

BRD – Groupe Société Générale S.A.

INTERIM FINANCIAL STATEMENTS

SEPTEMBER 30, 2022

BRD – Groupe Société Générale S.A.
CONSOLIDATED AND SEPARATE STATEMENT OF FINANCIAL POSITION
for the period ended September 30, 2022
(Amounts in thousands RON)

	Note	Group		Bank	
		Unaudited (*)		Unaudited (*)	
		September 30, 2022	December 31, 2021	September 30, 2022	December 31, 2021
ASSETS					
Cash and due from Central Bank	4, 34	6,786,543	6,206,356	6,786,477	6,206,323
Due from banks	5	7,191,100	4,537,941	7,175,282	4,521,357
Derivatives and other financial instruments held for trading	6	1,374,470	2,274,924	1,354,129	2,274,924
Financial assets at fair value through profit and loss	7	13,739	6,947	7,791	6,947
Financial assets at fair value through other comprehensive income	8	14,079,229	19,863,825	14,079,229	19,863,825
Financial assets at amortised cost	9	37,574,905	32,913,875	36,878,869	32,183,856
Loans and advances to customers	9.1	36,176,880	32,913,875	35,480,844	32,183,856
Treasury bills at amortised cost	9.2	1,398,025	-	1,398,025	-
Finance lease receivables	10	1,371,372	1,222,595	-	-
Investments in subsidiaries, associates and joint ventures		107,288	107,205	159,087	158,916
Property, plant and equipment	11	1,032,731	1,072,099	1,015,195	1,051,254
Investment property		15,863	16,312	15,863	16,312
Goodwill	12	50,130	50,130	50,130	50,130
Intangible assets	13	360,881	321,063	359,264	319,656
Current tax asset	22	-	7,484	-	7,484
Deferred tax asset	22	558,438	180,089	545,057	166,173
Other assets	14	646,122	271,256	525,802	176,910
Non-current assets held for sale		10,946	11,196	10,946	11,196
Total assets		71,173,757	69,063,297	68,963,121	67,015,263
LIABILITIES AND SHAREHOLDERS' EQUITY					
Due to banks	15	735,453	156,810	735,453	156,810
Derivatives and other financial instruments held for trading	6	764,233	498,651	764,233	498,651
Due to customers	16	55,158,255	52,683,581	55,316,544	52,917,886
Borrowed funds	17	5,677,460	4,056,470	3,793,031	2,230,572
Subordinated debts	18	1,238,564	495,022	1,238,564	495,022
Current tax liability	22	53,630	83,963	49,729	79,979
Provisions	19	373,105	383,185	363,199	374,745
Other liabilities	20	864,076	826,710	742,843	722,260
Total liabilities		64,864,776	59,184,392	63,003,596	57,475,925
Share capital	21	2,515,622	2,515,622	2,515,622	2,515,622
Other reserves		(2,383,388)	(385,380)	(2,383,388)	(385,380)
Retained earnings and capital reserves		6,116,181	7,690,955	5,827,291	7,409,096
Non-controlling interest		60,566	57,708	-	-
Total equity		6,308,981	9,878,905	5,959,525	9,539,338
Total liabilities and equity		71,173,757	69,063,297	68,963,121	67,015,263

The financial statements have been authorized by the Group's management on November 3, 2022 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

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 PROFIT OR LOSS
for the period ended September 30, 2022
(Amounts in thousands RON)

		Group Unaudited (*)	Bank Unaudited (*)
		Nine months ended September 30, 2022	Nine months ended September 30, 2021
		Nine months ended September 30, 2022	Nine months ended September 30, 2021
	Note		
Interest and similar income	23	2,050,608	1,648,622
Interest and similar expense	24	(326,218)	(111,913)
Net interest income		1,724,390	1,536,709
Fees and commission income	25	834,690	791,149
Fees and commission expense	25	(259,347)	(226,683)
Fees and commissions, net		575,343	564,466
Gain on derivative, other financial instruments held for trading and foreign exchange	26	227,809	188,711
Gain from financial instruments at fair value through other comprehensive income		2,415	11,960
Gain from financial instruments at fair value through profit and loss		2,019	7,685
Net (loss)/Income from associates and joint ventures		(1,040)	8,966
Other income/(expense) from banking activities	27	10,110	(4,509)
Net banking income		2,541,046	2,313,988
Personnel expenses	29	(648,981)	(616,855)
Depreciation, amortisation and impairment on tangible and intangible assets	30	(170,557)	(179,476)
Contribution to Guarantee Scheme and Resolution Fund	28	(69,171)	(49,390)
Other operating expenses	31	(387,218)	(352,445)
Total operating expenses		(1,275,927)	(1,198,166)
Gross operating profit		1,265,119	1,115,822
Cost of risk	32	(36,898)	41,696
Operating profit		1,228,221	1,157,518
Profit before income tax		1,228,221	1,157,518
Current tax expense	22	(210,529)	(228,012)
Deferred tax income/(expense)		(2,114)	(9,163)
Total income tax		(212,643)	(237,175)
Profit for the period		1,015,578	920,343
Profit attributable to equity holders of the parent		1,004,744	910,328
Profit attributable to non-controlling interests		10,834	10,015
Basic earnings per share (in RON)	33	1.4417	1.3063

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BRD – Groupe Société Générale S.A.
CONSOLIDATED AND SEPARATE STATEMENT OF COMPREHENSIVE INCOME
for the period ended September 30, 2022
(Amounts in thousands RON)

	Group Unaudited (*)		Bank Unaudited (*)	
	September 30, 2022	September 30, 2021	September 30, 2022	September 30, 2021
Profit for the period	1,015,578	920,343	997,707	886,373
Other comprehensive income				
Net comprehensive income that may be reclassified to profit and loss in subsequent periods	(1,998,008)	(702,907)	(1,998,008)	(702,907)
Net gain/(loss) on financial assets at fair value through other comprehensive income	(1,998,008)	(702,907)	(1,998,008)	(702,907)
Reclassifications to profit and loss during the period	2,971	11,443	2,971	11,443
Revaluation differences	(2,381,443)	(848,335)	(2,381,443)	(848,335)
Income tax	380,464	133,986	380,464	133,986
Other comprehensive income for the period, net of tax	(1,998,008)	(702,907)	(1,998,008)	(702,907)
Total comprehensive income for the period, net of tax	(982,430)	217,436	(1,000,301)	183,466
Attributable to:				
Equity holders of the parent	(993,264)	207,421		
Non-controlling interest	10,834	10,015		

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BRD – Groupe Société Générale S.A.
CONSOLIDATED AND SEPARATE STATEMENT OF CHANGES IN EQUITY
for the period ended September 30, 2022
(Amounts in thousands RON)

Group

	Attributable to equity holders of the parent				Non-controlling interest	Total equity
	Other reserves					
	Issued capital	Reserves from financial assets at fair value through other comprehensive income	Reserves from defined pension plan	Retained earnings and capital reserves		
December 31, 2020	2,515,622	789,030	15,412	6,403,510	48,491	9,772,065
Total comprehensive income	-	(702,907)	-	910,328	10,015	217,436
Net Profit for the period	-	-	-	910,328	10,015	920,343
Other comprehensive income	-	(702,907)	-	-	-	(702,907)
Equity dividends	-	-	-	(52,198)	-	(52,198)
September 30, 2021	2,515,622	86,123	15,412	7,261,640	58,506	9,937,303

	Attributable to equity holders of the parent				Non-controlling interest	Total equity
	Other reserves					
	Issued capital	Reserves from financial assets at fair value through other comprehensive income	Reserves from defined pension plan	Retained earnings and capital reserves		
December 31, 2021	2,515,622	(401,602)	16,222	7,690,955	57,708	9,878,905
Total comprehensive income	-	(1,998,008)	-	1,004,744	10,834	(982,430)
Net Profit for the period	-	-	-	1,004,744	10,834	1,015,578
Other comprehensive income	-	(1,998,008)	-	-	-	(1,998,008)
Equity dividends	-	-	-	(2,579,511)	(7,977)	(2,587,488)
September 30, 2022	2,515,622	(2,399,610)	16,222	6,116,181	60,566	6,308,981

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BRD – Groupe Société Générale S.A.
CONSOLIDATED AND SEPARATE STATEMENT OF CHANGES IN EQUITY
for the period ended September 30, 2022
(Amounts in thousands RON)

Bank

	<u>Other reserves</u>				
	Issued capital	Reserves from financial assets at fair value through other comprehensive income	Reserves from defined pension plan	Retained earnings and capital reserves	Total equity
December 31, 2020	2,515,622	789,030	15,412	6,152,079	9,472,142
Total comprehensive income	-	(702,907)	-	886,373	183,466
Net Profit for the period	-	-	-	886,373	886,373
Other comprehensive income	-	(702,907)	-	-	(702,907)
Equity dividends	-	-	-	(52,198)	(52,198)
September 30, 2021	2,515,622	86,123	15,412	6,986,254	9,603,410

	<u>Other reserves</u>				
	Issued capital	Reserves from financial assets at fair value through other comprehensive income	Reserves from defined pension plan	Retained earnings and capital reserves	Total equity
December 31, 2021	2,515,622	(401,602)	16,222	7,409,095	9,539,338
Total comprehensive income	-	(1,998,008)	-	997,707	(1,000,301)
Net Profit for the period	-	-	-	997,707	997,707
Other comprehensive income	-	(1,998,008)	-	-	(1,998,008)
Equity dividends	-	-	-	(2,579,511)	(2,579,511)
September 30, 2022	2,515,622	(2,399,610)	16,222	5,827,291	5,959,525

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BRD – Groupe Société Générale S.A.
CONSOLIDATED AND SEPARATE STATEMENT OF CASH FLOWS
for the year ended September 30, 2022
(Amounts in thousands RON)

Note	Group		Bank	
	Unaudited (*)		Unaudited (*)	
	Nine months ended September 30, 2022	Nine months ended September 30, 2021	Nine months ended September 30, 2022	Nine months ended September 30, 2021
Cash flows from operating activities				
Profit before tax	1,228,220	1,157,518	1,196,687	1,115,055
<i>Adjustments for:</i>				
Depreciation and amortization expense	170,557	179,476	166,450	173,099
Loss from investment in associates and joint ventures	(9,795)	(5,617)	(9,971)	-
Loss/ (Gain) from revaluation of assets at fair value through profit and loss	(296)	(7,192)	(844)	(6,856)
Impairment adjustments and provisions	161,653	112,728	154,071	93,219
Adjusted profit	1,550,339	1,436,913	1,506,393	1,374,517
Changes in operating assets and liabilities				
Due from Central Bank	279,562	1,176,313	279,595	1,176,313
Deposits with banks	(12,517)	14,605	(13,313)	13,833
Treasury bills at amortised cost	(1,398,025)	-	(1,398,025)	-
Sales of financial assets at fair value through profit and loss	(6,496)	85,548	-	58,356
Financial assets at fair value through other comprehensive income	3,786,588	(2,526,255)	3,786,588	(2,526,255)
Loans and advances to customers	(3,409,489)	(2,860,976)	(3,440,246)	(2,870,487)
Lease receivables	(152,022)	(164,461)	-	-
Other assets including trading	24,645	(311,766)	72,149	(257,925)
Due to banks	578,643	193,843	578,643	193,843
Due to customers	2,474,674	3,846,608	2,398,658	3,838,270
Other liabilities	374,514	(181,097)	353,401	(213,849)
Total changes in operating assets and liabilities	2,540,077	(727,638)	2,617,450	(587,901)
Income tax paid	(233,379)	(92,950)	(220,169)	(86,740)
Cash flow from operating activities	3,857,037	616,325	3,903,674	699,876
Investing activities				
Acquisition of investments in associates and joint ventures	9,714	-	9,800	-
Acquisition of tangible and intangible assets	(78,719)	(135,166)	(78,021)	(135,035)
Proceeds from sale of tangible and intangible assets	868	1,340	868	1,340
Cash flow from investing activities	(68,137)	(133,826)	(67,353)	(133,695)
Financing activities				
Proceeds from borrowings	184,479,675	3,058,427	183,746,507	2,000,207
Repayment of borrowings	(182,115,142)	(1,973,343)	(181,440,506)	(1,003,089)
Repayment of principal lease liabilities	(65,546)	(66,928)	(62,450)	(62,643)
Dividends paid	(2,587,493)	(52,198)	(2,579,511)	(52,198)
Net cash from financing activities	(288,506)	965,958	(335,960)	882,277
Net movements in cash and cash equivalents	3,500,394	1,448,457	3,500,361	1,448,458
Cash and cash equivalents at beginning of the period	6,301,478	7,259,265	6,301,445	7,259,261
Cash and cash equivalents at the end of the period	9,801,872	8,707,722	9,801,806	8,707,719

Additional information on operational cash flows from interest and dividends:

	Group		Bank	
	Unaudited (*)		Unaudited (*)	
	Nine months ended September 30, 2022	Nine months ended September 30, 2021	Nine months ended September 30, 2022	Nine months ended September 30, 2021
Interest paid	151,258	115,804	131,187	101,318
Interest received	1,275,170	1,658,073	1,292,291	1,557,770
Dividends received	8,677	3,349	45,894	19,315

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BRD – Groupe Société Générale S.A.
NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS
as of and for the period ended September 30, 2022
(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 September 30, 2022 (the “Parent” or “SG”).

The Bank has as at September 30, 2022 470 units throughout the country (December 31, 2021: 499).

The average number of active employees of the Group during the three quarters of 2022 was 6,168 (2021: 6,620) and the number of active employees of the Group as of the period-end was 6,103 (December 31, 2021: 6,408).

The average number of active employees of the Bank during three quarters of 2022 was 5,849 (2021: 6,156) and the number of active employees of the Bank as of the period-end was 5,814 (December 31, 2021: 5,974).

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:

	September 30, 2022	December 31, 2021
Societe Generale	60.17%	60.17%
Fondul De Pensii Administrat Privat NN/NN Pensii S.A.F.P.A.P. S.A.	5.56%	5.31%
Fondul De Pensii Administrat Privat AZT Viitorul Tau	3.98%	3.91%
S.I.F. Oltenia	3.95%	3.97%
Fondul De Pensii Administrat Privat Metropolitan Life	3.23%	3.17%
TRANSILVANIA INVESTMENTS ALLIANCE S.A.	2.31%	2.52%
Legal entities	15.31%	16.58%
Individuals	5.49%	4.38%
Total	100.00%	100.00%

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(*) 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 September 30, 2022
(Amounts in thousands RON)

2. Basis of preparation

a) Basis of preparation

The separate interim financial statements as at September 30, 2022 are of the Bank BRD – Groupe Société Générale. The consolidated and separate interim financial statements as at September 30, 2022 and September 30, 2021 are not audited nor reviewed (references included in the financial statements and selected explanatory notes).

The interim financial statements for the six months ended September 30, 2022 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, 2021. 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, 2021 in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union ("EU").

The consolidated interim financial statements includes the consolidated statement of financial position, the consolidated income statement, the consolidated statement of comprehensive income, the statement of changes in shareholders' equity, the consolidated cash flow statement and selected explanatory notes.

The separate interim financial statements includes the separate statement of financial position, the separate income statement, the separate statement of comprehensive income, the statement of changes in shareholders' equity, the separate cash flow statement and selected explanatory notes.

The consolidated and separate interim 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 financial statements are prepared on the going concern basis.

b) Basis for consolidation

The consolidated interim financial statements comprise the financial statements of the credit institution and its subsidiaries as at September 30, 2022. 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, 2021: 99.98%), BRD Finance IFN S.A (49% ownership, 2021: 49%) and BRD Asset Management SAI SA (99.98% ownership, 2021: 99.98%).

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NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS
as of and for the period ended September 30, 2022
(Amounts in thousands RON)

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.

Group			
<u>Associates</u>	Field of activity	Address	%
ALD Automotive SRL	Operational leasing	1-7, Ion Mihalache Street, floor 3, district 1, Bucharest	20.00%
BRD Asigurari de Viata SA	Insurance	58-60 Gheorghe Polizu Street, Bucharest Corporate Center building, floor 8 (zone 3) and floor 9, district 1, Bucharest	49.00%
Fondul de Garantare a Creditului Rural IFN SA	Loans guarantee	5 Occidentului Street, district 1, Bucharest	33.33%
Biroul de Credit S.A.	Financial institution	29 Sfanta Vineri Street, floor 4, district 3, Bucharest	16.38%
BRD Societate de Administrare a Fondurilor de Pensii Private SA	Pension fund management	58-60 Gheorghe Polizu Street, floor 8 (zone 1, 2 and 4), district 1, Bucharest	49.00%
BRD Sogelease Asset Rental SRL	Operational leasing	1-7, Ion Mihalache Street, Bucharest	20.00%
<u>Joint ventures</u>			
CIT One SA	Protection and guard	319L Splaiul Independentei Street, Paris Building/A1, 1st floor, district 6, Bucharest,	33.33%
Bank			
<u>Associates</u>	Field of activity	Address	%
ALD Automotive SRL	Operational leasing	1-7, Ion Mihalache Street, floor 3, district 1, Bucharest	20.00%
BRD Asigurari de Viata SA	Insurance	58-60 Gheorghe Polizu Street, Bucharest Corporate Center building, floor 8 (zone 3) and floor 9, district 1, Bucharest	49.00%
Fondul de Garantare a Creditului Rural IFN SA	Loans guarantee	5 Occidentului Street, district 1, Bucharest	33.33%
Biroul de Credit S.A.	Financial institution	29 Sfanta Vineri Street, floor 4, district 3, Bucharest	16.38%
BRD Societate de Administrare a Fondurilor de Pensii Private SA	Pension fund management	58-60 Gheorghe Polizu Street, floor 8 (zone 1, 2 and 4), district 1, Bucharest	49.00%
<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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NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS
as of and for the period ended September 30, 2022
(Amounts in thousands RON)

2. Basis of preparation (continued)

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

The accounting policies adopted are consistent with those of the previous financial year except for the following amended IFRSs which have been adopted by the Group/Bank as of 1 January 2022.

