loans and advances to customers		(1,770,626)	(2,549,252)	(1,800,758)	(2,577,899)
Lease receivables		(160,109)	(106,936)	-	-
Other assets including trading		769,689	612,967	777,678	665,887
Due to banks		506,967	464,692	506,967	464,692
Due to customers		1,779,840	981,458	1,710,660	878,281
Other liabilities		(590,158)	25,087	(582,579)	12,310
Total changes in operating assets and liabilities		747,545	980,518	818,862	994,851
Income tax paid		(46,948)	(150,435)	(46,805)	(150,074)
Cash flow from operating activities		1,849,076	1,814,395	1,871,779	1,808,404
Investing activities					
Acquisition of investments in associates and joint ventures		-	10,438	-	9,800
Acquisition of tangible and intangible assets	11, 13	(113,364)	(79,447)	(113,386)	(79,274)
Proceeds from sale of tangible and intangible assets		7,461	147	7,461	147
Cash flow from investing activities		(105,903)	(68,862)	(105,925)	(69,327)
Financing activities					
Proceeds from borrowings		619,049	116,783,024	121,675	116,330,452
Repayment of borrowings		(571,781)	(112,496,411)	(105,639)	(112,047,875)
Repayment of principal lease liabilities	10	(40,301)	(44,745)	(39,073)	(42,203)
Dividends paid		(7,391)	(2,587,493)	-	(2,579,511)
Net cash from financing activities		(424)	1,654,375	(23,037)	1,660,863
Net movements in cash and cash equivalents		1,742,749	3,399,908	1,742,817	3,399,940
Cash and cash equivalents at beginning of the period	34	8,999,681	6,150,431	8,999,611	6,150,398
Cash and cash equivalents at the end of the period	34	10,742,431	9,550,338	10,742,429	9,550,338

Additional information on operational cash flows from interest and dividends:

	Group		Bank	
	Unaudited (*)			
	Six months ended June 30, 2023	Six months ended June 30, 2022	Six months ended June 30, 2023	Six months ended June 30, 2022
Interests paid	659,982	151,258	545,340	131,187
Interests received	1,986,754	1,275,170	1,854,383	1,292,291
Dividends received	17,039	4,576	27,598	41,793

The accompanying notes are an integral part of this financial statements
 (*) Unaudited / unreviewed by the financial auditor

BRD – Groupe Société Générale S.A.
NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS
as of and for the period ended June 30, 2023
(Amounts in thousands RON)

1. Corporate information

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

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

The ultimate parent is Société Générale S.A. as at June 30, 2023 (the “Parent” or “SG”).

The Bank has as at June 30, 2023 441 units throughout the country (December 31, 2022: 460).

The average number of active employees of the Group during first half of 2023 was 6,071 (2022: 6,158), and the number of active employees of the Group as of the period-end was 6,044 (December 31, 2022: 6,126).

The average number of active employees of the Bank during first half of 2023 was 5,799 (2022: 5,846), and the number of active employees of the Bank as of the period-end was 5,800 (December 31, 2022: 5,833).

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

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

The shareholding structure of the Bank is as follows:

	Unaudited (*)	
	June 30, 2023	December 31, 2022
Societe Generale	60.17%	60.17%
Fondul De Pensii Administrat Privat NN/NN Pensii S.A.F.P.A.P. S.A.	5.56%	5.56%
Fondul De Pensii Administrat Privat AZT Viitorul Tau	3.98%	3.98%
Infinity Capital Investments SA	3.95%	3.95%
Fondul De Pensii Administrat Privat Metropolitan Life	3.30%	3.23%
Transilvania Investments Alliance S.A.	2.04%	2.19%
Legal entities	15.31%	15.43%
Individuals	5.68%	5.49%
Total	100.00%	100.00%

The accompanying notes are an integral part of this financial statements

(*) Unaudited / unreviewed by the financial auditor

BRD – Groupe Société Générale S.A.
NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS
as of and for the period ended June 30, 2023
(Amounts in thousands RON)

2. Basis of preparation

a) Basis of preparation

The separate interim financial statements as at June 30, 2023 are of the Bank BRD – Groupe Société Générale. The consolidated interim financial statements as at June 30, 2023 and June 30, 2022 are not audited nor reviewed (references included in the financial statements and selected explanatory notes).

The interim financial statements for the six months ended June 30, 2023 has been prepared in accordance with IAS 34 *Interim Financial Reporting*.

The interim financial statements does not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Group’s annual financial statements for the year ended December 31, 2022. In accordance with European Regulation 1606/2002 of July 19, 2002 on the application of International Accounting Standards, and Order of the National Bank of Romania Governor no. 27/2010, as amended, BRD prepared consolidated and separate financial statements for the year ended December 31, 2022 in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union (“EU”).

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

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

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

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

b) Basis for consolidation

The consolidated financial statements comprise the financial statements of BRD - Groupe Société Générale and its subsidiaries as at June 30, 2023. The financial statements of the subsidiaries are prepared for the same reporting period, using consistent accounting policies.

A subsidiary is an entity over which the Bank exercises control. An investor controls an investee when it is exposed, or has rights to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The consolidated financial statements include the financial statements of BRD – Groupe Société Générale S.A. and the following subsidiaries: BRD Sogelease IFN S.A. (99.98% ownership, 2022: 99.98%), BRD Finance IFN S.A (49% ownership, 2022: 49%) and BRD Asset Management SAI S.A. (99.98% ownership, 2022: 99.98%).

BRD – Groupe Société Générale S.A.
NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS
as of and for the period ended June 30, 2023
(Amounts in thousands RON)

2. Basis of preparation

b) Basis for consolidation (continued)

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

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

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

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

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

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2. Basis of preparation (continued)

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

The accounting policies adopted are consistent with those of the previous financial year except for the following IFRS amendments which have been adopted by the Group/Bank as of 1 January 2023:

• **IFRS 17: Insurance Contracts**

The standard is effective for annual periods beginning on or after 1 January 2023 with earlier application permitted, provided the entity also applies IFRS 9 Financial Instruments on or before the date it first applies IFRS 17. This is a comprehensive new accounting standard for insurance contracts, covering recognition and measurement, presentation and disclosure. IFRS 17 applies to all types of insurance contracts issued, as well as to certain guarantees and financial instruments with discretionary participation contracts. The Bank/Group does not issue contracts in scope of IFRS 17; therefore its application does not have an impact on the bank's/group's financial performance, financial position or cash flows.

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

The Amendments are effective for annual periods beginning on or after January 1, 2023 with earlier application permitted. The amendments provide guidance on the application of materiality judgements to accounting policy disclosures. In particular, the amendments to IAS 1 replace the requirement to disclose 'significant' accounting policies with a requirement to disclose 'material' accounting policies. Also, guidance and illustrative examples are added in the Practice Statement to assist in the application of the materiality concept when making judgements about accounting policy disclosures.

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

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

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

The amendments are effective for annual periods beginning on or after January 1, 2023 with earlier application permitted. The amendments narrow the scope of and provide further clarity on the initial recognition exception under IAS 12 and specify how companies should account for deferred tax related to assets and liabilities arising from a single transaction, such as leases and decommissioning obligations. The amendments clarify that where payments that settle a liability are deductible for tax purposes, it is a matter of judgement, having considered the applicable tax law, whether such deductions are attributable for tax purposes to the liability or to the related asset component. Under the amendments, the initial recognition exception does not apply to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences. It only applies if the recognition of a lease asset and lease liability (or decommissioning liability and decommissioning asset component) give rise to taxable and deductible temporary differences that are not equal.

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2. Basis of preparation (continued)

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

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

The amendments are effective for annual reporting periods beginning on or after January 1, 2024, with earlier application permitted, and will need to be applied retrospectively in accordance with IAS 8. The objective of the amendments is to clarify the principles in IAS 1 for the classification of liabilities as either current or non-current. The amendments clarify the meaning of a right to defer settlement, the requirement for this right to exist at the end of the reporting period, that management intent does not affect current or non-current classification, that options by the counterparty that could result in settlement by the transfer of the entity's own equity instruments do not affect current or non-current classification. Also, the amendments specify that only covenants with which an entity must comply on or before the reporting date will affect a liability's classification. Additional disclosures are also required for non-current liabilities arising from loan arrangements that are subject to covenants to be complied with within twelve months after the reporting period. The amendments have not yet been endorsed by the EU.

• **IFRS 16 Leases: Lease Liability in a Sale and Leaseback (amendments)**

The amendments are effective for annual reporting periods beginning on or after January 1, 2024, with earlier application permitted. The amendments are intended to improve the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction in IFRS 16, while it does not change the accounting for leases unrelated to sale and leaseback transactions. In particular, the seller-lessee determines 'lease payments' or 'revised lease payments' in such a way that the seller-lessee would not recognize any amount of the gain or loss that relates to the right of use it retains. Applying these requirements does not prevent the seller-lessee from recognizing, in profit or loss, any gain or loss relating to the partial or full termination of a lease. A seller-lessee applies the amendment retrospectively in accordance with IAS 8 to sale and leaseback transactions entered into after the date of initial application, being the beginning of the annual reporting period in which an entity first applied IFRS 16. The amendments have not yet been endorsed by the EU.

• **IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments Disclosure - Supplier Finance Arrangements (Amendments)**

The amendments are effective for annual reporting periods beginning on or after January 1, 2024, with earlier application permitted. The amendments supplement requirements already in IFRS and require an entity to disclose the terms and conditions of supplier finance arrangements. Additionally, entities are required to disclose at the beginning and end of reporting period the carrying amounts of supplier finance arrangement financial liabilities and the line items in which those liabilities are presented as well as the carrying amounts of financial liabilities and line items, for which the finance providers have already settled the corresponding trade payables. Entities should also disclose the type and effect of non-cash changes in the carrying amounts of supplier finance arrangement financial liabilities, which prevent the carrying amounts of the financial liabilities from being comparable. Furthermore, the amendments require an entity to disclose as at the beginning and end of the reporting period the range of payment due dates for financial liabilities owed to the finance providers and for comparable trade payables that are not part of those arrangements. The amendments have not yet been endorsed by the EU.

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2. Basis of preparation (continued)

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

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

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

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2. Basis of preparation (continued)

e) Significant accounting judgments and estimates

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

Fair value of financial instruments

Where the fair values of financial assets and financial liabilities recorded on the statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The inputs to these models are derived from observable market data where possible, but where observable market data are not available, judgment is required to establish fair values. The judgments include considerations of liquidity and model inputs such as volatility for longer dated derivatives and discount rates, prepayment rates and default rate assumptions for asset backed securities. The valuation of financial instruments is described in more detail in Note 39.

Expected credit losses on financial assets at amortised cost and FVOCI

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

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

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2. Basis of preparation (continued)

e) Significant accounting judgments and estimates (continued)

Provisions for other risks and charges

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

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

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

In case of litigations:

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

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

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

Please refer to note 19 and note 38 for more details.

f) Segment information

A segment is a component of the Group and Bank:

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

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

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3. Segment information

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

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

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

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

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

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

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

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

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

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3. Segment information (continued)

	Group							
	June 30, 2023 Unaudited (*)				December 31, 2022			
	Total	Retail	Non retail	Corporate Center	Total	Retail	Non retail	Corporate Center
Total assets	76,960,645	24,530,294	15,027,931	37,402,420	73,841,767	23,896,003	13,799,733	36,146,031
Loans and advances to customers, net & Finance lease receivables	39,558,225	24,530,294	15,027,931	-	37,695,736	23,896,003	13,799,733	-
Other assets	37,402,420	-	-	37,402,420	36,146,031	-	-	36,146,031
Total liabilities	76,960,645	36,634,281	21,806,400	18,519,964	73,841,767	37,096,720	19,564,121	17,180,926
Due to customers	58,440,681	36,634,281	21,806,400	-	56,660,841	37,096,720	19,564,121	-
Other liabilities	18,519,964	-	-	18,519,964	17,180,926	-	-	17,180,926

	Bank							
	June 30, 2023				December 31, 2022			
	Total	Retail	Non retail	Corporate Center	Total	Retail	Non retail	Corporate Center
Total assets	74,541,143	23,442,448	13,839,165	37,259,530	71,522,977	22,780,047	12,762,232	35,980,698
Loans and advances to customers, net	37,281,613	23,442,448	13,839,165	-	35,542,279	22,780,047	12,762,232	-
Other assets	37,259,530	-	-	37,259,530	35,980,698	-	-	35,980,698
Total liabilities	74,541,143	36,634,281	21,992,119	15,914,743	71,522,977	37,096,720	19,819,020	14,607,237
Due to customers	58,626,400	36,634,281	21,992,119	-	56,915,740	37,096,720	19,819,020	-
Other liabilities	15,914,743	-	-	15,914,743	14,607,237	-	-	14,607,237

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3. Segment information (continued)

	Group							
	Unaudited (*) Six months ended June 30, 2023				Unaudited (*) Six months ended June 30, 2022			
	Total	Retail	Non retail	Corporate Center	Total	Retail	Non retail	Corporate Center
Net interest income	1,329,068	813,895	374,025	141,148	1,123,059	755,829	290,007	77,222
Fees and commissions, net	360,566	240,030	128,971	(8,434)	373,315	256,013	126,910	(9,607)
Total non-interest income	171,818	54,394	50,435	66,989	145,145	64,103	47,737	33,305
Operating income	1,861,452	1,108,318	553,431	199,702	1,641,519	1,075,945	464,654	100,920
Total operating expenses	(943,566)	(666,053)	(258,520)	(18,994)	(852,704)	(634,084)	(219,921)	1,300
Cost of risk	5,230	(58,244)	80,829	(17,355)	(46,095)	(43,029)	593	(3,659)
Profit before income tax	923,116	384,022	375,741	163,353	742,720	398,831	245,326	98,562
Total income tax	(155,596)	(64,742)	(63,346)	(27,508)	(125,949)	(67,632)	(41,601)	(16,715)
Profit for the period	767,520	319,279	312,395	135,846	616,771	331,199	203,725	81,846
Cost Income Ratio	50.7%	60.1%	46.7%	9.5%	51.9%	58.9%	47.3%	-1.3%

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3. Segment information (continued)

	Bank							
	Six months ended June 30, 2023				Six months ended June 30, 2022			
	Total	Retail	Non retail	Corporate Center	Total	Retail	Non retail	Corporate Center
Net interest income	1,262,481	779,118	337,078	146,285	1,056,773	718,467	255,199	83,107
Fees and commissions, net	345,828	230,006	126,645	(10,823)	355,841	242,828	124,125	(11,112)
Total non-interest income	195,909	53,824	49,932	92,153	179,062	63,855	45,372	69,835
Operating income	1,804,217	1,062,948	513,654	227,616	1,591,676	1,025,152	424,695	141,829
Total operating expenses	(904,826)	(652,139)	(239,181)	(13,506)	(806,350)	(602,146)	(205,442)	1,238
Cost of risk	(1,572)	(68,541)	87,100	(20,131)	(52,368)	(52,074)	3,364	(3,659)
Profit before income tax	897,820	342,267	361,573	193,979	732,958	370,932	222,617	139,408
Total income tax	(145,671)	(55,533)	(58,665)	(31,473)	(116,286)	(58,849)	(35,319)	(22,118)
Profit for the period	752,149	286,734	302,908	162,506	616,672	312,081	187,300	117,291
Cost Income Ratio	50.2%	61.4%	46.6%	5.9%	50.7%	58.7%	48.4%	-0.9%

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4. Cash and due from Central Bank

	Group		Bank	
	Unaudited (*)			
	June 30, 2023	December 31, 2022	June 30, 2023	December 31, 2022
Cash in vaults	2,167,374	1,898,120	2,167,372	1,898,051
Cash in ATM	432,213	633,229	432,213	633,229
Current accounts with Central Bank	4,337,509	5,093,654	4,337,509	5,093,654
Deposits with Central Bank	3,200,533	-	3,200,533	-
Total	10,137,630	7,625,002	10,137,628	7,624,933

5. Due from banks

	Group		Bank	
	Unaudited (*)			
	June 30, 2023	December 31, 2022	June 30, 2023	December 31, 2022
Deposits at Romanian banks	137	22,001	137	22,001
Deposits at foreign banks	2,585,968	622,972	2,570,908	606,997
Current accounts at Romanian banks	67,009	26,622	67,009	26,621
Current accounts at foreign banks	288,075	625,417	288,075	625,417
Reverse repo	2,211,144	5,450,233	2,211,144	5,450,233
Bonds	491,459	473,718	491,459	473,718
Total	5,643,792	7,220,963	5,628,732	7,204,987

The Due from banks portfolio is classified as Stage 1. The Group and Bank registered an impairment allowance for Due from banks of 4 as at June 30, 2023 (December 31, 2022: 7).

6. Derivatives and other financial instruments held for trading

	Group		June 30, 2023		
	Unaudited (*)				
			Assets	Liabilities	Notional (total)
Interest rate swaps			41,370	325,876	2,322,722
Currency swaps			11,964	1,884	2,200,017
Forward foreign exchange contracts			7,122	21,303	1,211,122
Options			68,994	69,042	4,134,695
Total derivative financial instruments			129,450	418,105	9,868,556
			June 30, 2023		
			Assets	Liabilities	
Treasury notes			839,295	435,351	
Trading loans/deposits			-	35,401	
Reverse repo/Repo			660,213	2,227	
Total financial assets and liabilities held for trading			1,499,508	472,979	

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6. Derivatives and other financial instruments held for trading (continued)

Group	December 31, 2022		
	Assets	Liabilities	Notional (total)
Interest rate swaps	33,419	341,983	2,320,369
Currency swaps	47,067	32,726	2,079,583
Forward foreign exchange contracts	34,004	62,621	4,237,999
Options	65,609	65,645	3,053,774
Total derivative financial instruments	180,099	502,975	11,691,725

	December 31, 2022	
	Assets	Liabilities
Treasury notes	426,524	294,199
Trading deposits	984,869	616,757
Repo/Reverse repo	751,885	29,615
Total financial assets and liabilities held for trading	2,163,278	940,571

Bank	June 30, 2023		
	Assets	Liabilities	Notional (total)
Interest rate swaps	41,370	325,876	2,322,722
Currency swaps	11,964	1,884	2,200,017
Forward foreign exchange contracts	7,165	21,303	1,243,384
Options	68,994	69,042	4,134,695
Total derivative financial instruments	129,493	418,105	9,900,818

	June 30, 2023	
	Assets	Liabilities
Treasury notes	828,346	435,351
Trading loans/deposits	-	35,401
Reverse repo/Repo	660,213	2,227
Total financial assets and liabilities held for trading	1,488,559	472,979

Bank	December 31, 2022		
	Assets	Liabilities	Notional (total)
Interest rate swaps	33,419	341,983	2,320,369
Currency swaps	47,067	32,726	2,079,583
Forward foreign exchange contracts	34,004	62,621	4,237,999
Options	65,609	65,645	3,053,774
Total derivative financial instruments	180,099	502,975	11,691,725

	December 31, 2022	
	Assets	Liabilities
Treasury notes	420,458	294,199
Trading deposits	984,869	616,757
Reverse repo	751,885	29,615
Total financial assets and liabilities held for trading	2,157,212	940,571

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6. Derivatives and other financial instruments held for trading (continued)

The Group continue to apply hedge accounting (fair value hedge) as at June 30, 2023 and has 4 hedging relationships (4 hedging relationships as at December 31, 2022).

- On June 30, 2018, the Bank initiated two macro fair value hedges one in EUR and one in USD of interest rate risk associated with the current accounts, using several interest rate swaps (pay variable, receive fixed). The change in the fair value of the macro fair value hedge swaps offsets the change in the fair value of the hedged portion of the current accounts. The hedged items are represented by the portion of the current accounts portfolio equal to the swaps nominal values of:
 - 90 million EUR yearly with a fixed interest rate of 0.42%, the remaining period of 5 years.
 - 20 million EUR yearly with a fixed interest rate of 0.171%, the remaining period of 2 years.
 - 20 million USD yearly with a fixed interest rate of 2.813%; the remaining period of 5 years.
- In October 30, 2020 the Bank initiated a macro fair value hedge of interest rate risk associated with the current accounts, using several interest rate swaps (pay variable, receive fixed). The change in the fair value of the macro fair value hedge swaps offsets the change in the fair value of the hedged portion of the current accounts. The hedged item is represented by the portion of the current accounts portfolio equal to the swaps nominal of 280 million EUR. The swap has a fixed interest rate of -0.403% and a remaining period of 7.34 years.
- On September 30, 2021 the Bank initiated a macro fair value hedge of interest rate risk associated with the current accounts, using several interest rate swaps (pay variable, receive fixed). The change in the fair value of the macro fair value hedge swaps offsets the change in the fair value of the hedged portion of the current accounts. The hedged item is represented by the portion of the current accounts portfolio equal to the swaps nominal of 120 million EUR. The swap has a fixed interest rate of -0.337% and a remaining period of 3.25 years.

