CEC Bank SA

CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2023

Prepared in accordance with the International Financial Reporting Standards endorsed by the European Union and with the Order of the National Bank of Romania 27/2010

CEC BANK SA

FINANCIAL STATEMENTS

31 DECEMBER 2023

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CONSOLIDATED AND SEPARATE STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED AS AT 31 DECEMBER 2023
(All amounts are in thousand RON unless otherwise stated)

	Note	Group 2023	Group restated 2022	Bank 2023	Bank restated 2022
Interest income calculated using the effective interest method	5	4,086,426	2,624,941	4,085,301	2,624,941
Interest expense	5	(2,452,257)	(1,085,936)	(2,452,258)	(1,085,936)
Net interest income		1,634,169	1,539,005	1,633,043	1,539,005
Commission income	6	397,318	372,754	385,053	372,754
Commission expense	6	(120,539)	(101,863)	(120,508)	(101,863)
Net commission income		276,779	270,891	264,545	270,891
Net gain from trading		97,423	95,035	97,423	95,035
Net loss from financial derivatives	7	(57,927)	(154,477)	(57,927)	(154,477)
Net gain/(loss) from financial assets mandatorily measured at fair value through profit or loss		3,350	(5,079)	3,350	(5,079)
Net gain from the sale of financial assets measured at fair value through other comprehensive income		16,810	1,686	16,810	1,686
Net gain from foreign exchange differences		27,832	26,557	27,831	26,557
Other operating income	8	14,211	19,786	14,112	19,786
Bargain gain on subsidiary acquisition	2.1	22,569	-	-	-
Operating income		2,035,216	1,793,404	1,999,187	1,793,404
Impairment losses on financial instruments	11	(388,655)	(334,624)	(388,666)	(334,624)
Staff costs	9	(547,235)	(490,380)	(538,801)	(490,380)
Depreciation and amortisation expenses	19,20,21,22	(132,691)	(105,844)	(132,195)	(105,844)
Other operating expenses	10	(350,063)	(355,776)	(348,057)	(355,776)
Operating expenses		(1,418,644)	(1,286,624)	(1,407,719)	(1,286,624)
Profit before tax		616,572	506,780	591,468	506,780
Income tax expense	12	(76,427)	(82,454)	(75,660)	(82,454)
Net Profit for the year		540,145	424,326	515,808	424,326

The accompanying notes from pages 13 to 167 form an integral part of these financial statements.

CONSOLIDATED AND SEPARATE STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED AS AT 31 DECEMBER 2023
(All amounts are in thousand RON unless otherwise stated)

	Note	Group 2023	Group restated 2022	Bank 2023	Bank restated 2022
Attributable to:					
The parent		540,145	424,326	515,808	424,326
Non-controlling interests		-	-		
Other comprehensive income					
Items that may be reclassified subsequently to profit or loss:					
Net gain/loss from transactions with financial assets measured through other items of comprehensive income, net of tax		427,272	(390,370)	427,272	(390,370)
Net gain from transactions with financial assets measured through other items of comprehensive income, transferred to profit or loss upon disposal, net of tax		(14,120)	(1,416)	(14,120)	(1,416)
Items that will not be reclassified to profit or loss:					
Net gain from revaluation of land and buildings	36	-	16	-	16
Net gain from equity investments		5,337	5,152	5,337	5,152
Prior year corrections		803	(594)	803	(594)
Other comprehensive income		419,292	(387,212)	419,292	(387,212)
Total comprehensive income for the year		959,437	37,114	935,100	37,114
Attributable to:					
The parent		959,437	-		
Non-controlling interests		-	-		

(*) The information has been restated as described in Note 2.30

The financial statements were signed on behalf of the Bank by:

Bogdan Constantin Neacşu
General Manager – President of Executive Committee

Ştefan Silviu Fota
Director, Accounting Division

CONSOLIDATED AND SEPARATE STATEMENT OF FINANCIAL POSITION

FOR THE YEAR ENDED AS AT 31 DECEMBER 2023
(All amounts are in thousand RON unless otherwise stated)

		Group		Bank	
	Note	31 December 2023	restated 31 December 2022	31 December 2023	restated 31 December 2022
Assets					
Cash and balances at Central Bank	13	11,971,822	10,104,087	11,971,816	10,104,087
Financial assets at fair value through profit or loss	14	92,598	22,630	92,598	22,630
Loans and advances to banks and public institutions	15	8,339,662	6,119,331	8,305,674	6,119,331
Loans and advances to customers	18	31,624,550	29,242,809	31,624,550	29,242,809
Financial assets measured at fair value through other comprehensive income	16	20,779,895	10,369,254	20,779,895	10,369,254
- of which pledged securities (repo agreements)		-	1,444,881	-	1,444,881
Financial assets measured at amortized cost	17	9,589,902	4,770,943	9,576,147	4,770,943
- of which pledged securities (repo agreements)		1,131,849	320,258	1,131,849	320,258
Investment in subsidiary		-	-	5,000	-
Property and equipment	19	786,441	749,364	780,998	749,364
Intangible assets	20	138,129	90,487	136,877	90,487
Investment property	21	54,159	59,872	54,159	59,872
Right-of-use assets	22	95,702	94,080	95,702	94,080
Deferred tax assets	31	-	75,064	-	75,064
Current tax asset		20,257	-	20,695	-
Other financial assets	23	86,671	88,966	79,840	88,966
Other assets	24	29,703	25,359	29,638	25,358
Total assets		83,609,491	61,812,246	83,553,589	61,812,246
Liabilities					
Derivative financial liabilities	14	3,872	24,950	3,872	24,950
Deposits from banks	25	1,663,105	2,698,249	1,663,105	2,698,249
Deposits from customers	26	72,744,078	52,432,793	72,744,806	52,432,793
Borrowings from banks and other financial institutions	27	179,055	278,242	179,055	278,242
Debt securities issued	28	2,137,255	653,636	2,137,255	653,636
Subordinated liabilities	29	1,434,229	1,439,628	1,434,229	1,439,628
Current income tax liability		-	21,805	-	21,805
Deferred tax liabilities	31	2,287	-	2,099	-
Lease liabilities	32	98,723	96,475	98,723	96,475
Provisions	30	49,731	47,804	49,731	47,804
Other financial liabilities	34	358,391	151,264	329,985	151,264
Other liabilities	33	85,755	74,056	82,287	74,056
Total liabilities		78,756,481	57,918,902	78,725,147	57,918,902
Equity					
Share capital	35	2,499,746	2,499,746	2,499,746	2,499,746
Revaluation reserve for property and equipment	36	558,675	559,956	558,446	559,956
Reserves for financial assets at fair value measured through other items of comprehensive income	37	(221,078)	(639,567)	(221,078)	(639,567)

The accompanying notes from pages 13 to 167 form an integral part of these financial statements.

(All amounts are in thousand RON unless otherwise stated)

Other reserves	38	325,088	295,517	325,088	295,517
Retained earnings		1,690,577	1,177,692	1,666,240	1,177,692
Total equity, excluding non-controlling interests		4,853,008	3,893,344	4,828,442	3,893,344
Non-controlling interests		2	-	-	-
Total equity		4,853,010	3,893,344	4,828,442	3,893,344
Total liabilities and equity		83,609,491	61,812,246	83,553,589	61,812,246

(*) The information has been restated as described in Note 2.30

The financial statements were signed on behalf of the Bank by:

Bogdan Constantin Neacșu
General Manager – President of Executive Committee

Ştefan Silviu Fota
Director, Accounting Division

CEC BANK S.A. CABINET PREȘEDINTE DIRECTOR GENERAL 1

CONSOLIDATED AND SEPARATE STATEMENT OF CHANGES IN EQUITY

AS AT 31 DECEMBER 2023
(All amounts are in thousand RON unless otherwise stated)

	Note	Group Share capital	Re-evaluation reserve	Revaluation reserve for financial assets at fair value measured through other comprehensive income	Other reserves	Retained earnings	Total attributable to the parent	Non-controlling interests	Total
Balance as at 1 January 2023		2,499,746	559,956	(639,567)	295,517	1,177,692	3,893,344	-	3,893,344
Comprehensive income:									
Net Profit for the year		-	-	-	-	540,145	540,145	-	540,145
Other comprehensive income:									
Gain from change in the fair value of financial assets measured through other comprehensive income, net of deferred tax		-	-	432,609	-	-	432,609	-	432,609
Net gain from transactions with financial assets measured through other items of comprehensive income, transferred to profit or loss upon disposal, net of tax		-	-	(14,120)	-	-	(14,120)	-	(14,120)
Retained earnings from corrections		-	-	-	-	803	803	-	803
Total comprehensive income		-	-	418,489	-	540,948	959,437	-	959,437
Other contributions and distributions:									
Revaluation reserve representing realised surplus, net of deferred tax	36	-	(1,510)	-	-	1,510	-	-	-
Decrease in other reserves – sale of land		-	-	-	(2)	-	(2)	-	(2)
Legal reserve		-	-	-	29,573	(29,573)	-	-	-
Other acquisition adjustments		-	229	-	-	-	229	2	231
Total other contributions and distributions		-	(1,281)	-	29,571	(28,063)	227	2	229
Balance as at 31 December 2023		2,499,746	558,675	(221,078)	325,088	1,690,577	4,853,008	2	4,853,010

Bogdan Constantin Neacșu
General Manager – President of Executive Committee

Ştefan Silviu Fota
Director, Accounting Division

The accompanying notes from pages 13 to 167 form an integral part of these financial statements.

This version of the financial statements is a free translation from the original, which was prepared in Romanian. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our report takes precedence over this translation.

AS AT 31 DECEMBER 2023

(All amounts are in thousand RON unless otherwise stated)

	Note	Share capital	Revaluation reserve	Group Revaluation reserve for financial assets at fair value measured through other comprehensive income	Other reserves	Retained earnings	Total
Balance as at 1 January 2022		2,499,746	566,750	(252,933)	270,181	772,489	3,856,233
Comprehensive income:							
Net Profit for the year		-	-	-	-	424,326	424,326
Other comprehensive income:							
Gain from change in the fair value of financial assets measured through other comprehensive income, net of deferred tax		-	-	(385,218)	-	-	(385,218)
Net gain from transactions with financial assets measured through other items of comprehensive income, transferred to profit or loss upon disposal, net of tax		-	-	(1,416)	-	-	(1,416)
Increase in revaluation reserve, net of deferred tax	36	-	16	-	-	-	16
Retained earnings from corrections		-	-	-	-	(594)	(594)
Total comprehensive income		-	16	(386,634)	-	423,732	37,114
Other contributions and distributions:							
Revaluation reserve representing realised surplus, net of deferred tax	36	-	(6,810)	-	-	6,810	-
Decrease in other reserves – sale of land		-	-	-	(3)	-	(3)
Legal reserve		-	-	-	25,339	(25,339)	-
Total other contributions and distributions		-	(6,810)	-	25,336	(18,529)	(3)
Balance as at 31 December 2022		2,499,746	559,956	(639,567)	295,517	1,177,692	3,893,344

Bogdan Constantin Neacşu
General Manager – President of Executive Committee

Ştefan Silviu Fota
Director, Accounting Division

The accompanying notes from pages 13 to 167 form an integral part of these financial statements.

CONSOLIDATED AND SEPARATE STATEMENT OF CHANGES IN EQUITY

AS AT 31 DECEMBER 2023
(All amounts are in thousand RON unless otherwise stated)

	Note	Share capital	Revaluation reserve	Bank Revaluation reserve for financial assets at fair value measured through other comprehensive income	Other reserves	Retained earnings	Total
Balance as at 1 January 2023		2,499,746	559,956	(639,567)	295,517	1,177,692	3,893,344
Comprehensive income:							
Net Profit for the year		-	-	-	-	515,808	515,808
Other comprehensive income:							
Gain from change in the fair value of financial assets measured through other comprehensive income, net of deferred tax		-	-	432,609	-	-	432,609
Net gain from transactions with financial assets measured through other items of comprehensive income, transferred to profit or loss upon disposal, net of tax		-	-	(14,120)	-	-	(14,120)
Retained earnings from corrections		-	-	-	-	803	803
Total comprehensive income		-	-	418,489	-	516,611	935,100
Other contributions and distributions:							
Revaluation reserve representing realised surplus, net of deferred tax	36	-	(1,510)	-	-	1,510	-
Decrease in other reserves – sale of land		-	-	-	(2)	-	(2)
Legal reserve		-	-	-	29,573	(29,573)	-
Total other contributions and distributions		-	(1,510)	-	29,571	(28,063)	(2)
Balance as at 31 December 2023		2,499,746	558,446	(221,078)	325,088	1,666,240	4,828,442

Bogdan Constantin Neacșu
General Manager – President of Executive Committee

Ștefan Silviu Fota
Director, Accounting Division

The accompanying notes from pages 13 to 167 form an integral part of these financial statements.

CONSOLIDATED AND SEPARATE STATEMENT OF CHANGES IN EQUITY

AS AT 31 DECEMBER 2023
(All amounts are in thousand RON unless otherwise stated)

Bank

	Note	Share capital	Revaluation reserve	Revaluation reserve for financial assets at fair value measured through other comprehensive income	Other reserves	Retained earnings	Total
Balance as at 1 January 2022		2,499,746	566,750	(252,933)	270,181	772,489	3,856,233
Comprehensive income:							
Net Profit for the year		-	-	-	-	424,326	424,326
Other comprehensive income:							
Gain from change in the fair value of financial assets measured through other comprehensive income, net of deferred tax		-	-	(385,218)	-	-	(385,218)
Net gain from transactions with financial assets measured through other items of comprehensive income, transferred to profit or loss upon disposal, net of tax		-	-	(1,416)	-	-	(1,416)
Increase in revaluation reserve, net of deferred tax	36	-	16	-	-	-	16
Retained earnings from corrections		-	-	-	-	(594)	(594)
Total comprehensive income		-	16	(386,634)	-	423,732	37,114
Other contributions and distributions:							
Revaluation reserve representing realised surplus, net of deferred tax	36	-	(6,810)	-	-	6,810	-
Decrease in other reserves – sale of land		-	-	-	(3)	-	(3)
Legal reserve		-	-	-	25,339	(25,339)	-
Total other contributions and distributions		-	(6,810)	-	25,336	(18,529)	(3)
Balance as at 31 December 2022		2,499,746	559,956	(639,567)	295,517	1,177,692	3,893,344

Bogdan Constantin Neacşu
General Manager – President of Executive Committee

Ştefan Silviu Fota
Director, Accounting Division

The accompanying notes from pages 13 to 167 form an integral part of these financial statements.