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

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

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

- **IFRS 3 Business Combinations (Amendments)** update a reference in IFRS 3 to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations.
 - **IAS 16 Property, Plant and Equipment (Amendments)** prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company recognizes such sales proceeds and related cost in profit or loss.
 - **IAS 37 Provisions, Contingent Liabilities and Contingent Assets (Amendments)** specify which costs a company includes in determining the cost of fulfilling a contract for the purpose of assessing whether a contract is onerous.
 - **Annual Improvements 2018-2020** make minor amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 9 Financial Instruments, IAS 41 Agriculture and the Illustrative Examples accompanying IFRS 16 Leases
- **IFRS 16 Leases - Covid 19 Related Rent Concessions beyond 30 June 2021 (Amendment)**

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

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

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

The amendments address an acknowledged inconsistency between the requirements in IFRS 10 and those in IAS 28, in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognized when a transaction involves a business (whether it is housed in a subsidiary or not).

BRD – Groupe Société Générale S.A.
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2. Basis of preparation (continued)

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

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.

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

The amendments were initially effective for annual reporting periods beginning on or after January 1, 2022 with earlier application permitted. However, in response to the covid-19 pandemic, the Board has deferred the effective date by one year, i.e. 1 January 2023, to provide companies with more time to implement any classification changes resulting from the amendments. The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of financial position, debt and other liabilities with an uncertain settlement date should be classified as current or non-current. The amendments affect the presentation of liabilities in the statement of financial position and do not change existing requirements around measurement or timing of recognition of any asset, liability, income or expenses, nor the information that entities disclose about those items. Also, the amendments clarify the classification requirements for debt which may be settled by the company issuing own equity instruments.

In November 2021, the Board issued an exposure draft (ED), which clarifies how to treat liabilities that are subject to covenants to be complied with, at a date subsequent to the reporting period. In particular, the Board proposes narrow scope amendments to IAS 1 which effectively reverse the 2020 amendments requiring entities to classify as current, liabilities subject to covenants that must only be complied with within the next twelve months after the reporting period, if those covenants are not met at the end of the reporting period. Instead, the proposals would require entities to present separately all non-current liabilities subject to covenants to be complied with only within twelve months after the reporting period.

Furthermore, if entities do not comply with such future covenants at the end of the reporting period, additional disclosures will be required. The proposals will become effective for annual reporting periods beginning on or after 1 January 2024 and will need be applied retrospectively in accordance with IAS 8, while early adoption is permitted. The Board has also proposed to delay the effective date of the 2020 amendments accordingly, such that entities will not be required to change current practice before the proposed amendments come into effect. These Amendments, including ED proposals, have not yet been endorsed by the EU.

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

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

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2. Basis of preparation (continued)

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

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

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

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

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

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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.

The accompanying notes are an integral part of this financial statements

(*) Unaudited / unreviewed by the financial auditor

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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 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							
	September 30, 2022 Unaudited (*)				December 31, 2021			
	Total	Retail	Non retail	Corporate Center	Total	Retail	Non retail	Corporate Center
Total assets	71,173,757	24,024,495	13,523,757	33,625,460	69,063,297	23,148,761	10,987,709	34,926,827
Loans and advances to customers, net & Finance lease receivables	37,548,252	24,024,495	13,523,757	-	34,136,470	23,148,761	10,987,709	-
Other assets	33,625,505	-	-	33,625,460	34,926,827	-	-	34,926,827
Total liabilities	71,173,757	35,985,095	19,173,160	16,015,457	69,063,297	35,988,622	16,694,959	16,379,716
Due to customers	55,158,255	35,985,095	19,173,160	-	52,683,581	35,988,622	16,694,959	-
Other liabilities	16,015,502	-	-	16,015,457	16,379,716	-	-	16,379,716

	Bank							
	September 30, 2022 Unaudited (*)				December 31, 2021			
	Total	Retail	Non retail	Corporate Center	Total	Retail	Non retail	Corporate Center
Total assets	68,963,121	22,922,999	12,557,845	33,482,276	67,015,263	22,070,310	10,113,546	34,831,407
Loans and advances to customers, net	35,480,844	22,922,999	12,557,845	-	32,183,856	22,070,310	10,113,546	-
Other assets	33,482,277	-	-	33,482,276	34,831,407	-	-	34,831,407
Total liabilities	68,963,121	35,533,284	19,783,260	13,646,577	67,015,263	35,988,622	16,929,264	14,097,377
Due to customers	55,316,544	35,533,284	19,783,260	-	52,917,886	35,988,622	16,929,264	-
Other liabilities	13,646,577	-	-	13,646,577	14,097,377	-	-	14,097,377

The accompanying notes are an integral part of this financial statements

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3. Segment information (continued)

	Group				Group			
	Unaudited (*)				Unaudited (*)			
	Nine months ended September 30, 2022				Nine months ended September 30, 2021			
	Total	Retail	Non retail	Corporate Center	Total	Retail	Non retail	Corporate Center
Net interest income	1,724,390	1,162,252	466,042	96,096	1,536,709	1,041,859	326,219	168,631
Fees and commissions, net	575,343	398,175	184,462	(7,294)	564,466	406,728	163,619	(5,881)
Total non-interest income	241,313	94,069	73,266	73,977	212,813	73,655	63,970	75,188
Operating income	2,541,046	1,654,497	723,770	162,779	2,313,988	1,522,242	553,808	237,938
Total operating expenses	(1,275,927)	(944,724)	(325,409)	(5,794)	(1,198,166)	(885,980)	(306,740)	(5,447)
Cost of risk	(36,898)	(65,946)	69,075	(40,027)	41,696	(47,010)	101,827	(13,120)
Profit before income tax	1,228,221	643,827	467,437	116,958	1,157,518	589,252	348,895	219,371
Total income tax	(212,643)	(111,466)	(80,927)	(20,250)	(237,175)	(120,743)	(71,492)	(44,940)
Profit for the period	1,015,578	532,361	386,510	96,708	920,343	468,509	277,404	174,431
Cost Income Ratio	51.9%	57.1%	45.0%	3.6%	53.7%	58.2%	55.4%	2.3%

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3. Segment information (continued)

	Bank							
	Unaudited (*)				Unaudited (*)			
	Nine months ended September 30, 2022				Nine months ended September 30, 2021			
	Total	Retail	Non retail	Corporate Center	Total	Retail	Non retail	Corporate Center
Net interest income	1,624,994	1,106,794	416,186	102,014	1,438,539	980,477	283,971	174,090
Fees and commissions, net	549,389	380,628	181,128	(12,367)	536,227	384,690	159,694	(8,157)
Total non-interest income	274,542	93,794	69,317	111,431	218,849	73,556	59,778	85,515
Operating income	2,448,924	1,581,214	666,631	201,078	2,193,615	1,438,725	503,442	251,447
Total operating expenses	(1,207,493)	(898,143)	(303,520)	(5,830)	(1,124,958)	(832,029)	(287,434)	(5,495)
Cost of risk	(44,744)	(30,023)	4,903	(19,624)	46,398	(41,501)	110,655	(22,756)
Profit before income tax	1,196,688	653,048	368,015	175,625	1,115,055	565,195	326,664	223,196
Total income tax	(198,981)	(108,587)	(61,192)	(29,202)	(228,682)	(115,913)	(66,994)	(45,774)
Profit for the period	997,707	544,461	306,822	146,423	886,373	449,280	259,670	177,423
Cost Income Ratio	51.3%	56.8%	45.5%	2.9%	52.9%	57.8%	57.1%	2.2%

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4. Cash and due from Central Bank

	Group		Bank	
	Unaudited (*)		Unaudited (*)	
	September 30,	December 31,	September 30,	December 31,
	2022	2021	2022	2021
Cash in vaults	2,244,801	1,323,877	2,244,735	1,323,844
Cash in ATM	509,429	570,571	509,429	570,571
Current accounts with Central Bank	4,032,313	4,311,908	4,032,313	4,311,908
Total	6,786,543	6,206,356	6,786,477	6,206,323

5. Due from banks

	Group		Bank	
	Unaudited (*)		Unaudited (*)	
	September 30,	December 31,	September 30,	December 31,
	2022	2021	2022	2021
Deposits at Romanian banks	46,969	124,453	46,969	124,453
Deposits at foreign banks	3,774,274	3,755,293	3,758,456	3,738,708
Current accounts at foreign banks	531,720	507,149	531,720	507,149
Reverse repo	2,838,137	-	2,838,137	-
Bonds	-	151,047	-	151,047
Total	7,191,100	4,537,941	7,175,282	4,521,357

The Due from banks portfolio is classified as Stage 1. The Group and Bank registered an impairment allowance for Due from banks of 74 as at September 30, 2022 (December 31, 2021: 146).

6. Derivatives and other financial instruments held for trading

Group	September 30, 2022		
Unaudited (*)	Assets	Liabilities	Notional (total)
Interest rate swaps	33,125	335,872	1,372,334
Currency swaps	37,443	13,699	1,685,652
Forward foreign exchange contracts	31,683	16,659	3,338,050
Options	74,268	74,464	3,742,437
Total derivative financial instruments	176,519	440,694	10,138,473

	September 30, 2022	
	Assets	Liabilities
Treasury notes	477,292	260,996
Trading loans/deposits	30,400	52,614
Reverse repo/Repo	690,259	9,929
Total financial assets and liabilities held for trading	1,197,951	323,539

The accompanying notes are an integral part of this financial statements

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

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

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

Bank Unaudited (*)	September 30, 2022		
	Assets	Liabilities	Notional (total)
Interest rate swaps	33,125	335,872	1,372,334
Currency swaps	37,443	13,699	1,685,652
Forward foreign exchange contracts	31,695	16,659	3,345,473
Options	74,268	74,464	3,742,437
Total derivative financial instruments	176,531	440,694	10,145,896

	September 30, 2022	
	Assets	Liabilities
Treasury notes	456,939	260,996
Trading loans/deposits	30,400	52,614
Reverse repo/Repo	690,259	9,929
Total financial assets and liabilities held for trading	1,177,598	323,539

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

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

The accompanying notes are an integral part of this financial statements

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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 September 30, 2022 and has 4 hedging relationships (4 hedging relationships as at December 31, 2021).

- On June 30, 2018, the Bank initiated two macro fair value hedges one in EUR and one in USD of interest rate risk associated with the current accounts, using several interest rate swaps (pay variable, receive fixed). The change in the fair value of the macro fair value hedge swaps offsets the change in the fair value of the hedged portion of the current accounts. The hedged items are represented by the portion of the current accounts portfolio equal to the swaps nominal values of:
 - 108 million EUR yearly with a fixed interest rate of 0.42%, the remaining period of 5.75 years.
 - 16 million EUR yearly with a fixed interest rate of -0.0125%, the remaining period of 0.75 years.
 - 30 million EUR yearly with a fixed interest rate of 0.171%, the remaining period of 2.75 years.
 - 14 million EUR yearly with a fixed interest rate of -0.0125%; the remaining period of 0.75 years.
 - 24 million USD yearly with a fixed interest rate of 2.813%; the remaining period of 5.75 years.
 - 6 million USD yearly with a fixed interest rate of 2.765%; the remaining period of 0.75 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 315 million EUR with a fixed interest rate of -0.403%. The remaining period for the hedging instrument is of 8.09 years.
- On September 30, 2021 the Bank initiated a macro fair value hedge of interest rate risk associated with the current accounts, using several interest rate swaps (pay variable, receive fixed). The change in the fair value of the macro fair value hedge swaps offsets the change in the fair value of the hedged portion of the current accounts. The hedged item is represented by the portion of the current accounts portfolio equal to the swaps nominal of 150 million EUR with a fixed interest rate of -0.337%. The remaining period for the hedging instrument is of 4 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 September 30, 2022, 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 -298,150. The change in value of the hedged item during the period is explained by the cumulated effect of a gain from revaluation in amount of 277,911 and of the exchange rate evolution effect in amount of 1,182.

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

	September 30, 2022		
	Assets	Liabilities	Notional (total)
Interest rate swaps	-	300,001	3,135,654

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

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.

7. Financial assets at fair value through profit or loss

	Group		Bank	
	Unaudited (*)		Unaudited (*)	
	September 30,	December 31,	September 30,	December 31,
	2022	2021	2022	2021
Equity investments	7,791	6,947	7,791	6,947
Other securities	5,948	-	-	-
Total	13,739	6,947	7,791	6,947

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

In July 2022 BRD Asset Management issued the following categories of unit funds, whose value as at September 30, 2022 is:

September 30,	Unit value RON	No of units	Market value
2022			
BRD Oportunitati clasa A	100	18,000	1,799
BRD Oportunitati clasa E	123	2,000	247
BRD Orizont 2035 clasa A	96	18,000	1,727
BRD Orizont 2035 clasa E	118	2,000	237
BRD Orizont 2045 clasa A	95	18,000	1,704
BRD Orizont 2045 clasa E	117	2,000	234
Total			5,948

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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 10,900,567 rated as very good according to internal rating, bonds issued by French State in amount of 2,645,458 and bonds issued by the Belgian State in amount of 533,204 rated as very good according to internal rating.

As at September 30, 2022, these financial assets at fair value through other comprehensive income are classified as Stage 1 and ECL impairment allowance amounts to 2,471 (December 31, 2021: 3,045).

9. Financial assets at amortised cost

9.1. Loans and advances to customers

	Group		Bank	
	Unaudited (*)		Unaudited (*)	
	September 30,	December 31,	September 30,	December 31,
	2022	2021	2022	2021
Loans, gross	37,911,155	34,668,675	37,155,708	33,853,032
Loans impairment	(1,734,275)	(1,754,800)	(1,674,864)	(1,669,176)
Total	36,176,880	32,913,875	35,480,844	32,183,856

The structure of loans is the following:

	Group		Bank	
	Unaudited (*)		Unaudited (*)	
	September 30,	December 31,	September 30,	December 31,
	2022	2021	2022	2021
Working capital loans	7,042,657	4,706,233	7,042,657	4,706,233
Loans for equipment	3,559,913	3,428,885	3,233,537	3,171,233
Trade activities financing	1,193,346	1,318,133	1,193,346	1,318,133
Acquisition of real estate, including mortgage for individuals	14,308,197	13,747,465	14,308,197	13,747,465
Consumer loans	9,191,641	9,104,171	8,762,570	8,546,180
Other	2,615,401	2,363,788	2,615,401	2,363,788
Total	37,911,155	34,668,675	37,155,708	33,853,032

During 2022 the gross loan portfolio increased by 3,303 million RON as compared with 31 December 2021.

As at 30 September 2022 the Bank's gross loan portfolio and movements were distributed as follows:

- Stage 1: 28,125 million RON, with a 3,593 million increase compared to 31 December 2021
- Stage 2: 7,949 million RON, with a 215 million RON decrease compared to 31 December 2021
- Stage 3: 1,028 million RON, with a 70 million RON decrease compared to 31 December 2021
- POCI: 54 million RON, with 5 million decrease compared to 31 December 2021.

As of September 30, 2022 the amortized cost of loans granted to the 20 largest corporate clients (groups of connected borrowers) amounts to 4,943,141 (December 31, 2021: 3,614,157), while the value of letters of guarantee and letters of credit issued in favour of these clients amounts for the Group and Bank to 4,734,349 (December 31, 2021: 4,961,898).