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6. Derivatives and other financial instruments held for trading (continued)

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

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

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

As at June 30, 2023, the accumulated amount of fair value hedge adjustments on the current accounts hedged item are included in the carrying amount and presented in due to customer line in the statement of financial position and amounts to -272,913. The change in value of the hedged item during the period is explained by the cumulated effect of a loss from revaluation in amount of 27,869 and of the exchange rate evolution effect in amount of 778.

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

	June 30, 2023		
	Assets	Liabilities	Notional (total)
Interest rate swaps	-	282,094	2,622,834
	December 31, 2022		
	Assets	Liabilities	Notional (total)
Interest rate swaps	-	305,027	2,949,161

Forwards

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

Swaps

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

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

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6. Derivatives and other financial instruments held for trading (continued)

Options

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

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

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

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

Trading loans/deposits (including reverse repo/repo) are financial instruments originated by clients or interbank flow and the associated risk management, those resulting from Bank obligations as primary dealer and from Bank position al liquidity provider.

7. Financial assets at fair value through profit or loss

	Group		Bank	
	Unaudited (*) June 30, 2023	December 31, 2022	June 30, 2023	December 31, 2022
Equity investments	10,334	8,133	10,334	8,132
Other securities	2,322	6,130	-	-
Total	12,656	14,262	10,334	8,132

Equity investments

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

Other securities

The Group participation in BRD Asset Management funds as at June 30, 2023 is the following:

	June 30, 2023	Unit value RON	No of units	Market value
BRD Orizont 2035 clasa A		106	3,600	383
BRD Orizont 2035 clasa E		131	2,000	262
BRD Orizont 2045 clasa A		107	13,150	1,412
BRD Orizont 2045 clasa E		133	2,000	265
Total				2,322

The accompanying notes are an integral part of this financial statements

(*) Unaudited / unreviewed by the financial auditor

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7. Financial assets at fair value through profit or loss (continued)

As at December 31, 2022 the Grup participation in BRD Asset Management funds was:

December 31, 2022	Unit value RON	No of units	Market value
BRD Oportunitati clasa A	102	18,000	1,841
BRD Oportunitati clasa E	126	2,000	253
BRD Orizont 2035 clasa A	99	18,000	1,779
BRD Orizont 2035 clasa E	122	2,000	244
BRD Orizont 2045 clasa A	98	18,000	1,770
BRD Orizont 2045 clasa E	121	2,000	243
Total			6,130

8. Financial assets at fair value through other comprehensive income

Financial assets at fair value through other comprehensive income include treasury notes, respectively treasury discount notes and coupon bonds issued by the Ministry of Public Finance, in amount of 10,737,906 (December 31, 2022: 10,982,029), bonds issued by French State in amount of 1,962,930 (December 31, 2022: 1,939,772) and bonds issued by the Belgian State in amount of 521,135 (December 31, 2022: 517,795), rated as very good according to internal rating.

As at June 30, 2023, these financial assets at fair value through other comprehensive income are classified as Stage 1 and ECL impairment allowance amounts to 2,552 (December 31, 2022: 2,558).

9. Financial assets at amortised cost

9.1. Loans and advances to customers

	Group		Bank	
	Unaudited (*)			
	June 30, 2023	December 31, 2022	June 30, 2023	December 31, 2022
Loans, gross	39,775,611	38,053,311	39,025,123	37,242,399
Loans impairment	(1,784,581)	(1,764,969)	(1,743,510)	(1,700,120)
Total	37,991,030	36,288,342	37,281,613	35,542,279

The structure of loans is the following:

	Group		Bank	
	Unaudited (*)			
	June 30, 2023	December 31, 2022	June 30, 2023	December 31, 2022
Working capital loans	8,834,105	7,158,039	8,834,105	7,158,039
Loans for equipment	4,015,814	3,650,998	3,576,193	3,275,108
Trade activities financing	934,671	1,385,051	934,671	1,385,051
Acquisition of real estate, including mortgage for individuals	14,633,688	14,476,288	14,633,688	14,476,288
Consumer loans	9,188,351	9,014,881	8,877,484	8,579,859
Other	2,168,983	2,368,053	2,168,983	2,368,053
Total	39,775,611	38,053,311	39,025,123	37,242,399

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9. Financial assets at amortised cost (continued)

9.1. Loans and advances to customers (continued)

During 2023 the gross loan portfolio increased by 1,783 million RON as compared with 31 December 2022.

As at 30 June 2023 the Bank's gross loan portfolio and movements were distributed as follows:

- Stage 1: 29,527 million RON, with a 2,349 million increase compared to 31 December 2022
- Stage 2: 8,434 million RON, with a 568 million RON decrease compared to 31 December 2022
- Stage 3: 1,005 million RON, with 4 million RON decrease compared to 31 December 2022
- POCI: 59 million RON, with 6 million increase compared to 31 December 2022.

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

- The increase in Stage 1 portfolio is driven by favorable commercial performance;
- The slight decrease in Stage 2 portfolio, primarily on Retail, is mostly explained by repayments;
- The Stage 3 & POCI portfolio display a 2 MRON increase considering a net inflow of 141 MRON from performing portfolios, fully offset by good recovery performance on already defaulted portfolios of 96 MRON and portfolio write-off in amount of 43 MRON.

As of June 30, 2023 the amortized cost of loans granted to the 20 largest corporate clients (groups of connected borrowers) amounts to 4,585,117 (December 31, 2022: 4,748,797), while the value of letters of guarantee and letters of credit issued in favour of these clients amounts for the Group and Bank to 5,607,219 (December 31, 2022: 5,148,297).

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9.1 Loans and advances to customers (continued)

Sector analysis of loans granted and impairment allowance

Group Unaudited (*) %	June 30, 2023									
	Stage 1		Stage 2		Stage 3		POCI		Total	
	Gross carrying amount	Impairment allowance								
Individuals	53.6%	32.7%	81.4%	82.0%	73.6%	76.8%	44.9%	16.0%	60.1%	67.4%
Agriculture, forestry and fishing	4.0%	6.5%	4.4%	6.3%	1.1%	0.9%	0.0%	0.0%	4.0%	4.0%
Mining and quarrying	0.1%	0.1%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.1%	0.0%
Manufacturing	7.9%	12.0%	3.0%	2.8%	3.0%	2.9%	9.2%	0.9%	6.7%	5.0%
Electricity, gas, steam and air conditioning supply	3.7%	4.5%	3.7%	0.4%	1.3%	0.4%	0.0%	0.0%	3.6%	1.3%
Water supply	0.3%	0.4%	0.2%	0.1%	0.0%	0.0%	0.0%	0.0%	0.3%	0.1%
Construction	3.1%	5.3%	0.7%	1.5%	5.1%	5.5%	0.0%	0.0%	2.6%	4.0%
Wholesale and retail trade	12.8%	18.6%	2.6%	2.3%	1.8%	1.1%	6.1%	2.6%	10.3%	5.6%
Transport and storage	1.9%	3.6%	0.5%	0.4%	4.4%	2.9%	0.0%	0.0%	1.7%	2.2%
Accommodation and food service activities	0.7%	1.1%	1.5%	2.0%	3.9%	3.6%	0.0%	0.0%	1.0%	2.4%
Information and communication	1.4%	1.4%	0.0%	0.0%	0.4%	0.3%	0.0%	0.0%	1.1%	0.5%
Financial institutions	2.7%	3.6%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	2.1%	0.8%
Real estate activities	1.5%	2.7%	1.0%	0.9%	3.5%	4.1%	37.2%	78.9%	1.5%	3.8%
Professional, scientific and technical activities	0.4%	0.4%	0.2%	0.2%	0.6%	0.7%	0.0%	0.0%	0.4%	0.5%
Administrative and support service activities	0.4%	0.7%	0.1%	0.1%	0.1%	0.1%	2.6%	1.6%	0.4%	0.2%
Public administration and defence, compulsory social security	3.5%	2.7%	0.3%	0.2%	1.1%	0.7%	0.0%	0.0%	2.7%	1.0%
Education	0.0%	0.0%	0.3%	0.4%	0.0%	0.0%	0.0%	0.0%	0.1%	0.1%
Human health services and social work activities	1.5%	3.1%	0.1%	0.2%	0.1%	0.1%	0.0%	0.0%	1.2%	0.8%
Arts, entertainment and recreation	0.2%	0.4%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.2%	0.1%
Other services	0.2%	0.1%	0.1%	0.1%	0.0%	0.0%	0.0%	0.0%	0.2%	0.1%
Total	100.0%	100.0%								

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

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9.1 Loans and advances to customers (continued)

Sector analysis of loans granted and impairment allowance (continued)

Bank %	June 30, 2023									
	Stage 1		Stage 2		Stage 3		POCI		Total	
	Gross carrying amount	Impairment allowance								
Individuals	53.5%	31.6%	83.2%	83.3%	74.0%	77.0%	44.9%	16.0%	60.4%	67.6%
Agriculture, forestry and fishing	3.7%	6.6%	2.5%	4.9%	0.3%	0.4%	0.0%	0.0%	3.3%	3.3%
Mining and quarrying	0.1%	0.1%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.1%	0.0%
Manufacturing	8.1%	12.3%	3.0%	2.9%	3.1%	3.0%	9.2%	0.9%	6.8%	5.1%
Electricity, gas, steam and air conditioning supply	3.7%	4.6%	3.8%	0.4%	1.3%	0.4%	0.0%	0.0%	3.7%	1.4%
Water supply	0.3%	0.5%	0.2%	0.1%	0.0%	0.0%	0.0%	0.0%	0.3%	0.1%
Construction	3.2%	5.4%	0.7%	1.6%	5.2%	5.6%	0.0%	0.0%	2.7%	4.1%
Wholesale and retail trade	13.0%	19.0%	2.6%	2.3%	1.8%	1.1%	6.1%	2.6%	10.4%	5.7%
Transport and storage	1.6%	3.5%	0.3%	0.3%	4.4%	2.7%	0.0%	0.0%	1.4%	2.1%
Accommodation and food service activities	0.7%	1.1%	1.5%	2.0%	4.0%	3.6%	0.0%	0.0%	1.0%	2.5%
Information and communication	1.4%	1.4%	0.0%	0.0%	0.4%	0.3%	0.0%	0.0%	1.1%	0.5%
Financial institutions	2.9%	3.7%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	2.2%	0.9%
Real estate activities	1.5%	2.7%	1.0%	0.9%	3.6%	4.2%	37.2%	78.9%	1.5%	3.9%
Professional, scientific and technical activities	0.4%	0.4%	0.2%	0.2%	0.6%	0.8%	0.0%	0.0%	0.4%	0.5%
Administrative and support service activities	0.4%	0.7%	0.1%	0.1%	0.1%	0.1%	2.6%	1.6%	0.4%	0.3%
Public administration and defence, compulsory social security	3.6%	2.7%	0.3%	0.2%	1.1%	0.7%	0.0%	0.0%	2.8%	1.0%
Education	0.0%	0.1%	0.3%	0.4%	0.0%	0.0%	0.0%	0.0%	0.1%	0.2%
Human health services and social work activities	1.5%	3.2%	0.1%	0.2%	0.1%	0.1%	0.0%	0.0%	1.2%	0.8%
Arts, entertainment and recreation	0.2%	0.4%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.2%	0.1%
Other services	0.2%	0.2%	0.1%	0.1%	0.0%	0.0%	0.0%	0.0%	0.2%	0.1%
Total	100.0%	100.0%								

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

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9.1 Loans and advances to customers (continued)

Sector analysis of loans granted and impairment allowance (continued)

Group %	December 31, 2022									
	Stage 1		Stage 2		Stage 3		POCI		Total	
	Gross carrying amount	Impairment allowance								
Individuals	54.7%	35.1%	82.3%	83.1%	70.7%	72.3%	52.8%	12.9%	61.8%	67.3%
Agriculture, forestry and fishing	3.8%	6.3%	2.8%	3.6%	4.2%	4.6%	0.0%	0.0%	3.5%	4.6%
Mining and quarrying	0.1%	0.1%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.1%	0.0%
Manufacturing	7.5%	11.1%	2.7%	2.5%	3.0%	3.2%	1.6%	0.7%	6.2%	4.6%
Electricity, gas, steam and air conditioning supply	5.3%	5.2%	1.8%	0.3%	2.6%	0.9%	0.0%	0.0%	4.3%	1.6%
Water supply	0.3%	0.5%	0.2%	0.1%	0.0%	0.0%	0.0%	0.0%	0.3%	0.1%
Construction	2.3%	4.4%	0.3%	0.3%	7.0%	7.5%	0.0%	0.0%	1.9%	4.3%
Wholesale and retail trade	11.8%	18.2%	1.9%	1.6%	1.9%	1.3%	2.6%	2.3%	9.1%	4.9%
Transport and storage	2.1%	3.8%	0.9%	2.0%	0.5%	0.5%	0.0%	0.0%	1.8%	1.7%
Accommodation and food service activities	0.9%	1.6%	0.1%	0.2%	3.9%	3.6%	0.0%	0.0%	0.8%	2.0%
Information and communication	1.7%	1.7%	0.0%	0.1%	0.0%	0.0%	0.0%	0.0%	1.2%	0.4%
Financial institutions	2.3%	3.2%	2.9%	2.1%	0.0%	0.0%	0.0%	0.0%	2.4%	1.4%
Real estate activities	1.2%	2.4%	2.7%	2.0%	1.1%	1.5%	42.4%	82.9%	1.6%	3.0%
Professional, scientific and technical activities	0.4%	0.3%	0.1%	0.2%	2.8%	3.5%	0.0%	0.0%	0.4%	1.7%
Administrative and support service activities	0.4%	0.7%	0.1%	0.2%	0.1%	0.1%	0.6%	1.3%	0.3%	0.3%
Public administration and defence, compulsory social security	3.7%	2.7%	0.3%	0.3%	2.0%	0.9%	0.0%	0.0%	2.9%	1.0%
Education	0.0%	0.1%	0.3%	0.5%	0.0%	0.0%	0.0%	0.0%	0.1%	0.2%
Human health services and social work activities	1.2%	2.0%	0.5%	0.8%	0.2%	0.2%	0.0%	0.0%	1.0%	0.8%
Arts, entertainment and recreation	0.2%	0.4%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.2%	0.1%
Other services	0.1%	0.1%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.1%	0.0%
Total	100.0%	100.0%								

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

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9.1 Loans and advances to customers (continued)

Sector analysis of loans granted and impairment allowance (continued)

Bank %	December 31, 2022									
	Stage 1		Stage 2		Stage 3		POCI		Total	
	Gross carrying amount	Impairment allowance								
Individuals	54.3%	33.2%	83.8%	84.3%	70.2%	71.5%	52.8%	12.9%	61.8%	67.0%
Agriculture, forestry and fishing	3.6%	6.5%	1.4%	2.5%	3.8%	4.5%	0.0%	0.0%	3.1%	4.1%
Mining and quarrying	0.1%	0.1%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.1%	0.0%
Manufacturing	7.6%	11.5%	2.8%	2.6%	3.2%	3.3%	1.6%	0.7%	6.3%	4.7%
Electricity, gas, steam and air conditioning supply	5.4%	5.3%	1.8%	0.3%	2.7%	0.9%	0.0%	0.0%	4.4%	1.6%
Water supply	0.3%	0.5%	0.2%	0.1%	0.0%	0.0%	0.0%	0.0%	0.3%	0.2%
Construction	2.3%	4.5%	0.3%	0.3%	7.3%	7.9%	0.0%	0.3%	2.0%	4.5%
Wholesale and retail trade	12.0%	18.8%	1.7%	1.5%	1.9%	1.3%	2.6%	2.3%	9.2%	5.0%
Transport and storage	1.8%	3.8%	0.6%	1.8%	0.2%	0.3%	0.0%	0.0%	1.4%	1.5%
Accommodation and food service activities	0.9%	1.7%	0.1%	0.1%	4.1%	3.8%	0.0%	0.0%	0.8%	2.0%
Information and communication	1.7%	1.8%	0.0%	0.1%	0.0%	0.0%	0.0%	0.1%	1.3%	0.4%
Financial institutions	2.5%	3.3%	3.0%	2.1%	0.0%	0.0%	0.0%	0.0%	2.6%	1.4%
Real estate activities	1.3%	2.5%	2.8%	2.1%	1.1%	1.5%	42.4%	82.9%	1.7%	3.1%
Professional, scientific and technical activities	0.4%	0.3%	0.1%	0.2%	3.0%	3.7%	0.0%	0.0%	0.4%	1.8%
Administrative and support service activities	0.4%	0.7%	0.2%	0.2%	0.1%	0.1%	0.6%	1.3%	0.3%	0.3%
Public administration and defence, compulsory social security	3.8%	2.8%	0.3%	0.3%	2.1%	0.9%	0.0%	0.0%	2.9%	1.1%
Education	0.0%	0.1%	0.3%	0.5%	0.0%	0.0%	0.0%	0.0%	0.1%	0.2%
Human health services and social work activities	1.2%	2.0%	0.5%	0.8%	0.2%	0.3%	0.0%	0.0%	1.0%	0.8%
Arts, entertainment and recreation	0.2%	0.5%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.2%	0.1%
Other services	0.1%	0.1%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.1%	0.1%
Total	100.0%	100.0%								

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

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9.1 Loans and advances to customers (continued)

Rating analysis of loans

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

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

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

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

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

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9.1 Loans and advances to customers (continued)

Rating analysis of loans (continued)

Group Unaudited (*)	Retail lending				
	June 30, 2023				
	Stage 1	Stage 2	Stage 3	POCI	Total
Gross carrying amount					
Internal rating grade					
Very good grade	9,486,090	6,336	-	-	9,492,426
Good grade	5,963,442	4,779,763	-	-	10,743,205
Standard grade	1,277,719	1,579,421	-	-	2,857,140
Sub-standard grade	-	769,775	-	18,187	787,962
Non- performing	-	-	767,873	8,460	776,334
(out of which) Individual assessment	-	-	15,201	156	15,357
Not rated internally	389,245	129,784	27,268	-	546,295
Total	17,116,496	7,265,079	795,141	26,648	25,203,363
Provision allowance					
Internal rating grade					
Very good grade	(50,919)	(91)	-	-	(51,010)
Good grade	(48,235)	(109,394)	-	-	(157,628)
Standard grade	(37,030)	(174,133)	-	-	(211,163)
Sub-standard grade	-	(203,664)	-	(122)	(203,786)
Non- performing	-	-	(587,392)	(4,007)	(591,399)
(out of which) Individual assessment	-	-	(14,550)	(156)	(14,706)
Not rated internally	(8,017)	(11,169)	(17,226)	-	(36,410)
Total	(144,201)	(498,450)	(604,618)	(4,129)	(1,251,396)
Net Carrying amount	16,972,295	6,766,629	190,523	22,518	23,951,966

Non-Retail lending

	June 30, 2023				
	Stage 1	Stage 2	Stage 3	POCI	Total
	Gross carrying amount				
Internal rating grade					
Good grade	8,463,655	738,508	-	-	9,202,162
Standard grade	4,468,958	193,647	-	-	4,662,605
Sub-standard grade	-	437,550	-	5,487	443,037
Non- performing	-	-	237,340	27,104	264,444
(out of which) Individual assessment	-	-	212,265	27,104	239,368
Total	12,932,613	1,369,704	237,340	32,591	14,572,248
Provision allowance					
Internal rating grade					
Good grade	(145,304)	(26,429)	-	-	(171,733)
Standard grade	(124,165)	(13,464)	-	-	(137,629)
Sub-standard grade	-	(49,915)	-	(14)	(49,929)
Non- performing	-	-	(152,305)	(21,588)	(173,892)
(out of which) Individual assessment	-	-	(137,240)	(21,544)	(158,784)
Total	(269,469)	(89,808)	(152,305)	(21,602)	(533,184)
Net Carrying amount	12,663,143	1,279,896	85,036	10,989	14,039,064

Total

	June 30, 2023				
	Stage 1	Stage 2	Stage 3	POCI	Total
	Gross carrying amount				
Internal rating grade					
Very good grade	9,486,090	6,336	-	-	9,492,426
Good grade	14,427,097	5,518,271	-	-	19,945,368
Standard grade	5,746,677	1,773,067	-	-	7,519,745
Sub-standard grade	-	1,207,325	-	23,674	1,231,000
Non- performing	-	-	1,005,214	35,564	1,040,778
(out of which) Individual assessment	-	-	227,466	27,260	254,725
Not rated internally	389,245	129,784	27,268	-	546,295
Total	30,049,109	8,634,783	1,032,481	59,239	39,775,610
Provision allowance					
Internal rating grade					
Very good grade	(50,919)	(91)	-	-	(51,010)
Good grade	(193,539)	(135,823)	-	-	(329,362)
Standard grade	(161,195)	(187,597)	-	-	(348,792)
Sub-standard grade	-	(253,579)	-	(136)	(253,715)
Non- performing	-	-	(739,696)	(25,595)	(765,291)
(out of which) Individual assessment	-	-	(151,791)	(21,699)	(173,490)
Not rated internally	(8,017)	(11,169)	(17,226)	-	(36,410)
Total	(413,670)	(588,258)	(756,922)	(25,731)	(1,784,579)
Net Carrying amount	29,635,439	8,046,525	275,559	33,507	37,991,030