(All amounts are in thousand RON unless otherwise stated)

	Note	Group 2023	Group restated 2022	Bank 2023	Bank restated 2022
Profit before tax	12	616,572	506,780	591,468	506,780
Adjustments for non-monetary items:					
Provision for financial assets impairment and provisions for loans commitments and financial guarantees	11	381,251	333,406	381,262	333,406
Depreciation and amortisation expense	19,20, 21,22	132,691	105,844	132,195	105,844
Net loss from financial derivates		11,169	71,375	11,169	71,375
Gain on disposal of fixed assets		(2,401)	(3,618)	(2,401)	(3,618)
Net gain on financial assets measured at fair value measured through other comprehensive income		(16,810)	(1,686)	(16,810)	(1,686)
Gain/loss from financial assets mandatorily measured at fair value through profit or loss		(3,506)	4,836	(3,506)	4,836
Gain from foreign exchange differences		(71,141)	(308,242)	(71,141)	(308,242)
Dividends income	8	(1,668)	(6,850)	(1,668)	(6,850)
Interest expense	5	2,452,258	1,085,936	2,452,258	1,085,936
Interest income	5	(4,086,426)	(2,624,941)	(4,085,301)	(2,624,941)
Gain resulting from the acquisition of FGCR		(22,569)	-	-	-
Other adjustments		923	309	922	309
Operating profit before changes in operating assets and liabilities		(609,657)	(836,851)	(611,553)	(836,851)
(Increase)/decrease in operating assets:					
Increase in loans and advances to customers		(2,669,492)	(4,005,600)	(2,661,676)	(4,005,600)
Increase in financial assets held for trading and measured at fair value through profit or loss		(65,168)	(6,289)	(65,168)	(6,289)
Increase in other assets		(2,948)	(129,829)	(7,851)	(129,829)
Increase/(decrease) in operating liabilities:					
Increase/(decrease) in deposits from banks		(1,104,344)	594,709	(1,104,344)	594,709
Increase in deposits from customers		19,866,756	10,343,848	19,858,451	10,343,848
Increase in other liabilities		170,341	144,619	167,801	144,619

(All amounts are in thousand RON unless otherwise stated)

	Note	Group 2023	Group restated 2022	Bank 2023	Bank restated 2022
Net cash from operating activities before interest and tax		15,585,488	6,104,607	15,575,660	6,104,607
Interest received from loans and advances to customers		3,046,323	2,042,185	3,046,323	2,042,185
Interest paid for deposits from customers and banks		(1,786,348)	(799,135)	(1,786,348)	(799,135)
Payments for leases of low-value assets		(2,545)	(2,795)	(2,545)	(2,795)
Recoveries from previously written-of loans	11	107,492	157,564	107,447	157,564
Income tax paid		(120,594)	(74,022)	(120,182)	(74,022)
Net cash from operating activities		16,829,816	7,428,404	16,820,355	7,428,404
Investment activities:					
Proceeds from financial assets measured at fair value through other comprehensive income	16	23,981,013	3,549,422	23,981,013	3,549,422
Payments for the acquisition of financial assets measured at fair value through other comprehensive income	16	(33,665,931)	(1,397,885)	(33,665,931)	(1,397,885)
Proceeds from investments in debt instruments measured at amortized cost	17	2,618	28,233	2,607	28,233
Payments for investments in debt instruments measured at amortized cost	17	(4,646,818)	(2,422,681)	(4,633,071)	(2,422,681)
Proceeds /Payments for equity investments		155	(5,209)	155	(5,209)
Interest received from investing activities		605,237	537,585	605,008	537,585
Cash payments for the acquisition of tangible and intangible assets and real estate investments	19,20, 21	(175,142)	(121,730)	(174,440)	(121,730)
Payment for the purchase of shares, net of cash purchased		33,742	-	(5,000)	-
Proceeds from the sale of tangible and intangible assets and real estate investments		4,612	8,996	4,612	8,996
Additional payments for assets representing the right of use		2,904	-	2,904	-
Dividends proceeds		1,668	6,850	1,668	6,850
Net cash used in investing activities		(13,855,942)	183,581	(13,880,476)	183,581

The accompanying notes from pages 13 to 167 form an integral part of these financial statements.

(All amounts are in thousand RON unless otherwise stated)

	Note	Group 2023	Group restated 2022	Bank 2023	Bank restated 2022
Financing activities					
Dividends paid to the sole shareholder Ministry of Finance		-	(634,257)	-	(634,257)
Proceeds from debt securities issued		1,483,619	653,636	1,483,619	653,636
Proceeds from subordinated loans		-	-	-	-
Interest payments on subordinated loans		(147,371)	(84,473)	(147,371)	(84,473)
Payment of lease liability		(32,769)	(27,673)	(32,769)	(27,673)
Repayment of loans from banks and other financial institutions	27	(99,158)	(164,924)	(99,158)	(164,924)
Interest paid for loans from banks and other financial institutions		(331)	(509)	(331)	(509)
Net cash from financing activities		1,203,990	(258,200)	1,203,990	(258,200)
Net increase in cash and cash equivalents		4,177,864	7,353,785	4,143,869	7,353,785
Cash, cash equivalents at the beginning of the year		15,805,570	8,451,785	15,805,570	8,451,785
Cash, cash equivalents at the end of the year		19,983,433	15,805,570	19,949,439	15,805,570

(i) Analysis of cash, cash equivalents

	Group 31 December 2023	Group restated 31 December 2022	Bank 31 December 2023	Bank restated 31 December 2022
Cash and cash equivalents comprise:				
Cash on hand (Note 13)	919,285	1,088,633	919,279	1,088,633
Cash in ATM's (Note 13)	438,488	354,905	438,488	354,905
Current accounts held at the National Bank of Romania (Note 13)	10,614,049	8,660,549	10,614,049	8,660,549
Current accounts held at other banks (Note 15)	638,150	572,079	638,150	572,079
Cash on hand and at banks	12,609,972	10,676,166	12,609,966	10,676,166

Money market placements – maturity less than 3 months (Note 15)	7,373,461	5,129,404	7,339,473	5,129,404
Cash, cash equivalents	19,983,433	15,805,570	19,949,439	15,805,570

The financial statements were signed on behalf of the Bank by:

Bogdan Constantin Neacşu
General Manager - President of Executive Committee

Ştefan Silviu Fota
Director, Accounting Division

1 REPORTING ENTITY

CEC Bank Group ("Group") consist of CEC Bank S.A. ("CEC", "CEC Bank" or "Bank") as parent company and its subsidiary Fondul de Garantare a Creditului Rural – IFN SA ("FGCR" or "Fund"). Consolidated and separate financial statements for the financial year ended on December 31, 2023 comprise the Bank and its subsidiary (hereinafter referred to as the "Group").

CEC Bank

CEC Bank was established as a savings institution in Romania in 1864. On 1 October 1996, the Parliament of Romania approved Law no. 66 for the reorganisation of "Casa de Economii şi Consemnaţiuni" of Romania as a joint stock bank authorised by the National Bank of Romania to conduct banking activities, under the supervision of the National Bank of Romania.

On 8 July 2005, the Ministry of Public Finance approved, by Order 979, the Statute of CEC Bank SA through which the primary activity of the Bank is "other monetary activities" and the primary field "monetary intermediation". The Bank also performs other activities within the limits established by the licence issued by the National Bank of Romania such as: attracting deposits and other repayable funds, credit contracts, monetary transfer services, issuing and managing means of payment, issuing guarantees and credit commitments, transactions on its own account or on its customers account, intermediation on the interbank market, etc.

Currently, CEC Bank S.A. provides services based on The Government Emergency Ordinance no. 99 issued on 6 December 2006, regarding credit institutions and capital adequacy and the CEC Bank SA Statute, approved through the Order of the Ministry of Economy and Finance no. 425 from 14 February 2008, with the following amendments (Order of the Ministry of Economy and Finance no. 1312/2008, Order of the Ministry of Economy and Finance no. 2083/2008, Order of the Ministry of Economy and Finance no. 3264/2008).

The Bank is a joint stock company owned 100% by the Romanian State, represented by the Ministry of Finance.

The Bank operates through its Head Office located in Bucharest and through its network of 48 county branches and similar units from Bucharest, 116 first rank urban agencies, 386 second rank urban agencies and 462 second rank rural agencies.

Overall, as at 31 December 2023 there are: 964 agencies and 48 branches (31 December 2022: 963 agencies, of which: 115 fist rank urban agencies, 386 second rank urban agencies, 462 second rank rural agencies and 48 county branches).

CEC Bank SA has 4,908 employees as at 31 December 2023, 402 less than as at 31 December 2022. CEC Bank SA's current registered office is located at 13, Calea Victoriei, Bucharest 3rd district, Romania.

Fondul de Garantare a Creditului Rural – IFN SA ("the Fund", "FGCR") was established in February 1994, according to Law no. 31/1990, as a joint stock company, following negotiations between the European Community Commission and the Government of Romania, represented by the Ministry of Agriculture and Rural Development, materializing the European Community program to support the privatization process of agriculture in Romania and registered as IFN in 2006, based on Government Ordinance no. 28/2006, amended by Law no. 93/2009. Starting on July 30, 2007, it received from the National Bank of Romania notification of registration in the NBR Special Register under no. RS-PJR-090029/2007 and in the NBR General Register under no. RG-PJR-41-090173/2007.

FGCR has as main activity the issue of letters of guarantees granted from funds in administration received from Ministry of Agriculture and Rural Development ("MADR") and issue of letters of guarantees granted in name and account of the Romanian State. The activity is done based on multiple laws depending on the financing needs in the agriculture system. For each law a convention between FGCR and MADR is concluded in which there are stipulated the rights and obligations of each party. For its activity FGCR is remunerated with a commission from the financial institutions for the letters of guarantees issued from funds in administration and from the Romanian State for the agent operations carried out on its behalf.

The current registered office of the Rural Credit Guarantee Fund is located at 5, Occidentului Street, Bucharest 1st district, Romania.

On July 27, 2023, CEC Bank acquired 99.993% of FGCR's shares and MADR owns 0.007% of the shares.
On December 31, 2023, FGCR has 47 employees.

1 REPORTING ENTITY (CONTINUED)

As at 31 December 2023, the Bank's Board of Directors includes the following people:

1) Valentin Mavrodin- President;
2) Bogdan Constantin Neacşu – Member;
3) Ciprian Badea – Member;
4) Mirela Sitoiu – Member;
5) Mihai Gogancea Vătăşoiu – Member;
6) Mirela Iovu – Member;
7) Simona Andrei – Member.

As at 31 December 2023, the Bank's Executive Committee includes the following people:

1) Bogdan Constantin Neacşu – General Manager - President of the Executive Committee;
2) Mirela Iovu – Director - Vice President of the Executive Committee;
3) Simona Andrei – Director - Vice President of the Executive Committee.

As at 31 December 2023, the Fund's Board of Directors includes the following people:

1) Toma Alina Mihaela - President;
2) Moise Sorin – Member;
3) Pintea Adrian – Member;
4) Luchian Camelia – Member.

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES

2.1 Basis of preparation

The separate and consolidated financial statements (named "financial statements") of the Bank and the Group have been prepared in accordance with International Financial Reporting Standards, as adopted by the European Union ("IFRS") and in accordance with the Order of the National Bank of Romania 27/2010.
The Group accounting records are maintained in RON in accordance with Romanian accounting legislation and banking regulations issued by the National Bank of Romania ("NBR").

The Group's and Bank's financial statements have been prepared based on the going concern principle. In making this assessment, management has considered a wide range of information including projections of profitability, regulatory capital requirements and funding needs. The assessment also includes consideration of reasonably possible downside economic scenarios and their potential impacts on the profitability, capital and liquidity of the Group and Bank.

Accounting policy for FGCR acquisition
On 27 July 2023, CEC Bank signed the contract for the acquisition of the majority stake (99.993%) held by RAIFFEISEN BANK SA, BANCA COMERCIALĂ ROMÂNĂ SA and BRD - SOCIÉTÉ GÉNÉRALE SA ("Sellers") in the share capital of FGCR. The Ministry of Agriculture and Rural Development ("MADR") owns 0.007% of FGCR shares (non-controlling interests).
In order to complete the purchase, the necessary approvals were obtained to conclude the transaction, as follows:

- the approval of the Competition Council (Decision no. RG/8523/14.06.2023 regarding the economic concentration operation through which CEC Bank will acquire sole direct control over FGCR);
- the approval, declaration and payment by FGCR of the dividends related to the previous financial years, according to the FGCR AGM Resolution no. 02/05.07.2023;
- obtaining the consent of the Ministry of Agriculture and Rural Development, as a minority shareholder of FGCR, to carry out the Transaction and to not exercise the pre-emption procedure for the disposal of FGCR's shares provided for in FGCR's articles of incorporation - obtained on 17 May 2023, according to MADR address no. 145976/17.05.2023.

The Bank took control of FGCR on 27 July 2023 (Acquisition Date), on which date the consideration was transferred in exchange for the shareholding held by the sellers.
Purpose of acquisition

The purpose of the acquisition of FGCR by CEC Bank was aimed at increasing its support to agriculture and rural development, which are important development segments for the Bank.
In the period between the acquisition date and 31 December 2023, FGCR contributed an income of 13.5 million RON and a net profit of 1.86 million RON to the Group's results. If the acquisition had taken place on 1 January 2023, the management estimates that the consolidated income of the Group would have been RON 4,624million, and the consolidated profit would have been RON 546 million. This estimate assumes that the fair value adjustments recorded at the acquisition date would have been the same if the acquisition had taken place on 1 January 2023.

(All amounts are in RON thousands unless otherwise stated)

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

Consideration transferred

The fair value of the consideration transferred is 5,000,000 RON, and it was fully paid on the acquisition date, namely 27 July 2023. At the time of takeover, all amounts related to the FGCR acquisition were settled, and there are no remaining contingent considerations.

Acquired assets and assumed liabilities

The table below summarizes the amounts recognized at acquisition date in respect of assets acquired and liabilities assumed:

Thousand RON	**Book value 31 July 2023**	**Adjustments**	**Fair value 31 July 2023**
Total assets	55,890	1,292	57,182
Total liabilities	29,405	207	29,611
Total net assets acquired	**26,485**	**1,085**	**27,571**
, of which			
- Net assets acquired attributable to the Bank's shareholders (99.993%)			**27,569**
- Net assets acquired attributable to non-controlling interests (0.007%)			**2**

The amount of non-controlling interests in FGCR was recognized using the proportionate share method.

The Group accounts for the business combination by applying the acquisition method, which requires recognition and measurement of identifiable assets acquired, liabilities assumed at fair value at acquisition date.

All identified assets and assumed liabilities of FGCR were analysed in order to estimate fair value adjustments.
Differences between the fair value and the book value at acquisition date were identified only for tangible and intangible assets.

In order to determine the fair value at acquisition date multiple valuation techniques were used for tangible and intangible assets, such as: market approach for lands and vehicles, income approach for constructions, cost approach for technical installations, replacement cost approach for furniture, office equipment, other assets and other intangible assets. This generated a positive adjustment of RON 1,292 thousand compared to the book value existing at the acquisition date.