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9.1. Loans and advances to customers (continued)

Sector analysis of loans granted and impairment allowance

Group Unaudited (*) %	September 30, 2022									
	Stage 1		Stage 2		Stage 3		POCI		Total	
	Gross carrying amount	Impairment allowance	Gross carrying amount	Impairment allowance	Gross carrying amount	Impairment allowance	Gross carrying amount	Impairment allowance	Gross carrying amount	Impairment allowance
Individuals	56.4%	39.0%	81.6%	82.8%	72.4%	73.4%	52.1%	13.2%	62.1%	68.7%
Agriculture, forestry and fishing	4.0%	6.4%	2.1%	2.5%	4.7%	5.3%	0.0%	0.0%	3.6%	4.6%
Mining and quarrying	0.2%	0.3%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.1%	0.1%
Manufacturing	6.8%	10.9%	3.2%	2.7%	1.9%	1.7%	2.7%	0.8%	5.9%	3.8%
Electricity, gas, steam and air conditioning supply	6.8%	6.7%	0.0%	0.0%	3.6%	1.3%	0.0%	0.0%	5.2%	1.9%
Water supply	0.3%	0.5%	0.3%	0.1%	0.0%	0.0%	0.0%	0.0%	0.3%	0.1%
Construction	2.2%	4.0%	0.4%	0.5%	7.1%	7.6%	0.0%	0.0%	1.9%	4.5%
Wholesale and retail trade	11.1%	16.3%	2.2%	1.9%	2.0%	1.3%	2.8%	2.0%	8.9%	4.4%
Transport and storage	1.9%	3.0%	0.9%	1.5%	0.5%	0.4%	0.1%	0.0%	1.7%	1.3%
Accommodation and food service activities	0.7%	1.2%	0.9%	0.9%	3.8%	3.8%	0.0%	0.0%	0.8%	2.3%
Information and communication	1.4%	1.2%	0.1%	0.1%	0.0%	0.0%	0.0%	0.0%	1.1%	0.3%
Financial institutions	1.9%	2.6%	3.4%	2.2%	0.0%	0.0%	0.0%	0.0%	2.2%	1.2%
Real estate activities	0.7%	1.5%	3.1%	2.3%	1.1%	1.4%	41.8%	83.0%	1.3%	3.0%
Professional, scientific and technical activities	0.4%	0.4%	0.2%	0.3%	2.6%	3.3%	0.0%	0.0%	0.4%	1.7%
Administrative and support service activities	0.4%	0.7%	0.1%	0.1%	0.1%	0.1%	0.5%	1.0%	0.3%	0.2%
Public administration and defence, compulsory social	3.5%	3.0%	0.7%	0.7%	0.0%	0.0%	0.0%	0.0%	2.8%	0.8%
Education	0.0%	0.1%	0.3%	0.6%	0.0%	0.0%	0.0%	0.0%	0.1%	0.2%
Human health services and social work activities	1.0%	1.8%	0.6%	0.7%	0.2%	0.3%	0.0%	0.0%	0.9%	0.7%
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	0.2%	0.1%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.1%	0.0%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

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

The accompanying notes are an integral part of this financial statements

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9.1. Loans and advances to customers (continued)

Sector analysis of loans granted and impairment allowance (continued)

Bank Unaudited (*) %	September 30, 2022									
	Stage 1		Stage 2		Stage 3		POCI		Total	
	Gross carrying amount	Impairment allowance	Gross carrying amount	Impairment allowance	Gross carrying amount	Impairment allowance	Gross carrying amount	Impairment allowance	Gross carrying amount	Impairment allowance
Individuals	56.1%	36.9%	82.1%	83.0%	72.1%	72.9%	52.1%	13.2%	62.1%	68.2%
Agriculture, forestry and fishing	3.5%	6.4%	1.8%	2.3%	4.3%	5.0%	0.0%	0.0%	3.2%	4.3%
Mining and quarrying	0.2%	0.3%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.1%	0.1%
Manufacturing	7.0%	11.4%	3.2%	2.7%	1.9%	1.8%	2.7%	0.8%	6.0%	4.0%
Electricity, gas, steam and air conditioning supply	6.9%	7.0%	0.0%	0.0%	3.8%	1.3%	0.0%	0.0%	5.3%	2.0%
Water supply	0.3%	0.5%	0.3%	0.1%	0.0%	0.0%	0.0%	0.0%	0.3%	0.1%
Construction	2.2%	4.1%	0.4%	0.4%	7.4%	8.0%	0.0%	0.0%	1.9%	4.6%
Wholesale and retail trade	11.3%	17.0%	2.2%	1.9%	2.0%	1.2%	2.8%	2.0%	9.1%	4.6%
Transport and storage	1.6%	3.0%	0.7%	1.4%	0.2%	0.2%	0.1%	0.0%	1.4%	1.1%
Accommodation and food service activities	0.7%	1.3%	0.8%	0.9%	4.0%	4.1%	0.0%	0.0%	0.8%	2.4%
Information and communication	1.4%	1.3%	0.1%	0.1%	0.0%	0.0%	0.0%	0.0%	1.1%	0.3%
Financial institutions	2.2%	2.7%	3.4%	2.3%	0.0%	0.0%	0.0%	0.0%	2.4%	1.3%
Real estate activities	0.7%	1.6%	3.2%	2.3%	1.1%	1.5%	41.8%	83.0%	1.3%	3.1%
Professional, scientific and technical activities	0.4%	0.4%	0.2%	0.3%	2.7%	3.5%	0.0%	0.0%	0.4%	1.8%
Administrative and support service activities	0.4%	0.7%	0.1%	0.1%	0.1%	0.1%	0.5%	1.0%	0.3%	0.2%
Public administration and defence, compulsory social	3.6%	3.1%	0.7%	0.7%	0.0%	0.0%	0.0%	0.0%	2.9%	0.8%
Education	0.0%	0.1%	0.3%	0.6%	0.0%	0.0%	0.0%	0.0%	0.1%	0.2%
Human health services and social work activities	1.1%	1.9%	0.6%	0.7%	0.2%	0.3%	0.0%	0.0%	0.9%	0.7%
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	0.2%	0.1%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.1%	0.0%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

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

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9.1. Loans and advances to customers (continued)

Sector analysis of loans granted and impairment allowance (continued)

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

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

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9.1. Loans and advances to customers (continued)

Sector analysis of loans granted and impairment allowance (continued)

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

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

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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 unfavourable economic conditions and changes in circumstances.

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

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9.1. Loans and advances to customers (continued)

Rating analysis of loans (continued)

Bank Unaudited (*)	Retail lending September 30, 2022				
	Stage 1	Stage 2	Stage 3	POCI	Total
Gross carrying amount					
Internal rating grade					
Very good grade	10,255,965	6,965	-	-	10,262,930
Good grade	5,449,000	4,342,982	-	-	9,791,982
Standard grade	966,993	1,545,091	-	-	2,512,084
Sub-standard grade	-	738,235	-	16,575	754,810
Non- performing	-	-	761,562	11,588	773,150
(out of which) Individual assessment	-	-	20,082	106	20,189
Not rated internally	933	-	-	-	933
Total	16,672,891	6,633,272	761,562	28,163	24,095,888
Provision allowance					
Internal rating grade					
Very good grade	(54,478)	(108)	-	-	(54,586)
Good grade	(44,753)	(102,048)	-	-	(146,801)
Standard grade	(29,419)	(166,661)	-	-	(196,080)
Sub-standard grade	-	(192,969)	-	(105)	(193,074)
Non- performing	-	-	(579,014)	(3,333)	(582,348)
(out of which) Individual assessment	-	-	(19,428)	(58)	(19,486)
Total	(128,650)	(461,786)	(579,014)	(3,438)	(1,172,889)
Net Carrying amount	16,544,241	6,171,485	182,548	24,725	22,922,999

	Non-Retail lending September 30, 2022				
	Stage 1	Stage 2	Stage 3	POCI	Total
Gross carrying amount					
Internal rating grade					
Good grade	8,002,795	811,841	-	-	8,814,635
Standard grade	3,449,531	188,607	-	-	3,638,137
Sub-standard grade	-	314,802	-	997	315,799
Non- performing	-	-	266,499	24,749	291,248
(out of which) Individual assessment	-	-	239,033	24,749	263,782
Total	11,452,326	1,315,249	266,499	25,746	13,059,820
Provision allowance					
Internal rating grade					
Good grade	(119,264)	(39,763)	-	-	(159,027)
Standard grade	(82,160)	(12,639)	-	-	(94,799)
Sub-standard grade	-	(32,270)	-	(87)	(32,357)
Non- performing	-	-	(193,268)	(22,524)	(215,792)
(out of which) Individual assessment	-	-	(175,534)	(22,525)	(198,060)
Total	(201,424)	(84,673)	(193,268)	(22,611)	(501,975)
Net Carrying amount	11,250,902	1,230,576	73,232	3,135	12,557,845

	Total September 30, 2022				
	Stage 1	Stage 2	Stage 3	POCI	Total
Gross carrying amount					
Internal rating grade					
Very good grade	10,255,965	6,965	-	-	10,262,930
Good grade	13,451,795	5,154,822	-	-	18,606,617
Standard grade	4,416,524	1,733,697	-	-	6,150,221
Sub-standard grade	-	1,053,036	-	17,572	1,070,609
Non- performing	-	-	1,028,061	36,337	1,064,398
(out of which) Individual assessment	-	-	259,115	24,855	283,971
Not rated internally	933	-	-	-	933
Total	28,125,216	7,948,521	1,028,061	53,909	37,155,708
Provision allowance					
Internal rating grade					
Very good grade	(54,478)	(108)	-	-	(54,586)
Good grade	(164,017)	(141,811)	-	-	(305,827)
Standard grade	(111,579)	(179,300)	-	-	(290,879)
Sub-standard grade	-	(225,240)	-	(191)	(225,431)
Non- performing	-	-	(772,282)	(25,858)	(798,140)
(out of which) Individual assessment	-	-	(194,962)	(22,583)	(217,546)
Total	(330,074)	(546,459)	(772,282)	(26,049)	(1,674,864)
Net Carrying amount	27,795,143	7,402,061	255,779	27,861	35,480,844

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(*) Unaudited / unreviewed by the financial auditor

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9.1. Loans and advances to customers (continued)

Rating analysis of loans (continued)

Group Unaudited (*)	Retail lending				
	September 30, 2022				
	Stage 1	Stage 2	Stage 3	POCI	Total
Gross carrying amount					
Internal rating grade					
Very good grade	10,255,965	6,965	-	-	10,262,930
Good grade	5,449,000	4,342,982	-	-	9,791,982
Standard grade	966,993	1,545,091	-	-	2,512,084
Sub-standard grade	-	738,235	-	16,575	754,810
Non- performing	-	-	761,562	11,588	773,150
(out of which) Individual assessment	-	-	20,082	106	20,189
Not rated internally	587,284	16,247	48,912	-	652,443
Total	17,259,242	6,649,519	810,474	28,163	24,747,398
Provision allowance					
Internal rating grade					
Very good grade	(54,478)	(108)	-	-	(54,586)
Good grade	(44,753)	(102,048)	-	-	(146,801)
Standard grade	(29,419)	(166,661)	-	-	(196,080)
Sub-standard grade	-	(192,969)	-	(105)	(193,074)
Non- performing	-	-	(579,014)	(3,333)	(582,348)
(out of which) Individual assessment	-	-	(19,428)	(58)	(19,486)
Not rated internally	(12,635)	(4,239)	(36,347)	-	(53,222)
Total	(141,285)	(466,025)	(615,362)	(3,438)	(1,226,111)
Net Carrying amount	17,117,957	6,183,494	195,112	24,725	23,521,288

	Non-Retail lending				
	September 30, 2022				
	Stage 1	Stage 2	Stage 3	POCI	Total
Gross carrying amount					
Internal rating grade					
Good grade	7,968,776	812,815	-	-	8,781,590
Standard grade	3,549,334	202,102	-	-	3,751,435
Sub-standard grade	-	335,238	-	997	336,235
Non- performing	-	-	269,747	24,749	294,496
(out of which) Individual assessment	-	-	239,033	24,749	263,782
Total	11,518,109	1,350,155	269,747	25,746	13,163,757
Provision allowance					
Internal rating grade					
Good grade	(119,398)	(39,808)	-	-	(159,206)
Standard grade	(82,529)	(13,254)	-	-	(95,783)
Sub-standard grade	-	(33,201)	-	(87)	(33,288)
Non- performing	-	-	(197,363)	(22,524)	(219,887)
(out of which) Individual assessment	-	-	(175,534)	(22,525)	(198,060)
Total	(201,928)	(86,263)	(197,363)	(22,611)	(508,165)
Net Carrying amount	11,316,181	1,263,892	72,383	3,135	12,655,592

	Total				
	September 30, 2022				
	Stage 1	Stage 2	Stage 3	POCI	Total
Gross carrying amount					
Internal rating grade					
Very good grade	10,255,965	6,965	-	-	10,262,930
Good grade	13,417,775	5,155,797	-	-	18,573,572
Standard grade	4,516,327	1,747,192	-	-	6,263,519
Sub-standard grade	-	1,073,473	-	17,572	1,091,045
Non- performing	-	-	1,031,309	36,337	1,067,646
(out of which) Individual assessment	-	-	259,115	24,855	283,971
Not rated internally	587,284	16,247	48,912	-	652,443
Total	28,777,351	7,999,674	1,080,221	53,909	37,911,155
Provision allowance					
Internal rating grade					
Very good grade	(54,478)	(108)	-	-	(54,586)
Good grade	(164,151)	(141,855)	-	-	(306,007)
Standard grade	(111,949)	(179,915)	-	-	(291,864)
Sub-standard grade	-	(226,171)	-	(191)	(226,362)
Non- performing	-	-	(776,378)	(25,858)	(802,235)
(out of which) Individual assessment	-	-	(194,962)	(22,583)	(217,546)
Not rated internally	(12,635)	(4,239)	(36,347)	-	(53,222)
Total	(343,213)	(552,288)	(812,725)	(26,049)	(1,734,275)
Net Carrying amount	28,434,138	7,447,386	267,496	27,861	36,176,880

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9.1. Loans and advances to customers (continued)

Rating analysis of loans (continued)

Bank	Retail lending December 31, 2021				
	Stage 1	Stage 2	Stage 3	POCI	Total
Gross carrying amount					
Internal rating grade					
Very good grade	9,582,650	5,962	-	-	9,588,612
Good grade	5,070,420	4,713,135	-	-	9,783,555
Standard grade	970,014	1,407,731	-	-	2,377,746
Sub-standard grade	-	652,675	-	15,793	668,468
Non- performing	-	-	756,316	13,903	770,220
(out of which) Individual assessment	-	-	32,639	454	33,092
Not rated internally	345	-	-	-	345
Total	15,623,428	6,779,503	756,316	29,697	23,188,944
Less allowance	(118,916)	(451,772)	(544,071)	(3,875)	(1,118,634)
Net Carrying amount	15,504,512	6,327,731	212,245	25,821	22,070,310

	Non-Retail lending December 31, 2021				
	Stage 1	Stage 2	Stage 3	POCI	Total
Gross carrying amount					
Internal rating grade					
Very good grade	422,745	-	-	-	422,745
Good grade	5,708,101	743,744	-	-	6,451,844
Standard grade	2,738,943	303,762	-	-	3,042,705
Sub-standard grade	38,449	337,317	-	1,337	377,104
Non- performing	-	-	342,062	27,495	369,557
(out of which) Individual assessment	-	-	305,958	26,915	332,873
Not rated internally	133	-	-	-	133
Total	8,908,371	1,384,823	342,062	28,832	10,664,088
Less allowance	(175,057)	(97,758)	(252,985)	(24,742)	(550,542)
Net Carrying amount	8,733,314	1,287,065	89,077	4,090	10,113,546

	Total December 31, 2021				
	Stage 1	Stage 2	Stage 3	POCI	Total
Gross carrying amount					
Internal rating grade					
Very good grade	10,005,395	5,962	-	-	10,011,357
Good grade	10,778,520	5,456,879	-	-	16,235,399
Standard grade	3,708,957	1,711,493	-	-	5,420,450
Sub-standard grade	38,449	989,992	-	17,131	1,045,572
Non- performing	-	-	1,098,378	41,398	1,139,776
(out of which) Individual assessment	-	-	338,596	27,369	365,965
Not rated internally	478	-	-	-	478
Total	24,531,799	8,164,326	1,098,378	58,529	33,853,032
Less allowance	(293,973)	(549,531)	(797,056)	(28,617)	(1,669,176)
Net Carrying amount	24,237,826	7,614,795	301,322	29,912	32,183,855

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9.1. Loans and advances to customers (continued)

Rating analysis of loans (continued)

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

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

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

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9.1. Loans and advances to customers (continued)

Impairment allowance movement

Group Unaudited (*)	Retail lending				
	Stage 1	Stage 2	Stage 3	POCI	Total
Impairment allowance as at 1 st January 2022	133,801	457,954	602,990	3,875	1,198,619
New assets originated or purchased	70,395	14,544	7,443	7	92,389
Assets derecognised or repaid (excluding write offs)	(11,711)	(22,403)	(24,341)	(88)	(58,543)
Net provision movement for assets that did not change classification	(38,802)	(19,589)	(2,486)	1,238	(59,639)
Movements due to change in classification	(12,400)	35,501	121,218	6	144,325
Amounts written off	-	-	(89,425)	(1,589)	(91,014)
Other adjustments	3	17	(36)	(10)	(26)
Impairment allowance as at 30 September 2022	141,286	466,025	615,362	3,438	1,226,111

	Non-Retail lending				
	Stage 1	Stage 2	Stage 3	POCI	Total
Impairment allowance as at 1 st January 2022	175,458	100,573	255,406	24,742	556,180
New assets originated or purchased	97,516	36,337	21,402	-	155,254
Assets derecognised or repaid (excluding write offs)	(65,317)	(18,188)	(53,127)	(367)	(136,998)
Net provision movement for assets that did not change classification	(1,276)	(29,000)	(8,508)	(1,769)	(40,553)
Movements due to change in classification	(4,571)	(3,483)	919	-	(7,135)
Amounts written off	-	-	(19,469)	(0)	(19,469)
Other adjustments	116	24	740	4	885
Impairment allowance as at 30 September 2022	201,927	86,263	197,363	22,611	508,164

	Total				
	Stage 1	Stage 2	Stage 3	POCI	Total
Impairment allowance as at 1 st January 2022	309,259	558,527	858,398	28,617	1,754,801
New assets originated or purchased	167,911	50,881	28,844	7	247,643
Assets derecognised or repaid (excluding write offs)	(77,028)	(40,591)	(77,468)	(455)	(195,541)
Net provision movement for assets that did not change classification	(40,077)	(48,590)	(10,994)	(531)	(100,192)
Movements due to change in classification	(16,971)	32,019	122,137	6	137,191
Amounts written off	-	-	(108,894)	(1,589)	(110,483)
Other adjustments	119	42	702	(6)	857
Impairment allowance as at 30 September 2022	343,213	552,289	812,725	26,048	1,734,275

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9.1. Loans and advances to customers (continued)

Impairment allowance movement (continued)

Bank Unaudited (*)	Retail lending				
	Stage 1	Stage 2	Stage 3	POCI	Total
Impairment allowance as at 1 st January 2022	118,917	451,772	544,071	3,875	1,118,635
New assets originated or purchased	70,070	13,563	1,954	7	85,593
Assets derecognised or repaid (excluding write offs)	(11,701)	(22,394)	(23,466)	(88)	(57,649)
Net provision movement for assets that did not change classification	(38,681)	(19,480)	(2,493)	1,238	(59,416)
Movements due to change in classification	(9,955)	38,308	122,013	6	150,372
Amounts written off	-	-	(63,027)	(1,589)	(64,617)
Other adjustments	1	17	(37)	(10)	(28)
Impairment allowance as at 30 September 2022	128,650	461,786	579,014	3,438	1,172,889

	Non-Retail lending				
	Stage 1	Stage 2	Stage 3	POCI	Total
Impairment allowance as at 1 st January 2022	175,057	97,758	252,985	24,742	550,542
New assets originated or purchased	97,328	35,874	20,111	-	153,313
Assets derecognised or repaid (excluding write offs)	(65,304)	(18,048)	(52,714)	(367)	(136,433)
Net provision movement for assets that did not change classification	(43)	(28,715)	(9,201)	(1,769)	(39,728)
Movements due to change in classification	(5,730)	(2,220)	815	-	(7,135)
Amounts written off	-	-	(19,469)	(0)	(19,469)
Other adjustments	116	23	740	4	884
Impairment allowance as at 30 September 2022	201,423	84,673	193,268	22,611	501,974

	Total				
	Stage 1	Stage 2	Stage 3	POCI	Total
Impairment allowance as at 1 st January 2022	293,973	549,531	797,056	28,617	1,669,176
New assets originated or purchased	167,397	49,437	22,065	7	238,907
Assets derecognised or repaid (excluding write offs)	(77,004)	(40,442)	(76,180)	(455)	(194,082)
Net provision movement for assets that did not change classification	(38,725)	(48,196)	(11,693)	(531)	(99,145)
Movements due to change in classification	(15,685)	36,088	122,828	6	143,237
Amounts written off	-	-	(82,496)	(1,589)	(84,085)
Other adjustments	117	41	703	(4)	856
Impairment allowance as at 30 September 2022	330,074	546,459	772,282	26,050	1,674,864

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

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

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

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9.1. Loans and advances to customers (continued)

Impairment allowance movement (continued)

Bank

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

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

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

9.2. Treasury bills at amortised cost

Treasury bills at amortised cost income include bonds issued by French State, classified as being Hold To Collect (HTC) and measured at amortised cost, in amount of 1,398,025 and rated as very good according to internal rating.