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9.1 Loans and advances to customers (continued)

Rating analysis of loans (continued)

Bank	Retail lending December 31, 2022				
	Stage 1	Stage 2	Stage 3	POCI	Total
Gross carrying amount					
Internal rating grade					
Very good grade	8,682,463	6,044	-	-	8,688,507
Good grade	5,771,318	5,205,882	-	-	10,977,199
Standard grade	1,086,252	1,647,851	-	-	2,734,102
Sub-standard grade	-	791,378	-	18,885	810,262
Non- performing	-	-	729,609	8,880	738,489
(out of which) Individual assessment	-	-	19,698	113	19,811
Not rated internally	556	-	-	-	556
Total	15,540,588	7,651,154	729,609	27,765	23,949,116
Provision allowance					
Internal rating grade					
Very good grade	(46,987)	(90)	-	-	(47,077)
Good grade	(47,240)	(117,360)	-	-	(164,600)
Standard grade	(29,607)	(174,635)	-	-	(204,243)
Sub-standard grade	-	(203,440)	-	(92)	(203,533)
Non- performing	-	-	(546,491)	(3,127)	(549,617)
(out of which) Individual assessment	-	-	(18,993)	(87)	(19,080)
Total	(123,834)	(495,526)	(546,491)	(3,219)	(1,169,070)
Net Carrying amount	15,416,754	7,155,628	183,118	24,546	22,780,047

Bank	Non-Retail lending December 31, 2022				
	Stage 1	Stage 2	Stage 3	POCI	Total
Gross carrying amount					
Internal rating grade					
Very good grade					
Good grade	8,095,605	864,840	-	-	8,960,445
Standard grade	3,541,813	202,648	-	-	3,744,461
Sub-standard grade	-	283,507	-	814	284,320
Non- performing	-	-	280,031	24,025	304,056
(out of which) Individual assessment	-	-	254,369	24,025	278,394
Total	11,637,418	1,350,995	280,031	24,838	13,293,282
Provision allowance					
Internal rating grade					
Very good grade					
Good grade	(136,238)	(34,187)	-	-	(170,425)
Standard grade	(95,438)	(14,384)	-	-	(109,822)
Sub-standard grade	-	(34,220)	-	(64)	(34,284)
Non- performing	-	-	(194,896)	(21,623)	(216,519)
(out of which) Individual assessment	-	-	(178,010)	(21,625)	(199,634)
Total	(231,676)	(82,792)	(194,896)	(21,687)	(531,051)
Net Carrying amount	11,405,742	1,268,203	85,135	3,151	12,762,232

Bank	Total December 31, 2022				
	Stage 1	Stage 2	Stage 3	POCI	Total
Gross carrying amount					
Internal rating grade					
Very good grade	8,682,463	6,044	-	-	8,688,507
Good grade	13,866,922	6,070,722	-	-	19,937,644
Standard grade	4,628,065	1,850,499	-	-	6,478,563
Sub-standard grade	-	1,074,884	-	19,698	1,094,583
Non- performing	-	-	1,009,640	32,905	1,042,545
(out of which) Individual assessment	-	-	274,067	24,137	298,205
Not rated internally	556	-	-	-	556
Total	27,178,006	9,002,150	1,009,640	52,603	37,242,399
Provision allowance					
Internal rating grade					
Very good grade	(46,987)	(90)	-	-	(47,077)
Good grade	(183,477)	(151,548)	-	-	(335,025)
Standard grade	(125,045)	(189,020)	-	-	(314,065)
Sub-standard grade	-	(237,660)	-	(156)	(237,817)
Non- performing	-	-	(741,386)	(24,750)	(766,136)
(out of which) Individual assessment	-	-	(197,003)	(21,711)	(218,714)
Total	(355,510)	(578,318)	(741,386)	(24,906)	(1,700,120)
Net Carrying amount	26,822,496	8,423,832	268,253	27,697	35,542,279

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9.1. Loans and advances to customers (continued)

Impairment allowance movement

Group

Unaudited (*)

	Retail lending				Total
	Stage 1	Stage 2	Stage 3	POCI	
Impairment allowance as at 1st January 2023	135,308	505,549	584,804	3,219	1,228,880
New assets originated or purchased	55,479	15,525	3,285	3	74,292
Assets derecognised or repaid (excluding write offs)	(8,419)	(19,422)	(19,389)	(72)	(47,303)
Net provision movement for assets that did not change classification	(29,690)	(5,707)	(885)	1,177	(35,104)
Movements due to change in classification	(8,550)	2,053	78,365	112	71,981
Amounts written off	-	-	(41,938)	(311)	(42,249)
Other adjustments	72	452	376	0	900
Impairment allowance as at June 30, 2023	144,200	498,450	604,618	4,128	1,251,396

	Non-Retail lending				Total
	Stage 1	Stage 2	Stage 3	POCI	
Impairment allowance as at 1st January 2023	232,210	86,326	195,865	21,687	536,088
New assets originated or purchased	64,312	16,051	4,941	-	85,304
Assets derecognised or repaid (excluding write offs)	(44,949)	(8,603)	(13,488)	(0)	(67,039)
Net provision movement for assets that did not change classification	6,719	(2,039)	(414)	(118)	4,148
Movements due to change in classification	10,773	(2,156)	(34,175)	(36)	(25,594)
Amounts written off	-	-	(370)	(0)	(370)
Other adjustments	404	228	(55)	70	647
Impairment allowance as at June 30, 2023	269,469	89,808	152,305	21,602	533,184

	Total				Total
	Stage 1	Stage 2	Stage 3	POCI	
Impairment allowance as at 1st January 2023	367,518	591,875	780,670	24,906	1,764,970
New assets originated or purchased	119,791	31,575	8,226	3	159,595
Assets derecognised or repaid (excluding write offs)	(53,368)	(28,025)	(32,877)	(72)	(114,342)
Net provision movement for assets that did not change classification	(22,971)	(7,746)	(1,299)	1,059	(30,956)
Movements due to change in classification	2,223	(102)	44,191	75	46,387
Amounts written off	-	-	(42,308)	(311)	(42,620)
Other adjustments	477	680	319	70	1,547
Impairment allowance as at June 30, 2023	413,670	588,258	756,922	25,730	1,784,581

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9.1. Loans and advances to customers (continued)

Impairment allowance movement (continued)

Bank

	Retail lending				Total
	Stage 1	Stage 2	Stage 3	POCI	
Impairment allowance as at 1st January 2023	123,834	495,526	546,491	3,219	1,169,070
New assets originated or purchased	54,933	12,080	633	3	67,649
Assets derecognised or repaid (excluding write offs)	(8,399)	(19,053)	(19,249)	(72)	(46,772)
Net provision movement for assets that did not change classification	(29,581)	(5,012)	(2,298)	1,177	(35,714)
Movements due to change in classification	(4,674)	3,317	103,356	112	102,110
Amounts written off	-	-	(41,904)	(311)	(42,215)
Other adjustments	71	435	363	1	871
Impairment allowance as at June 30, 2023	136,184	487,292	587,392	4,129	1,214,998

	Non-Retail lending				Total
	Stage 1	Stage 2	Stage 3	POCI	
Impairment allowance as at 1st January 2023	231,675	82,792	194,896	21,687	531,050
New assets originated or purchased	64,033	14,731	4,950	-	83,715
Assets derecognised or repaid (excluding write offs)	(44,925)	(8,482)	(13,450)	(0)	(66,858)
Net provision movement for assets that did not change classification	8,117	(1,681)	(382)	(118)	5,936
Movements due to change in classification	9,467	(1,304)	(33,720)	(36)	(25,594)
Amounts written off	-	-	(370)	(0)	(370)
Other adjustments	398	221	(56)	70	632
Impairment allowance as at June 30, 2023	268,766	86,276	151,868	21,602	528,512

	Total				Total
	Stage 1	Stage 2	Stage 3	POCI	
Impairment allowance as at 1st January 2023	355,510	578,318	741,386	24,906	1,700,120
New assets originated or purchased	118,966	26,811	5,583	3	151,363
Assets derecognised or repaid (excluding write offs)	(53,324)	(27,535)	(32,699)	(72)	(113,630)
Net provision movement for assets that did not change classification	(21,464)	(6,693)	(2,680)	1,059	(29,778)
Movements due to change in classification	4,793	2,012	69,636	75	76,517
Amounts written off	-	-	(42,274)	(311)	(42,585)
Other adjustments	469	656	306	72	1,504
Impairment allowance as at June 30, 2023	404,950	573,568	739,259	25,732	1,743,510

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9.1 Loans and advances to customers (continued)

Impairment allowance movement (continued)

Group

	Retail lending				Total
	Stage 1	Stage 2	Stage 3	POCI	
Impairment allowance as at 1st January 2022	133,801	457,954	602,990	3,875	1,198,619
New assets originated or purchased	88,882	22,940	10,229	9	122,060
Assets derecognised or repaid (excluding write offs)	(15,373)	(30,293)	(105,813)	(467)	(151,945)
Net provision movement for assets that did not change classification	(49,371)	(17,293)	(357)	1,528	(65,494)
Movements due to change in classification	(22,631)	72,287	174,935	(20)	224,571
Amounts written off	-	-	(97,064)	(1,695)	(98,759)
Other adjustments	1	(46)	(116)	(10)	(171)
Impairment allowance as at December 31, 2022	135,308	505,549	584,804	3,219	1,228,880

	Non-Retail lending				Total
	Stage 1	Stage 2	Stage 3	POCI	
Impairment allowance as at 1st January 2022	175,458	100,573	255,406	24,742	556,180
New assets originated or purchased	151,155	46,900	22,406	-	220,461
Assets derecognised or repaid (excluding write offs)	(97,119)	(27,058)	(57,544)	(367)	(182,088)
Net provision movement for assets that did not change classification	6,025	(27,730)	(15,779)	(2,685)	(40,168)
Movements due to change in classification	(3,306)	(6,373)	11,077	-	1,398
Amounts written off	-	-	(19,601)	(0)	(19,601)
Other adjustments	(4)	14	(101)	(3)	(94)
Impairment allowance as at December 31, 2022	232,210	86,326	195,865	21,687	536,088

	Total				Total
	Stage 1	Stage 2	Stage 3	POCI	
Impairment allowance as at 1st January 2022	309,259	558,527	858,398	28,617	1,754,801
New assets originated or purchased	240,037	69,840	32,635	9	342,521
Assets derecognised or repaid (excluding write offs)	(112,492)	(57,351)	(163,357)	(834)	(334,033)
Net provision movement for assets that did not change classification	(43,346)	(45,023)	(16,136)	(1,157)	(105,662)
Movements due to change in classification	(25,937)	65,915	186,012	(20)	225,969
Amounts written off	-	-	(116,665)	(1,695)	(118,360)
Other adjustments	(3)	(31)	(219)	(14)	(267)
Impairment allowance as at December 31, 2022	367,518	591,876	780,668	24,905	1,764,968

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9.1 Loans and advances to customers (continued)

Impairment allowance movement (continued)

Bank

	Retail lending				Total
	Stage 1	Stage 2	Stage 3	POCI	
Impairment allowance as at 1st January 2022	118,917	451,772	544,071	3,875	1,118,635
New assets originated or purchased	88,678	17,592	2,359	9	108,637
Assets derecognised or repaid (excluding write offs)	(15,357)	(30,269)	(105,481)	(467)	(151,573)
Net provision movement for assets that did not change classification	(49,332)	(18,027)	(1,055)	1,528	(66,886)
Movements due to change in classification	(19,059)	74,491	176,608	(20)	232,019
Amounts written off	-	-	(69,895)	(1,695)	(71,590)
Other adjustments	(12)	(33)	(116)	(10)	(171)
Impairment allowance as at December 31, 2022	123,834	495,526	546,491	3,219	1,169,070

	Non-Retail lending				Total
	Stage 1	Stage 2	Stage 3	POCI	
Impairment allowance as at 1st January 2022	175,057	97,758	252,985	24,742	550,542
New assets originated or purchased	150,889	44,715	22,406	-	218,011
Assets derecognised or repaid (excluding write offs)	(97,091)	(26,804)	(57,143)	(367)	(181,406)
Net provision movement for assets that did not change classification	7,184	(27,607)	(14,692)	(2,685)	(37,800)
Movements due to change in classification	(4,360)	(5,284)	11,042	-	1,398
Amounts written off	-	-	(19,601)	(0)	(19,601)
Other adjustments	(4)	14	(100)	(3)	(93)
Impairment allowance as at December 31, 2022	231,675	82,792	194,896	21,687	531,050

	Total				Total
	Stage 1	Stage 2	Stage 3	POCI	
Impairment allowance as at 1st January 2022	293,973	549,531	797,056	28,617	1,669,176
New assets originated or purchased	239,567	62,307	24,765	9	326,648
Assets derecognised or repaid (excluding write offs)	(112,448)	(57,073)	(162,624)	(834)	(332,979)
Net provision movement for assets that did not change classification	(42,148)	(45,634)	(15,747)	(1,157)	(104,687)
Movements due to change in classification	(23,419)	69,207	187,650	(20)	233,417
Amounts written off	-	-	(89,496)	(1,695)	(91,191)
Other adjustments	(16)	(19)	(216)	(12)	(263)
Impairment allowance as at December 31, 2022	355,510	578,318	741,386	24,907	1,700,121

The sensitivity assessment of ECL to key inputs shows that a +/- 1 p.p. change in LGD would result in an increase/ decrease of ECL with 37.3 MRON.

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

- A change of +/- 1 p.p. of the optimistic scenario weight correlated with a +/- 1 p.p. change in base scenario weight, will generate an ECL decrease/ increase of 0.4 MRON
- A change of +/- 1 p.p. of the pessimistic scenario weight correlated with a +/- 1 p.p. change in base scenario weight, will generate an ECL increase/ decrease of 2.0 MRON.

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9.2 Treasury bills at amortised cost

Treasury bills at amortised cost income include bonds classified as being Hold To Collect (HTC), measured at amortised cost and rated as very good according to internal rating. These bonds are issued by: French State in amount of 2,015,520 (December 31, 2022: 1,999,312), United States Government in amount of 628,144 (December 31, 2022: 431,715) and by Romanian Ministry of Public Finances in amount of 1,468,857 (December 31, 2022: 299,679).

As at June 30, 2023, these treasury bills at amortised cost are classified as Stage 1 and the ECL impairment allowance amounts to 195 (December 31, 2022: 40).

10. Finance lease receivables

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

	Group	
	Unaudited (*)	
	June 30, 2023	December 31, 2022
Gross investment in finance lease:		
Under 1 year	711,407	651,209
Between 1 and 5 years	1,083,748	963,284
Higher than 5 years	3,515	8,046
	1,798,670	1,622,539
Unearned finance income	(138,441)	(121,160)
Net investment in finance lease	1,660,229	1,501,379
Net investment in finance lease:		
Under 1 year	644,687	593,826
Between 1 and 5 years	1,012,084	899,704
Higher than 5 years	3,458	7,849
	1,660,229	1,501,379
	June 30, 2023	December 31, 2022
Net investment in the lease	1,660,229	1,501,379
Accumulated allowance for uncollectible minimum lease payments receivable	(93,034)	(93,985)
Total	1,567,195	1,407,394

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10. Finance lease receivables (continued)

Rating analysis of finance lease receivables

	Retail			Total
	June 30, 2023			
	Stage 1	Stage 2	Stage 3	
Gross carrying amount				
Not rated internally	467,162	89,209	55,655	612,025
Total	467,162	89,209	55,655	612,025
Provision allowance	(1,519)	(5,543)	(26,635)	(33,697)
Net Carrying amount	465,642	83,666	29,020	578,328

	Non-Retail			Total
	June 30, 2023			
	Stage 1	Stage 2	Stage 3	
Gross carrying amount				
Internal rating grade				
Good grade	206,098	40,727	-	246,825
Standard grade	547,797	134,517	-	682,314
Sub-standard grade	-	42,406	-	42,406
Non- performing	-	-	63,872	63,872
Not rated internally	3,841	9,629	(683)	12,786
Total	757,736	227,279	63,189	1,048,204
Provision allowance	(3,287)	(17,040)	(39,010)	(59,338)
Net Carrying amount	754,449	210,239	24,178	988,866

	Total			Total
	June 30, 2023			
	Stage 1	Stage 2	Stage 3	
Gross carrying amount				
Internal rating grade				
Good grade	206,098	40,727	-	246,825
Standard grade	547,797	134,517	-	682,314
Sub-standard grade	-	42,406	-	42,406
Non- performing	-	-	63,872	63,872
Not rated internally	471,003	98,838	54,971	624,812
Total	1,224,898	316,488	118,843	1,660,229
Provision allowance	(4,807)	(22,583)	(65,645)	(93,035)
Net Carrying amount	1,220,091	293,905	53,198	1,567,194

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10. Finance lease receivables (continued)

Rating analysis of finance lease receivables (continued)

	Retail			Total
	December 31, 2022			
	Stage 1	Stage 2	Stage 3	
Gross carrying amount				
Not rated internally	383,487	120,540	51,190	555,217
Total	383,487	120,540	51,190	555,217
Provision allowance	(1,867)	(7,119)	(22,724)	(31,710)
Net Carrying amount	381,620	113,421	28,466	523,507

	Non-Retail			Total
	December 31, 2022			
	Stage 1	Stage 2	Stage 3	
Gross carrying amount				
Internal rating grade				
Good grade	191,115	38,103	-	229,218
Standard grade	446,936	149,435	-	596,370
Sub-standard grade	-	48,243	-	48,243
Non- performing	-	-	68,782	68,782
Not rated internally	(663)	4,094	118	3,549
Total	637,387	239,875	68,901	946,162
Provision allowance	(2,623)	(12,158)	(47,495)	(62,275)
Net Carrying amount	634,764	227,716	21,406	883,887

	Total			Total
	December 31, 2022			
	Stage 1	Stage 2	Stage 3	
Gross carrying amount				
Internal rating grade				
Good grade	191,115	38,103	-	229,218
Standard grade	446,936	149,435	-	596,370
Sub-standard grade	-	48,243	-	48,243
Non- performing	-	-	68,782	68,782
Not rated internally	382,824	124,634	51,308	558,766
Total	1,020,874	360,415	120,091	1,501,380
Provision allowance	(4,490)	(19,277)	(70,219)	(93,986)
Net Carrying amount	1,016,384	341,137	49,872	1,407,394

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10. Finance lease receivables (continued)

Impairment allowance movement

	Retail			Total
	Stage 1	Stage 2	Stage 3	
Impairment allowance as at 1st January 2023	1,873	7,010	22,726	31,609
New assets originated or purchased	624	2,015	274	2,913
Assets derecognised or fully repaid (excluding write offs)	(91)	(192)	(468)	(752)
Movements due to change in classification	124	(395)	270	-
Net movement for assets that did not change classification	(506)	(666)	1,775	603
Amounts written off	-	-	(770)	(770)
Other adjustments	6	20	67	94
Impairment allowance as at June 30, 2023	2,030	7,792	23,875	33,697

	Non-retail			Total
	Stage 1	Stage 2	Stage 3	
Impairment allowance as at 1st January 2023	2,616	12,268	47,492	62,377
New assets originated or purchased	860	3,119	422	4,400
Assets derecognised or fully repaid (excluding write offs)	(40)	(292)	(581)	(913)
Movements due to change in classification	1,068	(841)	(227)	-
Net movement for assets that did not change classification	(1,739)	503	(3,499)	(4,735)
Amounts written off	-	-	(840)	(840)
Other adjustments	12	35	(998)	(952)
Impairment allowance as at June 30, 2023	2,776	14,792	41,769	59,337

	Total			Total
	Stage 1	Stage 2	Stage 3	
Impairment allowance as at 1st January 2023	4,489	19,278	70,219	93,986
New assets originated or purchased	1,483	5,133	696	7,313
Assets derecognised or fully repaid (excluding write offs)	(131)	(484)	(1,049)	(1,665)
Movements due to change in classification	1,192	(1,236)	44	(0)
Net movement for assets that did not change classification	(2,245)	(163)	(1,724)	(4,132)
Amounts written off	-	-	(1,610)	(1,610)
Other adjustments	18	56	(931)	(858)
Impairment allowance as at June 30, 2023	4,806	22,584	65,644	93,034