According to IAS 12 "Income tax" in the case of a business combination, the provision regarding the exemption on the initial recognition of an asset or a liability from the registration of an asset or a liability regarding deferred tax does not apply.

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

One consequence of measuring assets at fair value in a business combination is that it generally results in the recognition of deferred tax liabilities with a corresponding increase in goodwill or a reduction in the gain on the acquisition. Deferred tax liabilities arise because some assets are recognized for the first time in a business combination, while others are valued at fair value over their book value. Both situations usually result in positive value adjustments that are not tax deductible.
Following the valuation analysis, the fair value adjustments are strictly related to asset value increases and therefore gave rise to a deferred tax liability in the amount of RON 207 thousand.

Gain from acquisition

The Group's results for the financial year ended on 31 December 2023 include the bargain gain from the acquisition of FGCR, in the amount of RON 22,568 thousand. It is presented in the consolidated Statement of profit or loss and other elements of the comprehensive result on a separate line called "Gain from acquisition".
The gain from the acquisition was determined as the difference between the final consideration (RON 5,000 thousand) and the fair value of FGCR's assets and liabilities related to CEC Bank's participation, respectively RON 27,568 thousand. Given that the price paid by CEC Bank is lower than the fair value of the net asset acquired, a gain on the acquisition resulted.

Costs associated with the acquisition of FGCR

The costs related to the acquisition are the costs incurred by CEC Bank for carrying out the business combination. These costs include: advisory, legal, evaluation and other consultant fees and are in amount of RON 516 thousands.

a) Basis of consolidation

The material policies applied in the preparation of these financial statements are presented below and were consistently applied both at the Group level and individually by each individual entity.
The consolidated financial statements of the Group include the financial statements of CEC Bank and its subsidiary FGCR as of the reporting date December 31, 2023. For December 31, 2022, the separate financial statements of CEC Bank are presented in the consolidated financial statements.
The Group prepared the first set of consolidated financial statements for December 31, 2023, following the acquisition of FGCR in proportion to 99.997%, on July 27, 2023.

The Group applies the IFRS 10 "Consolidated financial statements" standard, which replaces the requirements and guidance in IAS 27 relating to consolidated financial statements. It also addresses the aspects included in SIC-12 Consolidation – Special Purpose Entities.
IFRS 10 standard requires an entity that is a parent to present consolidated financial statements, with limited exemptions available to some entities. The standard establishes control as the basis for determining which entities should be consolidated, setting out as well the accounting requirements for the preparation of consolidated financial statements.
According to IFRS 10, control is defined when an investor has:
- power over the investee;
- exposure, or rights, to variable returns from its involvement with the investee; and
- the ability to use its power over the investee to affect the amount of the investor's returns.

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

In order to determine whether it controls an investee an investor should consider the following factors in making that determination:
- the purpose and design of the investee;
- what the relevant activities are and how decisions about those activities are made;
- whether the rights of the investor give it the current ability to direct the relevant activities;
- whether the investor is exposed, or has rights, to variable returns from its involvement with the investee;
- whether the investor has the ability to use its power over the investee to affect the amount of the investor's returns.

The Group continuously evaluates its control over the entities in which it has invested. Therefore, any change in structure that results in a change in one or more control factors determine a reassessment. These include changes in decision rights, changes in contractual arrangements, changes in financial or capital structure.

The control assessment over the funds that FGCR has in administration from MADR and the related assets concluded that IFRS 10 requirements are not fulfilled and subsequently the Bank does not exercise control over these funds. For consolidation purposes, FGCR is considered to be an agent in respect of these funds, in the name and account of the Romanian State, and only the income resulted from its agent role is included in the consolidated financial statements.

Consequently, the consolidated financial statements for December 31, 2023 contain CEC Bank's operations results for the 12-month period ended 31 December 2023 and FGCR's profit and loss and cash flows for the five-month period ended 31 December 2023, excluding funds in administration and related assets and operations in the name and account of the State.
In the separate financial statements, the Bank presents the participation in the subsidiary as an investment in subsidiaries, measured at cost, performing the annual impairment test to assess whether there is objective evidence of impairment of the participation.

Business Combinations

The Group applies the standard IFRS 3 "Business Combinations", which contains the principles to be applied by the acquirer when recognizing and measuring identifiable assets acquired and liabilities assumed as part of a business combination.
The Group accounts for the acquisition of the FGCR subsidiary by applying the acquisition method on the date it acquired control, July 27, 2023.
Each identifiable asset and assumed liability of the subsidiary is valued at its fair value as of the acquisition date.
The non-controlling interests in the acquired entity, FGCR, which are current participations in the equity capital and through which their holders are entitled to a proportional share of the net assets of the entity, in the event of its liquidation, are valued at the proportional share of the current instruments of equity from the recognized values of the net identifiable assets of the acquired entity.
CEC Bank, in its capacity as a buyer, obtained a bargain gain from the acquisition on favourable terms and, recognized this gain in profit or loss, after management reanalysed whether all acquired assets were identified and all liabilities and contingent liabilities were accepted and their value was assumed.

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

The consideration transferred in the business combination was valued at fair value, being calculated as the sum of the fair values as of the acquisition date of the assets transferred by the buyer, of the debts borne by the buyer towards the former owners of the acquired entity and of the shares in the equity capital issued by the buyer , but excluding the costs related to the acquisition with advisory, legal, accounting evaluation and other professional or consulting fees; general administrative costs, which are recognized in the profit or loss account.

Consolidated financial statements prepared by the Group in accordance with IFRS 10:

- combine like items of assets, liabilities, equity, income, expenses and cash flows of the parent with those of its subsidiary;
- offset (eliminate) the carrying amount of the parent's investment in the subsidiary and the parent's portion of equity of each subsidiary;
- eliminate in full intragroup assets and liabilities, equity, income, expenses and cash flows relating to intragroup transactions, as well as any unrealised gains resulted from intragroup transactions.

b) Basis of measurement

The financial statements have been prepared on a historical cost basis, except for the following material items which are measured on the following alternative basis:

Items	Measurement basis
Derivative financial instruments	Fair value
Financial assets held for trading and measured at fair value through profit and loss	Fair value
Financial assets mandatorily at fair value through profit or loss	Fair value
Financial assets measured at fair value through profit and loss	Fair value
Financial assets measured at fair value through other comprehensive income	Fair value
Buildings	Fair value

c) Functional and presentation currency

The financial statements are prepared and presented in Romanian lei ("RON"), which is the Bank's functional and presentation currency, in accordance with Romanian accounting legislation, as well as banking regulations issued by the National Bank of Romania, rounded to the nearest thousand, unless otherwise stated.

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

d) Use of estimates and judgments

The preparation of financial statements in accordance with IFRS requires management to make judgments, estimates and assumptions that affect amounts recognized in the financial statements and reported amounts of assets and liabilities, in the next financial year. The estimates and related assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgments about carrying amounts of assets and liabilities that are not readily apparent from other sources. Actual results may differ from estimated values.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions of accounting estimates are recognised in the period in which the estimate is revised, if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Information related to the estimates used in the enforcement of accounting policies that have material effect on the financial statements, as well as estimates that involve a significant degree of uncertainty, are disclosed in Note 4.

The material accounting methods and policies set out below have been applied consistently to all periods presented in these financial statements.

Adoption of New or Revised Standards and Interpretations

New or amended Standards and Interpretations, as endorsed by the European Union as at 12 January 2024, that are effective for annual periods beginning after 1 January 2023

Amendments to IFRS 16 Leases: Lease Liability in a Sale and Leaseback (issued on 22 September 2022 and effective for annual periods beginning on or after 1 January 2024)

Amendments to IFRS 16 Leases impact how a seller-lessee accounts for variable lease payments in a sale-and-leaseback transaction. The amendments introduce a new accounting model for variable payments and will require seller-lessees to reassess and potentially restate sale-and-leaseback transactions entered into since 2019.

The amendments confirm the following:

- on initial recognition, the seller-lessee includes variable lease payments when it measures a lease liability arising from a sale-and-leaseback transaction;

- after initial recognition, the seller-lessee applies the general requirements for subsequent accounting of the lease liability such that it recognises no gain or loss relating to the right of use it retains.

A seller-lessee may adopt different approaches that satisfy the new requirements on subsequent measurement.

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

These amendments do not change the accounting for leases other than those arising in a sale and leaseback transaction.

Classification of liabilities as current or non-current – Amendments to IAS 1 (originally issued on 23 January 2020 and subsequently amended on 15 July 2020 and 31 October 2022, ultimately effective for annual periods beginning on or after 1 January 2024)

Under existing IAS 1 requirements, companies classify a liability as current when they do not have an unconditional right to defer settlement for at least 12 months after the reporting date. The amendments, as issued in 2020, has removed the requirement for a right to be unconditional and instead requires that a right to defer settlement must exist at the reporting date and have substance (the classification of liabilities is unaffected by management's intentions or expectations about whether the company will exercise its right to defer settlement or will choose to settle early).

The amendments, as issued in 2022, further clarify that when the right to defer settlement is subject to a company complying with conditions (covenants) specified in a loan arrangement, only covenants with which the company must comply on or before the reporting date affect the classification of a liability as current or non-current. Covenants with which the company must comply after the reporting date do not affect a liability's classification at that date. However, the amendments require companies to disclose information about these future covenants to help users understand the risk that those liabilities could become repayable within 12 months after the reporting date. The amendments also clarify how a company classifies a liability that can be settled in its own shares (e.g. convertible debt).

The Group and the Bank expects that the amendments, when initially applied, will not have a material effect on the financial statements.

New or amended Standards and Interpretations that are effective for annual periods beginning after 1 January 2023, not yet endorsed by the European Union as at 12 January 2024

Amendments to IFRS 10 and IAS 28: Sale or contribution of assets between an investor and its associate or joint venture (Effective date deferred indefinitely. Available for optional adoption in full IFRS financial statements. The European Commission decided to defer the endorsement indefinitely, it is unlikely that it will be endorsed by the EU in the foreseeable future)

The Amendments clarify that in a transaction involving an associate or joint venture, the extent of gain or loss recognition depends on whether the assets sold or contributed constitute a business, such that:

- a full gain or loss is recognised when a transaction between an investor and its associate or joint venture involves the transfer of an asset or assets which constitute a business (whether it is housed in a subsidiary or not), while
- a partial gain or loss is recognised when a transaction between an investor and its associate or joint venture involves assets that do not constitute a business, even if these assets are housed in a subsidiary.

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

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

Amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures: Supplier Finance Arrangements (Effective for annual periods beginning on or after 1 January 2024. Disclosure of comparative information for any reporting periods presented before, and information as at the beginning of, the annual reporting period in which the entity first applies those amendments is not required. Also, an entity is not required to disclose the information otherwise required by the amendments for any interim period presented within the annual reporting period in which the entity first applies those amendments. Early application is permitted)

The amendments introduce additional disclosure requirements for a company to provide information about its supplier finance arrangements that would enable users (investors) to assess the effects of these arrangements on the company's liabilities and cash flows, and the company's exposure to liquidity risk. The amendments apply to supplier finance arrangements (also referred to as supply chain finance, payables finance or reverse factoring arrangements) that have all of the following characteristics:

- a finance provider (also referred to as the factor) pays amounts a company (the buyer) owes its suppliers;
- a company agrees to pay under the terms and conditions of the arrangements on the same date or at a later date than its suppliers are paid;
- the company is provided with extended payment terms or suppliers benefit from early payment terms, compared with the related invoice payment due date.

However, the amendments do not apply to arrangements for financing receivables or inventory.

Amendments to IAS 21 The Effects of Changes in Foreign Exchange Rates: Lack of exchangeability (Effective for annual reporting periods beginning on or after 1 January 2025. Earlier application is permitted.

Under IAS 21 The Effects of Changes in Foreign Exchange Rates, a company uses a spot exchange rate when translating a foreign currency transaction. In some jurisdictions, no spot rate is available because a currency cannot be exchanged into another currency.
IAS 21 was amended to clarify:

- when a currency is exchangeable into another currency; and
- how a company estimates a spot rate when a currency lacks exchangeability.

The amendments also include additional disclosure requirements to help users to assess the impact of using an estimated exchange rate on the financial statements.
The Group expects that the amendments, when initially applied, will not have a material effect on the financial statements.

2.2 Foreign currency

The functional currency is the currency of the primary economic environment in which the Group operates.
The functional currency of the Group is the national currency of Romania, Romanian LEU ("RON").
Monetary assets and liabilities are converted into RON at the exchange rate of NBR at the end of that period.
Foreign exchange gains or losses resulting from the settlement of transactions and from the translation of monetary assets and liabilities into RON at the official exchange rates at the end of the year are recognised in profit or loss (as "Net gains/(loss) from foreign exchange differences").

(All amounts are in RON thousands unless otherwise stated)

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

Non-monetary items measured at fair value in a foreign currency, including equity investments, are translated using the exchange rates at the date when the fair value was determined.
Effects of exchange rate changes on non-monetary items measured at fair value in a foreign currency are recorded as part of the fair value gain or loss.
The exchange rate of major foreign currencies was:

Currency	31 December 2023	31 December 2022	Increase/ (decrease) (%)
Euro (EUR)	1: RON 4.9746	1: RON 4.9474	0.03
US Dollar (USD)	1: RON 4.4958	1: RON 4.6346	(0.14)

2.3 Interest income and interest expenses

Interest income and interest expenses for financial instruments are recognized in the income statement using the effective interest rate method on an accrual basis.

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the gross carrying amount of the financial asset or financial liability.

Commission fees received by the Group to originate loans at market interest rates are an integral part to the effective interest rate if it is probable that the Group will enter into a specific lending arrangement and does not expect to sell the resulting loan shortly after origination.

All other fees, commissions and other income and expense items are generally recorded as the related services are performed, on an accrual basis by reference to completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided.

Syndicated loan commissions are recognized as income when the syndication has been completed and the Bank does not retain part of the credit package for itself or retains part of the same effective interest rate used for other participants.

Interest income and expense presented in the income statement include, but are not limited to:

- Interest on loans and advances to customers;
- Interest on other financial assets and liabilities at amortised cost; and
- Interest on financial assets measured at fair value through other items of comprehensive income.

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.4 Commissions income and fees expenses

Commission income and expenses are fees and charges other than those relating to the origination of a financial asset or liability, and which are part of the effective interest rate.

The revenue from fees and charges shall be accounted for in the profit or loss account as the Bank meets the performance obligation under the contractual terms in accordance with IFRS 15, respectively:

- at the time of service, if the obligation to execute is fulfilled at a certain time;
- as the Group meets the obligation, in time, if the obligation to execute is fulfilled in time, and the client receives and consumes the benefits simultaneously.

2.5 Dividends

Dividend income is recognized in income statement when the right to receive dividends payment is established and it is probable that the dividends will be collected. Dividends are reflected as a component of other operating income.