As at September 30, 2022, these treasury bills at amortised cost are classified as Stage 1 and no ECL impairment allowance is booked for them.

The accompanying notes are an integral part of this financial statements

(*) Unaudited / unreviewed by the financial auditor

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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 (*) September 30, 2022	December 31, 2021
Gross investment in finance lease:		
Under 1 year	626,507	561,433
Between 1 and 5 years	925,653	824,401
Higher than 5 years	9,473	8,625
	1,561,633	1,394,459
Unearned finance income	(102,496)	(82,656)
Net investment in finance lease	1,459,137	1,311,803
 Net investment in finance lease:		
Under 1 year	578,312	528,107
Between 1 and 5 years	871,566	775,580
Higher than 5 years	9,259	8,115
	1,459,137	1,311,802
	September 30, 2022	December 31, 2021
Net investment in the lease	1,459,137	1,311,802
Accumulated allowance for uncollectible minimum lease payments receivable	(87,765)	(89,207)
Total	1,371,372	1,222,595

As at September 30, 2022 and December 31, 2021, the future minimum lease receipts regarding operating leases (rents) concluded by the Group and Bank as a lessor are:

	Group		Bank	
	Unaudited (*) September 30, 2022	December 31, 2021	Unaudited (*) September 30, 2022	December 31, 2021
Less than one year	503	393	503	393
Between one and five years	353	373	353	373
More than five years	131	184	131	184
Total	987	950	987	950

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10. Finance lease receivables (continued)

Impairment allowance movement

	Retail			Total
	Stage 1	Stage 2	Stage 3	
Impairment allowance as at 1 st January 2022	1,450	3,544	19,701	24,695
New assets originated or purchased	734	1,685	1,517	3,936
Assets derecognised or fully repaid (excluding write offs)	(97)	(227)	(923)	(1,248)
Movements due to change in classification	474	684	(1,158)	-
Net movement for assets that did not change classification	(734)	(1,451)	1,730	(455)
Amounts written off	(1)	(33)	(193)	(226)
Other adjustments	0	1	3	4
Impairment allowance as at 30 September 2022	1,828	4,201	20,678	26,707

	Non-retail			Total
	Stage 1	Stage 2	Stage 3	
Impairment allowance as at 1 st January 2022	1,866	16,210	46,436	64,512
New assets originated or purchased	1,002	2,285	367	3,654
Assets derecognised or fully repaid (excluding write offs)	(80)	(794)	(506)	(1,380)
Movements due to change in classification	5,535	(5,739)	204	0
Net movement for assets that did not change classification	(5,961)	(2,442)	4,330	(4,073)
Amounts written off	-	-	(786)	(786)
Other adjustments	1	(12)	(859)	(869)
Impairment allowance as at 30 September 2022	2,363	9,509	49,186	61,057

	Total			Total
	Stage 1	Stage 2	Stage 3	
Impairment allowance as at 1 st January 2022	3,316	19,754	66,137	89,207
New assets originated or purchased	1,736	3,970	1,884	7,590
Assets derecognised or fully repaid (excluding write offs)	(177)	(1,021)	(1,429)	(2,627)
Movements due to change in classification	6,009	(5,055)	(954)	0
Net movement for assets that did not change classification	(6,695)	(3,893)	6,060	(4,528)
Amounts written off	(1)	(33)	(979)	(1,013)
Other adjustments	2	(11)	(856)	(865)
Impairment allowance as at 30 September 2022	4,191	13,710	69,863	87,764

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

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

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

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11. Property, plant and equipment

	Group					
	Land & Buildings	Investment properties	Office equipments	Materials and other assets	Construction in progress	Right of use Total
Cost:						
as of December 31, 2020	1,297,082	40,437	262,158	518,662	53,957	453,816
Additions	-	-	918	10	85,220	112,934
Transfers	23,931	(1,219)	27,248	26,877	(76,837)	-
Transfers into/from inventory	(16,800)	(331)	-	-	-	(17,131)
Disposals	(39,770)	(644)	(10,688)	(60,002)	(7,169)	(45,354)
as of December 31, 2021	1,264,443	38,243	279,636	485,547	55,171	521,396
Additions	-	-	22	-	66,954	32,862
Transfers	21,073	(293)	18,633	13,756	(53,168)	-
Disposals	(7,879)	-	(9,346)	(40,305)	(4,332)	(67,474)
as of September 30, 2022 Unaudited	1,277,637	37,950	288,945	458,998	64,625	486,784
Depreciation and impairment:						
as of December 31, 2020	(785,792)	(22,639)	(195,804)	(416,769)	(1,954)	(119,500)
Depreciation	(36,145)	(625)	(29,525)	(32,538)	-	(90,425)
Impairment	1,009	-	-	351	-	-
Disposals	32,442	610	10,612	56,587	-	69,249
Transfers	(723)	723	-	-	-	-
Transfers into/from inventory	4,831	-	-	-	-	4,831
as of December 31, 2021	(784,378)	(21,931)	(214,717)	(392,369)	(1,954)	(140,676)
Depreciation	(25,502)	(362)	(22,032)	(20,151)	-	(65,953)
Impairment	1,469	-	-	(16)	-	-
Disposals	5,373	-	9,479	38,656	-	68,719
Transfers	127	207	-	(334)	-	-
as of September 30, 2022 Unaudited	(802,911)	(22,086)	(227,270)	(374,214)	(1,954)	(137,910)
Net book value:						
as of December 31, 2020	511,290	17,798	66,354	101,893	52,003	334,316
as of December 31, 2021	480,065	16,312	64,919	93,178	53,217	380,720
as of September 30, 2022 Unaudited	474,726	15,864	61,675	84,784	62,671	348,874

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11. Property, plant and equipment (continued)

The Group and Bank holds investment property as a consequence of the ongoing rationalisation of its retail branch network. Investment properties comprise a number of commercial properties that are leased to third parties. The investment properties have a fair value of 12,342 as at September 30, 2022 (December 31, 2021: 12,705). The fair value has been determined based on a valuation by an independent valuer in 2022. Rental income from investment property of 2,026 (December 31, 2021: 1,708) has been recognised in other income.

	Bank					
	Land & Buildings	Investment properties	Office equipments	Materials and other assets	Construction in progress	Right of use Total
Cost:						
as of December 31, 2020	1,286,971	40,437	253,160	518,092	53,955	436,399
Additions	-	-	-	6	85,220	103,796
Transfers	23,931	(1,219)	27,248	26,877	(76,837)	-
Transfers into/from inventory	(16,800)	(331)	-	-	-	(17,131)
Disposals	(39,770)	(644)	(9,914)	(59,717)	(7,169)	(44,945)
as of December 31, 2021	1,254,332	38,243	270,494	485,258	55,169	495,250
Additions	-	-	-	-	66,954	32,691
Transfers	21,073	(293)	18,632	13,756	(53,168)	-
Disposals	(7,767)	-	(9,241)	(40,282)	(4,332)	(58,228)
as of September 30, 2022 Unaudited	1,267,638	37,950	279,885	458,732	64,623	469,713
Depreciation and impairment:						
as of December 31, 2020	(780,567)	(22,638)	(188,990)	(416,462)	(1,954)	(108,019)
Depreciation	(35,894)	(625)	(28,387)	(32,375)	-	(84,695)
Impairment	1,009	-	-	351	-	-
Disposals	32,441	610	9,913	56,304	-	63,970
Transfers	(723)	723	-	-	-	-
Transfers into/from inventory	4,829	-	-	-	-	-
as of December 31, 2021	(778,905)	(21,930)	(207,464)	(392,182)	(1,954)	(128,744)
Depreciation	(25,316)	(362)	(21,390)	(20,132)	-	(63,158)
Impairment	1,469	-	-	(16)	-	-
Disposals	5,261	-	9,379	38,635	-	59,327
Transfers	127	207	-	(334)	-	-
as of September 30, 2022 Unaudited	(797,364)	(22,085)	(219,475)	(374,029)	(1,954)	(132,575)
Net book value:						
as of December 31, 2020	506,404	17,799	64,170	101,630	52,001	328,380
as of December 31, 2021	475,427	16,313	63,030	93,076	53,215	366,506
as of September 30, 2022 Unaudited	470,274	15,865	60,410	84,703	62,669	337,138

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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, 2022	366,047	4,220	10,453	380,720
Additions	17,665	11,904	3,176	32,745
Depreciation expense	(59,152)	(2,757)	(4,044)	(65,953)
Disposals and other decreases	(21,664)	(1,996)	(19)	(23,679)
Contractual changes	24,840	172	29	25,041
as of September 30, 2022	327,736	11,543	9,595	348,874
	Lease liabilities			
as of January 1, 2022	392,275			
Additions	32,742			
Disposals and other decreases	(23,702)			
Other movements (FX, other contractual changes)	23,982			
Interest expense	3,719			
Payments	(69,265)			
as of September 30, 2022	359,751			
	Right-of-use assets			
	Land & Buildings	IT Office equipments	Cars and other assets	Total
Bank				
Unaudited (*)				
as of January 1, 2022	353,107	3,187	10,212	366,506
Additions	17,646	11,903	3,141	32,690
Depreciation expense	(56,974)	(2,757)	(3,427)	(63,158)
Disposals and other decreases	(21,663)	(1,996)	-	(23,659)
Contractual changes	24,841	(66)	(16)	24,759
as of September 30, 2022	316,957	10,271	9,910	337,138
	Lease liabilities			
as of January 1, 2022	377,699			
Additions	32,691			
Disposals and other decreases	(23,123)			
Other movements (FX, other contractual changes)	21,221			
Interest expense	3,623			
Payments	(66,073)			
as of September 30, 2022	346,038			

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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, 2021	323,403	5,510	5,403	334,316
Additions	91,995	1,470	10,837	104,302
Depreciation expense	(81,861)	(2,862)	(5,702)	(90,425)
Disposals and other decreases	(15,785)	-	-	(15,785)
Contractual changes	48,295	102	(85)	48,312
as of December 31, 2021	366,047	4,220	10,453	380,720
Lease liabilities				
as of January 1, 2021	342,813			
Additions	104,302			
Disposals and other decreases	(21,100)			
Other movements (FX, other contractual changes)	56,872			
Interest expense	4,618			
Payments	(95,230)			
as of December 31, 2021	392,275			
Bank				
	Right-of-use assets			
	Land & Buildings	IT Office equipments	Cars and other assets	Total
as of January 1, 2021	319,395	4,514	4,471	328,380
Additions	91,683	1,470	10,643	103,796
Depreciation expense	(76,931)	(2,862)	(4,902)	(84,695)
Disposals and other decreases	(15,784)	-	-	(15,784)
Contractual changes	34,744	65	-	34,809
as of December 31, 2021	353,107	3,187	10,212	366,506
Lease liabilities				
as of January 1, 2021	336,838			
Additions	103,796			
Disposals and other decreases	(20,416)			
Other movements (FX, other contractual changes)	42,879			
Interest expense	4,450			
Payments	(89,848)			
as of December 31, 2021	377,699			

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

As at September 30, 2022, the branch had a number of 3,684 active customers (2021: 3,507), with loans representing approximately 17% from total loans managed by the network (2021: 14%) and with deposits representing about 15% of networks’ deposits (2021: 11%). 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 September 30, 2022 and December 31, 2021 represents mainly software.

	Group	Bank
Cost:		
as of December 31, 2020	728,832	696,109
Additions	126,837	126,025
Disposals	(7,212)	(201)
as of December 31, 2021	848,457	821,933
Additions	78,451	77,517
Disposals	(573)	-
as of September 30, 2022 Unaudited	926,335	899,450
Amortization:		
as of December 31, 2020	(481,453)	(451,810)
Amortization expense	(51,673)	(50,468)
as of December 31, 2021	(527,394)	(502,278)
Amortization expense	(38,455)	(37,908)
Disposals	395	-
as of September 30, 2022 Unaudited	(565,454)	(540,186)
Net book value:		
as of December 31, 2020	247,379	244,299
as of December 31, 2021	321,063	319,655
as of September 30, 2022 Unaudited	360,881	359,264

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14. Other assets

	Group		Bank	
	Unaudited (*)		Unaudited (*)	
	September 30,	December 31,	September 30,	December 31,
	2022	2021	2022	2021
Advances to suppliers	86,560	66,480	-	-
Sundry receivable	474,683	143,706	465,657	133,450
Prepaid expenses	73,136	52,377	57,624	39,780
Repossessed assets	2,143	3,242	924	924
Other assets	9,600	5,451	1,597	2,756
Total	646,122	271,256	525,802	176,910

The sundry receivables balances includes various commissions, sundry debtors and are net of impairment allowance, which at Group level is 193,091 (December 31, 2021: 165,640) and at Bank level is 183,524 (December 31, 2021: 156,860).

As of September 30, 2022 the carrying value of repossessed assets for Group is 2,143 (December 31, 2021: 3,242). As of September 30, 2022 the carrying value of repossessed assets for Bank is 924 (December 31, 2021: 924), representing 3 residential buildings (December 31, 2021: 4 residential buildings).

Group Unaudited (*)

Sundry receivables

Impairment allowance as at January 1, 2022

Additional expenses

Reversals of provisions

Receivables written off

Foreign exchange adjustments

Impairment allowance as at September 30, 2022

Total (Stage3)

165,641

50,186

(14,739)

(8,289)

293

193,091

Total (Stage3)

Impairment allowance as at 1 st January 2021

Additional expenses

Reversals of provisions

Receivables written off

Foreign exchange adjustments

Impairment allowance as at 31 December 2021

117,001

83,383

(14,068)

(21,106)

430

165,641

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14. Other assets (continued)

Bank Unaudited (*)

	Total (Stage3)
Sundry receivables	
Impairment allowance as at January 1, 2022	156,860
Additional expenses	48,992
Reversals of provisions	(14,466)
Receivables written off	(8,155)
Foreign exchange adjustments	293
Impairment allowance as at September 30, 2022	183,524

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

15. Due to banks

	Group		Bank	
	Unaudited (*)		Unaudited (*)	
	September 30,	December 31,	September 30,	December 31,
	2022	2021	2022	2021
Demand deposits	645,426	156,810	645,426	156,810
Term deposits	90,027	-	90,027	-
Due to banks	735,453	156,810	735,453	156,810

16. Due to customers

	Group		Bank	
	Unaudited (*)		Unaudited (*)	
	September 30,	December 31,	September 30,	December 31,
	2022	2021	2022	2021
Demand deposits	41,841,981	43,299,719	41,921,837	43,417,784
Term deposits	13,316,274	9,383,862	13,394,707	9,500,102
Due to customers	55,158,255	52,683,581	55,316,544	52,917,886

17. Borrowed funds

	Group		Bank	
	Unaudited (*)		Unaudited (*)	
	September 30,	December 31,	September 30,	December 31,
	2022	2021	2022	2021
Borrowings from related parties	4,629,274	3,737,904	2,971,261	2,227,448
Borrowings from international financial institutions	228,038	318,566	1,621	3,124
Other borrowings	820,148	-	820,149	-
Total	5,677,460	4,056,470	3,793,031	2,230,572

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17. Borrowed funds (continued)

Borrowings from related parties includes two 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).

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

Line Other borrowings includes a Lombard loan from National Bank of Romania.