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10. Finance lease receivables (continued)

Impairment allowance movement (continued)

	Retail			Total
	Stage 1	Stage 2	Stage 3	
Impairment allowance as at 1st January 2022	1,450	3,544	19,701	24,695
New assets originated or purchased	937	3,541	3,261	7,739
Assets derecognised or fully repaid (excluding write offs)	(142)	(375)	(1,549)	(2,066)
Movements due to change in classification	354	1,020	(1,374)	-
Net movement for assets that did not change classification	(725)	(680)	2,895	1,489
Amounts written off	(1)	(40)	(204)	(245)
Other adjustments	(0)	(1)	(2)	(3)
Impairment allowance as at December 31, 2022	1,873	7,010	22,726	31,609

	Non-retail			Total
	Stage 1	Stage 2	Stage 3	
Impairment allowance as at 1st January 2022	1,866	16,210	46,436	64,512
New assets originated or purchased	1,479	4,948	1,027	7,453
Assets derecognised or fully repaid (excluding write offs)	(117)	(2,508)	(1,975)	(4,601)
Movements due to change in classification	4,804	(5,002)	198	0
Net movement for assets that did not change classification	(5,414)	(1,364)	3,927	(2,850)
Amounts written off	-	-	(770)	(770)
Other adjustments	(1)	(15)	(1,351)	(1,367)
Impairment allowance as at December 31, 2022	2,616	12,269	47,491	62,377

	Total			Total
	Stage 1	Stage 2	Stage 3	
Impairment allowance as at 1st January 2022	3,316	19,754	66,137	89,207
New assets originated or purchased	2,415	8,489	4,287	15,192
Assets derecognised or fully repaid (excluding write offs)	(259)	(2,883)	(3,524)	(6,666)
Movements due to change in classification	5,158	(3,982)	(1,176)	0
Net movement for assets that did not change classification	(6,139)	(2,044)	6,822	(1,361)
Amounts written off	(1)	(40)	(975)	(1,015)
Other adjustments	(1)	(16)	(1,354)	(1,370)
Impairment allowance as at December 31, 2022	4,489	19,279	70,218	93,986

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11. Property, plant and equipment

Group Unaudited (*)

	Land & Buildings	Investment properties	Office equipments	Materials and other assets	Construction in progress	Right of use	Total
Cost:							
as of December 31, 2021	1,264,443	38,243	279,636	485,547	55,171	521,396	2,644,436
Additions	-	-	66	7	128,781	42,012	170,866
Transfers	36,282	(293)	26,567	27,440	(89,995)	-	1
Disposals	(21,293)	(937)	(16,832)	(53,334)	5,530	(77,390)	(164,256)
as of December 31, 2022	1,279,432	37,013	289,437	459,660	99,487	486,018	2,651,047
Additions	-	-	102	4	47,082	20,487	67,675
Transfers	17,848	(438)	24,408	32,168	(73,986)	-	-
Disposals	(9,257)	(391)	(6,677)	(28,308)	(4,436)	(22,900)	(71,969)
as of June 30, 2023 Unaudited	1,288,023	36,184	307,270	463,524	68,147	483,605	2,646,753
Depreciation and impairment:							
as of December 31, 2021	(784,378)	(21,931)	(214,717)	(392,369)	(1,954)	(140,676)	(1,556,025)
Depreciation	(33,956)	(483)	(29,780)	(26,668)	-	(86,283)	(177,170)
Impairment	1,617	-	-	(56)	-	-	1,561
Disposals	14,903	697	16,824	50,608	-	76,921	159,953
Transfers	127	207	-	(334)	-	-	-
as of December 31, 2022	(801,687)	(21,510)	(227,673)	(368,819)	(1,954)	(150,038)	(1,571,681)
Depreciation	(17,442)	(227)	(15,943)	(14,342)	-	(41,798)	(89,752)
Impairment	870	75	-	-	-	-	945
Disposals	6,635	202	6,651	26,602	-	33,352	73,442
Transfers	(257)	262	-	(5)	-	-	-
as of June 30, 2023 Unaudited	(811,881)	(21,198)	(236,965)	(356,564)	(1,954)	(158,484)	(1,587,046)
Net book value:							
as of December 31, 2021	480,065	16,312	64,919	93,178	53,217	380,720	1,088,411
as of December 31, 2022	477,745	15,503	61,764	90,841	97,533	335,980	1,079,366
as of June 30, 2023 Unaudited	476,142	14,986	70,305	106,960	66,193	325,121	1,059,707

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11. Property, plant and equipment (continued)

	Bank						Total
	Land & Buildings	Investment properties	Office equipments	Materials and other assets	Construction in progress	Right of use	
Cost:							
as of December 31, 2021	1,254,332	38,243	270,494	485,258	55,169	495,250	2,598,745
Additions	-	-	-	7	128,781	41,563	170,351
Transfers	36,282	(293)	26,566	27,440	(89,995)	-	-
Disposals	(21,181)	(937)	(16,520)	(53,311)	5,530	(68,595)	(155,014)
as of December 31, 2022	1,269,433	37,013	280,540	459,394	99,485	468,218	2,614,082
Additions	-	-	-	-	47,082	12,730	59,812
Transfers	17,848	(439)	24,408	32,168	(73,986)	-	(1)
Disposals	(9,257)	(391)	(6,466)	(28,308)	(4,436)	(19,921)	(68,779)
as of June 30, 2023	1,278,024	36,183	298,482	463,254	68,145	461,027	2,605,114
Depreciation and impairment:							
as of December 31, 2021	(778,905)	(21,930)	(207,464)	(392,182)	(1,954)	(128,744)	(1,531,179)
Depreciation	(33,703)	(484)	(28,937)	(26,640)	-	(82,779)	(172,543)
Impairment	1,617	-	-	(56)	-	-	1,561
Disposals	14,789	697	16,518	50,587	-	67,434	150,025
Transfers	127	207	-	(334)	-	-	-
as of December 31, 2022	(796,075)	(21,510)	(219,883)	(368,625)	(1,954)	(144,089)	(1,552,136)
Depreciation	(17,321)	(226)	(15,595)	(14,334)	-	(39,852)	(87,328)
Impairment	870	75	-	-	-	-	945
Disposals	6,634	202	6,457	26,602	-	30,250	70,145
Transfers	(257)	262	-	(5)	-	-	-
as of June 30, 2023	(806,149)	(21,197)	(229,021)	(356,362)	(1,954)	(153,691)	(1,568,374)
Net book value:							
as of December 31, 2021	475,427	16,313	63,030	93,076	53,215	366,506	1,067,566
as of December 31, 2022	473,358	15,503	60,657	90,769	97,531	324,129	1,061,946
as of June 30, 2023	471,875	14,986	69,461	106,892	66,191	307,336	1,036,740

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11. Property, plant and equipment (continued)

Group	Right-of-use assets			
	Land & Buildings	IT Office equipments	Cars and other assets	Total
Unaudited (*)				
as of January 1, 2023	316,560	11,031	8,389	335,980
Additions	12,601	3,394	4,965	20,960
Depreciation expense	(37,052)	(1,744)	(3,002)	(41,798)
Disposals and other decreases	(4,411)	-	(4)	(4,415)
Contractual changes	14,204	191	(1)	14,394
as of June 30, 2023	301,902	12,872	10,347	325,121
	Lease liabilities			
as of January 1, 2023	339,746			
Additions	15,641			
Disposals and other decreases	1,867			
Other movements (FX, other contractual changes)	19,649			
Interest expense	2,840			
Payments	(43,142)			
as of June 30, 2023	336,601			
	Right-of-use assets			
	Land & Buildings	IT Office equipments	Cars and other assets	Total
as of January 1, 2023	305,781	9,498	8,850	324,129
Additions	5,352	3,394	3,984	12,730
Depreciation expense	(35,505)	(1,744)	(2,603)	(39,852)
Disposals and other decreases	(4,410)	-	-	(4,410)
Contractual changes	14,739	-	-	14,739
as of June 30, 2023	285,957	11,148	10,231	307,336
	Lease liabilities			
as of January 1, 2023	327,522			
Additions	12,730			
Disposals and other decreases	(1,355)			
Other movements (FX, other contractual changes)	18,144			
Interest expense	2,768			
Payments	(41,841)			
as of June 30, 2023	317,968			

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11. Property, plant and equipment (continued)

Group	Right-of-use assets			
	Land & Buildings	IT Office equipments	Cars and other assets	Total
as of January 1, 2022	366,047	4,220	10,453	380,720
Additions	26,415	11,904	3,409	41,728
Depreciation expense	(77,269)	(3,531)	(5,483)	(86,283)
Disposals and other decreases	(18,761)	(1,815)	(19)	(20,595)
Contractual changes	20,128	253	29	20,410
as of December 31, 2022	316,560	11,031	8,389	335,980
	Lease liabilities			
as of January 1, 2022	392,275			
Additions	41,725			
Disposals and other decreases	(32,025)			
Other movements (FX, other contractual changes)	22,435			
Interest expense	5,042			
Payments	(89,706)			
as of December 31, 2022	339,746			
	Right-of-use assets			
	Land & Buildings	IT Office equipments	Cars and other assets	Total
as of January 1, 2022	353,107	3,187	10,212	366,506
Additions	26,418	11,904	3,241	41,563
Depreciation expense	(74,661)	(3,531)	(4,587)	(82,779)
Disposals and other decreases	(18,761)	(1,815)	-	(20,576)
Contractual changes	19,678	(247)	(16)	19,415
as of December 31, 2022	305,781	9,498	8,850	324,129
	Lease liabilities			
as of January 1, 2022	377,699			
Additions	41,563			
Disposals and other decreases	(29,506)			
Other movements (FX, other contractual changes)	19,084			
Interest expense	4,920			
Payments	(86,238)			
as of December 31, 2022	327,522			

The Group and Bank holds investment property as a consequence of the ongoing rationalization of its retail branch network. Investment properties comprise a number of commercial properties that are leased to third parties. The investment properties have a fair value of 12,529 as at June 30, 2023 (December 31, 2022: 12,529). The fair value has been determined based on a valuation by an independent valuer in 2023. Rental income from investment property of 1,363 (December 31, 2022: 2,427) has been recognized in other income.

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12. Goodwill

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

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

As at June 30, 2023, the branch had a number of 3,942 active customers (2022: 3,737), with loans representing approximately 16% from total loans managed by the network (2022: 17%) and with deposits representing about 15% of networks’ deposits (2022: 15%). Most of the SMCC non-retail clients are large multinational and national customers.

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

13. Intangible assets

The balance of the intangible assets as of June 30, 2023 and December 31, 2022 represents mainly software.

	Group	Bank
	Unaudited (*)	
Cost:		
as of December 31, 2021	848,457	821,933
Additions	140,411	139,072
Disposals	(529)	45
as of December 31, 2022	988,339	961,050
Additions	61,883	61,271
Disposals	(38,317)	(2,275)
as of June 30, 2023	1,011,905	1,020,046
Amortization:		
as of December 31, 2021	(527,394)	(502,278)
Amortization expense	(53,852)	(53,105)
Disposals	395	-
as of December 31, 2022	(580,852)	(555,383)
Amortization expense	(33,446)	(33,007)
Disposals	35,838	-
as of June 30, 2023	(578,460)	(588,391)
Net book value:		
as of December 31, 2021	321,063	319,655
as of December 31, 2022	407,487	405,667
as of June 30, 2023	433,445	431,655

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14. Other assets

	Group		Bank	
	Unaudited (*)			
	June 30,	December 31,	June 30,	December 31,
	2023	2022	2023	2022
Advances to suppliers	82,191	77,413	-	-
Sundry receivables	449,682	422,867	434,753	414,235
Prepaid expenses	67,030	73,545	65,642	56,755
Repossessed assets	2,876	4,536	924	924
Other assets	15,903	12,602	2,608	2,044
Total	617,682	590,963	503,927	473,958

As of June 30, 2023 the carrying value of repossessed assets for Group is 2,876 (December 31, 2022: 4,536). As of June 30, 2023 the carrying value of repossessed assets for Bank is 924 (December 31, 2022: 924), representing 4 residential buildings (December 31, 2022: 3 residential buildings).

The sundry receivables balances includes various commissions, sundry debtors and are net of impairment allowance.

Group Unaudited (*)

	Total (Stage3)
Sundry receivables	
Impairment allowance as at January 1, 2023	200,209
Additional expenses	41,103
Reversals of provisions	(6,116)
Receivables written off	(166,679)
Foreign exchange adjustments	(495)
Impairment allowance as at June 30, 2023	68,021
	Total (Stage3)
Impairment allowance as at 1 st January 2022	165,641
Additional expenses	67,810
Reversals of provisions	(23,868)
Receivables written off	(9,469)
Foreign exchange adjustments	95
Impairment allowance as at December 31, 2022	200,209

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14. Other assets (continued)

Bank

	Total (Stage3)
Sundry receivables	
Impairment allowance as at January 1, 2023	190,512
Additional expenses	36,921
Reversals of provisions	(6,115)
Receivables written off	(166,641)
Foreign exchange adjustments	80
Impairment allowance as at June 30, 2023	54,756

	Total (Stage3)
Impairment allowance as at 1 st January 2022	156,860
Additional expenses	66,146
Reversals of provisions	(23,262)
Receivables written off	(9,328)
Foreign exchange adjustments	95
Impairment allowance as at December 31, 2022	190,512

15. Due to banks

	Group		Bank	
	Unaudited (*)			
	June 30, 2023	December 31, 2022	June 30, 2023	December 31, 2022
Demand deposits	734,622	304,610	734,622	304,610
Repo	395,360	286,448	395,360	286,448
Term deposits	13,873	45,830	13,873	45,830
Due to banks	1,143,855	636,888	1,143,855	636,888

16. Due to customers

	Group		Bank	
	Unaudited (*)			
	June 30, 2023	December 31, 2022	June 30, 2023	December 31, 2022
Demand deposits	39,270,724	40,921,389	39,421,112	41,037,420
Term deposits	19,169,957	15,739,452	19,205,288	15,878,320
Due to customers	58,440,681	56,660,841	58,626,400	56,915,740

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17. Borrowed funds

	Group		Bank	
	Unaudited (*)		June 30, 2023	December 31, 2022
	June 30, 2023	December 31, 2022		
Borrowings from related parties	5,385,042	5,295,703	3,578,008	3,565,843
Borrowings from international financial institutions	283,454	329,785	1,025	1,419
Total	5,668,496	5,625,488	3,579,033	3,567,262

Borrowings from related parties includes three senior non-preferred loans from Société Générale in amount of:

- 450 million EUR, with an interest rate of EURIBOR 3M+0.86% and an initial term of three years (received in December 2021)
- 150 million EUR, with an interest rate of EURIBOR 3M+1.98% and an initial term of three years (received in June 2022)
- 120 million EUR, with a fixed interest rate of 4.77% and an initial term of three years (received in December 2022).

Other funds borrowed from related parties are senior unsecured and are used in the normal course of business.

18. Subordinated debts

Two subordinated debts were received from Société Générale in amount of:

- 100 million EUR with an interest rate of EURIBOR 3M+1.98% and an initial term of ten years (in December 2021)
- 150 million EUR with an interest rate of EURIBOR 3M+4.31% and an initial term of ten years (in June 2022).

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19. Provisions

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

Financial guarantees and loan commitments provisions movement

Group Unaudited (*)	Retail lending			Total
	Stage 1	Stage 2	Stage 3	
Provision as at 1 st January 2023	4,594	4,059	3,281	11,934
New commitments originated or purchased	5,124	982	490	6,596
Commitments derecognised or transferred into assets	(473)	(593)	(540)	(1,606)
Net provision movement not resulting from changes in classification	(3,558)	(410)	(459)	(4,427)
Movements due to change in classification	(93)	(96)	680	491
Provision as at June 30, 2023	5,595	3,942	3,452	12,989
	Non-Retail			
	Stage 1	Stage 2	Stage 3	Total
Provision as at 1 st January 2023	128,239	50,188	147,471	325,898
New commitments originated or purchased	75,026	20,737	-	95,763
Commitments derecognised or transferred into assets	(37,654)	(16,632)	(326)	(54,612)
Net provision movement not resulting from changes in classification	(33,648)	(6,168)	(7,713)	(47,529)
Movements due to change in classification	4,774	(4,708)	(1,744)	(1,678)
Other adjustments	95	20	1,197	1,312
Provision as at June 30, 2023	136,832	43,437	138,885	319,154
	Total			
	Stage 1	Stage 2	Stage 3	Total
Provision as at 1 st January 2023	132,833	54,247	150,753	337,833
New commitments originated or purchased	80,150	21,719	490	102,359
Commitments derecognised or transferred into assets	(38,127)	(17,225)	(866)	(56,218)
Net provision movement not resulting from changes in classification	(37,206)	(6,578)	(8,172)	(51,956)
Movements due to change in classification	4,681	(4,804)	(1,064)	(1,187)
Other adjustments	96	20	1,197	1,312
Provision as at June 30, 2023	142,427	47,379	142,338	332,143

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19. Provisions (continued)

Financial guarantees and loan commitments provisions movement (continued)

Bank	Retail lending			Total
	Stage 1	Stage 2	Stage 3	
Provision as at 1 st January 2023	4,562	3,925	3,282	11,769
New commitments originated or purchased	5,101	895	490	6,486
Commitments derecognised or transferred into assets	(453)	(489)	(540)	(1,482)
Net provision movement not resulting from changes in classification	(3,558)	(410)	(459)	(4,427)
Movements due to change in classification	(93)	(96)	681	492
Provision as at June 30, 2023	5,559	3,825	3,454	12,838

	Non-Retail			Total
	Stage 1	Stage 2	Stage 3	
Provision as at 1 st January 2023	128,092	49,811	157,351	335,254
New commitments originated or purchased	74,899	20,238	-	95,137
Commitments derecognised or transferred into assets	(37,514)	(16,327)	(326)	(54,167)
Net provision movement not resulting from changes in classification	(33,648)	(6,168)	(7,713)	(47,529)
Movements due to change in classification	4,774	(4,708)	(1,744)	(1,678)
Other adjustments	95	20	88	203
Provision as at June 30, 2023	136,698	42,866	147,656	327,220

	Total			Total
	Stage 1	Stage 2	Stage 3	
Provision as at 1 st January 2023	132,654	53,736	160,633	347,023
New commitments originated or purchased	80,000	21,133	490	101,623
Commitments derecognised or transferred into assets	(37,967)	(16,816)	(866)	(55,649)
Net provision movement not resulting from changes in classification	(37,206)	(6,578)	(8,172)	(51,956)
Movements due to change in classification	4,681	(4,804)	(1,063)	(1,186)
Other adjustments	95	20	88	203
Provision as at June 30, 2023	142,257	46,691	151,110	340,058

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19. Provisions (continued)

Financial guarantees and loan commitments provisions movement (continued)

Group	Retail lending			Total
	Stage 1	Stage 2	Stage 3	
Provision as at 1 st January 2022	3,374	3,132	3,371	9,877
New commitments originated or purchased	10,460	1,929	902	13,291
Commitments derecognised or transferred into assets	(1,241)	(659)	(706)	(2,606)
Net provision movement not resulting from changes in classification	(7,307)	(672)	(1,613)	(9,592)
Movements due to change in classification	(692)	329	1,327	964
Provision as at December 31, 2022	4,594	4,059	3,281	11,934
	Non-Retail			Total
	Stage 1	Stage 2	Stage 3	
Provision as at 1 st January 2022	72,616	25,268	200,787	298,671
New commitments originated or purchased	99,008	35,196	1,386	135,590
Commitments derecognised or transferred into assets	(47,357)	(5,188)	(69,194)	(121,739)
Net provision movement not resulting from changes in classification	14,131	(10,007)	3,755	7,879
Movements due to change in classification	(10,064)	4,931	8,602	3,469
Other adjustments	(95)	(12)	2,135	2,028
Provision as at December 31, 2022	128,239	50,188	147,471	325,898
	Total			Total
	Stage 1	Stage 2	Stage 3	
Provision as at 1 st January 2022	75,990	28,400	204,159	308,549
New commitments originated or purchased	109,468	37,125	2,288	148,881
Commitments derecognised or transferred into assets	(48,598)	(5,847)	(69,900)	(124,345)
Net provision movement not resulting from changes in classification	6,824	(10,679)	2,142	(1,713)
Movements due to change in classification	(10,756)	5,260	9,929	4,433
Other adjustments	(95)	(12)	2,135	2,028
Provision as at December 31, 2022	132,833	54,247	150,753	337,833

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19. Provisions (continued)

Financial guarantees and loan commitments provisions movement (continued)

Bank	Retail lending			Total
	Stage 1	Stage 2	Stage 3	
Provision as at 1 st January 2022	3,365	3,125	3,371	9,861
New commitments originated or purchased	10,430	1,793	902	13,125
Commitments derecognised or transferred into assets	(1,234)	(650)	(706)	(2,590)
Net provision movement not resulting from changes in classification	(7,306)	(672)	(1,613)	(9,591)
Movements due to change in classification	(692)	329	1,328	965
Other adjustments	(1)	-	-	(1)
Provision as at December 31, 2022	4,562	3,925	3,282	11,769
	Non-Retail			Total
	Stage 1	Stage 2	Stage 3	
Provision as at 1 st January 2022	72,589	24,749	212,015	309,353
New commitments originated or purchased	98,864	34,849	1,386	135,099
Commitments derecognised or transferred into assets	(47,333)	(4,689)	(69,194)	(121,216)
Net provision movement not resulting from changes in classification	14,131	(10,006)	3,755	7,880
Movements due to change in classification	(10,064)	4,934	8,602	3,472
Other adjustments	(95)	(26)	787	666
Provision as at December 31, 2022	128,092	49,811	157,351	335,254
	Total			Total
	Stage 1	Stage 2	Stage 3	
Provision as at 1 st January 2022	75,954	27,874	215,386	319,214
New commitments originated or purchased	109,294	36,642	2,288	148,224
Commitments derecognised or transferred into assets	(48,567)	(5,339)	(69,900)	(123,806)
Net provision movement not resulting from changes in classification	6,825	(10,678)	2,142	(1,711)
Movements due to change in classification	(10,756)	5,263	9,930	4,437
Other adjustments	(96)	(26)	787	665
Provision as at December 31, 2022	132,654	53,736	160,633	347,023

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19. Provisions (continued)

The Bank includes in the line Provisions: provisions for litigation in amount of 16,332 as of June 30, 2023 (20,862 as of December 31, 2022), provisions for risks related to banking activity in amount of 2,459 as of June 30, 2023 (2,486 as of December 31, 2022) and other provisions for risks and charges in amount of 6,966 as of June 30, 2023 (9,801 as of December 31, 2022).