For equity instruments for which the Group has opted for initial recognition to classify them as financial assets measured at fair value through other comprehensive income, dividends are recognized in the profit or loss account, unless dividends clearly represent a return on part of the investment cost in which case they are presented in OCI.

2.6 Income tax expense

Income tax comprises current and deferred tax. Income tax is recognised in the statement of profit or loss or in equity if the tax is related to the elements of equity.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against a deferred tax assets can be used.

Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Current and deferred tax receivables and payables are offset when they are related to the same tax entity, they are related to the same tax authority and when there is a legal right to offset.

2.7 Net trading income

Net trading income represents the difference between the gain and loss related to financial assets held for trading, foreign exchange transactions, derivatives and foreign exchange position revaluation. Foreign exchange position revaluation (excluding trading) is presented in the separate line.

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.8 Contribution to the Bank Deposit Guarantee Fund and to the Resolution Fund

The retail deposits and certain legal entity deposits, including SME deposits, are guaranteed up to EUR 100,000 in Romania by the Bank Deposit Guarantee Fund ("FGDB") according to the regulations in force (Law no. 311/2015 on Deposit Guarantee Schemes and FGDB).
The Romanian credit institutions are obliged to pay an annual contribution to FGDB, in order to guarantee the clients' deposits in case of the credit institution's insolvency, as well as an annual contribution to the Resolution Fund ("Fondul de Rezolutie").
The Group applied IFRIC 21 "Levies" to determine when the obligation is recognized. As this contribution to FGDB and Resolution Fund corresponds to a tax, it needs to be fully recognized as an expense at the time the obligating event occurs.

2.9 Financial assets and liabilities

In accordance with IFRS 9, the Group classifies:

➔ the financial assets into one of the following categories:

- Financial assets measured at amortized cost
- Financial assets measured at fair value through profit or loss
- Financial assets measured at fair value through other items of comprehensive income

➔ financial liabilities at amortized cost, except for financial liabilities at fair value through profit or loss.

The Group does not apply hedge accounting.

In accordance with the classification criteria of IFRS 9 to establish a classification of loans and debt instruments, the Group is considering the following criteria cumulatively:

a) Analysis of the business model;

b) Analysis of the contractual cash flows characteristics ("SPPI test").

c)

Based on the above, the financial assets of the Group are classified and measured as follows:

- Loans and advances to banks and public institutions are measured at amortized cost (please see Note 15);
- Loans and advances to customers are measured at amortized cost (please see Note 18);
- Government securities portfolio are measured at amortized cost (please see Note 17), at fair value through profit or loss (please see Note 19), and at fair value through other items of comprehensive income (please see Note 16);
- Derivatives are measured at fair value through profit or loss (please see Note 14);
- Equity instruments designated to be measured at fair value through other comprehensive income (please see Note 16).

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

a) Analysis of the business model

In accordance with IFRS 9, the business model is determined at a level that reflects the way in which groups of financial assets are managed together. The business model does not depend on the management's intentions towards a particular individual instrument.
The business model refers to how the Group manages its financial assets to generate cash flows.

In a hold to collect business model, the financial assets are managed to obtain cash flows through the collection of contractual payments over the life of the instrument. A financial asset that is held within a business model whose objective is to hold assets to collect contractual cash flows is measured at amortized cost (if assets also meet the SPPI criterion on contractual cash flows).

In order to determine whether cash flows will be obtained by collecting the contractual cash flows of financial assets, the Group analyzes the frequency, values and timing of sales in previous periods, the reasons for those sales and expectations of future sales activity.

Sales transactions aimed at minimizing potential losses due to credit deterioration are considered consistent with the "hold to collect" business model. Other sales before maturity, not related to credit risk management activities, are also consistent with the "hold to collect" business model, provided that they are infrequent or insignificant in value, both individually and in aggregate.

The Group assesses significance of sales transactions by comparing the value of the sales to the value of the portfolio subject to the business model assessment over the average life of the portfolio. In addition, sales of financial asset expected only in stress case scenario, or in response to an isolated event that is beyond the Group's control, is not recurring and could not have been anticipated by the Group, are regarded as incidental to the business model objective and do not impact the classification of the respective financial assets.

The "hold to collect and sell" business model means that assets are held to collect the cash flows, but selling is also integral to achieving the business model's objective, such as, managing liquidity needs, achieving a particular yield, or matching the duration of the financial assets to the duration of the liabilities that fund those assets.

The residual category includes those portfolios of financial assets, which are managed with the objective of realizing cash flows primarily through sale, such as where a pattern of trading exists. Collecting contractual cash flow is often incidental for this business model.

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

b) Analysis of contractual cash flow characteristics ("SPPI test")

The SPPI test is the analysis of the contractual terms of the financial assets in order to identify whether the cash flows represent solely payments of the principal and the interest on the principal due.
The Group performs the analysis of the contractual clauses for the SPPI test at the level of the contract model/individual contract and documents the result of the analysis by completing a questionnaire.

Changes in financial assets and liabilities
The Group monitors the changes to the contractual clauses in order to establish those changes that result in derecognition of the financial instrument.

The criteria set by the Group to assess contractual changes that may lead to derecognition were determined in view of their significance (quantitative or qualitative) so that the requirements of IFRS 9.3.2.3 are met. Quantitatively these changes exceed the materiality threshold of 10%, by analogy with the threshold specified in IFRS 9 in derecognition of financial liabilities. From a qualitative point of view, the amendments concern contractual clauses which significantly change the nature of the risks associated with the original contract.

Derecognition
The Group derecognizes a financial asset when the contractual rights to receive cash flows from that financial asset expire or when the Group transfers the financial asset and the transfer meets simultaneously the following two conditions:

(i) transfers the contractual rights to receive cash flows from the financial asset, or
(ii) retains the contractual rights to receive the cash flows from the financial asset but assumes a contractual obligation to pay the cash flows to one or more recipients through a contract that meets the following conditions:

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

(a) the Group has no obligation to pay amounts to prospective beneficiaries, unless the Group collects equivalent amounts from the transferred asset;
(b) the Group is forbidden by contractual terms to transfer the asset to sell or to pledge the initial asset, for reasons other than guaranteeing the obligation to pay potential cash-flow beneficiaries;
(c) the Group transfers any cash flows it collects on behalf of the beneficiaries without significant delays.

or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retail control of the financial asset.
The Group fully derecognizes its financial assets when it does not have reasonable estimates for recovering contractual cash flows (IFRS 9, B 3.2.16, letter r).
The Group derecognizes a financial liability when the contractual obligations are settled or canceled or have expired.

Impairment of financial instrument

In order to identify exposures with a significant increase in credit risk or credit-impaired, the Group performs a monthly analysis to identify changes in asset quality, i.e. identifying the items that lead to a significant increase in credit risk as well as an analysis of the objective existence of impairment indicators.
The Group assesses all exposures on a monthly basis and considers that there is a significant increase in credit risk in relation to the initial recognition in the following situations:

(a) the debt service exceeded 30 days at the end of the current month or exceeded 30 days on the last day of any previous two months;
(b) credit exposure is classified as a restructured performance exposure;
(c) the exposure is included in the observation list monitored by the Group in accordance with the provisions of regulations on supervision and administration of supervised and non-performing loans. The identified events that generate a significant increase in credit risk include, for example, difficult market conditions or adverse evolution in the financial statements that reflect changes in the credit / customer situation as compared to the situation at the date of the granting of the credit, without these being instances of improbability of payment, which anticipate the full non-recovery of the receivables without recourse to the enforcement actions over the guarantees.
(d) the exposure has been classified as impaired exposures at the close of any previous two months.

Impairment identification

At each balance sheet date, the Group examines whether there are objective indications that a financial asset or group of financial assets that are not held at fair value through profit or loss is impaired.

According to the Group's internal valuation methodology, the criteria used to determine the existence of objective evidence of impairment refer to events that lead to the estimation of an improbability of recovering the entire claim by the Group without recourse to enforcement of collateral:
(a) overdue principal or interest payments with a debt service of more than 90 days;

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

(b) the exposure is unlikely to be fully recovered by the Group without the collateral being executed, regardless of the existence of overdue amounts or the number of days past due.

Improbability of recovery is quantified by:

- significant financial difficulties of the debtor (inability to honor payments to suppliers, significant debts to the state budget, reporting of significant net losses, etc.);
- financial results that no longer support the reimbursement of financial obligations in conjunction with the lack of alternative sources or projects supporting the repayment of debts.

(c) non-performing loans as a result of having been restructured over the past 12 months, and the impairment indicators for restructured loans being maintained if, after one year from the date of the restructuring the restructured loan is more than 30 days past due, or an additional restructuring is carried out within a 24-month observation period, starting with the date of the exiting of the restructured loan from the non-performing loans category;

(d) the debtor's declaration of insolvency at any of its stages or the initiation of enforcement procedures by the Group;

(e) it is clear that the debtor will go bankrupt;

(f) fraud situations;

(g) the initiation of legal procedures by third-party creditors (enforcement, insolvency proceedings, judicial reorganization, etc.), which, by their nature, anticipate negative effects on the ability to pay debts to the Bank, entry into a resolution procedure for financial institutions or default for central governments

(h) the death of the debtor.

Estimation of expected credit loss

Loans and advances to customers

Expected credit loss is the difference between the total contractual cash flows that are owed to the Group in accordance with the contract and all cash flows that the Group expects to receive on an discounted basis at the original effective interest rate (or the effective interest rate adjusted by credit for purchased or originated credit-impaired financial assets).

Cash flows include cash flows from the sale of the collateral held or other credit enhancements that are an integral part of the contractual terms. Expected credit losses are an estimate of the losses the Group expects to derive from an event, such as the debtor's inability to pay.

Depending on the credit risk, the Group recognizes the expected credit loss as follows:

(i) For purchased or originated credit-impaired financial assets, only accumulated changes in loan losses for losses over the full life from the initial recognition are recognized;

(ii) For financial assets, other than purchased or originated credit-impaired financial assets for which credit risk has increased significantly since initial recognition or which have been impaired, the expected loss is measured at an amount equal to expected losses over the life of the asset

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

(iii) For financial assets, other than purchased or originated credit-impaired financial assets for which credit risk has not increased significantly since initial recognition, the expected loss is measured at an amount equal to the expected loss for 12 months.

Expected credit losses over a 12-month period represent the portion of the expected credit loss over the life of the financial asset from possible default events within 12 months of the reporting date.
This is not the loss for exposures expected to default in the next 12 months or the expected cash outflow over the next 12 months.
The Group recognizes the expected credit loss over the life of the financial asset if there is a significant increase in credit risk from the initial recognition, taking into account all reasonable and justifiable information, including forecasts.
For the purpose of calculating the expected loss for non-impaired exposures, the Group incorporates the macroeconomic effect on probability of default (PD) and loss given default (LGD). The methodology for estimating probability of default (PD) implies:

- using an adjusted Weibull function to estimate cumulative PD curves;
- using a Vasicek model for incorporating forward looking.

Forward looking adjustments are based on the correlation between the macroeconomic indicators (GDP evolution, interest rate -ROBOR 3M evolution) and the companies' default rate, respectively between GDP evolution and average net salary increase adjusted by inflation rate and the individuals' default rate. The default rate is observed at the banking system level (NBR data, as the Bank does not have enough own data to estimate correlations).

The projections of macroeconomic indicators considered by Group refers to GDP projections published by the World Bank, the inflation projections published by National Bank of Romania and the increase of average salary (in 2023) similar with the average of increase from last ten years and 75% from this average in 2024.

The Group uses a total LGD model that involves calculating the cumulative recovery rates observed on each segment, based on which the parameters of a logistic function are estimated. The forward looking adjustment is made taking into account the correlation between PD and LGD and estimated forward looking adjustments for PD.
In order to determine expected losses on an individual or collective basis, the assets to which the impairment requirements of IFRS 9 apply are divided into significant and insignificant, at the time of the analysis, on the basis of criteria set by the Group and reviewed annually.
The significant financial assets to which the impairment provisions apply in accordance with IFRS 9, are subject to an individual analysis to identify the associated risk level, and where impairment indicators are identified, the expected loss is determined on the basis of an estimation of future cash flows, in two scenarios.
For insignificant financial assets and significant financial assets for which no indications of impairment were identified, the expected loss is determined based on a collective analysis.
The methodology and assumptions used to measure impairment are constantly reviewed by the Group. At each reporting date, the Group assesses and recognizes the provisions for expected credit losses of a financial asset or group of financial assets that are not held at fair value through profit or loss, a contract assets, a loan commitment, or financial guarantee contract to which the impairment provisions apply in accordance with IFRS 9.

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

In order to determine the expected losses on individual or collective basis, all loans and receivables are divided into significant and insignificant, at the date when analysis is performed.

For loans and receivables for which no impairment and no SICR has been identified, expected loss shall be determined over their lifetime from default events occurring within 12 months after the reporting date, on the basis of a collective analysis.

For loans for which there is significant increase in credit risk compared to the time of granting, expected credit loss is estimated over the life of the financial asset, on the basis of a collective analysis (for loan portfolios with similar credit risk).

The expected loss amount is the present value of the difference between the contractual cash flows and the expected cash flows (a cash shortfall), which includes both principal and interest cash flows.

In order to estimate the expected credit losses for credit exposures without impairment indicators, loans are grouped into similar credit risk portfolios, depending on the client category, the type of credit in the case of individuals, respectively the field of activity (NACE code) in in the case of legal persons.

Each stage is a separate category and will be assessed for the purpose of estimating expected loss as follows:

- loans in stage 1 - expected loss estimates for a period of 12 months;
- loans in stage 2 - the estimated loss throughout their lifetime; and
- loans in stage 3 (impaired) - the estimated loss throughout their lifetime.

In order to calculate the expected loss for each portfolio, PDs and LGDs will be applied to the exposure amount of the loans at default for each portfolio. Changes in future cash flow projections should reflect and be consistent with changes in observable data from one period to the next (e.g. GDP change in relation to the state of default or other factors that indicate changes in the probability of recording losses by the Group and their size).

The methodology used to estimate future cash flows is periodically reviewed by the Group to reduce any differences between estimated losses and actual loss experience based on the results of the model validation process.

The historical loss experience has to be adjusted on the basis of current observable information to reflect the effects of current conditions that have not affected the period on which historical loss experiences are based and to remove the effects of historical conditions that no longer exist.

If, in a subsequent period, the amount of impairment loss decreases and the decrease is related to an objective event that occurred after the impairment was recognized, the previously recognized impairment is reversed directly through the loss allowance account. Reversal is recognized in the statement of profit or loss.

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

Restructured loans

The restructured loans are related to credit agreements for which restructuring measures have been applied.