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 2022	3,374	3,132	3,371	9,877
New commitments originated or purchased	8,107	1,248	489	9,844
Commitments derecognised or transferred into assets	(1,014)	(524)	(278)	(1,816)
Net provision movement not resulting from changes in classification	(5,049)	(473)	(1,020)	(6,542)
Movements due to change in classification	(547)	225	974	652
Provision as at 30 September 2022	4,871	3,608	3,536	12,015

	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	60,938	23,071	1,386	85,395
Commitments derecognised or transferred into assets	(22,250)	(2,741)	(67,704)	(92,695)
Net provision movement not resulting from changes in classification	25,923	(6,890)	22,741	41,774
Movements due to change in classification	(6,521)	(10,960)	(7,409)	(24,890)
Other adjustments	9	23	1,747	1,779
Provision as at 30 September 2022	130,715	27,771	151,548	310,034

	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	69,045	24,319	1,875	95,239
Commitments derecognised or transferred into assets	(23,264)	(3,265)	(67,982)	(94,511)
Net provision movement not resulting from changes in classification	20,874	(7,363)	21,721	35,232
Movements due to change in classification	(7,068)	(10,735)	(6,435)	(24,238)
Other adjustments	9	23	1,747	1,778
Provision as at 30 September 2022	135,586	31,379	155,085	322,049

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19. Provisions (continued)

Financial guarantees and loan commitments provisions movement (continued)

Bank Unaudited (*)	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	8,091	1,242	489	9,822
Commitments derecognised or transferred into assets	(1,008)	(515)	(278)	(1,801)
Net provision movement not resulting from changes in classification	(5,048)	(473)	(1,020)	(6,541)
Movements due to change in classification	(547)	225	974	652
Other adjustments	(1)	-	-	(1)
Provision as at 30 September 2022	4,852	3,604	3,536	11,992

	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	60,843	22,544	1,386	84,773
Commitments derecognised or transferred into assets	(22,226)	(2,243)	(67,704)	(92,173)
Net provision movement not resulting from changes in classification	25,953	(6,890)	22,741	41,804
Movements due to change in classification	(6,553)	(11,205)	(7,409)	(25,167)
Other adjustments	9	8	883	900
Provision as at 30 September 2022	130,615	26,963	161,912	319,490

	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	68,934	23,786	1,875	94,595
Commitments derecognised or transferred into assets	(23,234)	(2,758)	(67,982)	(93,974)
Net provision movement not resulting from changes in classification	20,905	(7,363)	21,721	35,263
Movements due to change in classification	(7,100)	(10,980)	(6,435)	(24,515)
Other adjustments	8	8	883	899
Provision as at 30 September 2022	135,467	30,567	165,448	331,482

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

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

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

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

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

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

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19. Provisions (continued)

The line Provisions includes also Other provisions representing provisions for litigation in amount of 19,158 as of September 30, 2022 (20,030 as of December 31, 2021), other provisions for risks and charges in amount of 9,620 as of September 30, 2022 (22,873 as of December 31, 2021) and provisions for risks related to banking activity in amount of 2,938 as of September 30, 2022 (12,594 as of December 31, 2021).

The movement in other provisions is as follows:

Group	TOTAL
Carrying value as of December 31, 2020	73,393
Additional expenses	14,164
Reversals of provisions	(8,877)
Usage	(4,043)
Carrying value as of December 31, 2021	74,637
Additional expenses	9,695
Reversals of provisions	(26,117)
Usage	(7,161)
Carrying value as of September 30, 2022 Unaudited	51,054
Bank	
Carrying value as of December 31, 2020	54,416
Additional expenses	13,562
Reversals of provisions	(8,410)
Usage	(4,037)
Carrying value as of December 31, 2021	55,531
Additional expenses	9,145
Reversals of provisions	(26,117)
Usage	(6,843)
Carrying value as of September 30, 2022 Unaudited	31,716

20. Other liabilities

	Group		Bank	
	Unaudited (*)		Unaudited (*)	
	September 30,	December 31,	September 30,	December 31,
	2022	2021	2022	2021
Sundry creditors	286,790	205,589	199,393	136,574
Other payables to State budget	33,441	52,261	32,379	50,733
Deferred income	35,773	32,809	35,773	32,809
Payables to employees	148,320	143,776	129,260	124,445
Creditors - Lease liabilities	359,752	392,275	346,038	377,699
Total	864,076	826,710	742,843	722,260

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 74,466 as of September 30, 2022 (December 31, 2021: 71,305) and post-employment benefits amounting 34,998 as of September 30, 2022 (December 31, 2021: 31,678).

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 2022, the movements in defined benefit obligation is generated by the current expenses and benefits paid, resulting in a change of obligation carrying value: 34,998 as of September 30, 2022 from 31,678 as of December 31, 2021.

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21. Share capital

The nominal share capital, as registered with the Registry of Commerce is 696,901 (2021: 696,901). Included in the share capital there is an amount of 1,818,721 (2021: 1,818,721) representing hyperinflation restatement surplus.

Share capital as of September 30, 2022 represents 696,901,518 (2021: 696,901,518) authorized common shares, issued and fully paid. The nominal value of each share is RON 1 (2021: RON 1). During 2022 and 2021, 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 September 30, 2022 the Group has a current tax liability in total amount of 53,630 (December 31, 2021: 83,963) and 0 current tax asset (December 31, 2021: 7,484) and at Bank level a current tax liability in total amount of 49,729 (December 31, 2021: 79,979) and 0 current tax asset (December 31, 2021: 7,484).

The deferred tax liability/asset is reconciled as follows:

Group September 30, 2022 Unaudited (*)				
	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	54,752	(8,760)	-	-
Financial assets at fair value through other comprehensive income	(2,859,621)	457,539	-	380,464
Tangible and intangible assets	(31,478)	5,036	(8,143)	-
Provisions and other liabilities	(653,896)	104,623	6,029	-
Taxable items	(3,490,243)			
Deferred tax		558,438	(2,114)	380,464

Bank September 30, 2022 Unaudited (*)				
	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	54,752	(8,760)	-	-
Financial assets at fair value through other comprehensive income	(2,859,621)	457,539	-	380,464
Tangible and intangible assets	(31,478)	5,036	(8,174)	-
Provisions and other liabilities	(570,262)	91,243	6,595	-
Taxable items	(3,406,609)			
Deferred tax		545,057	(1,579)	380,464

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22. Taxation (continued)

Group December 31, 2021					
	Temporary differences Asset / (Liability)	Consolidated Statement of Financial Position Asset / (Liability)	Consolidated Income Statement (Expense) / Income	Consolidated OCI (Expense) / Income	Retained earnings
<i>Elements generating deferred tax</i>					
Defined benefit obligation	54,752	(8,760)	-	(154)	(5,706)
Financial assets at fair value through other comprehensive income	(481,722)	77,076	-	226,856	
Tangible and intangible assets	(82,368)	13,179	(8,460)	-	
Provisions and other liabilities	(616,221)	98,593	(4,826)	-	
Taxable items	(1,125,559)				
Deferred tax		180,089	(13,286)	226,702	(5,706)

Bank December 31, 2021					
	Temporary differences Asset / (Liability)	Individual Statement of Financial Position Asset / (Liability)	Individual Income Statement (Expense) / Income	Consolidated OCI (Expense) / Income	Retained earnings
<i>Elements generating deferred tax</i>					
Defined benefit obligation	54,752	(8,760)	-	(154)	(5,706)
Financial assets at fair value through other comprehensive income	(481,722)	77,076	-	226,856	
Tangible and intangible assets	(82,561)	13,210	(8,457)	-	
Provisions and other liabilities	(529,050)	84,647	(8,459)	-	
Taxable items	(1,038,581)				
Deferred tax		166,173	(16,916)	226,702	(5,706)

Movement in deferred tax is as follows:

	Group	Bank
Deferred tax asset, net as of December 31, 2020	(27,620)	(37,907)
Deferred tax recognized in other comprehensive income	226,701	226,702
Deferred tax recognized in profit and loss	(13,287)	(16,916)
Deferred tax recognized in retained earnings	(5,706)	(5,706)
Deferred tax liability, net as of December 31, 2021	180,089	166,173
Deferred tax recognized in other comprehensive income	380,464	380,464
Deferred tax recognized in profit and loss	(2,114)	(1,579)
Deferred tax asset, net as of September 30, 2022	558,438	545,057

Reconciliation of total tax charge

	Group Unaudited (*)		Bank Unaudited (*)	
	Nine months ended September 30, 2022	Nine months ended September 30, 2021	Nine months ended September 30, 2022	Nine months ended September 30, 2021
Profit before income tax	1,228,221	1,157,518	1,196,688	1,115,055
Income tax (16%)	196,515	185,203	191,470	178,409
Fiscal credit	(2,832)	(4,250)	(2,816)	(2,695)
Income tax without basis	7,484	35,625	7,484	35,625
Non-deductible elements	24,990	30,505	14,711	22,552
Non-taxable elements	(13,514)	(9,908)	(11,868)	(5,208)
Expense from income tax at effective tax rate	212,643	237,175	198,981	228,682
Effective tax rate	17.3%	20.5%	16.6%	20.5%

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22. Taxation (continued)

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

At the Bank level, as at September 30, 2022, permanent non-deductible elements include the impact of provisions for overdue commissions 7,045 (December 31, 2021: 9,535), sponsorship expenses with an impact of 695 (December 31, 2021: 1,099), and portfolio sales and other operations with limited deductibility in amount of 706 (December 31, 2021: 15,142); permanent non-taxable elements are mainly a result of releases for provisions for over-due commissions in amount of 1,293 (December 31, 2021: 1,833), provisions and risk and charges/litigations 1,072 (December 31, 2021: 572).

23. Interest and similar income

	Group Unaudited (*)		Bank Unaudited (*)	
	Nine months ended September 30, 2022	Nine months ended September 30, 2021	Nine months ended September 30, 2022	Nine months ended September 30, 2021
Interest on loans	1,591,547	1,193,272	1,509,725	1,119,875
Interest on finance lease	29,242	39,613	-	-
Interest on deposit with banks	31,950	14,955	31,474	14,468
Interest on financial assets	388,692	387,129	388,691	387,129
Interest income from hedging instruments	9,177	13,653	9,177	13,653
Total	2,050,608	1,648,622	1,939,067	1,535,125

The interest income on loans includes the accrued interest on net (after impairment allowance) impaired loans in amount of 39,726 for Group (2021: 38,983) and 37,082 for Bank (2021: 43,353).

24. Interest and similar expense

	Group Unaudited (*)		Bank Unaudited (*)	
	Nine months ended September 30, 2022	Nine months ended September 30, 2021	Nine months ended September 30, 2022	Nine months ended September 30, 2021
Interest on term deposits	168,576	52,764	169,033	53,255
Interest on demand deposits	75,794	39,298	78,245	40,020
Interest on borrowings	76,159	16,448	61,202	8
Interest expense on lease liabilities	3,719	3,403	3,623	3,303
Interest expense from hedging instruments	1,970	-	1,970	-
Total	326,218	111,913	314,073	96,586

25. Fees and commissions, net

	Group Unaudited (*)		Bank Unaudited (*)	
	Nine months ended September 30, 2022	Nine months ended September 30, 2021	Nine months ended September 30, 2022	Nine months ended September 30, 2021
Services	465,185	457,480	462,817	451,714
Management fees	81,159	82,263	81,159	82,263
Packages	51,305	41,957	51,305	41,957
Transfers	53,550	54,884	53,550	54,884
OTC withdrawal	51,879	53,475	51,879	53,475
Cards	163,918	154,789	163,918	154,789
Brokerage and custody	37,086	36,896	37,086	36,896
Other	26,288	33,216	23,920	27,450
Loan activity	77,437	81,172	53,851	58,699
Off balance sheet	32,721	25,814	32,721	25,814
Total	575,343	564,466	549,389	536,227

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

	Group		Bank	
	Unaudited (*)		Unaudited (*)	
	Nine months ended September 30, 2022	Nine months ended September 30, 2021	Nine months ended September 30, 2022	Nine months ended September 30, 2021
FX position revaluation	(85,590)	(1,506)	(85,590)	(1,506)
FX Spot	174,260	138,235	172,668	137,724
Gain on instruments held for trading	29,993	23,487	29,993	23,487
Derivative financial instruments	109,146	28,495	109,147	28,495
Gain/ (loss) on interest rate derivatives	(7,399)	(1,517)	(7,399)	(1,517)
Gain/ (loss) on currency and interest swap	68	5,171	68	5,171
Gain on forward foreign exchange contracts	109,275	18,231	109,275	18,231
Gain on currency options	5,949	2,677	5,949	2,677
Gain/ (loss) on hedging	-	4,075	-	4,075
Other	1,253	(142)	1,254	(142)
Gain on derivative, other financial instruments held for trading and foreign exchange	227,809	188,711	226,218	188,201

27. Other income/expense from banking activities

	Group		Bank	
	Unaudited (*)		Unaudited (*)	
	Nine months ended September 30, 2022	Nine months ended September 30, 2021	Nine months ended September 30, 2022	Nine months ended September 30, 2021
Dividend income from subsidiaries	5	-	37,217	15,966
Provision for litigations	(2,715)	(2,245)	(2,714)	(2,236)
Held for sale fixed assets expenses	(2,243)	3,669	-	4,619
Other income/(expenses)	15,063	(5,933)	10,144	(10,359)
Total income / (expense) from banking activity	10,110	(4,509)	44,647	7,990

For the Bank, other income includes dividends from subsidiaries in amount of 37,217 as of September 30, 2022 (15,966 as of September 30, 2021), 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 2,026 (2021: 557).

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 2022 the expense related to the Deposit Guarantee Fund amounts to 33,575 (2021: 11,547).

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.

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28. Contribution to Guarantee Scheme and Resolution Fund (continued)

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 2022 the expense related to the Bank Resolution Fund was 35,690 (2021: 37,949).

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 Unaudited (*)		Bank Unaudited (*)	
	Nine months ended September 30, 2022	Nine months ended September 30, 2021	Nine months ended September 30, 2022	Nine months ended September 30, 2021
Salaries	570,656	550,825	542,408	515,807
Social security	13,439	12,875	12,442	11,756
Bonuses	63,012	44,145	54,009	38,730
Post-employment benefits	3,821	3,914	3,821	3,914
Capitalisation of internal projects	(22,317)	(15,378)	(22,317)	(15,378)
Other	20,369	20,473	19,529	18,953
Total	648,981	616,855	609,892	573,782

In 2022, the expense related to the Bank defined benefit plan contribution was 1,939 (2021: 1,931).

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

	Group Unaudited (*)		Bank Unaudited (*)	
	Nine months ended September 30, 2022	Nine months ended September 30, 2021	Nine months ended September 30, 2022	Nine months ended September 30, 2021
Depreciation and impairment	132,180	139,231	128,542	133,815
Amortisation	38,377	40,245	37,908	39,284
Total	170,557	179,476	166,450	173,099

The difference as at September 30, 2022 between the amount presented in note 11 and the amount presented in note 30 represents depreciation of investment property in total amount of 362 (2021: 476).

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31. Other operating expense

	Group		Bank	
	Unaudited (*)		Unaudited (*)	
	Nine months ended	Nine months ended	Nine months ended	Nine months ended
	September 30, 2022	September 30, 2021	September 30, 2022	September 30, 2021
Administrative expenses	316,852	285,082	299,250	268,986
Publicity and sponsorships	18,868	13,317	18,676	13,160
Other expenses	51,498	54,046	44,054	46,541
Total	387,218	352,445	361,980	328,687

Administrative expenses include for the Bank maintenance expenses, various utilities such as energy and telecommunication, expenses related to short-term leases of 4,179 (September 30, 2021: 4,366) and to leases of low-value assets of 2,944 (September 30, 2021: 2,864).

32. Cost of risk

	Group		Bank	
	Unaudited (*)		Unaudited (*)	
	Nine months ended	Nine months ended	Nine months ended	Nine months ended
	September 30, 2022	September 30, 2021	September 30, 2022	September 30, 2021
Net impairment allowance for loans	83,515	104,898	83,333	97,444
Net impairment allowance for sundry debtors	35,507	57,389	34,628	57,285
Net impairment allowance for finance lease	3,245	9,607	-	-
Income from recoveries of derecognized receivables & sales of bad debts	(148,338)	(155,123)	(133,142)	(140,614)
Write-offs	10,368	6,185	7,683	4,725
Financial guarantee and loan contracts provisions	53,174	(65,171)	52,815	(65,756)
Net impairment allowance for debt securities	(573)	518	(573)	518
Total	36,898	(41,696)	44,744	(46,398)

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 September 30, 2022 and September 30, 2021 there were no dilutive equity instruments issued by the Group and Bank.

	Group		Bank	
	Unaudited (*)		Unaudited (*)	
	Nine months ended	Nine months ended	Nine months ended	Nine months ended
	September 30, 2022	September 30, 2021	September 30, 2022	September 30, 2021
Ordinary shares on market	696,901,518	696,901,518	696,901,518	696,901,518
Profit attributable to shareholders	1,004,744	910,328	997,707	886,373
Earnings per share (in RON)	1.4417	1.3063	1.4316	1.2719

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 127,639 (December 31, 2021: 114,327) and loans to banks, with more than 90 days maturity from the date of acquisition in amount of 15,818 (December 31, 2021: 16,585) 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.