The Group includes in the line Provisions: provisions for litigation in amount of 34,054 as of June 30, 2023 (43,332 as of December 31, 2022), provisions for risks related to banking activity in amount of 2,459 as of June 30, 2023 (2,486 as of December 31, 2022) and other provisions for risks and charges in amount of 6,966 as of June 30, 2023 (9,801 as of December 31, 2022).

The movement in other provisions is as follows:

Group	TOTAL
Carrying value as of December 31, 2021	74,637
Additional expenses	19,000
Reversals of provisions	(30,466)
Usage	(7,553)
Carrying value as of December 31, 2022	55,618
Additional expenses	17,095
Reversals of provisions	(19,582)
Usage	(9,652)
Carrying value as of June 30, 2023 Unaudited	43,479
Bank	
Carrying value as of December 31, 2021	55,531
Additional expenses	15,354
Reversals of provisions	(30,184)
Usage	(7,552)
Carrying value as of December 31, 2022	33,149
Additional expenses	2,699
Reversals of provisions	(439)
Usage	(9,652)
Carrying value as of June 30, 2023	25,757

20. Other liabilities

	Group		Bank	
	Unaudited (*)		June 30, 2023	December 31, 2022
	June 30, 2023	December 31, 2022		
Sundry creditors	269,197	272,164	195,124	201,271
Other payables to State budget	53,163	59,038	52,340	56,716
Deferred income	50,828	40,772	50,828	40,772
Payables to employees	125,902	165,820	108,760	137,401
Creditors - Lease liabilities	336,601	339,746	317,968	327,522
Total	835,691	877,540	725,020	763,682

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

Payables to employees include, among other, gross bonuses, amounting 65,179 as of June 30, 2023 (December 31, 2022: 93,153) and post-employment benefits amounting 21,178 as of June 30, 2023 (December 31, 2022: 19,576).

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20. Other liabilities (continued)

Post-employment benefit plan

This is a defined benefit plan under which the amount of benefit that an employee is entitled to receive on retirement depends on years of service and salary. The plan covers substantially all the employees and the benefits are unfunded. A full actuarial valuation by a qualified independent actuary is carried out annually.

During 2023, the movements in defined benefit obligation is generated by the service cost and benefits paid, resulting in a change of obligation carrying value 21,178 as of June 30, 2023, from 19,576 as of December 31, 2022.

21. Share capital

The nominal share capital, as registered with the Registry of Commerce is 696,901 (2022: 696,901). Included in the share capital there is an amount of 1,818,721 (2022: 1,818,721) representing hyperinflation restatement surplus.

Share capital as of June 30, 2023 represents 696,901,518 (2022: 696,901,518) authorized common shares, issued and fully paid. The nominal value of each share is RON 1 (2022: RON 1). During 2023 and 2022, the Bank did not buy back any of its own shares.

22. Taxation

Current income tax is calculated based on the taxable income as per the tax statement derived from the stand alone accounts of each consolidated entity. As of June 30, 2023 the Group has a current tax liability in total amount of 77,701 (December 31, 2022: 5,595) and 0 current tax asset (December 31, 2022: 23,563) and at Bank level a current tax liability in total amount of 73,128 (December 31, 2022: 0) and 0 current tax asset (December 31, 2022: 23,563).

The deferred tax liability/asset is reconciled as follows:

	Group		
	June 30, 2023 Unaudited (*)		
Temporary differences Asset / (Liability)	Consolidated Statement of Financial Position Asset / (Liability)	Consolidated Income Statement (Expense) / Income	Consolidated OCI (Expense) / Income
<i>Elements generating deferred tax</i>			
Defined benefit obligation	71,315	(11,410)	-
Financial assets at fair value through other comprehensive income	(1,812,010)	289,922	(107,564)
Tangible and intangible assets	(1,780)	285	(1,279)
Provisions and other liabilities	(647,413)	103,586	(4,808)
Taxable items	(2,389,888)		
Deferred tax		382,382	(6,087)
		(107,563)	

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22. Taxation (continued)

Bank June 30, 2023			
Temporary differences Asset / (Liability)	Individual Statement of Financial Position Asset / (Liability)	Individual Income Statement (Expense) / Income	Consolidated OCI (Expense) / Income
<i>Elements generating deferred tax</i>			
Defined benefit obligation	71,315	(11,410)	-
Financial assets at fair value through other comprehensive income	(1,812,010)	289,922	-
Tangible and intangible assets	(1,780)	285	(1,279)
Provisions and other liabilities	(564,731)	90,357	(896)
Taxable items	(2,307,206)		
Deferred tax		369,153	(2,175)

Group December 31, 2022			
Temporary differences Asset / (Liability)	Consolidated Statement of Financial Position Asset / (Liability)	Consolidated Income Statement (Expense) / Income	Consolidated OCI (Expense) / Income
<i>Elements generating deferred tax</i>			
Defined benefit obligation	71,315	(11,410)	-
Financial assets at fair value through other comprehensive income	(2,484,289)	397,486	-
Tangible and intangible assets	(9,772)	1,564	(11,617)
Provisions and other liabilities	(677,465)	108,393	9,800
Taxable items	(3,100,211)		
Deferred tax		496,034	(1,817)

Bank December 31, 2022			
Temporary differences Asset / (Liability)	Individual Statement of Financial Position Asset / (Liability)	Individual Income Statement (Expense) / Income	Consolidated OCI (Expense) / Income
<i>Elements generating deferred tax</i>			
Defined benefit obligation	71,315	(11,410)	-
Financial assets at fair value through other comprehensive income	(2,484,289)	397,486	-
Tangible and intangible assets	(9,772)	1,563	(11,648)
Provisions and other liabilities	(570,335)	91,254	6,607
Taxable items	(2,993,081)		
Deferred tax		478,893	(5,041)

Movement in deferred tax is as follows:

	Group	Bank
Deferred tax asset, net as of December 31, 2021	180,089	166,173
Deferred tax recognized in other comprehensive income	317,761	317,761
Deferred tax recognized in profit and loss	(1,817)	(5,041)
Deferred tax asset, net as of December 31, 2022	496,034	478,893
Deferred tax recognized in other comprehensive income	(107,564)	(107,564)
Deferred tax recognized in profit and loss	(6,087)	(2,175)
Deferred tax asset, net as of June 30, 2023	382,382	369,153

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22. Taxation (continued)

Reconciliation of total tax charge

	Group Unaudited (*)		Bank	
	Six months ended June 30, 2023	Six months ended June 30, 2022	Six months ended June 30, 2023	Six months ended June 30, 2022
	Profit before income tax	923,116	742,720	897,820
Income tax (16%)	147,699	118,835	143,651	117,273
Fiscal credit and other adjustments	1,690	(1,456)	(2,264)	(1,453)
Non-deductible elements	18,939	22,307	11,020	10,873
Non-taxable elements	(12,732)	(13,738)	(6,736)	(10,407)
Expense from income tax at effective tax rate	155,596	125,949	145,671	116,286
Effective tax rate	16.9%	17.0%	16.2%	15.9%

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

At the Bank level, as at June 30, 2023, permanent non-deductible elements include the impact of provisions for overdue commissions 5,557 (December 31, 2022: 9,777), sponsorship expenses with an impact of 338 (December 31, 2022: 1,276) and debt sales and other operations with limited deductibility in amount of 1,141 (December 31, 2022: 8,225); permanent non-taxable elements are mainly a result of releases for provisions for overdue commissions in amount of 747 (December 31, 2022: 1,722), provisions for risks and charges/litigations 195 (December 31, 2022: 1,184) and dividends income with an impact of 4,700 (December 31, 2022: 7,574).

23. Interest and similar income

	Group Unaudited (*)		Bank	
	Six months ended June 30, 2023	Six months ended June 30, 2022	Six months ended June 30, 2023	Six months ended June 30, 2022
	Interest on loans	1,544,962	960,478	1,473,753
Interest on finance lease	20,734	29,242	-	-
Interest on deposit with banks	137,443	14,909	137,136	14,591
Interest on financial assets	288,215	262,107	288,215	262,107
Interest income from hedging instruments	-	7,951	-	7,951
Total	1,991,354	1,274,687	1,899,104	1,201,003

The interest income on loans includes the accrued interest on net (after impairment allowance) impaired loans in amount of 31,822 for Group (2022: 27,205) and 30,630 for Bank (2022: 25,529).

24. Interest and similar expense

	Group Unaudited (*)		Bank	
	Six months ended June 30, 2023	Six months ended June 30, 2022	Six months ended June 30, 2023	Six months ended June 30, 2022
	Interest on term deposits	394,178	69,678	394,409
Interest on demand deposits	89,106	43,489	93,134	44,943
Interest on borrowings	135,356	36,078	105,506	26,993
Interest expense on lease liabilities	2,840	2,383	2,768	2,318
Interest expense from hedging instruments	40,806	-	40,806	-
Total	662,286	151,628	636,623	144,230

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25. Fees and commissions, net

	Group		Bank	
	Unaudited (*)			
	Six months ended June 30, 2023	Six months ended June 30, 2022	Six months ended June 30, 2023	Six months ended June 30, 2022
Services	280,877	298,095	285,844	296,372
Management fees	56,523	50,826	56,523	50,826
Packages	39,762	33,043	39,762	33,043
Transfers	34,228	36,451	34,228	36,451
OTC withdrawal	25,203	33,293	25,203	33,293
Cards	85,556	100,602	85,556	100,602
Brokerage and custody	23,355	26,357	23,353	26,357
Other	16,250	17,522	21,219	15,800
Loan activity	52,521	53,085	32,816	37,333
Off balance sheet	27,168	22,136	27,168	22,136
Total	360,566	373,315	345,828	355,841

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

	Group		Bank	
	Unaudited (*)			
	Six months ended June 30, 2023	Six months ended June 30, 2022	Six months ended June 30, 2023	Six months ended June 30, 2022
FX position revaluation	37,215	(14,049)	37,215	(14,049)
FX Spot	110,483	113,607	109,571	112,721
Gain on instruments held for trading	46,374	15,498	46,374	15,498
Derivative financial instruments	(24,437)	18,800	(24,437)	18,800
Gain/(loss) on interest rate derivatives	(134)	(4,471)	(134)	(4,471)
Gain/(loss) on currency and interest swap	612	(770)	612	(770)
Gain/(loss) on forward foreign exchange contracts	(29,335)	19,250	(29,335)	19,250
Gain/(loss) on currency options	4,123	3,922	4,123	3,922
Other	297	869	297	869
Gain on derivative, other financial instruments held for trading and foreign exchange	169,635	133,856	168,723	132,969

27. Other income/expense from banking activities

	Group		Bank	
	Unaudited (*)			
	Six months ended June 30, 2023	Six months ended June 30, 2022	Six months ended June 30, 2023	Six months ended June 30, 2022
Dividend income from subsidiaries	-	-	10,559	37,217
Provisions for litigations	9,278	(2,697)	4,530	(2,696)
Held for sale fixed assets expenses	(1,362)	(1,533)	-	-
Other incomes/(expenses)	(11,728)	15,170	(8,780)	11,851
Total income / (expense) from banking activity	(3,812)	10,940	6,309	46,372

For the Bank, other income includes income from banking activities offered to the clients and income from non-banking activities, such as income from rentals. The income from rental of investment properties for the Bank is 1,363 (2022: 1,355).

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28. Contribution to Guarantee Scheme and Resolution Fund

According to the Romanian legislation (Law no. 311/2015 on Deposit Guarantee Schemes and the Bank Deposit Guarantee Fund), the deposits of individuals and certain entities, including small and medium enterprises and large companies are covered up to EUR 100,000 by the Bank Deposit Guarantee Fund (“Fund”). Each credit institution participating to deposit guarantee scheme shall pay the annual contribution as determined and notified by the Fund. The amount of the contribution refers to the total covered deposits at the end of the previous year and reflects also the degree of risk associated to each credit institution in the scheme.

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

For the year 2023 the expense related to the Deposit Guarantee Fund amounts to 16,269 (2022: 33,575).

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

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

For the year 2023 the expense related to the Bank Resolution Fund was 51,953 (2022: 35,690).

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

29. Personnel expenses

	Group		Bank	
	Unaudited (*)			
	Six months ended June 30, 2023	Six months ended June 30, 2022	Six months ended June 30, 2023	Six months ended June 30, 2022
Salaries	422,317	370,434	400,688	352,234
Social security	9,329	9,345	9,402	8,668
Bonuses	31,403	37,245	31,800	28,783
Post-employment benefits	2,132	2,547	2,132	2,547
Capitalisation of internal projects	(19,802)	(14,965)	(19,802)	(14,965)
Other	16,412	10,622	15,867	10,472
Total	461,791	415,227	440,087	387,739

In 2023 the expense related to the Bank defined benefit contribution plan was 1,196 (2022: 1,313).

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30. Depreciation, amortization and impairment on tangible and intangible assets

	Group Unaudited (*)		Bank	
	Six months ended June 30, 2023	Six months ended June 30, 2022	Six months ended June 30, 2023	Six months ended June 30, 2022
	Depreciation and impairment on tangible assets	88,118	88,471	86,231
Amortization on intangible assets	33,446	24,640	33,007	24,366
Total	121,564	113,111	119,239	110,053

31. Other operating expenses

	Group Unaudited (*)		Bank	
	Six months ended June 30, 2023	Six months ended June 30, 2022	Six months ended June 30, 2023	Six months ended June 30, 2022
	Administrative expenses	227,161	208,324	235,548
Publicity and sponsorships	12,751	11,143	12,627	11,010
Other expenses	52,205	35,728	29,231	30,830
Total	292,117	255,195	277,406	239,387

Administrative expenses include for the Bank maintenance expenses, various utilities such as energy and telecommunication, expenses related to short-term leases of 2,101 (2022: 2,996) and to leases of low-value assets of 2,127 (2022: 1,937).

32. Cost of risk

	Group Unaudited (*)		Bank	
	Six months ended June 30, 2023	Six months ended June 30, 2022	Six months ended June 30, 2023	Six months ended June 30, 2022
	Net impairment allowance for loans	60,203	117,916	59,930
Net impairment allowance for sundry debtors	35,015	23,571	30,833	22,855
Net impairment allowance for finance lease	308	3,793	-	-
Income from recoveries of derecognized receivables & sales of bad debts	(108,491)	(115,838)	(90,685)	(101,361)
Write-offs	14,594	8,915	8,514	6,292
Financial guarantee and loan contracts provisions	(7,008)	8,236	(7,169)	8,179
Net impairment allowance for debt securities	149	(498)	149	(498)
Total	(5,230)	46,095	1,572	52,368

33. Earnings per share

Basic earnings per share are calculated by dividing net profit/loss for the reporting period attributable to ordinary equity holders of the parent by the weighted average number of shares outstanding during the year. As of June 30, 2023 and June 30, 2022 there were no dilutive equity instruments issued by the Group and Bank.

	Group Unaudited (*)		Bank	
	Six months ended June 30, 2023	Six months ended June 30, 2022	Six months ended June 30, 2023	Six months ended June 30, 2022
	Ordinary shares on market	696,901,518	696,901,518	696,901,518
Profit attributable to shareholders	753,409	608,509	752,149	616,672
Earnings per share (in RON)	1.0811	0.8732	1.0793	0.8849

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34. Cash and cash equivalents details

Cash and cash equivalents:

For the purpose of the cash flow statements, cash and cash equivalents comprise cash in hand, current accounts and short term placements at other banks. The amounts in transit in amount of 194,963 (December 31, 2022: 262,937) and loans to banks, with more than 90 days maturity from the date of acquisition in amount of 15,060 (December 31, 2022: 15,975), for the Group, are excluded. The Group and Bank did not include in cash and cash equivalents the amounts representing minimum compulsory reserve held at National Bank of Romania.

	Group		Bank	
	Unaudited (*)			
	June 30, 2023	December 31, 2022	June 30, 2023	December 31, 2022
Cash in vaults and ATM	2,599,587	2,531,348	2,599,585	2,531,279
Sight deposits with NBR	3,200,533	-	3,200,533	-
Current accounts and placements with banks	4,942,310	6,468,333	4,942,310	6,468,332
Total	10,742,431	8,999,681	10,742,429	8,999,611

Impairment and provisions adjustment for non-cash items:

	Group		Bank	
	Unaudited (*)			
	Six months ended June 30, 2023	Six months ended June 30, 2022	Six months ended June 30, 2023	Six months ended June 30, 2022
Net impairment allowance for loans	60,203	117,916	59,930	116,901
Net impairment allowance for sundry debtors	35,015	23,571	30,833	22,855
Net impairment allowance for financial leases	308	3,793	-	-
Write-offs	14,594	8,915	8,514	6,292
Financial guarantee and loan contracts provisions	(7,008)	8,236	(7,169)	8,179
Net movement in other provisions	(12,139)	(21,220)	(7,392)	(22,153)
Net impairment allowance for debt securities	149	(498)	149	(498)
Total	91,122	140,713	84,865	131,576

35. Guarantees and other credit commitments

Guarantees and letters of credit

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

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

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35. Guarantees and other credit commitments (continued)

Credit related commitments

Financing commitments represent unused amounts of approved credit facilities.