Restructuring operations are considered to be situations in which the borrower has been granted concessions as a result of the fact that is faced with financial difficulties in repaying the committed loans, or at least one of the following situations:

a) the granting of concessions, irrespective of the existence / absence of outstanding amounts, in the conditions of financial difficulties of the debtor;
b) the contract was classified before the restructuring as non-performing or would have been classified as non-performing if it had not been modified;
c) the contractual change implies a total or partial cancellation of the debt;
d) at the same time with the granting of the concession or at a date close to granting it, following the granting of a new loan, the debtor makes principal or interest payments related to another contract with the Group, which was classified as non-performing or would have been classified as non-performing in absence of refinancing;
e) at the same time with the granting of the concession or at a date close to granting it, following the granting of a new loan, the debtor makes principal or interest payments related to another contract concluded with the Group, which has recorded outstanding amount for at least 30 days at least once in the last 3 months prior to refinancing;
f) a change involving the extinguishment of the obligation by taking over the collateral when the change represents a concession;
g) the modified contract had more than 30 days past due (without being non-performing) at least once in the last 3 months prior to the restructuring or would have been in this situation if it had not been modified.

The financial difficulty does not refer to events of a temporary nature, it must be identified based on the analysis of the client's activity.

Loans subject to restructuring operations are classified as performing or non-performing assets starting with the date of the restructuring, based on the level of diminishing financial obligation (DO). If the diminished financial obligation that is considered to be caused by postponement of principal, interest, or fees is lower than 1%, the loan will be classified as forborne performing. If the DO level is higher than 1%, the loan will be classified as nonperforming. If, after 12 months, the conditions for the exiting of the exposures from the non-performing category are met simultaneously, the loan will be classified as performing assets with restructuring measures. These loans are monitored within a minimum 24-month observation period starting with the date of restructuring (for forborne performing) or starting with the date of exit from the category of non-performing loans for classification in the performing / non-performing loans category. Any additional restructuring measures applied within the observation period, as well as any overrun of the 30-day debt service over the period, lead to the classification of the restructured loan in the category of non-performing loans.

If at the time of the restructuring request analysis the DO is below the materiality threshold (1%) and the Bank has reasonable uncertainties regarding the ability to fully repay the new obligations in a timely manner, the credit is classified as non-performing.

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

Exiting from the restructured exposures category occurs when the following conditions are met cumulatively:

a) the restructured exposure is considered to be performing, even if it has been reclassified from the non-performing exposures category as a result of the debtor's financial statement analysis showing that the conditions for the non-performing category are no longer met;

b) from the date on which the restructured exposure was considered to be performing, a minimum of 2 years has passed;

c) during half of the probation period, payments took place regularly (principal and cumulative interest payments) that cannot be considered insignificant;

d) at the end of the probation period, no exposure to the debtor is past due for more than 30 days.

The Group monitors changes to the contractual clauses in order to establish those changes that result in the derecognition of the credit. Analysis for derecognition requires a qualitative analysis and, if necessary, a quantitative analysis according to IFRS 9 principles.

Write-off loans

Financial assets are written-off, in whole or in part, when the Group exhausted all practical recovery efforts and has concluded that there is no reasonable expectation of recovery
The criteria considered by the Group for assessing the need for derecognition are:
- loans granted to customers in bankruptcy/insolvency/foreclosure, with debt service of more than 180 days, without collateral/guarantees issued by financial institutions;
- unsecured exposures to deceased individual customers;
- loans secured by guarantees for which more than ten auctions have been held, the period elapsed since then is more than 4 years and no prospects for the recovery of collateral;
- loans granted to clients in legal proceedings for which the existing legal situation / litigation leads to the improbability of recovering claims/recovery of collateral in a measurable horizon.

For loans that are 100% covered by impairment adjustments/expected loss adjustments, the Group may derecognize them by directly reducing their gross carrying amount while simultaneously recording the respective receivables in off-balance sheet accounts. Subsequently, the Group records any collection of amounts from debtors in "Recoveries from loans previously written off" accounts with direct effect on the profit or loss account.

Off balance sheet commitments

The Bank analyzes off-balance-sheet commitments, considering them in the same risk category as the balance sheet exposures. The provision for expected losses for off-balance sheet commitments is calculated on the basis of a conversion factor that describes how the use of credit limits will be increased or how the guarantees issued in loans from the beginning of the observation period to the time of default will be converted. The PD/LGD corresponding parameters to the homogeneous portfolio in which that exposure is assigned shall be applied to the determined equivalent of the exposure balance.

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

Assets valued at fair value through other comprehensive income

The expected losses for financial assets measured at fair value through other comprehensive income, other than equity instruments designated by the Group as being measured at fair value through other comprehensive income, are recognized in other comprehensive income Bank and do not reduce the carrying amount of the financial asset in the financial information.

Investments in equity instruments

Investments in equity instruments classified by the Group at initial recognition in the category of financial assets measured at fair value through other comprehensive income are not subject to impairment provisions for the recognition and measurement of the provision for expected impairment losses.

2.10 Lease payments

The Group has entered into leases for real estate buildings and land. Lease liabilities are recognised in respect of the Group's obligations to make future lease payments and 'Right of Use' assets are recognised that represent the Group's right to use the underlying assets.

The Group's accounting policy is not to apply the requirements of IFRS 16 to leases of intangible assets.

The Group did not apply the "short term leases" exemption, as provided in IFRS 16 Appendix A.

The Group applies the "low value assets" exemption for all those rent contracts for which the value of the underlying assets is below USD 5,000.

The Group does not apply the practical approach set out in paragraph 15 of IFRS 16 regarding the lessee's possibility not to separate non-leasing from leasing components, and therefore has treated each lease component and service component of the contract separately.

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

In identifying a non-leasing component, the Group determines whether it transfers a good or service to the lessee.

a) Non-leasing components (services)

Expenses related to services which are separate components other than leasing (services): maintenance of the common areas in case of real estate leases, electricity and other utilities, marketing services, management fees, the price of which is billed separately from the rent of the underlying asset, are recorded in the profit and loss account as operating expenses.

b) Not separable non-lease components

Property/building tax costs paid on behalf of the lessor being not separable non-lease components, are not non-leasing separate components because no good or service is transferred to the Group.

c) VAT treatment

The VAT component is not part of the lease liability because it does not involve the transfer of a good or service. The Group will record the VAT when it is invoiced and will become due (will not be capitalized over the lease period).

Lease term

The lease term is considered as the non-cancellable period for which the Group has the right to use an underlying asset, together with periods covered by an option to extend the lease, if the Group is reasonably certain to exercise that option and periods covered by an option to terminate the lease, if the Group is reasonably certain not to exercise that option.

Recognition and measurement

Initial measurement

For all the contracts in scope of IFRS 16, the Group recognizes a right-of-use asset and a corresponding lease liability.

The lease liability is measured as the present value of the lease payments during the lease that are not paid at that date. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the lessee shall use the lessee's incremental borrowing rate.

At the commencement date of a lease, the right-of-use asset is measured at cost

The Group includes in the cost of the right-of-use asset the following:

a. the amount of the initial measurement of the lease liability;
b. lease payments made at or before the commencement date, less any lease incentives received;
c. Initial direct costs.

For each reporting period, the Bank will calculate the lease liabilities in the original currency of the contract and convert them in RON by using the exchange rate from the reporting day. The Group will recognise any exchange rate differences in the statement of profit or loss.

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

The right of use asset is not a monetary item and it is recognised in RON, the Group's functional currency. As such, the right of use asset is not subsequently measured to account for any exchange rates differences, as it is the case for lease liability.

Subsequent measurement

After the commencement date, the right-of-use asset is measured by applying a cost model.

The value of right-of use asset is decreased by any accumulated depreciation and any accumulated impairment adjustments and adjusted for as a result of any re-measurement of the lease liability.
The Group will calculate the amortization of the right to use the asset on a straight-line basis over the shorter period between the lease term and the useful life of the right-of-use asset.

After the commencement date, the Group measures the lease liability by:
- increasing the carrying amount to reflect interest on the lease liability;
- reducing the carrying amount to reflect the lease payments made and
- remeasuring the carrying amount to reflect any reassessment or lease modifications or to reflect revised in-substance fixed lease payments.

Please refer to Notes 22 and 32 for further details.

2.11 Cash and cash equivalents

Cash and cash equivalents comprise of cash balances on hand and nostro accounts with banks, including current account with the National Bank of Romania. Cash is recorded at nominal value and cash equivalents are recorded at amortised cost in the balance sheet.
Cash and cash equivalents are short-term investments which are readily convertible to cash and which are subject to an insignificant risk of changes in value.
Cash and cash equivalents comprise of balances with less than three months maturity from the origination date, including cash and non-restricted balances with the central bank, current accounts with banks and short-term placements with banks.

2.12 Derivatives

Derivatives are held for risk management purposes and are measured at fair value in the statement of financial position with the changes in fair value recorded in the statement of profit or loss.

Derivatives include currency swaps contracts and currency forward transactions on the exchange rate and on debt instruments. The positive fair value of the derivatives is carried as asset and the negative fair value is carried as liability.

Changes in the fair value of derivatives are included in profit or loss for the year (Net gains/(loss) on derivatives). The Group does not apply hedge accounting.

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.13 Loans and advances to banks

Amounts due from other banks are recorded when the Group borrows money to counterparty banks with no intention of trading the resulting unquoted non-derivative receivable due on fixed or determinable dates. Amounts due from other banks are carried at amortised cost.

2.14 Investment property

Investments properties are properties held by the Group in order to obtain rental income and are not used by the Group in the current activity.

Investment property is initially measured at cost, taking into account any costs directly attributable to the acquisition (such as fees for legal services, real estate agent fees and notary fees, transfer fees and charges of the property). After the initial recognition, an investment property is measured at cost less accumulated depreciation and adjustments for impairment, according to IAS 16. The difference between the net proceeds from the sale and the net carrying amount of the asset is recognized in profit or loss upon derecognition.

Investment properties that meet the criteria to be classified as held for sale in accordance with IFRS 5 are assessed in accordance with IFRS 5.

Rental income is recorded in profit or loss for the year within other operating income.

Subsequent expenditure is capitalised only when it is probable that future economic benefits associated with it will flow to the Group, and the cost can be measured reliably. All other repairs and maintenance costs are recognised when incurred.

The Group records as investment property the following tangible assets:

a) 100% surplus space for sale or rental;
b) Mixed-use spaces that cannot be sold separately are entirely classified as investment property only if the surplus space is at least 70%;
c) Mixed-use spaces that can be sold separately and have a gross book value less than RON 2,000,000 will be classified as investment property or tangible assets based on which part from that space (surplus or banking) is more significant;
d) For the remaining mixed spaces that can be sold separately, only the surplus is classified as investment property; for this is required to establish the gross value based on the value distribution report.

Revaluation reserve from the transfer date of property and equipment in investment property is reclassified to retained earnings at the date of investment property derecognition.

If an investment property is introduced in the usual banking activity, it is then reclassified to the plant, property and equipment account.

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.15 Tangible assets

(i) Recognition and valuation

Land and buildings are presented at reevaluated value less accumulated depreciation. The other items from the tangible assets category are presented at their historical cost less accumulated depreciation and the adjustments for impairment losses. Capital expenditure on property and equipment under construction is capitalized and depreciated once the assets enter into use.
Land and buildings are subject to periodical revaluation to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.
Evaluations are made by certified external and internal evaluators.
If there is no market based evidence of fair value, fair value is estimated using an income approach. Increases in the carrying amount arising on revaluation are credited to other comprehensive income and increase the revaluation reserve in equity. Decreases that offset previous increases of the same asset are recognised in other comprehensive income and decrease the previously recognised revaluation reserve in equity to the limit of the cost; all other decreases are charged to profit or loss for the year.

The revaluation reserve for property and equipment included in equity is transferred directly to retained earnings when the revaluation surplus is realised on the retirement or disposal of the asset.

Upon revaluation of tangible assets, accumulated depreciation at the date of revaluation is eliminated from the gross carrying amount of the asset and the gross carrying amount after the recording of revaluation is equal to its revaluated amount.

(ii) Subsequent costs

The Group recognizes in the carrying amount of an item of property and equipment the cost of replacing part of such an item when that cost is incurred if it is probable that the future economic benefits embodied with the item will flow to the Group and the cost of the item can be measured reliably. All other expenditures are recognized in the statement of profit or loss as an expense is incurred.

(iii) Depreciation

Depreciation is provided on a straight-line basis over the estimated useful lives of each item of the tangible assets components or of important categories of tangible assets that are recorded separately. Land is not subject to depreciation.

(iv) Derecognition

Gains and/or losses from derecognition of tangible assets is determined as the difference between revenues from sales of tangible assets and the expenses with their disposal and /or their retirement and are recognized in profit or loss for the year (within other operating income or expenses).

SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

The estimated useful lives by categories are as follows:

Categories	Years
Buildings	50
Equipment	3 – 20
Vehicles	6
Furniture	14
Other tangible assets	4 – 22

Depreciation methods and useful lives are reassessed at each reporting date.

2.16 Intangible assets

Intangible assets that are acquired by the Group are stated at cost less accumulated amortisation and impairment losses. Intangible assets include software and licences.

Costs associated with developing or maintaining software programs are recognized as an expense when incurred. Costs that are directly associated with the production of identifiable and unique software products controlled by the Group, and that will probably generate economic benefits exceeding costs beyond one year, are recognized as intangible assets.

Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful life of the software, from the date that it is available for use. The estimate useful life for software is 4 years.

2.17 Impairment of non-financial assets

An impairment loss is recognised if the carrying amount of the asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows independently from other assets and groups. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated to reduce the carrying amount of the other assets in the unit on a pro rata basis.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less the costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market conditions and the risks specific to the asset.

2.18 Debt securities issued

Debt securities issued are classified as financial liabilities. The debt securities issued are initially recognized at fair value to which possible transaction costs are added and then measured at amortized cost using the effective interest rate method.

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.19 Deposits from banks and customers

Deposits from banks and customers are initially measured at fair value plus transaction costs, and subsequently measured at amortised cost using the effective interest method.
Deposits from banks are recorded when the Bank receives money or other assets from other counterparty banks.
Customer accounts are non-derivative liabilities to individuals, state or corporate customers.

2.20 Borrowings from banks and other financial institutions

The loans obtained from banks and other financial institutions include loans from international banks and financial institutions and are measured at amortised cost.

2.21 Sale and repurchase agreements of securities

Sale and repurchase agreements ("repo agreements"), which effectively provide a lender's return to the counterparty, are treated as secured financing transactions. Securities sold under such sale and repurchase agreements are not derecognized. The securities are not reclassified in the statement of financial position unless the transferee has the right by contract or custom to sell or repledge the securities, in which case they are reclassified as pledged securities. The corresponding liability is presented within deposits from banks.