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34. Cash and cash equivalents details (continued)

	Group		Bank	
	Unaudited (*) September 30, 2022	December 31, 2021	Unaudited (*) September 30, 2022	December 31, 2021
Cash in hand	2,754,230	1,894,448	2,754,164	1,894,415
Current accounts and deposits with banks	7,047,643	4,407,030	7,047,643	4,407,030
Total	9,801,872	6,301,478	9,801,806	6,301,445

Impairment and provisions adjustment for non-cash items:

	Group		Bank	
	Unaudited (*) Nine months ended September 30, 2022	September 30, 2021	Unaudited (*) Nine months ended September 30, 2022	September 30, 2021
Net impairment allowance for loans	83,515	104,898	83,333	97,444
Net impairment allowance for sundry debtors	35,507	57,389	34,628	57,285
Net impairment allowance for financial leases	3,245	9,607	-	-
Write-offs	10,368	6,185	7,683	4,725
Financial guarantee and loan contracts provisions	53,174	(65,171)	52,815	(65,756)
Net movement in other provisions	(23,583)	(699)	(23,815)	(997)
Net impairment allowance for debt securities	(573)	518	(573)	518
Total	161,653	112,728	154,071	93,219

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.

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.

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35. Guarantees and other credit commitments (continued)

	Group		Bank	
	Unaudited (*)		Unaudited (*)	
	September 30, 2022	December 31, 2021	September 30, 2022	December 31, 2021
Letters of guarantee granted	5,911,929	5,427,857	5,913,997	5,441,448
Financing commitments granted	6,324,917	5,834,265	5,827,344	5,344,315
Total commitments granted	12,236,846	11,262,122	11,741,341	10,785,763
Uncommitted facilities granted	9,118,295	9,317,203	9,133,981	9,382,644
Letters of guarantee received	23,710,510	20,033,701	23,710,510	20,033,701
Total commitments received	23,710,510	20,033,701	23,710,510	20,033,701

36. Other commitments

	Group		Bank	
	Unaudited (*)		Unaudited (*)	
	September 30, 2022	December 31, 2021	September 30, 2022	December 31, 2021
Tangible non-current assets	15,702	7,159	15,702	7,159
Intangible non-current assets	65,050	19,553	65,050	19,553
Commitments relating to short-term and low value leases	14,618	17,297	14,618	17,297
Total	95,370	44,009	95,370	44,009

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

As at September 30, 2022 and December 31, 2021 the future minimum lease payments regarding rents concluded by the Group and Bank as a lessee are:

	Group		Bank	
	Unaudited (*)		Unaudited (*)	
	September 30, 2022	December 31, 2021	September 30, 2022	December 31, 2021
Less than one year	7,293	9,033	7,293	9,033
Between one and five years	4,873	5,910	4,873	5,910
More than five years	113	55	113	55
Total	12,279	14,999	12,279	14,999

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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							
	2022				2021			
	Parent	Other related parties	Associates & Joint ventures	Key management of the institution	Parent	Other related parties	Associates	Key management of the institution
Assets	362,463	227,812	37,127	7,181	87,078	36,250	9,671	8,920
Nostro accounts	32,621	215,330	-	-	14,158	23,812	-	-
Deposits	227,097	-	-	-	16,585	-	-	-
Loans	-	12,389	26,909	7,181	-	12,362	7,119	8,915
Derivative financial instruments	102,460	-	-	-	54,762	2	-	4
Other assets	286	93	10,218	0	1,573	73	2,551	1
Liabilities	7,263,345	53,100	74,996	5,457	4,328,132	93,454	92,845	15,505
Loro accounts	1,180	928	-	-	44	8,938	-	-
Deposits	-	51,602	57,191	5,457	-	83,792	78,609	15,505
Borrowings	4,657,845	-	-	-	3,737,904	-	-	-
Subordinated borrowings	1,238,564	-	-	-	495,022	-	-	-
Derivative financial instruments	316,786	-	-	-	62,415	2	-	-
Other liabilities	1,048,970	570	17,805	-	32,747	721	14,236	-
Commitments	6,865,026	227,360	44,695	610	7,896,555	181,197	79,232	971
Total commitments granted	169,271	62,598	3,452	482	120,406	71,018	18,138	537
Total commitments received	136,107	163,391	29,785	128	165,066	103,322	31,789	210
Uncommitted facilities granted	10,600	1,372	11,458	-	12,969	5,868	29,305	-
Notional amount of foreign exchange transactions	3,039,949	-	-	-	3,585,978	990	-	224
Notional amount of interest rate derivatives	3,509,099	-	-	-	4,012,136	-	-	-
Income statement	(256,971)	1,523	6,553	183	(50,462)	(7,110)	5,097	119
Interest and commission revenues	7,638	10,973	41,366	237	15,491	1,674	19,161	168
Interest and commission expense	(47,801)	(3,185)	(11,471)	(18)	(19,277)	(1,893)	(4,734)	(27)
Net (loss) on interest rate derivatives	(210,100)	-	-	(5)	(37,891)	-	-	(4)
Net gain on foreign exchange derivatives	19,693	-	-	-	18,166	-	-	-
Dividend income	-	-	8,677	-	-	-	3,349	-
Other income	657	1	57	-	410	(308)	1,410	-
Other expenses	(27,058)	(6,266)	(32,076)	(32)	(27,361)	(6,583)	(14,089)	(18)

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37. Related parties (continued)

	2022					2021				
	Bank									
	Parent	Other related parties	Subsidiaries	Associates & Joint ventures	Key management of the institution	Parent	Other related parties	Subsidiaries	Associates	Key management of the institution
Assets	346,360	227,812	61,267	36,147	7,181	70,493	36,250	48,378	7,673	8,920
Nostro accounts	32,621	215,330	-	-	-	14,158	23,812	-	-	-
Deposits	211,279	-	-	-	-	-	-	-	-	-
Loans	-	12,389	59,325	26,909	7,181	-	12,362	45,078	7,119	8,915
Derivative financial instruments	102,460	-	12	-	-	54,762	2	-	-	4
Other assets	-	93	1,930	9,238	0	1,573	73	3,300	553	1
Liabilities	5,571,241	53,074	151,782	74,400	5,457	2,813,630	93,425	235,571	92,012	15,505
Loro accounts	1,180	928	-	-	-	44	8,938	-	-	-
Deposits	-	51,602	150,958	57,191	5,457	-	83,792	234,828	78,609	15,505
Borrowings	2,970,657	-	-	-	-	2,226,835	-	-	-	-
Subordinated borrowings	1,238,564	-	-	-	-	495,022	-	-	-	-
Lease payable	-	-	607	-	-	-	-	613	-	-
Derivative financial instruments	316,786	-	-	-	-	62,415	2	-	-	-
Other liabilities	1,044,053	544	217	17,209	-	29,315	692	130	13,403	-
Commitments	6,865,026	227,360	95,270	44,695	610	7,896,555	181,197	91,131	79,232	971
Total commitments granted	169,271	62,598	72,161	3,452	482	120,406	71,018	25,691	18,138	537
Total commitments received	136,107	163,391	-	29,785	128	165,066	103,322	-	31,789	210
Uncommitted facilities granted	10,600	1,372	15,686	11,458	-	12,969	5,868	65,441	29,305	-
Notional amount of foreign exchange transactions	3,039,949	-	7,424	-	-	3,585,978	990	-	-	224
Notional amount of interest rate derivatives	3,509,099	-	-	-	-	4,012,136	-	-	-	-
Income statement	(241,300)	1,497	53,052	882	183	(34,883)	(7,187)	31,796	(2,312)	119
Interest and commission revenues	7,163	10,416	14,908	34,784	237	15,004	1,105	14,499	10,773	168
Interest and commission expense	(32,313)	(3,185)	(2,912)	(11,469)	(18)	(4,122)	(1,893)	(1,214)	(4,730)	(27)
Net (loss) on interest rate derivatives	(210,100)	-	-	-	(5)	(37,891)	-	-	-	(4)
Net gain on foreign exchange derivatives	19,693	-	(574)	-	-	18,166	-	114	-	-
Dividend income	-	-	37,217	8,677	-	-	-	15,966	3,349	-
Other income	657	1	194	-	-	410	(308)	(204)	1,353	-
Other expenses	(26,399)	(5,734)	4,219	(31,109)	(32)	(26,450)	(6,091)	2,636	(13,057)	(18)

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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 35,164 at September 30, 2022 (December 31, 2021: 1,826).

As of September 30, 2022 the Board of Directors and Managing Committee members own 48,858 shares (2021: 21,730).

38. Contingencies

As of September 30, 2022 the Bank is the defendant in a number of lawsuits arising in the course of business, amounting to approximately 717,400 (December 31, 2021: 689,921). 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 20,330 (December 31, 2021: 21,202) and the Group 39,668 (December 31, 2021: 40,308) 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			
	September 30, 2022 Unaudited (*)				September 30, 2022 Unaudited (*)			
<u>Assets measured at fair value</u>	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Financial assets								
Derivative financial instruments								
Interest rate swaps	-	33,125	-	33,125	-	33,125	-	33,125
Currency swaps	-	37,443	-	37,443	-	37,443	-	37,443
Forward foreign exchange contracts	-	31,683	-	31,683	-	31,695	-	31,695
Options	-	-	74,268	74,268	-	-	74,268	74,268
	-	102,251	74,268	176,519	-	102,263	74,268	176,531
Financial assets at fair value through other comprehensive income	14,079,229	-	-	14,079,229	14,079,229	-	-	14,079,229
Equity investments (listed)	3,671	-	-	3,671	3,671	-	-	3,671
Equity investments (not listed)	-	-	4,120	4,120	-	-	4,120	4,120
Other securities quoted	-	5,948	-	5,948	-	-	-	-
Total	14,082,900	5,948	4,120	14,092,968	14,082,900	-	4,120	14,087,020
Other financial instruments held for trading	477,292	720,659	-	1,197,951	456,939	720,659	-	1,177,598
Total	14,560,192	828,858	78,388	15,467,438	14,539,839	822,922	78,388	15,441,149
<u>Assets for which fair value is disclosed</u>								
Cash and due from Central Bank	6,786,543	-	-	6,786,543	6,786,477	-	-	6,786,477
Due from banks	7,191,100	-	-	7,191,100	7,175,282	-	-	7,175,282
Loans and advances to customers	-	-	37,450,883	37,450,883	-	-	36,785,750	36,785,750
Treasury bills at amortised cost	1,362,113	-	-	1,362,113	1,362,113	-	-	1,362,113
Financial lease receivables	-	-	1,371,419	1,371,419	-	-	-	-
Total	15,339,756	-	38,822,302	54,162,058	15,323,872	-	36,785,750	52,109,622

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39. Fair value (continued)

	Group				Bank			
	September 30, 2022 Unaudited (*)				September 30, 2022 Unaudited (*)			
<u>Liabilities measured at fair value</u>	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Financial liabilities								
Derivative financial instruments								
Interest rate swaps	-	335,872	-	335,872	-	335,872	-	335,872
Currency swaps	-	13,699	-	13,699	-	13,699	-	13,699
Forward foreign exchange contracts	-	16,659	-	16,659	-	16,659	-	16,659
Options	-	-	74,464	74,464	-	-	74,464	74,464
Total	-	366,230	74,464	440,694	-	366,230	74,464	440,694
Other financial instruments held for trading	260,996	62,543	-	323,539	260,996	62,543	-	323,539
Total	260,996	428,773	74,464	764,233	260,996	428,773	74,464	764,233
<u>Liabilities for which fair value is disclosed</u>								
Due to banks	735,453	-	-	735,453	735,453	-	-	735,453
Due to customers	-	55,178,116	-	55,178,116	-	55,336,462	-	55,336,462
Borrowed funds	-	5,677,460	-	5,677,460	-	3,793,031	-	3,793,031
Subordinated debts	-	1,238,564	-	1,238,564	-	1,238,564	-	1,238,564
Total	735,453	62,094,140	-	62,829,593	735,453	60,368,057	-	61,103,510

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39. Fair value (continued)

	Group				Bank			
	December 31, 2021				December 31, 2021			
<u>Assets measured at fair value</u>	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Financial assets								
Derivative financial instruments								
Interest rate swaps	-	33,962	-	33,962	-	33,962	-	33,962
Currency swaps	-	8,386	-	8,386	-	8,386	-	8,386
Forward foreign exchange contracts	-	7,126	-	7,126	-	7,126	-	7,126
Options	-	-	35,214	35,214	-	-	35,214	35,214
	-	49,474	35,214	84,688	-	49,474	35,214	84,688
Financial assets at fair value through other comprehensive income	19,863,825	-	-	19,863,825	19,863,825	-	-	19,863,825
Equity investments (listed)	2,898	-	-	2,898	2,898	-	-	2,898
Equity investments (not listed)	-	-	4,049	4,049	-	-	4,049	4,049
Total	19,866,723	-	4,049	19,870,772	19,866,723	-	4,049	19,870,772
Other financial instruments held for trading	768,334	1,421,902	-	2,190,236	768,334	1,421,902	-	2,190,236
Total	20,635,057	1,471,376	39,263	22,145,696	20,635,057	1,471,376	39,263	22,145,696
<u>Assets for which fair value is disclosed</u>								
Cash and due from Central Bank	6,206,356	-	-	6,206,356	6,206,323	-	-	6,206,323
Due from banks	4,537,941	-	-	4,537,941	4,521,357	-	-	4,521,357
Loans and advances to customers	-	-	33,164,250	33,164,250	-	-	32,465,118	32,465,118
Financial lease receivables	-	-	1,218,394	1,218,394	-	-	-	-
Total	10,744,297	-	34,382,643	45,126,940	10,727,680	-	32,465,118	43,192,798

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39. Fair value (continued)

	Group				Bank			
	December 31, 2021				December 31, 2021			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Liabilities measured at fair value								
Financial liabilities								
Derivative financial instruments								
Interest rate swaps	-	48,399	-	48,399	-	48,399	-	48,399
Currency swaps	-	4,593	-	4,593	-	4,593	-	4,593
Forward foreign exchange contracts	-	6,056	-	6,056	-	6,056	-	6,056
Options	-	-	35,258	35,258	-	-	35,258	35,258
Total	-	59,048	35,258	94,306	-	59,048	35,258	94,306
Other financial instruments held for trading	207,534	196,811	-	404,345	207,534	196,811	-	404,345
Total	207,534	255,859	35,258	498,651	207,534	255,859	35,258	498,651
Liabilities for which fair value is disclosed								
Due to banks	156,810	-	-	156,810	156,810	-	-	156,810
Due to customers	-	52,685,690	-	52,685,690	-	52,920,005	-	52,920,005
Borrowed funds	-	4,056,470	-	4,056,470	-	2,230,572	-	2,230,572
Total	156,810	57,237,182	-	57,393,992	156,810	55,645,599	-	55,802,409

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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.

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			
	September 30, 2022 Unaudited (*)		December 31, 2021		September 30, 2022 Unaudited (*)		December 31, 2021	
	Carrying value	Fair value	Carrying value	Fair value	Carrying value	Fair value	Carrying value	Fair value
Financial assets								
Cash and due from Central Bank	6,786,543	6,786,543	6,206,356	6,206,356	6,786,477	6,786,477	6,206,323	6,206,323
Due from banks	7,191,100	7,191,100	4,537,941	4,537,941	7,175,282	7,175,282	4,521,357	4,521,357
Loans and advances to customers	36,176,880	37,450,883	32,913,875	33,164,250	35,480,844	36,785,750	32,183,856	32,465,118
Treasury bills at amortised cost	1,398,025	1,362,113	-	-	1,398,025	1,362,113	-	-
Financial lease receivables	1,371,372	1,371,419	1,222,595	1,218,394	-	-	-	-
	52,923,920	54,162,058	44,880,767	45,126,940	50,840,628	52,109,622	42,911,536	43,192,798
Financial liabilities								
Due to banks	735,453	735,453	156,810	156,810	735,453	735,453	156,810	156,810
Due to customers	55,158,255	55,178,116	52,683,581	52,685,690	55,316,544	55,336,462	52,917,886	52,920,005
Borrowed funds	5,677,460	5,677,460	4,056,470	4,056,470	3,793,031	3,793,031	2,230,572	2,230,572
Subordinated debts	1,238,564	1,238,564	495,022	495,022	1,238,564	1,238,564	495,022	495,022
	62,809,732	62,829,593	57,391,883	57,393,992	61,083,592	61,103,510	55,800,290	55,802,409

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, 2020	37,121	13,273	13,357
Acquisitions	-	12,227	12,227
Sales	(35,434)	(34)	(34)
Reimbursements	-	(5,020)	(5,020)
Gain losses from change in fair value	1,373	14,768	14,728
Translation differences	989	-	-
Closing balance as at December 31, 2021	4,049	35,214	35,258
Acquisitions	-	12,837	12,837
Sales	-	(1,296)	(1,296)
Reimbursements	-	(8,306)	(8,306)
Gain losses from change in fair value	71	35,819	35,971
Closing balance as at September 30, 2022 Unaudited	4,120	74,268	74,464

40. Subsequent events

No subsequent event was identified after the reporting date.