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

	Group		Bank	
	Unaudited (*)			
	June 30, 2023	December 31, 2022	June 30, 2023	December 31, 2022
Letters of guarantee granted	6,227,440	6,449,588	6,229,522	6,451,531
Financing commitments granted	7,640,720	6,183,371	7,228,941	5,740,595
Total commitments granted	13,868,160	12,632,959	13,458,463	12,192,126
Uncommitted facilities granted	11,143,137	9,454,516	11,197,824	9,509,016
Letters of guarantee received	27,047,581	23,730,601	27,047,581	23,730,601
Total commitments received	27,047,581	23,730,601	27,047,581	23,730,601

36. Other commitments

	Group		Bank	
	Unaudited (*)			
	June 30, 2023	December 31, 2022	June 30, 2023	December 31, 2022
Tangible non-current assets	17,357	13,470	17,357	13,470
Intangible non-current assets	83,110	81,086	83,110	81,086
Commitments relating to short-term and low value leases	37,733	24,547	37,733	24,547
Total	138,200	119,103	138,200	119,103

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

As at June 30, 2023 and December 31, 2022 the future minimum lease payments regarding rents concluded by the Group and Bank as a lessee are:

	Group		Bank	
	Unaudited (*)			
	June 30, 2023	December 31, 2022	June 30, 2023	December 31, 2022
Less than one year	25,268	11,654	25,268	11,654
Between one and five years	10,431	9,855	10,431	9,855
More than five years	89	104	89	104
Total	35,788	21,613	35,788	21,613

As at June 30, 2023 and December 31, 2022, the future minimum lease receipts regarding operating leases (rents) concluded by the Group and Bank as a lessor are:

	Group		Bank	
	Unaudited (*)			
	June 30, 2023	December 31, 2022	June 30, 2023	December 31, 2022
Less than one year	2,313	499	2,313	499
Between one and five years	7,523	559	7,523	559
More than five years	5,629	113	5,629	113
Total	15,465	1,171	15,465	1,171

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37. Related parties

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

	Group							
	2023		2022		2023		2022	
	Parent	Other related parties	Associates & Joint ventures	Key management of the institution	Parent	Other related parties	Associates & Joint ventures	Key management of the institution
Assets	1,693,579	44,939	46,988	2,010	3,621,318	25,677	28,467	2,922
Nostro accounts	48,248	269	-	-	143,996	578	-	-
Deposits	1,348,827	-	-	-	3,169,456	-	-	-
Loans	-	44,588	30,747	2,010	-	25,045	25,866	2,922
Derivative financial instruments	91,769	-	-	0	100,173	-	-	0
Other assets	204,735	82	16,241	-	207,693	55	2,602	0
Liabilities	7,052,086	207,472	86,918	11,900	7,179,683	197,710	99,423	7,820
Loro accounts	830	1,792	-	-	737	294	-	-
Deposits	69,322	205,027	65,998	11,900	74,935	176,462	71,348	7,820
Borrowings	5,385,050	-	-	-	5,295,707	-	-	-
Subordinated borrowings	1,242,916	-	-	-	1,238,651	-	-	-
Derivative financial instruments	303,663	0	-	-	530,400	20,299	-	-
Other liabilities	50,304	653	9,062	-	39,253	655	18,567	-
Commitments	6,066,734	109,950	37,890	295	5,877,472	153,755	48,243	318
Total commitments granted	245,180	62,271	385	295	249,274	85,573	1,364	318
Total commitments received	210,318	42,243	25,000	-	206,767	61,169	25,000	-
Uncommitted facilities granted	12,978	5,437	12,505	-	12,968	7,012	21,879	-
Notional amount of foreign exchange transactions	2,227,611	-	-	-	2,095,028	-	-	-
Notional amount of interest rate derivatives	3,370,647	-	-	-	3,313,435	-	-	-
Income statement	(110,801)	623	(11,068)	0	(177,583)	(2,326)	1,045	62
Interest and commission revenues	27,579	4,694	18,085	63	6,176	3,011	21,618	86
Interest and commission expenses	(157,034)	(3,003)	(13,111)	(26)	(17,799)	(1,050)	(6,685)	(5)
Net gain/(loss) on interest rate derivatives	22,319	-	-	-	(152,453)	-	-	(1)
Net gain/(loss) on foreign exchange derivatives	(2,896)	(94)	-	-	4,040	-	-	-
Dividend incomes	-	-	17,040	-	-	-	4,575	-
Other incomes	28	0	(0)	-	290	1	19	-
Other expenses	(798)	(974)	(33,081)	(36)	(17,837)	(4,287)	(18,482)	(17)

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37. Related parties (continued)

	2023					Bank					2022				
	Parent	Other related parties	Subsidiaries	Associates & Joint ventures	Key management of the institution	Parent	Other related parties	Subsidiaries	Associates & Joint ventures	Key management of the institution	Parent	Other related parties	Subsidiaries	Associates & Joint ventures	Key management of the institution
Assets	1,678,458	44,939	41,317	46,218	2,010	3,605,123	25,677	46,553	26,194	2,922					
Nostro accounts	48,248	269	-	-	-	143,996	578	-	-	-					
Deposits	1,333,767	-	-	-	-	3,153,481	-	-	-	-					
Loans	-	44,588	39,442	30,747	2,010	-	25,045	44,934	25,866	2,922					
Derivative financial instruments	91,769	-	43	-	0	100,173	-	-	-	0					
Other assets	204,673	82	1,832	15,471	-	207,473	55	1,619	329	0					
Liabilities	5,239,773	207,446	187,332	86,101	11,900	5,444,569	197,684	256,683	98,841	7,820					
Loro accounts	830	1,792	-	-	-	737	294	-	-	-					
Deposits	69,322	205,027	186,454	65,998	11,900	74,935	176,462	255,807	71,348	7,820					
Borrowings	3,577,131	-	-	-	-	3,564,997	-	-	-	-					
Subordinated borrowings	1,242,916	-	-	-	-	1,238,651	-	-	-	-					
Lease payable	-	-	877	11,859	-	-	-	847	9,508	-					
Derivative financial instruments	303,663	0	-	-	-	530,400	20,299	-	-	-					
Other liabilities	45,911	626	1	8,245	-	34,849	629	29	17,985	-					
Commitments	6,066,734	109,950	44,263	37,890	295	5,877,472	153,755	76,081	48,243	318					
Total commitments granted	245,180	62,271	11,477	385	295	249,274	85,573	21,580	1,364	318					
Total commitments received	210,318	42,243	-	25,000	-	206,767	61,169	-	25,000	-					
Uncommitted facilities granted	12,978	5,437	32,786	12,505	-	12,968	7,012	54,501	21,879	-					
Notional amount of foreign exchange transactions	2,227,611	-	-	-	-	2,095,028	-	-	-	-					
Notional amount of interest rate derivatives	3,370,647	-	-	-	-	3,313,435	-	-	-	-					
Income statement	(102,896)	542	15,141	(14,459)	0	(172,764)	(2,311)	48,700	(879)	62					
Interest and commission revenues	27,272	4,518	8,816	14,443	63	6,016	2,834	10,390	19,366	86					
Interest and commission expenses	(149,568)	(3,003)	(4,261)	(13,111)	(26)	(13,143)	(1,050)	(1,756)	(6,685)	(5)					
Net gain/(loss) on interest rate derivatives	22,319	-	-	-	-	(152,453)	-	-	-	(1)					
Net gain/(loss) on foreign exchange derivatives	(2,896)	(94)	25	-	-	4,040	-	(92)	-	-					
Dividend incomes	-	-	10,559	17,040	-	-	-	37,217	4,575	-					
Other incomes	28	0	2	(0)	-	290	1	123	-	-					
Other expenses	(53)	(879)	-	(32,830)	(36)	(17,515)	(4,095)	2,819	(18,135)	(17)					

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37. Related parties (continued)

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

The Bank has collateral received from SG Paris regarding derivative instruments in total amount of 10,734 at June 30, 2023 (December 31, 2022: 23,868).

As of June 30, 2023 the Board of Directors and Managing Committee members own 21,030 shares (2022: 48,858).

Key management personnel benefits for 2023 and 2022:

	Group		Bank	
	Unaudited (*)			
	Six months ended June 30, 2023	Six months ended June 30, 2022	Six months ended June 30, 2023	Six months ended June 30, 2022
Short-term benefits	8,456	9,274	6,512	7,172
Long-term benefits	3,024	2,575	2,679	2,378

38. Contingencies

As of June 30, 2023 the Bank is the defendant in a number of lawsuits arising in the course of business, amounting to approximately 136,648 (December 31, 2022: 670,213). The amounts disclosed represent the additional potential loss in the event of a negative court decision, the amounts not being provisioned. The management believes that the ultimate resolution of these matters will not have a material adverse effect on the Group's overall financial position and performance. The Bank already booked a provision of 16,332 (December 31, 2022: 20,862) and the Group 34,054 (December 31, 2022: 43,332) in relation with the litigations.

39. Fair value

Determination of fair value and fair value hierarchy

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

- **Level 1: quoted (unadjusted) prices** in active markets for identical assets or liabilities;
Level 1 instruments contain the government bonds, priced directly by external counterparties on various dealing platforms (Bloomberg, Reuters etc.);
- **Level 2: other inputs** than those quoted prices included within Level 1, **that are observable** for that particular asset or liability, either directly (i.e. prices) or indirectly (i.e. derived from prices);
Level 2 instruments include in particular securities that cannot directly be quoted on the market (e.g. corporate bonds) and firm derivatives, with standard features and common maturities, whose value can be retrieved or derived from market data;
- **Level 3: inputs** that are not based on observable market data (**unobservable inputs**).
Level 3 instruments include options traded over-the-counter and other derivatives with specifically-tailored return profiles and/or maturities extended over the normal spectrum;

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

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39. Fair value (continued)

	Group				Bank			
	June 30, 2023 Unaudited (*)				June 30, 2023			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Assets measured at fair value								
Financial assets								
Derivative financial instruments								
Interest rate swaps	-	41,370	-	41,370	-	41,370	-	41,370
Currency swaps	-	11,964	-	11,964	-	11,964	-	11,964
Forward foreign exchange contracts	-	7,122	-	7,122	-	7,165	-	7,165
Options	-	-	68,994	68,994	-	-	68,994	68,994
	-	60,456	68,994	129,450	-	60,499	68,994	129,493
Financial assets at fair value through other comprehensive income								
Equity investments (listed)	13,221,971	-	-	13,221,971	13,221,971	-	-	13,221,971
Equity investments (not listed)	5,683	-	-	5,683	5,683	-	-	5,683
Other securities quoted	-	2,322	4,651	4,651	-	-	4,651	4,651
	-	2,322	-	2,322	-	-	-	-
Total	13,227,654	2,322	4,651	13,234,627	13,227,654	-	4,651	13,232,305
Other financial instruments held for trading	839,295	660,213	-	1,499,508	828,346	660,213	-	1,488,559
Total	14,066,949	722,991	73,645	14,863,585	14,056,000	720,712	73,645	14,850,357
Assets for which fair value is disclosed								
Cash and due from Central Bank	10,137,630	-	-	10,137,630	10,137,628	-	-	10,137,628
Due from banks	-	5,643,792	-	5,643,792	-	5,628,732	-	5,628,732
Loans and advances to customers	-	-	38,187,618	38,187,618	-	-	37,505,990	37,505,990
Treasury bills at amortised cost	4,070,283	-	-	4,070,283	4,070,283	-	-	4,070,283
Financial lease receivables	-	-	1,549,327	1,549,327	-	-	-	-
Total	14,207,913	5,643,792	39,736,945	59,588,650	14,207,911	5,628,732	37,505,990	57,342,633

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39. Fair value (continued)

	Group				Bank			
	June 30, 2023 Unaudited (*)				June 30, 2023			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
<u>Liabilities measured at fair value</u>								
Financial liabilities								
Derivative financial instruments								
Interest rate swaps	-	325,876	-	325,876	-	325,876	-	325,876
Currency swaps	-	1,884	-	1,884	-	1,884	-	1,884
Forward foreign exchange contracts	-	21,303	-	21,303	-	21,303	-	21,303
Options	-	-	69,042	69,042	-	-	69,042	69,042
Total	-	349,063	69,042	418,105	-	349,063	69,042	418,105
Other financial instruments held for trading	435,351	37,628	-	472,979	435,351	37,628	-	472,979
Total	435,351	386,691	69,042	891,084	435,351	386,691	69,042	891,084
<u>Liabilities for which fair value is disclosed</u>								
Due to banks	-	1,143,855	-	1,143,855	-	1,143,855	-	1,143,855
Due to customers	-	58,448,359	-	58,448,359	-	58,634,102	-	58,634,102
Borrowed funds	-	5,668,496	-	5,668,496	-	3,579,033	-	3,579,033
Subordinated debts	-	1,242,916	-	1,242,916	-	1,242,916	-	1,242,916
Total	-	66,503,626	-	66,503,626	-	64,599,906	-	64,599,906

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39. Fair value (continued)

	Group				Bank			
	December 31, 2022				December 31, 2022			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Assets measured at fair value								
Financial assets								
Derivative financial instruments								
Interest rate swaps	-	33,419	-	33,419	-	33,419	-	33,419
Currency swaps	-	47,067	-	47,067	-	47,067	-	47,067
Forward foreign exchange contracts	-	34,004	-	34,004	-	34,004	-	34,004
Options	-	-	65,609	65,609	-	-	65,609	65,609
	-	114,490	65,609	180,099	-	114,490	65,609	180,099
Financial assets at fair value through other comprehensive income								
Equity investments (listed)	4,012	-	-	4,012	4,012	-	-	4,012
Equity investments (not listed)	-	-	4,120	4,120	-	-	4,120	4,120
Other securities quoted	-	6,130	-	6,130	-	-	-	-
Total	13,443,608	6,130	4,120	13,453,857	13,443,608	-	4,120	13,447,728
Other financial instruments held for trading	426,524	1,736,754	-	2,163,278	420,458	1,736,754	-	2,157,212
Total	13,870,132	1,857,374	69,729	15,797,234	13,864,066	1,851,244	69,729	15,785,039
Assets for which fair value is disclosed								
Cash and due from Central Bank	7,625,002	-	-	7,625,002	7,624,933	-	-	7,624,933
Due from banks	-	7,220,963	-	7,220,963	-	7,204,987	-	7,204,987
Loans and advances to customers	-	-	36,259,563	36,259,563	-	-	35,554,410	35,554,410
Treasury bills at amortised cost	2,675,354	-	-	2,675,354	2,675,354	-	-	2,675,354
Financial lease receivables	-	-	1,390,610	1,390,610	-	-	-	-
Total	10,300,356	7,220,963	37,650,172	55,171,491	10,300,287	7,204,987	35,554,410	53,059,684

The accompanying notes are an integral part of this financial statements
 (*) Unaudited / unreviewed by the financial auditor

BRD – Groupe Société Générale S.A.
NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS
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(Amounts in thousands RON)

39. Fair value (continued)

	Group				Bank			
	December 31, 2022				December 31, 2022			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
<u>Liabilities measured at fair value</u>								
Financial liabilities								
Derivative financial instruments								
Interest rate swaps	-	341,983	-	341,983	-	341,983	-	341,983
Currency swaps	-	32,726	-	32,726	-	32,726	-	32,726
Forward foreign exchange contracts	-	62,621	-	62,621	-	62,621	-	62,621
Options	-	-	65,645	65,645	-	-	65,645	65,645
Total	-	437,330	65,645	502,975	-	437,330	65,645	502,975
Other financial instruments held for trading	294,199	646,372	-	940,571	294,199	646,372	-	940,571
Total	294,199	1,083,702	65,645	1,443,546	294,199	1,083,702	65,645	1,443,546
<u>Liabilities for which fair value is disclosed</u>								
Due to banks	-	636,888	-	636,888	-	636,888	-	636,888
Due to customers	-	56,645,790	-	56,645,790	-	56,900,621	-	56,900,621
Borrowed funds	-	5,625,488	-	5,625,488	-	3,567,262	-	3,567,262
Subordinated debts	-	1,238,651	-	1,238,651	-	1,238,651	-	1,238,651
Total	-	64,146,817	-	64,146,817	-	62,343,422	-	62,343,422

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39. Fair value (continued)

Financial instruments measured at fair value

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

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

Derivatives

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

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

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

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

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

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39. Fair value (continued)

Equities

These assets are valued using models which sometimes only incorporate data observable in the market and at other times use both observable and non-observable data. The non-observable inputs to the models include assumptions regarding the financial performance of the investee.

The fair value of equity instruments not listed classified as at fair value through profit and loss and consisting of ordinary shares of other entities is determined by using the net assets of the entities as at the end of the last closed reporting period. The entities net assets represent the best estimation of the current replacement cost that would be paid in order to replace the holding as it consists of the initial capital investment adjusted by the financial performance of the entity.

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

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

Financial assets

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

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

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

Financial liabilities

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

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

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39. Fair value (continued)

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

	Group				Bank			
	June 30, 2023 Unaudited (*)		December 31, 2022		June 30, 2023		December 31, 2022	
	Carrying value	Fair value	Carrying value	Fair value	Carrying value	Fair value	Carrying value	Fair value
Financial assets								
Cash and due from Central Bank	10,137,630	10,137,630	7,625,002	7,625,002	10,137,628	10,137,628	7,624,933	7,624,933
Due from banks	5,643,792	5,643,792	7,220,963	7,220,963	5,628,732	5,628,732	7,204,987	7,204,987
Loans and advances to customers	37,991,030	38,187,618	36,288,342	36,259,563	37,281,613	37,505,990	35,542,279	35,554,410
Treasury bills at amortised cost	4,112,521	4,070,283	2,730,706	2,675,354	4,112,521	4,070,283	2,730,706	2,675,354
Financial lease receivables	1,567,195	1,549,327	1,407,394	1,390,610	-	-	-	-
Total	59,452,168	59,588,650	55,272,407	55,171,491	57,160,494	57,342,633	53,102,905	53,059,684
Financial liabilities								
Due to banks	1,143,855	1,143,855	636,888	636,888	1,143,855	1,143,855	636,888	636,888
Due to customers	58,440,681	58,448,359	56,660,841	56,645,790	58,626,400	58,634,102	56,915,740	56,900,621
Borrowed funds	5,668,496	5,668,496	5,625,488	5,625,488	3,579,033	3,579,033	3,567,262	3,567,262
Subordinated debts	1,242,916	1,242,916	1,238,651	1,238,651	1,242,916	1,242,916	1,238,651	1,238,651
Total	66,495,948	66,503,626	64,161,868	64,146,817	64,592,204	64,599,906	62,358,541	62,343,422

The accompanying notes are an integral part of this financial statements

(*) Unaudited / unreviewed by the financial auditor

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39. Fair value (continued)

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

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

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

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

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

Movement in level 3:

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

	Equity investments (not listed)	Options (A)	Options (L)
Closing balance as at December 31, 2021	4,049	35,214	35,258
Acquisitions	-	7,777	7,777
Sales	-	(1,579)	(1,579)
Reimbursements	-	(23,968)	(23,968)
Gains/losses from change in fair value	71	48,165	48,157
Closing balance as at December 31, 2022	4,120	65,609	65,645
Acquisitions	-	8,840	8,840
Sales	-	(350)	(350)
Reimbursements	-	(4,923)	(4,923)
Gains/losses from change in fair value	531	(182)	(170)
Closing balance as at June 30, 2023	4,651	68,994	69,042

40. Subsequent events

No subsequent event was identified after the reporting date.

Half Year Report

June 30, 2023

according to Financial Supervisory Authority Regulation
no 5/2018

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1. THE COMPANY AND ITS SHAREHOLDERS

BRD – GROUPE SOCIÉTÉ GÉNÉRALE PROFILE

BRD - Groupe Société Générale (“BRD” or “the Bank”) was set up on December 1st, 1990 as an independent bank with the legal status of a joint-stock company and with the share capital mainly held by the Romanian State, by taking over the assets and liabilities of Banca de Investitii (the Investment Bank).

In March 1999, Société Générale (“SG”) bought a stake representing 51% of the share capital, increasing its holding to 58.32% in 2004, through the acquisition of the residual stake from the Romanian State. As at June 30, 2023, SG was holding 60.17% of the share capital.

Starting 2001, BRD-Groupe Société Générale operates as an open joint-stock company, admitted to trading on a regulated market, according to the companies’ legislation, banking legislation, capital market regulations, provisions of the Articles of Incorporation and other internal regulations.

BRD identification data are the following:

- **Head Office:** 1-7 Blvd. Ion Mihalache, sect. 1, Bucharest
- **Phone/Fax:** 021.3016100 / 021.3016800
- **Sole registration number with the Trade Registry:** 361579/10.12.1992
- **Fiscal Code:** RO 361579/10.12.1992
- **Order number with the Trade Registry:** J40-608-1991
- **Number and date of registration in the Credit Institutions Register:** RB - PJR - 40 – 007/18.02.1999
- **Share capital subscribed and paid:** 696,901,518 RON
- **Regulated market on which the issued securities are traded:** Bucharest Stock Exchange Premium Tier
- **The main characteristics of securities issued by the company:** ordinary shares with a nominal value of 1 RON

EXTERNAL RATING

As at June 30, 2023, the Bank had the following ratings:

Fitch (last rating update: March-2023*)	Rating
Foreign-Currency Short-Term Issuer Default Rating	F2
Foreign-Currency Long-Term Issuer Default Rating	BBB+

Moody's (last rating update: September-2022**)	Rating
Domestic Currency Short-Term Deposit	Prime-2
Domestic Currency Long-Term Deposit	Baa1
Foreign Currency Short-Term Deposit	Prime-2
Foreign Currency Long-Term Deposit	Baa1

* Fitch affirmed LT IDR at 'BBB+' and revised the outlook to stable from negative

** Moody's affirmed Bank's LT and ST foreign currency deposit rating to Baa1/Prime-2 in Oct. 2021 and revised the outlook to stable from negative. On the last update of credit analysis, as of Sep 2022 end, rating and outlook remained unchanged.

BRD GROUP („GROUP”) consolidates the following entities:

- BRD - Groupe Société Générale SA;
- BRD Sogelease IFN SA;
- BRD Finance IFN SA;
- BRD Asset Management SAI SA.