Securities purchased under agreements to resell ("reverse repo agreements"), which effectively provide a lender's return to the Bank, are recorded as loans and advances from banks or loans and advances to customers, as appropriate. The difference between the sale and repurchase price, adjusted by interest and dividend income collected by the counterparty, is treated as interest income and accrued over the life of repo agreements using the effective interest method.

Securities lent to counterparty banks for a fixed fee are retained in the financial statements in their original category in the statement of financial position unless the counterparty has the right by contract or custom to sell or repledge the securities, in which case they are reclassified and presented separately.

Securities borrowed for a fixed fee are not recorded in the financial statements, unless these are sold to third parties, in which case the purchase and sale are recorded in profit or loss for the year within net gains arising from trading securities. The obligation to return the securities is recorded at fair value in other borrowed funds.

2.22 Provisions

A provision is recognised in the balance sheet when the Group has a present legal or constructive obligation as a result of a past event to transfer economic benefits in order to settle the obligation and the amount of the obligation can be reliably estimated.

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.23 Contingent assets and liabilities

Contingent liabilities are not recognized in the financial statements. They are disclosed in notes unless the possibility of an outflow of economic benefits is remote. Contingent assets are not recognized in the financial statements but disclosed when an inflow of economic benefits is probable.

2.24 Financial guarantees

The Group issues financial guarantees and commitments to provide loans.

Financial guarantees are contracts that require the Group to make specified payments to reimburse the holder for a loss they incur because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument and represents a credit risk.

Financial guarantee liability is initially recognised at its fair value which is normally highlighted by the amount of fees received.

This amount is amortized throughout the life of the commitment, except for commitments to originate loans if it is probable that the Group will enter into a specific lending arrangement and does not expect to sell the resulting loan shortly after origination; such loan commitment fees are deferred and included in the carrying value of the loan on initial recognition. At the end of each reporting period, the commitments are measured at the higher value between (i) the amount initially recognized less, where appropriate, the cumulative amount of revenue recognized in accordance with IFRS 15 and (ii) allowance for losses caused to the end of each reporting period.

In cases where the fees are charged periodically in respect of an outstanding commitment, they are recognised as revenue on a time proportion basis over the respective commitment period.

2.25 Segment reporting

The Bank discloses information at segment level to enable users of its financial statements to evaluate the nature and financial effects of the business activities in which it engages and the economic environments in which it operates.
An operating segment is a component of the Bank:
(a) that engages in business activities from which it may earn revenues and incur expenses
(b) whose operating results are regularly reviewed by the entity's chief operating decision maker to take decisions about resources to be allocated to the segment and assess its performance, and
(c) for which discrete financial information is available.
Segment reporting is based on the following business lines of the Bank: corporate, authorities of public local administration, individuals, small and medium entities (referred to as "SME") and treasury, the latter including financial institutions.

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.26 Employee benefits

Short term benefits

Short-term employee benefits include wages, salaries, bonuses and social security contributions. Short-term employee benefits are recognised as an expense when services are rendered. The Group includes in short-term benefits the accruals for the employees' current year profit sharing which can be paid within twelve months from the end of the period.

Pension plans/ social and pension contributions

The Group, in the normal course of business, makes payments to the Romanian state funds on behalf of its employees for the pension fund and health care fund. All the employees of the Group are members and are also legally obliged to make defined contributions (included in the social security contributions) to the Romanian state pension plan. All related contributions to the Romanian state pension plan are recognized as an expense in the profit and loss statement for the period when incurred. The Group does not operate any independent pension scheme and, consequently, has no other obligation in respect of pensions.

Post- employment benefits

The Group may offer employees retirement benefits. If the Group grants retirement benefits, it will recognize a liability in the financial statements.

2.27 Share capital

Ordinary shares are classified as equity.
Share capital has been adjusted to reflect the impact of IAS 29 up to 1 January 2004 when Romania ceased to be a hyperinflationary economy.

2.28 Trade and other payables

Trade payables are accrued when the counterparty has performed its obligations under the contract and are measured at amortized cost.

2.29 Corrections of errors

Prior period errors are omissions and misstatements contained in the financial statements for one or more prior periods that result from the non-use or erroneous use of reliable information that was available at the time the financial statements for those periods were approved and could have been used. obtained and taken into account, reasonably, in the preparation and presentation of the annual financial statements.
Such errors include the effects of mathematical errors, errors in applying accounting policies, ignoring or misinterpreting events and fraud.
The correction of significant errors related to previous financial years is carried out on account of the retained earnings and the correction of insignificant errors related to previous financial years as well as the errors related to the current financial year are carried out on account of the profit or loss account.

(All amounts are in RON thousands unless otherwise stated)

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.30 Corrections of errors in the financial statements for the financial year ended 31 December 2022

Where necessary, the comparisons have been adjusted to the disclosures in accordance with the IFRS of the current year.

The statement of financial position as at 1 January 2022 was not disclosed in this set of financial statements given that the lines in the financial statements are not materially affected by these reclassifications.

During 2023 the Group identified that the offsetting criteria are not met for the below transactions and balances, and as at 31 December 2022 these amounts should not be offset as some of the transactions may have to be returned to customer accounts. Therefore, the Group decided to correct the classification presenting the amounts on a gross basis.

The effect of reclassifications for presentation purposes on the Statement of Financial Position was as follows for the amounts as at 31 December 2022:

Statement of financial position

	31 December 2022		31 December 2022
	Reported	Correction	Restated
Cash and cash equivalents	10,069,054	35,033	10,104,087
Loans and advances to banks and public institutions	6,119,076	255	6,119,331
Loans and advances to customers	29,224,037	18,772	29,242,809
Other financial assets	79,497	9,469	88,966
Total assets	**61,748,716**	**63,529**	**61,812,246**
Customer accounts	52,430,729	2,064	52,432,793
Other financial liabilities	89,799	61,465	151,264
Total liabilities	**57,855,372**	**63,529**	**57,918,902**

Statement of profit or loss and other comprehensive income

	31 December 2022		31 December 2022
	Reported	Correction	Restated
Commission income	369,785	2,969	372,754
Commission expense	(55,909)	(45,954)	(101,863)
Net commission income	**313,876**	**(42,985)**	**270,891**
Other operating income	22,754	(2,968)	19,786
Operating income	**1,839,357**	**(45,953)**	**1,793,404**
Other operating expenses	(401,729)	45,953	(355,776)
Operating expenses	**(1,332,577)**	**45,953**	**(1,286,624)**
Net Profit for the year	**424,326**	-	**424,326**

3 FINANCIAL RISK MANAGEMENT

a) Introduction

The most important types of financial risks to which the Group is exposed are credit risk, liquidity risk, market risk and interest rate risk other than trading portfolio. Market risk includes currency risk and equity price risk. This note provides information regarding Bank's exposure to every risk mentioned above, the objectives and policies of the Bank and evaluation and risk management processes.

Risk management framework

The Board of Directors of the Bank has the overall responsibility for the establishment and monitoring of the Bank's risk management framework. In this way, the Board of Directors of the Bank analyses, reviews and approves, at least annually, the Bank's risk management strategies and policies to reflect changes in internal and external factors, as well as changes in the economic environment in which the Bank operates. The Board of Directors of the Bank also reconsiders and approves the risk profile, setting acceptable levels for significant risks and ensures that the necessary steps are taken to identify, assess, monitor and control significant risks, including for outsourced activities.

The Executive Committee, the Asset and Liability Committee (ALCO), the Risk Management Committee and Operational Risk Management Committee function, within the limits of the powers delegated by the Board of Directors of the Bank, which are responsible for developing and monitoring the Bank's risk management policies in areas specified by them. All committees report regularly to the Board of Directors.

The Bank's risk management policies are established to identify and analyse the risks to which the Bank is exposed, to set appropriate risk limits and controls and to monitor risks and adherence to risk limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions, products and services offered.

The Bank, through its training, management standards and procedures, aims to develop a disciplined and constructive control environment, in which all employees understand their roles and obligations. The Bank's Audit Committee is responsible for monitoring the compliance with the Bank's risk management procedures. The Audit Committee is assisted in fulfilling these functions by Internal Audit. Internal Audit undertakes both regular and ad-hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

b) Credit risk

Credit risk is the risk of financial loss of the Group if a customer or a counterparty of a financial instrument fails to meet its contractual obligations.

Credit risk associated with trading and investing activities is managed through the Bank's market risk management process. The risk is mitigated through selecting counterparties with good credit rating standings, monitoring their activities and ratings and through the use of exposure limits and when appropriate, the obtaining of collaterals.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

On 13.05.2016 the "Law on payment of immovable property with the aim of extinguishing the obligations under the credit" came into force.

As at 31.12.2023, the Bank received notifications regarding the law on full settlement of mortgage / home equity loans and has under analysis 11 loans with an on-balance sheet exposure of RON 3,275 thousand, for which the Bank made adjustments for expected credit loss of RON 2,310 thousand, respectively real estate guarantees of RON 4,630 thousand. The above-mentioned situations are analysed for the legality of notifications but in case of settlement of mortgage, the estimated impact on the portfolio of loans and financial position of the Bank is insignificant.

As at 31.12.2022, the Bank received notifications regarding the law on full settlement of mortgage / home equity loans and has under analysis 13 loans with an on-balance sheet exposure of RON 6,083 thousand, for which the Bank made adjustments for expected credit loss of RON 4,980 thousand, respectively real estate guarantees of RON 6,154. The above-mentioned situations are analysed for the legality of notifications but in case of settlement of mortgage thousand, so that the estimated impact on the portfolio of loans and financial position of the Bank is insignificant.

Until now, the Bank has taken over the payment as a result of the provisions of Law 77/2016: 9 buildings and 10 lands. During 2023 no debt repayments were made, representing receivables residuals recorded in off balance sheet accounts.

An analysis of the ratio between mortgage loans and related real estate guarantees (LTV) at the reporting date is presented in Note 3.

As at 31 December 2023, the Group recorded a portfolio of loans granted to individuals that can benefit from the law on full settlement of mortgage with a value of RON 4,100,407 thousand, with collateral value of RON 8,458,648 thousand. Adjustments for expected credit loss related to this portfolio have a value of RON 51,758 thousand.

As at 31 December 2022, the Group recorded a portfolio of loans granted to individuals that can benefit from the law on full settlement of mortgage with a value of RON 4,237,374 thousand, with collateral value of RON 8,153,038 thousand. Adjustments for expected credit loss related to this portfolio have a value of RON 45,620 thousand.

The Group's primary exposure to credit risk arises from its lending activity and other transactions in which the Group recognizes financial assets. The maximum amount of credit exposure in this regard is represented by the carrying amounts of the assets recognised in the balance sheet.

The Group is exposed to credit risk from various other financial assets, including derivative instruments and debt investments, for which the maximum current credit exposure is equal to the carrying amount of these assets in the balance sheet. In addition, the Group is exposed to off balance sheet credit risk through commitments to grant loans for which the maximum exposure is the commitment value.

In order to minimise this risk, the Group has established exposure limits and procedures in order to screen the customers before granting the loans and to monitor their ability to repay the principal and interest during the lifetime of the loan.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

Credit risk is diminished by the amount of collateral received. The adjustment value for impaired loans is based on the management's analysis at the balance sheet date after taking into account the potential cash flows from the execution of the collateral, net of the costs of obtaining and selling them. Management closely monitors the evolution of the portfolio and the cash flow forecast such to ensure it reflects the revised estimates of expected future cash flows in the impairment assessments

Credit risk management

The Board of Directors of the Bank has delegated, through the Executive Committee, the responsibility of monitoring the credit risk to its Credit Committee (including Restructuring Committee). Separately, The Risk Management Division, reporting to the Executive Committee, is responsible for oversight of the Bank's credit risk, including:

- *Formulating credit policies* in consultation with business units, covering collateral requirements, credit assessment, risk grading and reporting, documentary and legal procedures and compliance with regulatory and statutory requirements.
- *Establishing the authorisation structure for the approval* and renewal of credit facilities, approval of changes in the contract terms (restructuring). Authorisation limits are allocated to levels of credit approvers. Greater credit facilities require approval by the highest level of the Credit Committee, the Executive Committee or the Board of Administrators as appropriate.
- *Reviewing and assessing credit risk.* The Credit Committee assesses all credit exposures in excess of designated limits, prior to facilities being approved or recommended for approval by the Board of Directors and/or committed to customers. Renewals and reviews of facilities are subject to the same review process.
- *Limiting concentration of exposure* to counterparties, geographical areas and industries (for loans and advances to customers) and by issuer, credit classification category, market liquidity and country (for investment securities).
- *Reviewing compliance* of business units with agreed exposure limits, including those for selected industries and product types.
- *Providing regular reports* on the credit quality of portfolios to the Board of Directors and taking appropriate corrective actions.
- *Providing advice, guidance and specialist expertise* to business units to promote best practice throughout the Bank for credit risk management.