Quarterly Report

September 30, 2022

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 September 30, 2022, 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:** Blvd. Ion Mihalache No. 1-7, sect. 1, Bucuresti
- **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 Category
- **The main characteristics of securities issued by the company:** ordinary shares with a nominal value of 1 RON

EXTERNAL RATING

As at September 30, 2022, the Bank had the following ratings:

Fitch (last rating update: January-2022*)	Rating
Foreign-Currency Short-Term Issuer Default Rating	F2
Foreign-Currency Long-Term Issuer Default Rating	BBB+

Moody's (last rating update: October-2021**)	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+' with Negative Outlook

** Moody's affirmed Bank's LT and ST foreign currency deposit rating to Baa1/Prime-2 in Oct. 2021 and changed the outlook to stable from negative

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

	The Group	9 months to 30-Sep-2021	9 months to 30-Sep-2022	Change
Financial results	Net banking income (RONm)	2,314	2,541	+9.8%
	Operating expenses (RONm)	(1,198)	(1,276)	+6.5%
	Cost of risk (RONm)	42	(37)	n.a.
	Net profit (RONm)	920	1,016	+10.3%
	Cost / income ratio	51.8%	50.2%	-1.6 pt
	ROE	12.5%	16.7%	+4.3 pt
Loans and deposits	RON bn	Sep-21	Sep-22	Change
	Total net loans (incl. leasing)	33.7	37.5	+11.5%
	Total deposits	53.8	55.2	+2.5%

	The Bank	9 months to 30-Sep-2021	9 months to 30-Sep-2022	Change
Financial results	Net banking income (RONm)	2,194	2,449	+11.6%
	Operating expenses (RONm)	(1,125)	(1,207)	+7.3%
	Cost of risk (RONm)	46	(45)	n.a.
	Net profit (RONm)	886	998	+12.6%
	Cost / income ratio	51.3%	49.3%	-2.0 pt
	ROE	12.4%	17.2%	+4.8 pt
Loans and deposits	RON bn	Sep-21	Sep-22	Change
	Total net loans	31.7	35.5	+11.9%
	Total deposits	54.0	55.3	+2.5%

	RON m	Sep-21	Sep-22	Change
Capital adequacy	Own funds (RONm)	7,984	7,172	-10.2%
	RWA (RON bn)	29,622	32,718	+10.5%
	CAR*	27.0%	21.9%	-5.0 pt
Franchise	No of branches	525	470	(55)

* CAR for Sep-22 is preliminary

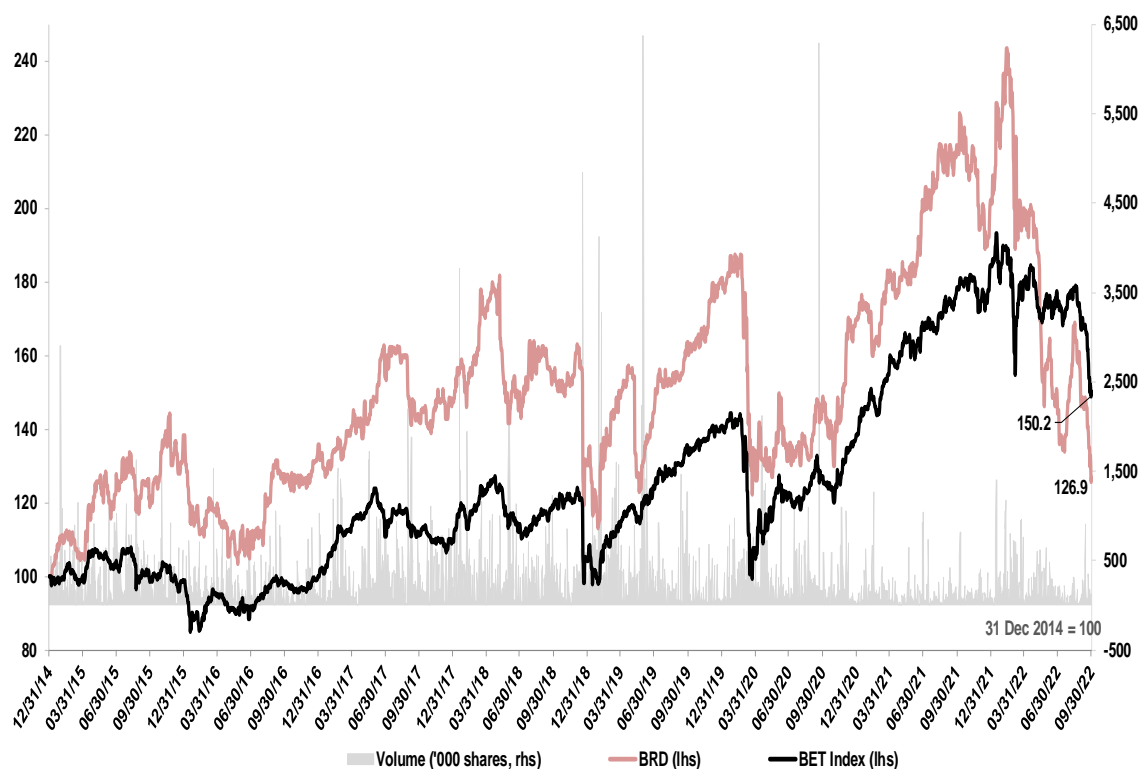
BRD SHARE

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 September 30, 2022, was of RON 11.10 /share (RON 17.70 /share at December 31, 2021 and RON 18.80 /share at September 30, 2021). On the same date, the market capitalization was RON 7,735.61 million (RON 12,335.16 million at December 31, 2021 and RON 13,101.75 million at September 30, 2021).

During January – September 2022, 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 – September 30, 2022



Source: Bloomberg

2. ECONOMIC AND BANKING ENVIRONMENT

Romanian economy slowed down in Q2 2022 (+1.8% q/q vs +5.3 q/q in Q1 2022), yet continued to exceed market expectations and printed second best among EU member states. Annual GDP growth reached +5.1% (gross series) in Q2 2022, with a slight deceleration compared to Q1 2022 (+6.4% YoY). The GDP breakdown on components shows private consumption having again the lead role in economic growth (+5.6 ppts to GDP growth). A more modest contribution came from gross fixed capital formation (+0.7 ppts to GDP growth), while net exports were no longer a drag, adding 0.5 ppts to growth. Only changes in inventories (-0.5 ppts to GDP growth) and public consumption (-1.2 ppts to GDP growth) remained in negative territory.

On a medium to longer run, the approval of National Recovery and Resilience Plan in September 2021 by European Commission with the first tranche of grants (EUR 1.8 bn) disbursed in December 2021 should support further growth of the economy. Additional pre-financing (EUR 1.9 bn) was granted in January 2022, after the targets and milestones for Q4 2021 were reached. On 15th of September 2022, the European Commission endorsed a positive preliminary assessment of Romania's first payment request for a financing request under the Recovery and Resilience Facility, amounting to EUR 1.8 bn in grants and EUR 800 million in loans.

Annual inflation rate climbed to a new high, reaching 15.9% YoY in September 2022 (up from 15.1% in June and 14.5% in May), notably surpassing market expectations, with the economy facing both strong cost inflation pressures from the external environment and demand pressures from the domestic economy. Energy and food prices remain the leading driver, but other components also rose swiftly. This level is far from the upper bound of the NBR target range (2.5% \pm 1 ppt).

Back in 2020, in order to support the economy in the context of unfolding COVID-19 epidemic, the central bank reduced the monetary policy rate four times between March 2020 and January 2021, by 125 bps in total, to 1.25%. Amid the prospect of larger and lengthier inflation pressures from global cost shocks, NBR started in September 2021 monetary policy rate hikes: 50 bps in Q4 2021, two additional increases by 75 bps in total in the first quarter of 2022, and three further hikes of 225 bps in total, to 4.75%, done in April - July. At its meeting on October 5th, 2022, NBR decided to continue the tightening cycle, increasing the monetary policy rate by 75 bps to 6.25% (up 450 bps in total in 2022 from 1.75% at December 2021 end). NBR also reiterated its pledge to maintain firm control over money market liquidity.

On March 9th, 2022, NBR decided to purchase RON-denominated government securities on the secondary market worth RON 367 million for the first time since April 2021, to ease tensions and enable the good functioning of the money market, with a view to ensuring the smooth financing of government expenditures and of the real economy. Only RON 37 million were further purchased in May 2022. Still in March, in a context of tightened RON liquidity on the background of war developments, NBR started to provide liquidity through Lombard facility to the banking system, the peak being reached in August 2022 (daily average of RON 13.7 bn). According to the latest monetary policy meeting, from October 5th, NBR decided to raise the lending (Lombard) facility rate to 7.25% from 6.5% in August, and the deposit facility rate to 5.25% from 4.5% in August.

In September, European Commission (EC) approved two state aid schemes previously notified by Romania:

- a EUR 1.5 billion Romanian scheme to compensate energy-intensive companies for indirect emission costs. The scheme will cover part of the higher electricity prices arising from the impact of carbon prices on electricity generation costs (so-called 'indirect emission costs') incurred between 2021 and 2030.
- a EUR 4 billion Romanian scheme to support companies in the context of Russia's invasion of Ukraine. Under this measure, the aid will take the form of: (i) loan guarantees with a maximum budget of EUR 3.6 billion (approximately RON 17.8 billion), and (ii) direct grants with a maximum budget of EUR 390 million (approximately RON 1.9 billion) to compensate parts of the costs due under the guaranteed loans.

In September, the European Commission has approved, under EU State aid rules, a EUR 390 million Romania scheme, made available in part through the Recovery and Resilience Facility ('RRF'), to support the production of electricity and heat from high-efficient cogeneration installations connected to district heating networks in Romania.

In order to mitigate the negative socio-economic impact of surging energy costs, the Government placed a cap on electricity and gas prices for households and some companies until April 2023. Also, in April, it adopted an economic support package for low-income households and key industries with a total value of RON 17.3 billion (approximately 1.4% of GDPe), out of which 52% shall benefit of EU funding. Among the measures, we mention:

Economy support:

- SMEs registering more than 15% additional spending on utilities will receive an aid of up to EUR 400,000 per company,
- subsidy of RON 0.5 per litre of fuel,
- EUR 200 million allocated for the processing of agricultural products in Romania and EUR 300 million as grants for farmers,
- EUR 200 million directed to support investments with a major impact on the economy,
- price adjustments to public work contracts to cover the increase in prices of materials or equipment, workforce and transport costs.
- SMEs, including micro-enterprises, as well as large enterprises will be able to access grants of up to EUR 500,000 to make investments to help make their businesses more energy efficient

Social support:

- state guarantees for loans worth EUR 500 million (Family Start, Student Invest Programme),
- a minimum statutory wage of RON 3,000 will be enacted in the agricultural sector and food industry,
- technical unemployment indemnity and the Kurzarbeit scheme will remain in place until year-end,
- vulnerable groups (approximately 4.7 million persons) will receive vouchers for basic food products worth EUR 50, every two months.

New support measures, worth approximately RON 5.5 billion (0.5% of GDP) were passed in May and entered into force starting July, 1st: i) 9-month deferral of bank loan repayments for individuals and companies facing financial difficulties due to multiple crises in the last period, ii) public sector wages to be increased with a quarter of the difference between the level stipulated by the unitary pay law (no. 153/2017) and the actual wages at the end of last year, iii) the granting of a one-off support of RON 700 for all pensioners with pensions under RON 2,000.

In August 2022, the Ministry of Finance has published for public debate a draft Resolution on the amendment of Government Resolution no. 807/2014 for the establishment of state aid schemes with the objective of stimulating investments with a major impact on the economy, aimed at increasing the total budget of the state aid from EUR 1.450 million to EUR 1.500 million.

As regards the banking activity, gross loans' outstanding annual growth pace continued to accelerate in 2022, reaching +18.7%* YoY as of August 2022 end, very much sustained by the advance on corporates (+30.4%*) and to a lesser extent by households (+6.9%*). Both housing (+9.5%*) and consumer loans (+3.1%*) slowed down in August. The pace of deposits growth (+10.6%* y/y) is weakening, mainly due to reducing household component (+3.9%* y/y), as saving capacity seems to be hampered by fast increase of prices, counterbalanced by the advance on the corporate segment (+18.8%* y/y).

The ratio of non-performing loans for the banking system (according to European Banking Authority definition) continued its annual decreasing reaching 2.89% at August 2022 end versus 3.35% at December 2021 end.

The Romanian banking system is well capitalized, as reflected by the capital adequacy ratio of 21.4% as of June 2022 end (versus 23.3% as of December 2021 end). As regards liquidity, the banking system has also a solid position, with a Liquidity Coverage Ratio of 195% as of June 2022 end, slightly below December 2021 end level (239%).

* variation at constant FX rate

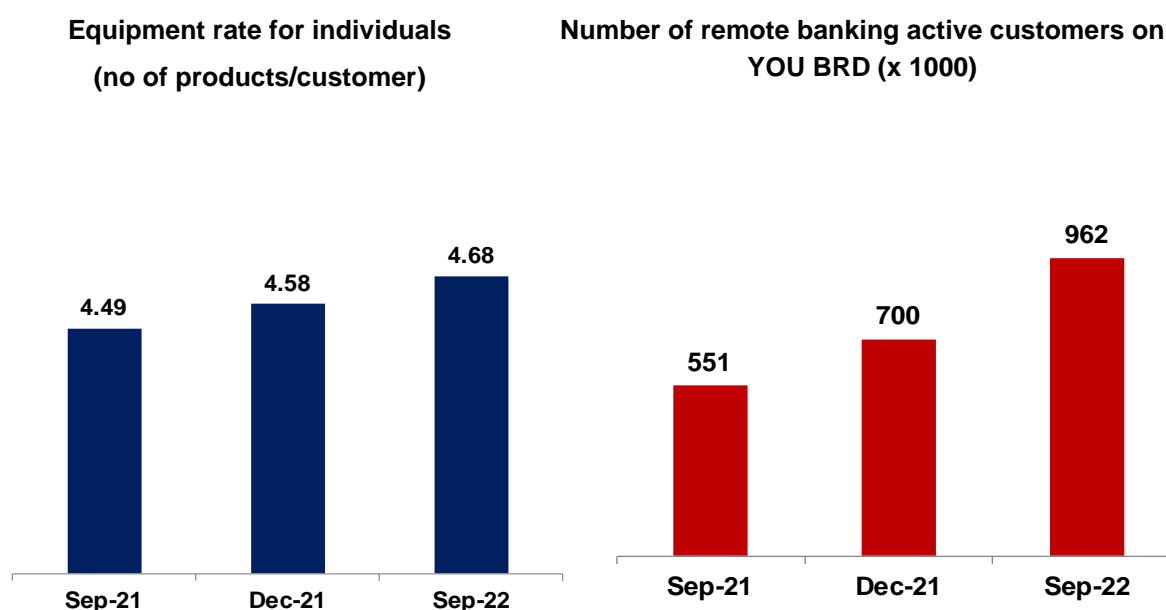
3. COMMERCIAL ACTIVITY

As at September 30, 2022, the Bank had 470 branches (September 30, 2021: 525 branches, December 31, 2021: 499 branches), ensuring the distribution of its products and services throughout the whole country.

The equipment rate for individuals continued to increase, reaching 4.68 at September 30, 2022, compared to 4.49 at September 30, 2021.

The digital adoption further increased, as reflected by the higher number of users of the mobile application, You BRD, which is approaching 1 million as of September 30, 2022, up by 75% compared to the same period last year.

BRD marked important steps forward on the road to a fully digitalized customer journey by offering instant payments, 24/7, for individuals, in You BRD and 100% online credit card issuance flow, accessible on BRD website and via You BRD. 78% of operations linked to card management (temporary blocking and unblocking the card, resending code by sms, changing card limits) are made by customers via You BRD application, reflecting a record adaption rate for a digital functionality.



BRD held a market share of 10.3% of total assets at June 30, 2022.

	Sep-21	Dec-21	Aug-22
TOTAL ASSETS	11.1%	10.5%	n.a.
LOANS	10.5%	9.9%	9.7%
Individuals	13.9%	13.7%	13.5%
Companies	7.1%	6.5%	6.7%
DEPOSITS	11.0%	10.2%	10.2%
Individuals	11.1%	10.9%	11.2%
Companies	10.9%	9.3%	9.1%

Note:
Market shares by total assets as communicated by NBR

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

RON bln	Sep-21	Dec-21	Sep-22	vs. Dec-21	vs. Sep-21
Retail	22.8	22.7	23.5	3.6%	3.2%
Individuals	22.0	22.0	22.5	2.5%	2.5%
Small business	0.8	0.7	1.0	35.8%	21.6%
Non-retail	9.7	10.2	12.6	24.1%	30.9%
SMEs	3.0	3.4	4.5	33.8%	49.5%
Large corporate	6.6	6.8	8.1	19.2%	22.4%
Total net loans	32.5	32.9	36.2	9.9%	11.5%
Financial lease receivables	1.2	1.2	1.4	12.2%	12.2%
Total net loans, including leasing	33.7	34.1	37.5	10.0%	11.5%

Net loans outstanding (including leasing) reached RON 37.5 billion, strongly increasing by +11.5% versus September 30, 2021 and by +10% compared to year end, sustained by a dynamic lending activity all over the board.

On retail segment, net loans outstanding was up +3.2% YoY, underpinned by both individuals and small business. Loan production for individuals was driven by housing loans, while consumer lending reflects the market slow down. Small business segment posted a strong growth of +21.6% YoY.

On corporate segment, the lending activity was extremely dynamic, with net loans outstanding recording a remarkable growth of 30.9% YoY at September 30, 2022, building on both SMEs (+49.5% YoY) and large companies (+22.4% YoY). BRD continued to support SMEs eligible under Governmental programs (IMM Invest, IMM Prod, Garant Construct, Agro IMM Invest and Rural Invest) with RON 1.37 billion approved loans during H1 2022, out of which 33% for the agricultural sector. During Q3 2022, IMM Invest program was no longer operational as the temporary framework COVID-19 expired at the end of June 2022. The new IMM Invest Plus (sequel to the IMM Invest program), became operational for banks at beginning of October 2022.

Leasing activity reconfirmed the solid performance posting an overall portfolio increase of +12.2% YoY.