SOCIÉTÉ GÉNÉRALE PROFILE

Société Générale was set up in 1864 as a banking company, registered in France. Its registered office is located on 29 Boulevard Haussmann, 75009, Paris, France, and its shares are listed on the Paris Stock Exchange.

Société Générale is one of the largest European financial services groups. Based on a diversified integrated banking model, the Group combines financial strength and proven expertise in innovation with a strategy of sustainable growth, and aims to be the trusted partner for its clients, committed to the positive transformations of the world.

Active in the real economy for over 150 years, with a solid position in Europe and connected to the rest of the world, Societe Generale has over 117,000 members of staff in 66 countries and supports on a daily basis 25 million individual clients, businesses and institutional investors around the world by offering a wide range of advisory services and tailored financial solutions. The Group is built on three complementary core businesses:

- *French Retail Banking* which encompasses the Societe Generale, Crédit du Nord and Boursorama brands, each offering a full range of financial services with omnichannel products at the cutting edge of digital innovation;
- *International Retail Banking, Insurance and Financial Services* with a presence in emerging economies and leading specialised businesses;
- *Global Banking and Investors Solutions*, which offers recognised expertise, key international locations and integrated solutions.

The latest credit ratings of Société Générale are available at

<https://investors.societegenerale.com/en/financial-and-non-financial-information/ratings/credit-ratings>

BRD POSITION WITHIN SOCIÉTÉ GÉNÉRALE

SG has been present in Romania since 1980, being the only significant bank from Western Europe that was present in Romania during the communist era.

In 1999, it takes part in the process of privatization of Banca Romana pentru Dezvoltare and acquires 51% of the Bank's share capital.

Starting with this period, BRD lined up its operational procedures and business practices to those of the parent company.

BRD is part of the international network of Société Générale, managed by the International Retail Banking and Financial Services division (IBFS) that aims to offer a broad range of products and services to individuals, professionals and corporates. International Retail Banking operations, Insurance and Financial Services are building their networks in Africa, Central and Eastern Europe. The specialized equipment finance and vehicle leasing and fleet management businesses are leaders in Europe and worldwide in their markets.

KEY FIGURES

		6 months to 30-Jun-2022	6 months to 30-Jun-2023	Change
	The Group			
Financial results	Net banking income (RONm)	1,642	1,861	+13.4%
	Operating expenses (RONm)	(853)	(944)	+10.7%
	Cost of risk (RONm)	(46)	5	n.a.
	Net profit (RONm)	617	768	+24.4%
	Cost / income ratio	51.9%	50.7%	-1.3 pt
	ROE	15.6%	20.1%	+4.6 pt
	RON bn	Jun-22	Jun-23	Change
Loans and deposits	Total net loans (incl. leasing)	36.7	39.6	+7.9%
	Total deposits	53.7	58.4	+8.9%

		6 months to 30-Jun-2022	6 months to 30-Jun-2023	Change
	The Bank			
Financial results	Net banking income (RONm)	1,592	1,804	+13.4%
	Operating expenses (RONm)	(806)	(905)	+12.2%
	Cost of risk (RONm)	(52)	(2)	-97.0%
	Net profit (RONm)	617	752	+22.0%
	Cost / income ratio	50.7%	50.2%	-0.5 pt
	ROE	16.3%	20.8%	+4.5 pt
	RON bn	Jun-22	Jun-23	Change
Loans and deposits	Total net loans	34.6	37.3	+7.7%
	Total deposits	53.8	58.6	+9.0%
	RON m	Jun-22	Jun-23	Change
Capital adequacy	Own funds (RONm)	7,230	7,605	+5.2%
	RWA (RON bn)	31,980	33,910	+6.0%
	CAR*	22.6%	22.4%	-0.2 pt
Franchise	No of branches	481	441	(40)

* CAR for June 23 end is preliminary.

Own funds at June 23 end include the full year 2022 net profit. Own funds at June 22 end include the H1 2022 net profit and the impact of OCI quick fix adjustment. Starting 1st January 2023, this temporary treatment no longer applies.

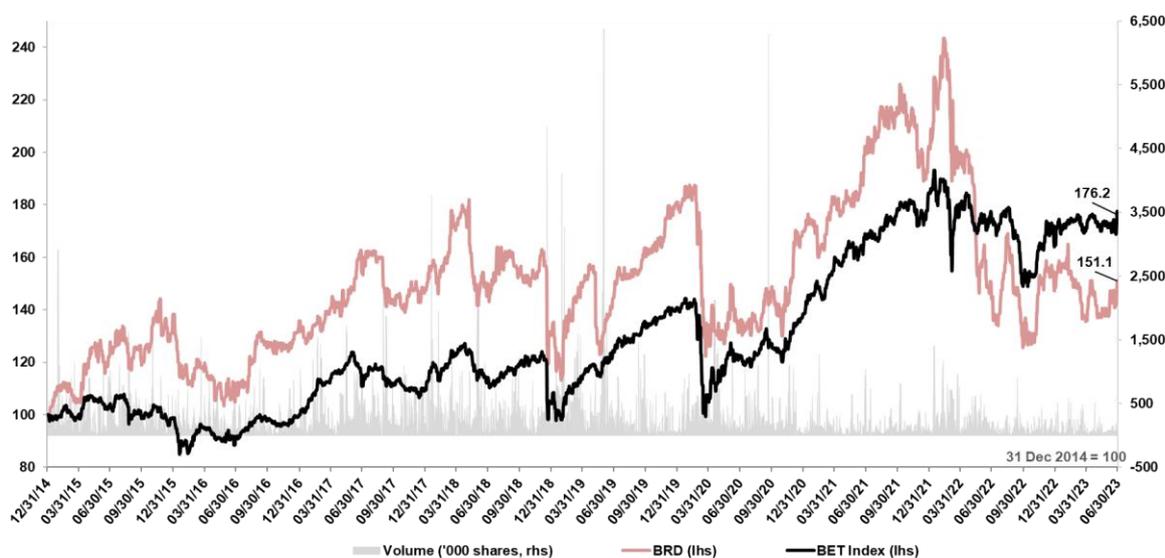
BRD SHARE

Starting with January 15th, 2001, the Bank's shares are listed in the Premium category of the Bucharest Stock Exchange. The shares are included in the BET, BET Plus, BET-XT, BET-XT-TR, BET-BK, BET-TR and ROTX indexes. The Bank's shares are ordinary, nominative, dematerialized and indivisible. According to the Articles of Incorporation, article 17, letter k, the shares of the Bank are traded freely on those capital markets set by General Assembly of Shareholders („AGA”), while complying with the legislation on the trade of shares issued by bank institutions.

The closing price for BRD share as at June 30, 2023, was of RON 13.22 /share (RON 13.00 /share at December 31, 2022 and RON 12.62 /share at June 30, 2022). On the same date, the market capitalization was RON 9,213.04 million (RON 9,059.72 million at December 31, 2022 and RON 8,794.90 million at June 30, 2022).

During January – June 2023, neither the Bank, nor its subsidiaries bought back own shares.

Evolution of BRD's share price versus the BET Index and BRD's volume of shares for the period December 31, 2014 – June 30, 2023



Source: Bloomberg

DIVIDENDS

On April 27, 2023, the General Shareholders' Meeting approved the allocation of the 2022 net profit of RON 1,285,937,894 to retained earnings.

2. ECONOMIC AND BANKING ENVIRONMENT

In Q1 2023, the annual **growth of economic activity** remained low worldwide, especially in the advanced economies. The euro area entered a technical recession, as the region's economy shrank by 0.1% in Q1 2023, marking two consecutive quarters of contracting GDP. Romanian activity has slowed in the face of lagging global economic development, with GDP growth in Q1 2023 printing +0.2% QoQ (vs. +1.0% QoQ in Q4 2022) and almost halving on an annual basis, reaching +2.4% YoY, compared to +4.5% YoY in Q4 2022. On components, private consumption (+7.0% YoY, +5.1pp contribution to Q1 2023 GDP growth) was the leading growth driver followed by a continued dynamic expansion of gross fixed capital formation (+10.4% YoY, +1.9pp contribution to Q1 2023 GDP growth), while net exports exerted a modest positive impact (+0.7pp of GDP growth).

With the demise of compulsory savings during the COVID period, high prices, particularly for food, as well as rising debt servicing costs, induced consumers to reconsider their purchases and shift to more basic and thus cheaper things, as well as alter preferences between different types of products. As a result, retail turnover showed negative annual dynamics in April 2023 (-0.5% YoY) for the first time in nearly three years, although it recovered in May 2023 (+2.7% YoY). The latest statistical data point to a continuation of the weakening trend in economic activity during Q2 2023.

A reduction in consumer spending, an uncertain housing sector and sluggish industrial activity, all point to slower development in the future. A key catalyst for the economic growth remain the funds allocated under National Recovery and Resilience Plan, although reduced (as confirmed in April, by EUR 2.1 bn, or 14.9% of the total) as a result of GDP performance exceeding the estimates used for the Plan, for the 2020-2021 period.

On 31st of January 2023, the European Commission approved, under EU State aid rules, a EUR 1.6 bn Romanian measure to set-up the Romanian Investment and Development Bank. This bank would aim at supporting economic and social development, competitiveness, innovation and growth across Romania's economy. It will be established as a fully State-owned entity, with the Ministry of Finance as its shareholder, and will act under the supervision of the National Bank of Romania. The aid will take the form of: (i) a capital injection of up to EUR 608 million, out of which EUR 10 million are estimated to be received in 2024 under the Recovery and Resilience Facility, (ii) a EUR 1.4 million grant, and (iii) State guarantees worth EUR 992 million.

In February 2023, the European Commission approved, under EU State aid rules, a EUR 259 million Romanian scheme, made available in part through the Recovery and Resilience Plan, to support investments in the production, assembly and recycling of batteries, of photovoltaic cells and of panels. The scheme aims at supporting Romania's regional development and fostering the EU's strategic objectives relating to the green transition. The measure aims to: (i) contribute to regional development by targeting sectors with growing demand, which will support the creation of new jobs that require a skilled workforce, as well as a more sustainable and competitive economy, and (ii) foster Romania's and the EU's green transition.

In February 2023, the Romanian Government, through the Ministry of Investment and European Projects, announced that in 2023 it will continue to implement measures to support people in vulnerable categories, for which the total budget allocated will reach EUR 1.8 bn.

In June 2023, The European Commission has endorsed a positive preliminary assessment of part of the milestones and targets linked to Romania's second payment request (EUR 3.2 bn - EUR 2.1 bn in grants and EUR 1.1 bn in loans) under the Recovery and Resilience Plan. The Commission considered 47 milestones and 2 targets out of the 49 milestones and 2 targets to be satisfactorily fulfilled, demonstrating progress in the implementation of Romania's Recovery and Resilience Plan. The Commission found that Romania has made improvements in areas such as green and digital transition, governmental coordination for public policy delivery, water management, tax administration, and others. The two milestones, which have been unsatisfactorily fulfilled so far, are related to investments in energy. Romania has the right to present its observations on the two matters within a month and if the Commission confirms that the two outstanding milestones have not been satisfactorily fulfilled, it will determine the amount of the payment to be suspended by applying its methodology for payment suspension. From that moment, Romania will have a period of six months to satisfactorily fulfil the outstanding milestones. During this period of six months, the Commission will engage in active dialogue with the Romanian authorities. If and when the milestones will have been fulfilled, the Commission will lift the suspension of the payment and send its assessment to the EFC (Economic and Financial Committee).

The World Bank Group (WBG) Board of Executive Directors approved on June 30 the second Inclusive and Green Growth Development Policy Loan (DPL) for Romania of EUR 592 million. The money will be spent on three separate actions: social aid for disabled and low-income families, strengthening fiscal management by eliminating tax loopholes and bolstering the budgetary frameworks, and “a holistic set of core reforms” to decarbonize the economy, enabling the green transition in Romania.

Inflation rate registered a faster decline in Q2 2023, reaching 10.3% in June 2023, down from 14.5% in March 2023, with the correction being largely supported by last year’s high base, particularly in the case of the energy and fuel price dynamics. On the other hand, the repricing of services, higher than the historical average, slowed disinflation. Looking at the breakdown by components, food prices stood lower by 0.1% m/m (+17.9% y/y), while non-food prices rose by 0.6% m/m (+4.8% YoY), with electricity prices decreasing (-1.3% m/m), whereas fuel prices went up (+1.3% m/m). Services prices continued to display a notable monthly advance (+0.8% m/m), amid higher bills for hygiene & cosmetics (+1.3% m/m), healthcare (+1.1% m/m), water & sewage (+0.9% m/m). The inflation rate in Romania remains far from the upper bound of the NBR target range (2.5% ± 1 ppt).

Euro area inflation printed at 5.5% in June 2023, while strong price increases were still registered in the CEE region: Hungary (20.1%), Poland (11.5%) and Czech Republic (9.7%).

The two main worldwide shocks, the COVID-19 outbreak and the war in Ukraine, and their overlapping consequences, as well as the difficult structural transformations they have sparked, aggravated existing policymakers’ trade-offs, such as fighting inflation and ensuring economic recovery/employment. Following these events, in order to support the economy, NBR made extensive use of the policy toolkit to tame inflationary pressures, carefully calibrating the dosage in order to smoothen the macro-financial impact of the changing rate environment.

After ten successive key rate increases since the start of the tightening cycle in October 2021, with 575 bps in total (from 1.25% in August 2021 to 6.75% in November 2022), at the beginning of 2023, NBR indicated the end of the rate hiking cycle with the increase of 25 bps to 7%, in line with market expectations. This was reinforced at the subsequent meetings from February, April and July 2023, when key rate level was maintained at 7%.

In terms of banking activity, the annual growth rate of gross loans outstanding continued to decelerate, to +6.1%* YoY at May 2023, almost halving compared to the level of +11.8%* YoY at February 2023 (vs. +11.9%* YoY at December 2022 end and +15.7%* at November 2022 end). The evolution was primarily due to the substantially lower growth pace of the FX component and a continued downward dynamic for the local currency component. By segment, the advance was mainly supported by corporates loans, however with a severe adjustment in the annual dynamic (+10.8% YoY at May 2023 end vs. +18.8% YoY at December 2022 end). Loans to individuals slowed significantly (+0.6% YoY at May 2023 end vs. +4.1% YoY at December 2022 end), both on housing (+0.3%* YoY at May 2023 end vs. +5.4%* YoY at December 2022 end) and consumer loans (+1.0%* YoY at May 2023 end vs. +2.0%* YoY at December 2022 end) amid persisting elevated borrowing costs.

Deposits returned to a single digit growth rate, also decelerating, reaching +7.8% at May 2023 end (vs +11.6% YoY at April 2023 end and +9.1% YoY at December 2022 end), mainly due to FX denominated corporate deposits, which printed -6.2% lower YoY at May 2023 end. Overall, the annual growth rate of individuals deposits reached +5.4%* YoY at May 2023 end (vs +9.2%* YoY at April 2023 and +5.7%* YoY at December 2022 end), while on corporate segment, the rate of increase reduced to +10.4%* YoY at May 2023 end (vs 14.6%* YoY at April 2023 and +13%* YoY at December 2022 end).

Regarding asset quality, the level of non-performing loans and coverage ratios place the Romanian banking sector into EBA defined low risk bucket (NPL <3%, coverage ratio > 55%). NPL ratio reached new historically low level of 2.63% at May 2023 end (vs. 2.65% at December 2022 end) and NPL coverage ratio was 66.2% at March 2023 end (65.4% at December 2022 end).

The Romanian banking system is well capitalized, as reflected by the capital adequacy ratio of 21.65% as of March 2023 end (23.40% as of December 2022 end), above EU average (19.4% at December 2022 end). As regards liquidity, the banking system has also a comfortable position, with a Liquidity Coverage Ratio of 219.5% as of March 2023 end (209% at December 2022 end), remaining well above regulatory requirement (100%) and EU average (165% at December 2022 end). The positive evolution built on the substantial increase in the liquidity buffer, generally driven by the increase in assets representing exposures to the central administration and liquidity surplus growth.

* variation at constant FX rate

3. COMMERCIAL ACTIVITY

As at June 30, 2023, the Bank had 441 branches (June 30, 2022: 481 branches, December 31, 2022: 460 branches), ensuring the distribution of its products and services throughout the whole country.

The digital adoption keeps growing, as reflected by the further increase in the number of users of the mobile application, You BRD, which reached over 1.3 million as of June 30, 2023, up by 45% compared to the same period last year.

During H1 2023, BRD continued to further build on digital features. The latest developments refer to BRD AM investment funds and capital markets accounts' visualisation, app to app redirect for online card payments (better experience and shortened checkout flow by automatically redirecting our client to the merchant application to complete the online application card payment), online card payment SCA (Strong Customer Authentication) message available for 10 minutes in user inbox, push notifications for initiated transactions, online lending product page for taking a new loan (or refinancing an existing one), or taking a credit card (or increasing existing limit). All of these new features are available directly from the mobile banking application, YouBRD.

In addition, instant payments are now available also for small business and corporate customers via BRD Office, the application dedicated to corporate customers.

BRD held a market share of 9.9% of total assets at March 31, 2023.

	Jun-22	Dec-22	May-23
TOTAL ASSETS	10.7%	10.2%	n.a.
LOANS	9.6%	9.5%	9.8%
<i>Individuals</i>	13.6%	13.5%	13.8%
<i>Companies</i>	6.4%	6.5%	6.8%
DEPOSITS	10.1%	10.0%	10.3%
<i>Individuals</i>	11.0%	10.9%	10.9%
<i>Companies</i>	9.2%	9.0%	9.5%

Note:

Market share by total assets as of May-23 and Jun-22, according to Bank's internal calculations

Market share by total assets as of Dec-22, according to NBR communication

The structure of the customers' **net loans** at Group level evolved as follows:

RON bln	Jun-22	Dec-22	Jun-23	vs. Dec-22	vs. Jun-22
Retail	23.4	23.4	24.0	2.6%	2.3%
Individuals	22.5	22.5	22.9	1.9%	1.8%
Small business	0.9	0.9	1.0	18.7%	16.0%
Non-retail	11.9	12.9	14.0	8.5%	17.9%
SMEs	4.0	4.8	5.1	6.1%	29.1%
Large corporate	7.9	8.1	8.9	10.0%	12.2%
Total net loans	35.3	36.3	38.0	4.7%	7.5%
Financial lease receivables	1.3	1.4	1.6	11.4%	18.2%
Total net loans, including leasing	36.7	37.7	39.6	4.9%	7.9%

Net loans outstanding (including leasing) reached RON 39.6 bn, recording a slower, but still robust growth of +7.9% versus June 30, 2022 (+ 4.9% vs December 31, 2022) sustained by a vigorous lending activity on corporate segment, while on retail segment the dynamic was softer, reflecting the impact of monetary policy tightening measures and the decline in purchasing power.

On retail segment, net loans outstanding was up +2.3% YoY as of June 2023 end (individuals, +1.8% YoY and small business +16.0% YoY, as of June 2023 end). The dynamic was mainly supported by individuals' consumer loan production, increasing by +13% YoY in H1 2023 and reaching a quarterly record level in Q2 2023. Housing loans production reflected a deterioration following a declining market trend in the context of elevated interest rates.

Lending activity to non-retail segment continued to be strong, growing at a double-digit pace (+17.9% YoY), building on an excellent contribution from both SME segment (+29.1% YoY) and large companies (+12.2% YoY).

During first semester of 2023, BRD continued to support the business environment in Romania, being an active financier of both eligible companies under the IMM Invest Plus program and beneficiaries of state / EU non-reimbursable funds. Under IMM Invest Plus program, BRD financed over 1,500 customers with a total value of loans of over RON 1.6 billion. Regarding the co-financing of projects

benefiting from non-reimbursable subsidies from state or European Union budget, BRD supported 450 eligible companies with a total value of loans of RON 195 million.

Leasing activity marked a robust performance posting an overall portfolio increase of +18.2% YoY as of June 2023 end.

The customers' deposits structure at Group level evolved as follows:

RON bln	Jun-22	Dec-22	Jun-23	vs. Dec-22	vs. Jun-22
Retail	35.5	37.1	37.9	2.2%	6.6%
Individuals	29.6	31.0	32.0	3.1%	8.1%
Small business	6.0	6.1	5.9	-2.6%	-0.7%
Non-retail	18.1	19.6	20.5	5.0%	13.3%
SMEs	8.0	8.2	8.2	0.2%	2.5%
Large corporate	10.2	11.4	12.4	8.5%	21.8%
Total deposits	53.7	56.7	58.4	3.1%	8.9%

Deposits to customers reached RON 58.4 bn as of June 2023 end, higher by +8.9% on an annual basis, with +6.6% YoY advance on retail segment and +13.3% YoY on non-retail. In the context of elevated rates and, thus, competitive remuneration, individuals' term deposits continue to grow steeply. On corporate segment, higher net inflows were registered from large corporate customers (+21.8% YoY) and to a smaller extent from SMEs (+2.5% YoY).