(All amounts are in RON thousands unless otherwise stated)

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

Concentration of credit risk that arises from financial instruments exists for groups of counterparties or other third parties when they have similar economic characteristics that would cause their ability to meet contractual obligations to be similarly affected by changes in economic or other conditions. The major concentration of credit risk in relation to the Group's loans and advances is disclosed below. The disclosure of exposures and specific adjustments for expected losses are grouped by portfolios, having the below characteristics:

CAG	Legal entities Agriculture
CSA	Individuals – personal needs loans fully collateralised with real estate collaterals
CSN	Individuals – personal needs loans without real estate collaterals or not fully covered
CTS	Bridge loans for subsides
IP	Individuals – Mortgage loans
OW	Cards/Overdraft
CAP	Public local administrations
CCM	Legal entities Commerce
CCO	Legal entities Construction
CIN	Legal entities Industry
CSS	Legal entities Services

The table below presents the Group/Bank's loans commitments and financial guarantees net of provision outstanding as at 31 December 2023, split by stages:

	Group/Bank			
	Stage 1	Stage 2	Stage 3	Total
Crediting commitments				
Exposure	4,083,060	215,208	48,775	**4,347,042**
Provision	21,080	5,591	2,529	**29,201**
Net crediting commitments	**4,061,980**	**209,616**	**46,245**	**4,317,842**
Guarantee commitments				
Exposure	1,792,627	292,304	42,929	**2,127,860**
Provision	7,949	2,440	5,261	**15,650**
Net guarantee commitments	**1,784,678**	**289,864**	**37,668**	**2,112,210**

The table below presents the Group/Bank's loans commitments and financial guarantees net of provision outstanding as at 31 December 2022, split by stages:

	Group/Bank				
	Stage 1	Stage 2	Stage 3	POCI	Total
Crediting commitments					
Exposure	4,055,681	334,753	53,300	13	**4,443,747**
Provision	19,998	4,956	6,936	3	**31,893**
Net crediting commitments	**4,035,683**	**329,797**	**46,364**	**10**	**4,411,854**
Guarantee commitments					
Exposure	1,581,223	319,441	57,714	-	**1,958,378**
Provision	4,478	2,208	6,993	-	**13,679**
Net guarantee commitments	**1,576,745**	**317,233**	**50,721**	**-**	**1,944,699**

(All amounts are in RON thousands unless otherwise stated)

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

The Group/Bank monitors the concentration of credit risk by geographical regions. An analysis of concentrations of credit risk exposures at the reporting date is shown below (amounts net of expected losses):

Group/Bank

	Gross exposure 31 December 2023	Adjustments for expected credit loss 31 December 2023	Net exposure 31 December 2023
Bucuresti-Ilfov	11,689,097	806,731	10,882,366
Center	2,297,128	167,895	2,129,233
North-East	3,255,792	158,086	3,097,706
North-West	4,780,444	219,892	4,560,552
South-East	4,507,935	186,807	4,321,128
South-Muntenia	2,755,733	123,379	2,632,354
South-West Oltenia	2,618,073	98,277	2,519,796
West	1,607,654	126,240	1,481,414
Total	**33,511,857**	**1,887,307**	**31,624,549**

	Gross exposure 31 December 2022	Adjustments for expected credit loss 31 December 2022	Net exposure 31 December 2022
Bucuresti-Ilfov	10,807,001	605,310	10,201,691
Center	2,015,138	157,048	1,858,090
North-East	2,902,297	100,919	2,801,378
North-West	4,389,404	241,794	4,147,610
South-East	4,262,371	164,636	4,097,735
South-Muntenia	2,501,975	179,428	2,322,547
South-West Oltenia	2,439,462	80,729	2,358,733
West	1,555,136	118,883	1,436,253
Total	**30,872,784**	**1,648,747**	**29,224,037**

(All amounts are in RON thousands unless otherwise stated)

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

The split of the Group/Bank's gross loans and advances to customers by class and category, as at 31 December 2023 (gross amounts):

Group/Bank

	Stage 1	Stage 2	Stage 3	POCI	Total
Individuals – personal needs loans fully collateralised with real estate collaterals	166,064	24,665	40,951	-	231,680
Individuals – personal needs loans without real estate collaterals or not fully covered	1,613,148	40,955	120,518	-	1,774,621
Individuals – Mortgage loans	6,271,045	544,376	85,956	-	6,901,377
Cards/Overdraft	459,849	5,305	15,609	-	480,763
Total loans for individuals	8,510,106	615,301	263,034	-	9,388,441
Legal entities Agriculture	2,635,037	306,470	204,874	-	3,146,381
Public local administrations	2,357,837	147,405	48,088	-	2,553,330
Legal entities Industry	4,369,540	830,104	362,409	123,649	5,685,702
Legal entities Commerce	2,717,940	422,356	235,383	-	3,375,679
Legal entities Construction	1,739,094	118,981	428,897	-	2,286,972
Legal entities Services	4,614,758	1,298,518	493,269	-	6,406,545
Bridge loans for subsides	615,530	42,982	10,295	-	668,807
Total corporate loans and advances	19,049,736	3,166,816	1,783,215	123,649	24,123,416
Total gross loans and advances	27,559,843	3,782,117	2,046,249	123,649	33,511,857
Collaterals	19,886,988	3,400,251	1,671,709	123,649	25,082,597

The collaterals value, presented in the tables from pages 50 – 63 includes the collaterals value accepted to be taken into account as a risk reducing factor in order to determine adjustments for expected losses; in case of loan with guarantees issued by guarantee funds/ Eximbank with terms regarding the risk sharing in the enforcement process of the other guarantees related to the loan, the value of the guarantees is the one resulted after pari-passu principle application.

(All amounts are in RON thousands unless otherwise stated)

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

The split of the Group/Bank's gross loans and advances to customers by class and category, as at 31 December 2022 (gross amounts):

Group/Bank

	Stage 1	Stage 2	Stage 3	POCI	Total
Individuals – personal needs loans fully collateralised with real estate collaterals	198,248	29,361	44,832	-	272,441
Individuals – personal needs loans without real estate collaterals or not fully covered	1,389,888	51,998	121,701	-	1,563,587
Individuals – Mortgage loans	6,613,963	633,834	58,440	-	7,306,237
Cards/Overdraft	341,791	6,358	15,801	-	363,950
Total loans for individuals	8,543,890	721,551	240,774	-	9,506,215
Legal entities Agriculture	2,085,004	286,618	200,785	-	2,572,407
Public local administrations	2,601,911	395,792	8,656	-	3,006,359
Legal entities Industry	3,852,526	526,713	353,693	115,948	4,848,880
Legal entities Commerce	2,218,137	259,830	250,086	-	2,728,053
Legal entities Construction	1,449,955	145,675	286,862	-	1,882,492
Legal entities Services	3,941,716	1,404,156	552,307	-	5,898,179
Bridge loans for subsides	404,880	20,728	4,591	-	430,199
Total corporate loans and advances	16,554,129	3,039,512	1,656,980	115,948	21,366,569
Total gross loans and advances	25,098,019	3,761,063	1,897,754	115,948	30,872,784
Collaterals	18,769,652	3,184,293	1,595,467	115,948	23,665,360

(All amounts are in RON thousands unless otherwise stated)

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

The Group/Bank's expected credit loss related to loans and advances to customers as at 31 December 2023:

	Group/Bank				
	Stage 1	Stage 2	Stage 3	POCI	Total
Individuals – personal needs loans fully collateralised with real estate collaterals	1,070	407	23,778	-	25,255
Individuals – personal needs loans without real estate collaterals or not fully covered	17,031	479	57,597	-	75,108
Individuals – Mortgage loans	8,183	3,485	32,559	-	44,227
Cards/Overdraft	3,421	124	9,254	-	12,799
Total adjustments for expected credit loss for individuals	29,705	4,495	123,188	-	157,389
Legal entities Agriculture	27,679	12,013	118,562	-	158,254
Public local administrations	23,578	1,474	11,261	-	36,313
Legal entities Industry	88,773	81,898	198,645	64,552	433,869
Legal entities Commerce	31,488	22,958	140,033	-	194,479
Legal entities Construction	35,947	4,501	277,201	-	317,649
Legal entities Services	97,029	172,294	313,563	-	582,886
Bridge loans for subsides	289	28	6,152	-	6,469
Total adjustments for expected credit loss for companies	304,783	295,166	1,065,417	64,552	1,729,919
Total adjustments for expected credit loss	334,489	299,661	1,188,605	64,552	1,887,307
Gross loans and advances to clients	27,559,843	3,782,117	2,046,249	123,649	33,511,857
Net loans and advances to clients	27,225,354	3,482,456	857,643	59,097	31,624,550

(All amounts are in RON thousands unless otherwise stated)

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

The Group/Bank's expected credit loss related to loans and advances provided to customers as at 31 December 2022:

	Group/Bank				
	Stage 1	Stage 2	Stage 3	POCI	Total
Individuals – personal needs loans fully collateralised with real estate collaterals	1,415	510	23,353	-	25,278
Individuals – personal needs loans without real estate collaterals or not fully covered	11,258	697	64,727	-	76,682
Individuals – Mortgage loans	6,420	3,746	21,893	-	32,059
Cards/Overdraft	2,712	185	10,904	-	13,801
Total adjustments for expected credit loss for individuals	21,805	5,138	120,877	-	147,820
Legal entities Agriculture	14,361	11,361	113,883	-	139,605
Public local administrations	26,042	3,955	2,793	-	32,790
Legal entities Industry	74,252	51,707	228,566	35,522	390,047
Legal entities Commerce	26,727	15,633	135,122	-	177,482
Legal entities Construction	22,005	9,338	160,573	-	191,916
Legal entities Services	79,234	172,001	313,760	-	564,995
Bridge loans for subsides	179	18	3,895	-	4,092
Total adjustments for expected credit loss for companies	242,800	264,013	958,592	35,522	1,500,927
Total adjustments for expected credit loss	264,605	269,151	1,079,469	35,522	1,648,747
Gross loans and advances to clients	25,098,019	3,761,063	1,897,754	115,948	30,872,784
Net loans and advances to clients	24,833,414	3,491,912	818,285	80,426	29,224,037

(All amounts are in RON thousands unless otherwise stated)

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

Presentation of the Group/Bank's loan commitments given as at 31 December 2023:

	Group/Bank			
31 December 2023	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Individuals – personal needs loans without real estate collaterals or not fully covered	76,492	62	48	76,603
Individuals – personal needs loans fully collateralised with real estate collaterals	34	-	-	34
Individuals – Mortgage loans	35,267	51	-	35,318
Cards/Overdraft	549,340	6,432	1,784	557,556
Gross total for individuals	661,133	6,546	1,832	669,511
Provision	720	44	67	831
Net total individuals	660,413	6,502	1,765	668,511
Legal entities Agriculture	848,923	48,702	13,082	910,707
Public local administrations	156,960	3,546	23,660	184,167
Legal entities Industry	573,698	66,153	689	640,540
Legal entities Commerce	477,740	58,098	441	536,280
Legal entities Construction	684,824	13,625	4,546	702,995
Legal entities Services	651,003	18,210	4,524	673,737
Bridge loans for subsides	28,778	327	-	29,106
Gross total corporate	3,421,927	208,662	46,943	3,677,531
Provision	20,360	5,548	2,462	28,370
Net total corporate	3,401,567	203,114	44,480	3,649,161
Gross total	4,083,060	215,208	48,775	4,347,042
Provision	21,080	5,591	2,529	29,201
Net total	4,061,980	209,616	46,245	4,317,842

Presentation of the Group/Bank's financial guarantees given as at 31 December 2023:

	Group/Bank			
31 December 2023	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Financial guarantees given	1,792,627	292,304	42,929	2,127,860
Provision	7,949	2,440	5,261	15,650
Net total	1,784,678	289,864	37,668	2,112,210

(All amounts are in RON thousands unless otherwise stated)

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

Presentation of the Group/Bank's loan commitments given as at 31 December 2022:

	Group/Bank			
31 December 2022	Stage 1	Stage 2	Stage 3	Total
Individuals – personal needs loans without real estate collaterals or not fully covered	37,595	82	19	37,696
Individuals – Mortgage loans	47,828	64	-	47,892
Cards/Overdraft	434,103	6,840	2,478	443,421
Gross total for individuals	519,526	6,986	2,497	529,009
Provision	538	52	89	679
Net total individuals	518,988	6,934	2,408	528,330
Legal entities Agriculture	858,549	120,263	8,249	987,061
Public local administrations	112,714	51,952	-	164,666
Legal entities Industry	780,368	54,758	21,263	856,389
Legal entities Commerce	508,683	15,454	1,219	525,356
Legal entities Construction	502,009	20,697	8,040	530,746
Legal entities Services	760,492	64,386	12,045	836,923
Bridge loans for subsides	13,340	257	-	13,597
Gross total corporate	3,536,155	327,767	50,816	3,914,738
Provision	19,460	4,904	6,850	31,214
Net total corporate	3,516,695	322,863	43,966	3,883,524
Loans to credit institutions	4,055,681	334,753	53,313	4,443,747
Gross total	19,998	4,956	6,939	31,893
Provision	4,035,683	329,797	46,374	4,411,854
Net total	37,595	82	19	37,696

Presentation of the Group/Bank's financial guarantees given as at 31 December 2022:

	Group/Bank			
31 December 2022	Stage 1	Stage 2	Stage 3	Total
Financial guarantees given	1,581,223	319,441	57,714	1,958,378
Provision	4,478	2,208	6,993	13,679
Net total	1,576,745	317,233	50,721	1,944,699

(All amounts are in RON thousands unless otherwise stated)

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

(i) The Group/Bank's loans and advances to customers for which credit risk has not increased significantly since initial recognition (Stage 1):

Group/Bank				
Internal rating **31 December 2023**	**Low risk**	**Moderate risk**	**Total**	**Of which 1-30 days**
Individuals – personal needs loans fully collateralised with real estate collaterals	157,615	8,449	166,064	6,734
Individuals – personal needs loans without real estate collaterals or not fully covered	1,356,762	256,386	1,613,148	60,767
Individuals – Mortgage loans	5,876,937	394,108	6,271,045	18,069
Cards/Overdraft	405,598	54,251	459,879	12,055
Total gross loans to individuals	7,796,912	713,194	8,510,106	97,625
Adjustment for expected credit loss for individuals	26,037	3,668	29,705	592
Total net loans to individuals	**7,770,875**	**709,526**	**8,480,401**	**97,033**
Legal entities Agriculture	2,188,775	446,262	2,635,037	64,587
Public local administrations	2,357,837	-	2,357,837	6,575
Legal entities Industry	4,164,681	204,859	4,369,540	35,393
Legal entities Commerce	2,375,186	342,754	2,717,940	54,277
Legal entities Construction	1,609,969	129,125	1,739,094	22,049
Legal entities Services	3,478,633	1,136,125	4,614,758	125,733
Bridge loans for subsides	528,863	86,667	615,530	19,155
Total loans to corporate	16,703,944	2,345,792	19,049,736	327,769
Adjustment for expected credit loss for companies	265,450	39,333	304,783	4,768
Total net loans to corporate	**16,438,494**	**2,306,459**	**18,744,953**	**323,001**
Total gross	24,500,856	3,058,986	27,559,842	425,394
Total adjustments for expected credit loss	291,487	43,001	334,488	5,360
Total net loans	**24,209,369**	**3,015,985**	**27,225,354**	**420,034**
Collaterals	17,440,862	2,446,126	19,886,988	300,741

(All amounts are in RON thousands unless otherwise stated)

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

	Group/Bank			
Internal rating	**Low risk**	**Moderate risk**	**Total**	**Of which 1-30 days**
31 December 2022				
Individuals – personal needs loans fully collateralised with real estate collaterals	187,528	10,720	198,248	10,819
Individuals – personal needs loans without real estate collaterals or not fully covered	1,127,966	261,922	1,389,888	60,943
Individuals – Mortgage loans	6,172,440	441,523	6,613,963	12,721
Cards/Overdraft	310,370	31,421	341,791	9,129
Total gross loans to individuals	7,798,304	745,586	8,543,890	93,612
Adjustment for expected credit loss for individuals	18,898	2,907	21,805	660
Total net loans to individuals	**7,779,406**	**742,679**	**8,522,085**	**92,952**
Legal entities Agriculture	1,816,683	268,321	2,085,004	89,616
Public local administrations	2,601,911	-	2,601,911	6,085
Legal entities Industry	3,311,902	540,624	3,852,526	192,487
Legal entities Commerce	2,098,552	119,585	2,218,137	45,455
Legal entities Construction	1,319,521	130,434	1,449,955	69,182
Legal entities Services	2,966,053	975,663	3,941,716	62,895
Bridge loans for subsides	366,844	38,036	404,880	5,500
Total loans to corporate	14,481,466	2,072,663	16,554,129	471,220
Adjustment for expected credit loss for companies	208,772	34,028	242,800	7,035
Total net loans to corporate	**14,272,694**	**2,038,635**	**16,311,329**	**464,185**
Total gross	22,279,770	2,818,249	25,098,019	564,832
Total adjustments for expected credit loss	227,670	36,935	264,605	7,695
Total net loans	**22,052,100**	**2,781,314**	**24,833,414**	**557,137**
Collaterals	16,572,254	2,197,398	18,769,652	368,702

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

During the analysis process, both qualitative factors (the quality of the shareholders, the assessment of the level of qualification and continuity within the company of the management, the concentration of the clients, the debtor's experience in managing the borrowed funds) and quantitative factors (current liquidity, solvency, return on turnover, general indebtedness, hedging rate) are considered.