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

RON bln	Sep-21	Dec-21	Sep-22	vs. Dec-21	vs. Sep-21
Retail	34.8	36.0	36.0	0.0%	3.3%
Individuals	29.1	29.6	29.9	1.1%	2.8%
Small business	5.8	6.4	6.1	-5.2%	5.7%
Non-retail	19.0	16.7	19.2	14.8%	1.1%
SMEs	8.7	8.6	8.3	-3.3%	-4.7%
Large corporate	10.3	8.1	10.9	33.9%	6.0%
Total deposits	53.8	52.7	55.2	4.7%	2.5%

Deposits from customers reached RON 55.2 billion, higher by 2.5% on an annual basis and by 4.7% compared to December 31, 2021. The year on year growth was mainly driven by retail (both individuals and small business) and large corporate customers. Compared to year end, overall retail deposit base remained rather stable, but with diverging dynamic on sub-segments: individuals component was up 1.1%, with RON term deposits gaining traction in a rising rates context, but small business recorded 5.2% decrease. Large corporate deposits significantly increased by 33.9% year to date.

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 September 30, 2022, net outstanding of leasing financing granted by BRD Sogelease increased by 12.2% YoY to RON 1,371 million. New leasing production increased to RON 702 million in 2022, +18% YoY. BRD Sogelease maintained during Q3 2022 a dynamic lending activity for SME's and large corporates active in sectors as construction, logistics and transportation, agriculture, manufacturing and healthcare. BRD Sogelease results reconfirmed the position of financial leasing as an efficient and accessible financing solution offered by BRD Group for SME companies in Romania.

BRD FINANCE IFN SA

At the end of September 2022 the value of the net loan portfolio was of RON 438 million vs. RON 547 million at September 2021 end, as the new production was mainly impacted by auto segment, given the delays in the components delivery registered globally. In this context the strategy was focused on the limitation of operating expenses and a stepwise reduction in cost of risk. Therefore, the net result was significantly improved (+8% vs. 9M 2021) despite net banking income decrease (-13% vs 9M 2021).

BRD ASSET MANAGEMENT SA

BRD Asset Management is one of the most important actors on the Romanian UCITS market, with a market share of 18.1%* and RON 3.3 billion assets under management at September 2022 end. BRD Asset Management now offers investment solutions to more than 118 thousand clients across its 12 investment funds. BRD Asset Management is the 4th largest asset manager in Romania in terms of assets under management in open ended funds. In August, 4 new funds have been launched: BRD Orizont 2035, BRD Orizont 2045, BRD Oportunitati and BRD Euro Simplu. The first two are known as TDF's (target date funds), a novelty on the local market.

** 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 September 30, 2022 and the comparative periods.

FINANCIAL POSITION – ASSETS

Total assets increased by near 3.5% versus September 30, 2021 and by around 3% compared to 2021 end, both for the Group and for the Bank.

The asset structure is presented below:

THE GROUP

Assets (RONm)	Sep-21	Dec-21	Sep-22	% total	vs. Dec-21	vs. Sep-21
Cash and current accounts with Central Bank	6,486	6,206	6,787	9.5%	9.3%	4.6%
Loans and advances to credit institutions	6,402	4,538	7,191	10.1%	58.5%	12.3%
Net loans and advances to customers	32,458	32,914	36,177	50.8%	9.9%	11.5%
Financial lease receivables	1,222	1,223	1,371	1.9%	12.2%	12.2%
Other financial instruments	20,361	22,253	16,973	23.8%	-23.7%	-16.6%
Tangible and intangible assets	1,423	1,460	1,460	2.1%	0.0%	2.6%
Other assets	393	470	1,215	1.7%	2.6x	3.1x
Total assets	68,744	69,063	71,174	100.0%	3.1%	3.5%

THE BANK

Assets (RONm)	Sep-21	Dec-21	Sep-22	% total	vs. Dec-21	vs. Sep-21
Cash and current accounts with Central Bank	6,486	6,206	6,786	9.8%	9.3%	4.6%
Loans and advances to credit institutions	6,385	4,521	7,175	10.4%	58.7%	12.4%
Net loans and advances to customers	31,707	32,184	35,481	51.4%	10.2%	11.9%
Other financial instruments	20,416	22,305	16,998	24.6%	-23.8%	-16.7%
Tangible and intangible assets	1,399	1,437	1,440	2.1%	0.2%	2.9%
Other assets	255	362	1,082	1.6%	3.0x	4.2x
Total assets	66,648	67,015	68,963	100.0%	2.9%	3.5%

LOANS AND ADVANCES TO CUSTOMERS

The net loans' outstanding amount to customers registered a strong performance year-on-year (Group: +11.5% YoY at September 2022 end, o/w leasing +12.2%; Bank: +11.9%) on broad based growth, 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 8.5% versus September 30, 2021 and by 30.1% versus December 2021 end, for both the Bank and the Group. The increase is explained by both higher cash and current accounts with the central bank and placements at credit institutions. These items represented approximately 20% of total assets for both the Group and the Bank at end of September 2022.

The minimum compulsory reserve held with the National Bank of Romania accounted for 29% of this aggregate at September 30, 2022 (29% at September 2021 end and 34% at December 2021 end) at Group level. It amounted to RON 4,031 million, up by 8.9% vs September 30, 2021, mainly linked to increasing customers deposits as detailed above in Chapter 3. 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 17.0 billion at September 2022 end and represented almost 24% of Group assets. They decreased by 16.6% compared to September 2021 end and by 23.7% versus December 2021 end, driven by the decrease in government bonds portfolio, partly on lowering market value in a context of surging yields, and lower derivatives and other financial instruments held for trading.

TANGIBLE AND INTANGIBLE ASSETS

The tangible and intangible assets accounted for 2% of the total assets with land and buildings representing the largest part of the item.

The total value of investments during the first 9 months of 2022 was RON 145 million for the Group and RON 144 million for 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)	Sep-21	Dec-21	Sep-22	% total	vs. Dec-21	vs. Sep-21
Amounts owed to credit institutions	3,220	4,708	7,651	10.8%	62.5%	2.4x
Amounts owed to customers	53,804	52,684	55,158	77.5%	4.7%	2.5%
Other liabilities	1,782	1,793	2,055	2.9%	14.6%	15.3%
Shareholders equity	9,937	9,879	6,309	8.9%	-36.1%	-36.5%
Total liabilities and shareholders equity	68,744	69,063	71,174	100.0%	3.1%	3.5%

THE BANK

Liabilities and shareholders equity (RONm)	Sep-21	Dec-21	Sep-22	% total	vs. Dec-21	vs. Sep-21
Amounts owed to credit institutions	1,397	2,882	5,767	8.4%	2.0x	4.1x
Amounts owed to customers	53,990	52,918	55,317	80.2%	4.5%	2.5%
Other liabilities	1,658	1,676	1,920	2.8%	14.6%	15.8%
Shareholders equity	9,603	9,539	5,960	8.6%	-37.5%	-37.9%
Total liabilities and shareholders equity	66,648	67,015	68,963	100.0%	2.9%	3.5%

AMOUNTS OWED TO CUSTOMERS

At September 30, 2022, amounts owed to customers increased by 2.5% both for the Bank and the Group on an annual basis and by 4.5%, respectively 4.7% compared to 2021 end. The year on year increase was driven by retail (both individuals and small business) and non-retail (large corporates), with increase in term deposits and local currency resources.

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 11.8% of the total liabilities for the Group and 9.2% for the Bank at September 30, 2022.

BRD Group's borrowings from Société Générale totalled RON 5.9 billion (9.0% of liabilities) at September 2022 end. Among these, are included 2 senior non-preferred loans in amount of EUR 600 million (EUR 450 million received in December 2021, respectively EUR 150 million in June 2022, both with a tenor 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 a tenor of 10 years and a call option at 5 years).

Within a context of tightened RON liquidity, the Lombard facility was accessed during March-September 2022 period, in average at an amount that as a share in total drawn by the banks was rather in line with BRD's market share in total assets, but significantly lower in September 2022 compared to previous months.

SHAREHOLDERS' EQUITY

Shareholders' equity decreased by 36.5% for the Group and by 37.9% for the Bank compared to September 30, 2021, mainly on dividend distribution (for 2019-2021 results) and lower revaluation reserves of debt instruments accounted at fair value through other comprehensive income, in the context of surging yields. The evolution compared to December 2021 end was similar.

The structure of the shareholders' equity evolved as follows:

THE GROUP

Shareholders' equity (RONm)	Sep-21	Dec-21	Sep-22	vs. Dec-21	vs. Sep-21
Share capital	2,516	2,516	2,516	0.0%	0.0%
Other reserves	102	(385)	(2,383)	5x	n.a.
Retained earnings and capital reserves	7,262	7,691	6,116	-20.5%	-15.8%
Non-controlling interest	59	58	61	5.0%	3.5%
Total shareholders' equity	9,937	9,879	6,309	-36.1%	-36.5%

THE BANK

Shareholders' equity (RONm)	Sep-21	Dec-21	Sep-22	vs. Dec-21	vs. Sep-21
Share capital	2,516	2,516	2,516	0.0%	0.0%
Other reserves	102	(385)	(2,383)	5x	n.a.
Retained earnings and capital reserves	6,986	7,409	5,827	-21.3%	-16.6%
Total shareholders' equity	9,603	9,539	5,960	-37.5%	-37.9%

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 64.1% at September 30, 2022 (from 60.8% at December 31, 2021 and 58.7% at September 30, 2021) for the Bank and 68.1% for the Group, including financial leasing receivables (64.8% at December 31, 2021 and 62.6% at September 30, 2021).

9M-2022 FINANCIAL RESULTS

The comparative income statement of the Group for the periods January – September 2022 and January – September 2021 is presented below:

	9M-2021	9M-2022	Variation
RONm			
Net banking income	2,314	2,541	9.8%
- net interest income	1,537	1,724	12.2%
- net commissions	564	575	1.9%
- other banking income	213	241	13.4%
Operating expenses	(1,198)	(1,276)	6.5%
- staff expenses	(617)	(649)	5.2%
- non-staff expenses	(581.31)	(627)	7.9%
Operating profit	1,116	1,265	13.4%
Net cost of risk	42	(37)	n.a.
Gross result	1,158	1,228	6.1%
Net result	920	1,016	10.3%
Profit attributable to equity holders of the parent	910	1,005	10.4%

The comparative income statement of the Bank for the periods January – September 2022 and January – September 2021 is presented below:

	9M-2021	9M-2022	Variation
RONm			
Net banking income	2,194	2,449	11.6%
- net interest income	1,439	1,625	13.0%
- net commissions	536	549	2.5%
- other banking income	219	275	25.4%
Operating expenses	(1,125)	(1,207)	7.3%
- staff expenses	(574)	(610)	6.3%
- non-staff expenses	(551.18)	(598)	8.4%
Operating profit	1,069	1,241	16.2%
Net cost of risk	46	(45)	n.a.
Gross result	1,115	1,197	7.3%
Net result	886	998	12.6%

BRD Group's revenues registered a strong increase of 9.8% over the first nine months of 2022 versus the same period of the last year, reflecting a broad based dynamic commercial momentum.

The evolution was mainly driven by the +12.2% increase in NII, with a substantial growth in interest revenues, building on both positive volume effect and higher rates (average ROBOR 3M at 5.63% in 9M-2022 versus 1.59% in 9M-2021, with already slight positive effect also from IRCC in Q3 that shall gradually progress in the coming quarters), tempered by increasing funding costs mainly related to corporate deposits, term deposits for individuals, and usage of Lombard facility within a tight liquidity environment.

Net fees and commissions advanced by +1.9% YoY particularly on the good performance of service fees, mainly explained by the increase in revenues from card transactions and insurance fees, compensating the impact of lower commissions from e-banking given the migration of individuals clients to the new free of charge mobile banking application, YOU BRD.

Other revenues categories increased by 13.4% YoY mainly on consistent increase in both trading and sales activities, on all products.

Excluding the contributions to Deposit Guarantee and Resolution Funds (69.2m RON vs 49.4m RON in 9M-2021), operating expenses inched up by +5.0%. Increase in staff costs (+5.2%) is driven by price effect (wage increase and other benefits, especially meal tickets) in a still very tight job market, with deepening skills shortage, but partially compensated by the declining trend of FTEs in a context of reducing the network footprint. Other cost categories increased by +4.9%, mainly due to higher expenses related to several external services and IT&C.

Given the above evolutions, the BRD Group cost/income ratio was improved by 2.2 ppt (if we exclude the cumulated contributions to Deposit Guarantee and Resolution Funds), to 47.5% in 9M-2022, from 49.6% in the same period of the previous year.

BRD Group registered a solid operational performance, with gross operating income of RON 1,265 million in 9M-2022 (vs. RON 1,116 million in 9M-2021).

Portfolio quality and credit risk indicators remained at very sound levels in the first 9 months of 2022, with NPL rate* reaching record low level of 2.6% in September 2022 (down from 3.2% in September 2021). 9M net cost of risk at RON 37 million (vs. RON 42 million release in 9M-2021) was driven by charges on performing portfolio in response of macroeconomic trends, while non-performing portfolio was a driver of steady recoveries throughout the year.

Given all the above, BRD Group recorded a net result of RON 1,016 million, +10.3% YoY, a return on equity of 16.7% (4.3 ppt higher compared to 9M-2021) and a return on assets of 1.9% (0.1 ppt higher versus 9M-2021).

The Bank recorded similar trends, with a net result of RON 998 million versus RON 886 million in 9M-2021.

CAPITAL ADEQUACY (THE BANK)

RONm	Sep-21	Dec-21	Sep-22
Tier 1 capital	7,984	6,646	5,935
Tier 2 capital	-	495	1,237
TOTAL OWN FUNDS	7,984	7,141	7,172
Capital requirements	2,370	2,368	2,617
Credit risk (including counterparty risk)	26,373	27,067	30,068
Market risk	209	138	105
Operational risk	2,697	2,125	2,319
CVA risk	343	266	225
Total risk exposure amount	29,622	29,596	32,718
Regulatory CAR	27.0%	24.1%	21.9%
Tier 1 ratio	27.0%	22.5%	18.1%

At Bank level, the capital adequacy ratio reached 21.9%** at September 30, 2022 (Basel 3), compared to 24.1% at December 31, 2021 and 27.0% at September 30, 2021.

The year on year decrease in solvency ratio is explained by both decrease in own funds, and increase of capital requirements.

The own funds' decrease is mainly the result of dividend distribution (the exceptional payment of RON 1,684 million from 2019 and 2020 retained profits, approved by GSM on February 24, 2022) and lower revaluation reserves of debt instruments accounted at fair value through other comprehensive income, in the context of rising yields. These effects were partially offset by the incorporation of the 2021 net profit after RON 895.5 million dividend distribution (representing 70% payout ratio), full incorporation of H1 2022 profit and drawing of Tier 2 instruments. BRD's regulatory own funds as at September 30, 2022 are formed of common equity capital (CET1) and Tier 2 instruments.

The 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 18.1%** at September 30, 2022 compared to 22.5% at December 31, 2021 and 27.0% at September 30, 2021.

* at Bank level; ** CAR for Sep-22 is preliminary

5. CONCLUSIONS

Romanian economy displayed a solid performance in Q2 2022, with a growth pace of 5.1% YoY, printing second best among EU member states, again with households' consumption as the main lever of growth. This evolution built on the complete removal of corona restrictions, the support measures undertaken by the Government and favorable labor market developments. Nevertheless, the challenging macroeconomic context dominated by the prolonged war in Ukraine amplified the erosion of household purchasing power, the further slowdown in external demand, the persistent friction in global supply chain and production cycle, as well as the elevated uncertainty. In this environment, NBR stepped up the pace of key rate increase driving it to 6.25% beginning of October and provided liquidity to the banking system through Lombard facility.

The growth potential residing within the National Recovery and Resilience Plan started being tapped through a first financing request, for which the European Commission endorsed a positive preliminary assessment on September 15th 2022, for the payment of EUR 1.8 bn in grants and EUR 800 million in loans.

Over these first nine months of 2022, BRD showed a robust commercial performance across the board, despite the challenging macroeconomic context.

Lending continued to be very dynamic, BRD Group net loans, including leasing receivables, recording a strong growth (+11.5% YoY at September 2022 end). Loan production for individuals was driven by housing loans, while consumer lending reflects the market slow down. Corporate lending marked a remarkable performance (+30.9% YoY) built on both an excellent activity on SME segment (+49.5% YoY) and an accelerated growth of loans to large companies (+22.4% YoY). BRD actively supported SMEs eligible under Governmental programs, with RON 1.4 billion approved loans in H1 2022, out of which 33% for the agricultural sector (since June 2022 end, IMM Invest program ceased to be operational for all banks). Leasing activity reconfirmed the solid performance posting an overall portfolio increase of +12.2% YoY.

BRD marked important steps forward on the road to a fully digitalized customer journey: 100% online credit card issuance flow is now accessible on BRD website and via YOU, BRD's online banking app, and instant payments, 24/7, for individuals are possible with YOU BRD. The continued increase in digital adoption materialized in a number of YOU BRD users approaching 1 million at September 2022 end versus around half a million in the same period last year.

Building on a broad based dynamic commercial momentum, BRD Group delivered over the first nine months of the year a strong financial performance. NBI was higher by 9.8% versus the same period of 2021, mainly on a double-digit advance in interest income, building on both positive volume effect and higher market rates. Inflation continued to materialize on costs. Operating expenses posted still a tempered growth thanks to rigorous discipline in spending. The net cost of risk charge of RON 37 million in 9M-2022 (vs. RON 42 million release in 9M-2021) was driven by charges on performing portfolio in response of macroeconomic trends, while non-performing portfolio was a driver of steady recoveries throughout the year. Consequently, BRD delivered in 9M-2022 a net result of RON 1,016 million (+10.3%), representing high level of profitability with ROE close to 17%.

The interim financial report as at September 30, 2022 has not been audited.

Giovanni Luca SOMA
Chairman of the Board of Directors

François BLOCH
Chief Executive Officer

Etienne LOULERGUE
Deputy Chief Executive Officer