For the evolution of the main components of the net banking income please refer to "Financial results" section.

SUBSIDIARIES' ACTIVITY

BRD SOGELEASE IFN SA

As of June 30, 2023, net outstanding of leasing financing granted by BRD Sogelease increased by +18.2% year-on-year to RON 1,567 million. BRD Sogelease delivered consistent financing volumes in first half of 2023, maintaining a strong dynamic of the activity, with new leasing production increasing to RON 631.6 million, +40% YoY vs H1 2022. Demand for leasing was very consistent during the analysed period, driven by SMEs and large corporates active in various sectors as construction, logistics and transportation, agriculture, manufacturing and healthcare, which use financial leasing as an efficient and accessible financing solution offered by BRD Group.

BRD FINANCE IFN SA

At the end of June 2023 the value of the net loan portfolio was of RON 310 million vs. RON 459 million at June 2022 end, the new production continuing on a downward trend as a result of limiting the subscription of new products. The strategy was focused on efficient management of the existing portfolio, on the limitation of operating expenses and a stepwise reduction in cost of risk. Therefore, the net result was +71% vs last year despite the drop in NBI (-19% for the same period).

BRD ASSET MANAGEMENT SA

BRD Asset Management is one of the most important actors on the Romanian UCITS market, with a market share of 19.2%* and RON 3.511 billion assets under management at the end of June 2023. BRD Asset Management now offers investment solutions to more than 127 thousand clients across its 12 investment funds. In 2022, 4 new funds have been launched: BRD Orizont 2035, BRD Orizont 2045, BRD Oportunitati and BRD Euro Simplu. The first two, known as TDFs (target date funds), are a novelty on the local market. This year the company received authorization for its first ESG strategy fund by transforming BRD Global into an Article 8 (under EU Sustainable Finance Disclosure Regulation) fund, promoting social and/or environmental characteristics, or a combination of those characteristics, provided that the companies in which the investments are made follow good governance practices

** market share computation based on total open-end funds assets under management*

4. FINANCIAL RESULTS AND RATIOS

FINANCIAL POSITION ANALYSIS

The below financial position analysis is done based on the separate and consolidated financial statements prepared according to the International Financial Reporting Standards, for the period ended June 30, 2023 and the comparative periods.

FINANCIAL POSITION – ASSETS

Total assets increased solidly versus June 30, 2022, both for the Group and the Bank (by +8.7% YoY for the Group and by +8.6% YoY for the Bank). Compared to 2022 end, total assets were higher at June 2023 by +4.2% YoY for both the Group and the Bank.

The asset structure is presented below:

THE GROUP

Assets (RONm)	Jun-22	Dec-22	Jun-23	% total	vs. Dec-22	vs. Jun-22
Cash and current accounts with Central Bank	7,534	7,625	10,138	13.2%	33.0%	34.6%
Loans and advances to credit institutions	7,153	7,221	5,644	7.3%	-21.8%	-21.1%
Net loans and advances to customers	35,329	36,288	37,991	49.4%	4.7%	7.5%
Financial lease receivables	1,326	1,407	1,567	2.0%	11.4%	18.2%
Other financial instruments	16,940	18,642	19,055	24.8%	2.2%	12.5%
Tangible and intangible assets	1,440	1,537	1,543	2.0%	0.4%	7.2%
Other assets	1,089	1,121	1,023	1.3%	-8.8%	93.9%
Total assets	70,810	73,842	76,961	100.0%	4.2%	8.7%

THE BANK

Assets (RONm)	Jun-22	Dec-22	Jun-23	% total	vs. Dec-22	vs. Jun-22
Cash and current accounts with Central Bank	7,534	7,625	10,138	13.6%	33.0%	34.6%
Loans and advances to credit institutions	7,137	7,205	5,629	7.6%	-21.9%	-21.1%
Net loans and advances to customers	34,631	35,542	37,282	50.0%	4.9%	7.7%
Other financial instruments	16,978	18,646	19,079	25.6%	2.3%	12.4%
Tangible and intangible assets	1,420	1,518	1,519	2.0%	0.1%	6.9%
Other assets	942	987	896	1.2%	-9.2%	95.1%
Total assets	68,642	71,523	74,541	100.0%	4.2%	8.6%

LOANS AND ADVANCES TO CUSTOMERS

The net loans' outstanding amount to customers registered a strong performance year-on-year (Group: +7.9% YoY at June 2023 end, o/w leasing +18.2%; Bank: +7.7% YoY) particularly driven by corporates, as detailed above in Chapter 3.

CASH, CURRENT ACCOUNTS WITH THE CENTRAL BANK AND LOANS AND ADVANCES TO CREDIT INSTITUTIONS

Cash and current accounts with the central bank and loans and advances to credit institutions increased by +7.5% YoY versus June 30, 2022 and by +6.3% versus December 2022 end, for both the Bank and the Group. The increase is explained by higher cash and current accounts with the central bank which were partially offset by reduced placements at credit institutions. These items represented approximately 20.5% of total assets for the Group and 21.2% for the Bank at end of June 2023.

The minimum compulsory reserve held with the National Bank of Romania accounted for 27% of this aggregate at June 30, 2023 (28% at December 2022 end) at Group level. It amounted to RON 4,310 million, up by 10.7% YoY and by 4.7% vs December 31, 2022, mainly linked to increasing customers average outstanding deposits, during the analysed period. The level of RON and FX minimum reserve requirements for liabilities with residual maturity of less than 2 years are at 8% and 5% respectively, unchanged from May 2015 for RON and from November 2020 for FX.

OTHER FINANCIAL INSTRUMENTS

Other financial instruments include financial assets at fair value through other comprehensive income, treasury bills at amortised cost, financial assets at fair value through profit and loss, derivatives and other financial instruments held for trading, investments in associates and subsidiaries.

These items amounted to RON 19.1 bn at June 2023 end for both Group and Bank and represented 25% of Group assets and almost 26% of Bank assets. They increased by almost +12.5% YoY compared

to June 2022 end and by +2.2% versus December 2022 end. The year on year dynamic is mainly driven by the increase in government bonds portfolio and higher derivatives and other financial instruments held for trading.

TANGIBLE AND INTANGIBLE ASSETS

The tangible and intangible assets increased by almost +7.2% YoY for the Group and +6.9% YoY for the Bank, compared to June 2022 end, and accounted for 2.0% of the total assets for both the Group and the Bank, with land and buildings representing the largest part of the item, while the first driver of growth being the IT related assets.

The total value of investments during the first semester of 2023 was RON 109 million for both the Group and the Bank, compared to RON 81 million in the same period in 2022 for both the Group and the Bank. There is no capitalized research and development expenditure.

FINANCIAL POSITION – LIABILITIES

The comparative statement of liabilities is as follows:

THE GROUP

Liabilities and shareholders equity (RONm)	Jun-22	Dec-22	Jun-23	% total	vs. Dec-22	vs. Jun-22
Amounts owed to credit institutions	9,460	7,501	8,055	10.5%	7.4%	-14.8%
Amounts owed to customers	53,665	56,661	58,441	75.9%	3.1%	8.9%
Other liabilities	1,714	2,720	2,180	2.8%	-19.9%	27.2%
Shareholders equity	5,971	6,960	8,285	10.8%	19.0%	38.7%
Total liabilities and shareholders equity	70,810	73,842	76,961	100.0%	4.2%	8.7%

THE BANK

Liabilities and shareholders equity (RONm)	Jun-22	Dec-22	Jun-23	% total	vs. Dec-22	vs. Jun-22
Amounts owed to credit institutions	7,630	5,443	5,966	8.0%	9.6%	-21.8%
Amounts owed to customers	53,796	56,916	58,626	78.6%	3.0%	9.0%
Other liabilities	1,577	2,587	2,055	2.8%	-20.6%	30.3%
Shareholders equity	5,640	6,577	7,894	10.6%	20.0%	40.0%
Total liabilities and shareholders equity	68,642	71,523	74,541	100.0%	4.2%	8.6%

AMOUNTS OWED TO CUSTOMERS

The Bank further consolidated and diversified its already solid savings base. At June 2023 end, amounts owed to customers increased by near 9% YoY for both the Group and the Bank and accounted for 75.9% of the total liabilities and shareholders' equity at Group level and for 78.6% at Bank level. The increase was mainly driven by higher inflows in term deposits from individual customers, in the context of elevated rates and, thus, competitive remuneration, and significant advance of deposits from large corporates.

AMOUNTS OWED TO THE CREDIT INSTITUTIONS

Amounts owed to credit institutions represent borrowings from the parent and International Financial Institutions and interbank deposits, and stood at 10.5% of the total liabilities and shareholders' equity for the Group and 8.0% for the Bank at June 30, 2023.

BRD Group's borrowings from Société Générale totalled RON 6.6 bn (9.6% of liabilities) at June 2023 end. Among these, are included 3 senior non-preferred loans in amount of EUR 720 million (EUR 450 million received in December 2021, EUR 150 million in June 2022, respectively EUR 120 million in December 2022, all with an initial term of 3 years and a call option at 2 years) and 2 subordinated loans in amount of EUR 250 million (EUR 100 million drawn in December 2021, respectively EUR 150 million in June 2022, both with an initial term of 10 years and a call option at 5 years).

SHAREHOLDERS' EQUITY

As of June 2023 end, shareholders' equity increased by +38.7% YoY for the Group and by +40.0% YoY for the Bank compared to June 30, 2022, mainly on the incorporation of the 2022 net profit and on lower negative revaluation reserves of debt instruments accounted at fair value through other comprehensive income, in the context of slightly favorable development of bond yields curve as compared to the same period of last year.

The structure of the shareholders' equity evolved as follows:

THE GROUP

Shareholders' equity (RONm)	Jun-22	Dec-22	Jun-23	vs. Dec-22	vs. Jun-22
Share capital	2,516	2,516	2,516	0.0%	0.0%
Other reserves	(2,322)	(2,054)	(1,489)	-27.5%	-35.9%
Retained earnings and capital reserves	5,720	6,439	7,193	11.7%	25.8%
Non-controlling interest	58	59	66	11.4%	13.0%
Total shareholders' equity	5,971	6,960	8,285	19.0%	38.7%

THE BANK

Shareholders' equity (RONm)	Jun-22	Dec-22	Jun-23	vs. Dec-22	vs. Jun-22
Share capital	2,516	2,516	2,516	0.0%	0.0%
Other reserves	(2,322)	(2,054)	(1,489)	-27.5%	-35.9%
Retained earnings and capital reserves	5,446	6,116	6,868	12.3%	26.1%
Total shareholders' equity	5,640	6,577	7,894	20.0%	40.0%

LIQUIDITY POSITION

Both the Bank and the Group maintained a balanced structure of resources and placements and a comfortable liquidity level over the analysed period.

The net loans to deposits ratio reached 63.6% at June 30, 2023 (from 62.4% at December 31, 2022 and 64.4% at June 30, 2022) for the Bank and 67.7% for the Group, including financial leasing receivables (66.5% at December 31, 2022 and 68.3% at June 30, 2022).

H1-2023 FINANCIAL RESULTS

The comparative income statement of the Group for the periods January – June 2023 and January – June 2022 is presented below:

RONm	H1-2022	H1-2023	23/'22
Net banking income	1,642	1,861	13.4%
- net interest income	1,123	1,329	18.3%
- net commissions	373	361	-3.4%
- other banking income	145	172	18.4%
Operating expenses	(853)	(944)	10.7%
- staff expenses	(415)	(462)	11.2%
- non-staff expenses	(437)	(482)	10.1%
Operating profit	789	918	16.4%
Net cost of risk	(46)	5	n.a.
Gross result	743	923	24.3%
Net result	617	768	24.4%
Profit attributable to equity holders of the parent	609	753	23.8%

The comparative income statement of the Bank for the periods January – June 2023 and January – June 2022 is presented below:

RONm	H1-2022	H1-2023	23/'22
Net banking income	1,592	1,804	13.4%
- net interest income	1,057	1,262	19.5%
- net commissions	356	346	-2.8%
- other banking income	179	196	9.4%
Operating expenses	(806)	(905)	12.2%
- staff expenses	(388)	(440)	13.5%
- non-staff expenses	(419)	(465)	11.0%
Operating profit	785	899	14.5%
Net cost of risk	(52)	(2)	-97.0%
Gross result	733	898	22.5%
Net result	617	752	22.0%

BRD Group's revenues registered a strong increase in H1 2023, with best ever half year net banking income, printing RON 1,861 million, up by +13.4% versus the same period of 2022, reflecting a very good commercial momentum across the board.

The evolution was primarily driven by the +18.3% increase in net interest income, building on a favourable volume effect on both retail and corporate segments. Another favourable effect comes from higher interest rates on asset portfolio (average ROBOR 3M, 6.88% in H1 2023 vs 4.54% in H1 2022, IRCC applied in Q1 2023 at 5.71% and 5.98% in Q2 2023 vs 1.17% in Q1 2022 and 1.86% in Q2 2022), however tempered by rising funding costs primarily associated with commercial term deposits.

Net fees and commissions stepped back by -3.4% YoY influenced in principal by lower services fees from cards activity and reduced cash transactions mainly on a base effect (last year reaction induced by Russia-Ukraine war which generated massive withdrawals from individual customers), partially compensated by higher commissions from packages benefiting from volume effect.

Other revenues categories increased by +18.4% YoY in H1 2023, pushed by trading activity and favourable FX position revaluation compared to the same period of last year.

Operating expenses were up by +10.7% YoY in H1 2023. Staff costs (+11.2% YoY) increase is largely explained by the impact of price effect amid fixed salaries increases and other benefits adjustments (following new labour agreement signed in 2022), given the persisting tightness of the labour market and still elevated inflation. The advance of other costs categories (+10.1%) is mainly assigned to higher expenses on external services and IT&C to support the delivery of digital transformation, while run-the-bank costs remain under a very good control.

The effective cumulated contributions to Guarantee and Resolution Funds in H1 2023 reached RON 68.1 million vs RON 69.2 million in H1 2022.

As a result of the above evolutions, the BRD Group cost/income ratio was reduced by 1.3 ppt to 50.7% in the first half of 2023 vs 51.9% in the first half of 2022, benefiting from positive jaws effect.

BRD Group delivered a solid operational performance, with gross operating income reaching RON 918 million in H1 2023 compared to RON 789 million in H1 2022, +16.4% YoY.

During the analysed period, the assets quality remains strong, with NPL ratio* (non-performing loans, according to EBA definition) decreasing to the new historically low level of 2.2% at June 2023 end, further improving from 2.6% at June 2022 end, while provision coverage remaining well above 70% (74% at June 23 end vs 77% at June 22 end, Bank level). The net cost of risk showed a RON 5.2m net release in H1 2023, compared to RON 46.1m net charge in H1 2022, mainly given sustained recoveries on defaulted exposures.

As a result of all the above, BRD Group recorded in H1 2023 a net profit of RON 768 million (+24.4% YoY, from RON 617 million in H1 2022), a return on equity (ROE) of 20.1% (4.6 ppt higher compared to H1 2022) and a return on assets (ROA) of 2.0% (0.3 ppt higher versus H1 2022).

The Bank recorded similar trends, which led to a net result of RON 752 million in H1 2023 versus RON 617 million in H1 2022.

CAPITAL ADEQUACY (THE BANK)

Bank	w/o OCI quick fix impact			
	Jun-22	Dec-22	Dec-22	Jun-23
RONm				
Tier 1 capital	5,993	6,714	5,818	6,364
Tier 2 capital	1,236	1,237	1,237	1,241
TOTAL OWN FUNDS	7,230	7,951	7,055	7,605
Capital requirements	2,558	2,551	2,586	2,713
Credit risk (including counterparty risk)	29,338	29,150	29,577	31,056
Market risk	111	76	76	174
Operational risk	2,318	2,448	2,448	2,473
CVA risk	213	218	218	207
Total risk exposure amount	31,980	31,892	32,320	33,910
Regulatory CAR	22.6%	24.9%	21.8%	22.4%
Tier 1 ratio	18.7%	21.1%	18.0%	18.8%

* CAR for June 23 end is preliminary

Own funds at June 23 end include the full year 2022 net profit.

Own funds at June 22 end include the H1 2022 net profit and the impact of OCI quick fix adjustment. Starting 1st January 2023, this temporary treatment no longer applies.

At Bank level, the capital adequacy ratio reached 22.4%* at June 30, 2023, slightly higher compared to 21.8% at December 31, 2022 (with own funds, including 2022 net result and the full impact of negative OCI reserve, namely without the OCI quick fix adjustment) and quasi stable versus June 30, 2022 level (22.6%, including H1 2022 net result and OCI quick-fix adjustment).

BRD's regulatory own funds as at June 30, 2023 are formed of common equity capital (CET1) and Tier 2 instruments.

The annual and year to date increase of capital requirements was mainly driven by the credit risk component in the context of a dynamic lending activity.

The Tier 1 ratio was 18.8%* at June 30, 2023 compared to 18% at December 31, 2022 and 18.7% at June 30, 2022.

5. CONCLUSIONS

Annual economic activity growth remained low globally in Q1 2023, particularly in developed nations, notably the Euro area, which entered a technical recession. Romanian economy has slowed down in line with the world economy, with GDP growth in Q1 2023 printing +0.2% QoQ (compared to +1.0% QoQ in Q4 2022) and nearly halving on an annual basis, reaching +2.4% YoY (+4.5% YoY in Q4 2022).

A reduction in consumer spending, an uncertain housing sector, and sluggish industrial activity, all point to slower development in the future. The funds allocated under National Recovery and Resilience Plan remain the key expected catalyst for the economic growth.

BRD stayed a solid and loyal partner for its clients and the Romanian economy throughout the first half of 2023, as evidenced by the strong commercial performance across the board, despite a still difficult macroeconomic environment.

In the first half of 2023, BRD Group net loans further expanded, although at a milder growth rate, at +7.9% YoY at June 2023 end (including leasing). The financing volume of corporate segment was strong, with +17.9% growth in the stock of loans versus June 30, 2022. This result was also sustained by BRD being an active financier of both eligible companies under the IMM Invest Plus program and beneficiaries of state /EU non-reimbursable funds. In addition, BRD is highly committed to finance the sustainability transition with a total volume of new sustainable financing reaching RON 1.21 bn in H1 2023. The evolution of volumes on individual segment is more impacted by the monetary policy tightening measures and consequently the decline in purchasing power of this segment.

The digital adoption keeps growing, as reflected by the further increase in the number of users of the mobile application, You BRD, which reached over 1.3 million as of June 30, 2023, up by 45% compared to the same period of last year. Reflecting the continued relentless efforts to enhance our customers' digital journey, the mobile application is enriched continuously with numerous new features, as detailed in the "Commercial Activity" section of the report.

Building on a dynamic commercial momentum and excellent asset quality, BRD Group delivered over the first half of the year an excellent financial performance, with significant growth of revenues, while operating expenses' evolution was contained by a rigorous spending discipline. The positive jaws effect translated into reduced cost to income ratio during the analysed period. These vigorous business results, complemented by cost of risk in net release, contributed to deliver a strong increase of net result and an elevated ROE.

The interim financial report as at June 30, 2023 has not been audited.

Giovanni Luca SOMA

Chairman of the Board of Directors

François BLOCH

Chief Executive Officer

Etienne LOULERGUE

Deputy Chief Executive Officer



GRUPE SOCIÉTÉ GÉNÉRALE

TRANSLATION

DECLARATION

according to FSA Regulation no. 5/2018, art 223 (B, alin.1 c)

Acting as directors of BRD - Groupe Société Générale SA, in accordance with *art 223 B paragraph. 1 c of the FSA Regulation no. 5/2018 with subsequent amendments*, we assume that, to the best of our knowledge, the consolidated and separate interim financial statements prepared as at June 30, 2023 are in accordance with accounting regulations applicable, present a true and fair view of assets, liabilities, financial position and income statement of BRD–Groupe Société Générale, and the Board of Director's Report presents a fair and complete review of information on the Bank and the Group.

Giovanni Luca SOMA

Chairman of the Board of Directors

Francois BLOCH

Member of the Board of Directors
and Chief Executive Officer

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BRD-Groupe Société Générale S.A.
CAPITAL SOCIAL ÎN RON: 696.901.518 lei;
R.C. J40/608/19.02.1991; RB - PJR - 40 - 007 /18.02.1999;
C.U.I./C.I.F. RO361579
Prelucrare înscrisă în registrul de evidența a prelucrărilor de
date cu caracter personal sub. nr. 1788.
Atestat CNVM nr. 255/06.08.2008, înregistrată în
Registrul Public al CNVM cu nr. PJR01INCR/400008