Taking into account the qualitative and quantitative factors considered for the assessment of default risk, customers are classified at the time of granting loan in one of the five financial performance classes graded from A to E, where A is the best class, E - the worst class.

The financial performance of corporate clients is updated every 6 months based on updated financial statements In the case of individuals, the financial performance is determined on the basis of the scoring from the granting of the loan and is revalued during the course of the loans according to the information obtained regarding the fluctuation of income.

Stage 1 loans to customers in the top two financial performance classes (A and B) are considered low-risk loans, the other Stage I loans are considered to be moderate-risk loans.

(ii) Loans and advances for which credit risk has increased significantly since initial recognition but which are not impaired (Stage 2)

Based on past experience, outstanding loans with a debt service of more than 30 days at the end of the current month, or the debt service exceeded 30 days according to the new definition of "default", loans included in the observation list, restructured performing loans, the exposure of a client for which changes in the credit/client situation have been identified as compared to the situation at the credit granting date without these constituting a default event or predicting the non-recovery of the claim in full without recourse to collateral enforcement, are classified as loans for which credit risk has increased significantly since initial recognition if no impairment indicators have been identified leading to their classification as impaired loans.

Based on the internal collective assessment methodology, the Group determines adjustments for expected loss over the life of the loans for which credit risk has increased significantly since initial recognition.

(All amounts are in RON thousands unless otherwise stated)

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

The Group/Bank's gross amounts of loans and advances classified in Stage 2 based on debt service are as follows:

Group/Bank					
31 December 2023	**0 days**	**1-30 days**	**31 - 60 days**	**61- 90 days**	**Total**
Individuals – personal needs loans fully collateralised with real estate collaterals	17,253	5,282	1,779	351	24,665
Individuals – personal needs loans without real estate collaterals or not fully covered	11,849	7,038	11,970	10,098	40,955
Individuals – Mortgage loans	502,991	32,728	6,421	2,236	544,376
Cards/Overdraft	1,972	1,664	978	691	5,305
Total loans to individuals	534,065	46,712	21,148	13,376	615,301
Expected credit loss to individuals	3,734	414	243	104	4,495
Total net loans for individuals	**530,331**	**46,298**	**20,905**	**13,272**	**610,806**
Legal entities Agriculture	276,972	13,260	12,517	3,721	306,470
Public local administrations	130,093	-	109	17,203	147,405
Legal entities Industry	748,882	50,938	27,754	2,530	830,104
Legal entities Commerce	364,653	28,341	8,898	20,464	422,356
Legal entities Construction	109,571	3,802	903	4,705	118,981
Legal entities Services	1,234,108	55,543	3,418	5,449	1,298,518
Bridge loans for subsides	40,466	902	1,321	293	42,982
Total corporate loans	2,904,745	152,786	54,920	54,365	3,166,816
Expected credit loss to corporate	276,045	12,344	3,925	2,852	295,166
Total net loans for corporate	**2,628,700**	**140,442**	**50,995**	**51,513**	**2,871,650**
Total gross	3,438,810	199,498	76,068	67,741	3,782,117
Total expected credit loss	279,779	12,758	4,168	2,956	299,661
Total net loans	**3,159,031**	**186,740**	**71,900**	**64,785**	**3,482,456**
Collaterals	3,140,140	166,142	57,237	36,732	3,400,251

(All amounts are in RON thousands unless otherwise stated)

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

	Group/Bank				
31 December 2022	**0 days**	**1-30 days**	**31 - 60 days**	**61- 90 days**	**Total**
Individuals – personal needs loans fully collateralised with real estate collaterals	20,313	6,592	1,580	876	29,361
Individuals – personal needs loans without real estate collaterals or not fully covered	20,077	6,716	14,226	10,979	51,998
Individuals – Mortgage loans	584,688	36,700	8,448	3,998	633,834
Cards/Overdraft	2,553	2,160	997	648	6,358
Total loans to individuals	627,631	52,168	25,251	16,501	721,551
Expected credit loss to individuals	4,216	457	281	184	5,138
Total net loans for individuals	**623,415**	**51,711**	**24,970**	**16,317**	**716,413**
Legal entities Agriculture	261,471	15,871	7,738	1,538	286,618
Public local administrations	346,027	49,352	-	413	395,792
Legal entities Industry	514,681	3,742	6,547	1,743	526,713
Legal entities Commerce	210,213	1,693	18,010	29,914	259,830
Legal entities Construction	115,172	17,461	9,206	3,836	145,675
Legal entities Services	1,382,085	12,842	5,465	3,764	1,404,156
Bridge loans for subsides	20,483	245	-	-	20,728
Total corporate loans	2,850,132	101,206	46,966	41,208	3,039,512
Expected credit loss to corporate	253,426	4,444	3,225	2,918	264,013
Total net loans for corporate	**2,596,706**	**96,762**	**43,741**	**38,290**	**2,775,499**
Total gross	3,477,763	153,374	72,217	57,709	3,761,063
Total expected credit loss	257,642	4,901	3,506	3,102	269,151
Total net loans	**3,220,121**	**148,473**	**68,711**	**54,607**	**3,491,912**
Collaterals	3,006,495	93,004	45,356	39,438	3,184,293

(All amounts are in RON thousands unless otherwise stated)

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

(iii) The Group/Bank's depreciated loans and advances (Stage 3 and POCI), loans and advances to customers that present objective impairment indicators according to accounting policy 2.7 (vi):

31 December 2023	0 day	1-30 days	31-60 days	61-90 days	91-180 days	181-360 days	Over 360 days	Total
Individuals – personal needs loans fully collateralised with real estate collaterals	10,597	2,040	981	248	3,180	3,296	20,610	40,951
Individuals – personal needs loans without real estate collaterals or not fully covered	10,528	345	274	160	47,421	33,045	28,744	120,518
Individuals – Mortgage loans	21,776	1,061	445	289	7,228	18,564	36,593	85,956
Cards/Overdraft	9,477	55	56	93	1,165	1,913	2,850	15,609
Total gross loans to individuals	52,377	3,502	1,756	790	58,993	56,818	88,797	263,033
Expected credit loss to individuals	22,882	1,828	888	347	15,463	30,905	50,876	123,188
Total net loans for individuals	**29,495**	**1,673**	**868**	**443**	**43,530**	**25,914**	**37,921**	**139,845**
Legal entities Agriculture	46,026	1,941	80	-	23,927	26,038	107,492	204,874
Public local administrations	46,765	-	-	-	-	-	1,323	48,088
Legal entities Industry	28,022	144,225	1,012	46	73,479	15,368	223,907	486,058
Legal entities Commerce	71,659	3,897	5,472	6,421	10,365	29,198	108,371	235,383
Legal entities Construction	94,436	1,328	44,286	1,887	26,373	60,664	199,923	428,897
Legal entities Services	92,318	45,519	1,065	13,024	81,004	75,972	184,367	493,269
Bridge loans for subsides	3,012	100	-	-	263	5,905	1,016	10,295
Total gross loans to corporate entities	382,237	197,009	51,915	21,377	214,781	213,146	826,399	1,906,865
Expected credit loss to corporate	187,550	91,754	41,411	9,179	101,889	129,463	568,723	1,129,969
Total net loans for corporate	**194,687**	**105,255**	**10,504**	**12,198**	**112,893**	**83,683**	**257,676**	**776,897**
Total gross	434,614	200,511	53,671	22,168	273,774	269,964	915,196	2,169,898
Total expected credit loss	210,431	93,582	42,299	9,526	117,351	160,368	619,599	1,253,157
Total net loans	**224,183**	**106,928**	**11,372**	**12,641**	**156,423**	**109,597**	**295,597**	**916,741**
Collaterals	400,190	198,477	31,515	19,039	179,265	195,869	771,002	1,795,357

(All amounts are in RON thousands unless otherwise stated)

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

31 December 2022	0 day	1-30 days	31-60 days	61-90 days	91-180 days	181-360 days	Over 360 days	Total
Individuals – personal needs loans fully collateralised with real estate collaterals	9,415	3,124	747	555	3,613	5,444	21,934	44,832
Individuals – personal needs loans without real estate collaterals or not fully covered	11,147	277	395	375	38,679	33,003	37,825	121,701
Individuals – Mortgage loans	17,334	1,600	179	677	9,431	6,544	22,675	58,440
Cards/Overdraft	7,786	241	59	76	1,537	2,739	3,363	15,801
Total gross loans to individuals	45,682	5,242	1,380	1,683	53,260	47,730	85,797	240,774
Expected credit loss to individuals	20,466	2,238	407	577	15,895	27,512	53,782	120,877
Total net loans for individuals	**25,216**	**3,004**	**973**	**1,106**	**37,365**	**20,218**	**32,015**	**119,897**
Legal entities Agriculture	19,846	19,684	1,500	3,762	9,162	52,913	93,918	200,785
Public local administrations	1,433	-	-	-	6,893	-	330	8,656
Legal entities Industry	247,620	1,701	1,336	1,095	11,030	89,264	117,595	469,641
Legal entities Commerce	99,092	51,018	899	2,570	37,325	19,088	40,094	250,086
Legal entities Construction	82,404	45	-	80	86,222	67,840	50,271	286,862
Legal entities Services	240,449	11,713	13,415	28,255	73,578	70,719	114,178	552,307
Bridge loans for subsides	1,377	19	-	-	-	182	3,013	4,591
Total gross loans to corporate entities	692,221	84,180	17,150	35,762	224,210	300,006	419,399	1,772,928
Expected credit loss to corporate	310,419	23,450	10,487	20,079	94,941	195,082	339,656	994,114
Total net loans for corporate	**381,802**	**60,730**	**6,663**	**15,683**	**129,269**	**104,924**	**79,743**	**778,814**
Total gross	737,903	89,422	18,530	37,445	277,470	347,736	505,196	2,013,702
Total expected credit loss	330,885	25,688	10,894	20,656	110,836	222,594	393,438	1,114,991
Total net loans	**407,018**	**63,734**	**7,636**	**16,789**	**166,634**	**125,142**	**111,758**	**898,711**
Collaterals	685,731	81,390	18,106	36,210	210,861	247,998	431,119	1,711,415

Upon initial recognition of loans and advances, the fair value of collateral is based on valuation techniques commonly used for the corresponding assets. In subsequent periods, the fair value is updated by reference to market price or indexes of similar assets.

Fair value of the real estate and other type (inventory or equipment) collaterals at the end of the reporting period was estimated through haircuts applied to the value established by internal Valuation Department of the Bank. Applied haircuts depend on type of collateral, date of latest collateral valuation report, client's legal procedures (if any), collateral location, selling costs and time to sell.

(All amounts are in RON thousands unless otherwise stated)

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

The types of collaterals accepted by the Group/Bank as at 31 December 2023 are presented in the table below:

Type of collateral	Collateral value	(%)	Collaterals for balance sheet exposures	Collaterals for off balance sheet exposures
Guarantees received from public administration and related entities	7,580,466	27,46	7,580,466	-
Guarantees received from other financial Institutions	204,377	0,74	203,084	1,293
Real estate	15,751,279	57,05	14,587,352	1,163,927
Pledge over (movable assets, inventory, cash collateral)	3,181,521	11,52	2,711,694	469,827
Other (assignment of receivables)	892,015	3,23	554,015	338,000
Total	27,609,658	100,00	25,636,611	1,973,047

The types of collaterals accepted by the Group/Bank as at 31 December 2022 are presented in the table below:

Type of collateral	Collateral value	(%)	Collaterals for balance sheet exposures	Collaterals for off balance sheet exposures
Guarantees received from public administration and related entities	5,233,568	20.20	5,233,568	-
Guarantees received from other financial Institutions	185,128	0.71	175,790	9,338
Real estate	16,237,799	62.67	14,879,589	1,358,210
Pledge over (movable assets, inventory, cash collateral)	3,568,666	13.77	2,771,931	796,735
Other (assignment of receivables)	685,570	2.65	515,216	170,354
Total	25,910,731	100	23,576,094	2,334,637

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

Analysis of the impact of the economic turbulences on the loan portfolio and on the evolution of the financial market

The Group/Bank has identified trends, uncertainties, demands, commitments or events that are reasonably likely to have a negative impact on the loan portfolio, like:

• The ongoing Russian-Ukrainian war has a lasting impact on the future economic growth in the region and has prompted the European Union institutions to actively change the strategic development plans in the energy sector with consequences on the EU funds size which have been complemented by the new EU funds package (Next GenerationEU). However, the new strategy comes with new rules that are still currently under discussion, but which are expected to affect in the short term the economic growth dynamics in the region, mainly because of the conditioning to reduce the energy consumption in EU in the very short term. Considering pre-existing supply chain problems and high inflation which drives up costs, the macroeconomic context is expected to translate into reduced credit demand, savings' pace and altogether slower business activity of the banking sector. Therefore, the ability of some customers to repay their loans is also being affected and the current trend of lower non-performing loans ("NPL") rate in the Romanian banking sector could be reversed.

• In terms of general trends regarding the financial services industry, the sector is mainly impacted by the uncertainty of the future macroeconomic environment development, in the context of the ongoing war and adverse effects brought by the geopolitical context – increasing inflationary pressures and the prolonged period of elevated interest rate. The activity in the financial services sector is affected by the instability and volatility on the financial markets, and by the potential general economic downturn, for which the probability has risen in the past months, based on the high frequency indicators in the Eurozone. The initial effect of higher interest rates has a positive impact on the net interest income of the banking sector. However, this development could be more than offset by lower extension of credit, higher risk costs, to which we add the negative impact from mark-to-market of securities held at fair value through profit or loss or through other comprehensive income.

Assumptions and techniques used in estimating adjustments for expected credit losses:

As at 31 December 2023, the average probability of default over 12 months estimated for the loan portfolio and used for determining adjustments for expected credit loss (before applying the post model adjustment coefficients presented on page 68) is:

(All amounts are in RON thousands unless otherwise stated)

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

	Group	12-month average
CAG (Legal entities Agriculture)	CAG	2.96%
CAP (Public local administrations)	CAP	1.40%
CCM (Legal entities Commerce)	CCM	4.61%
CCO (Legal entities Construction)	CCO	6.14%
CIN (Legal entities Industry)	CIN	5.60%
CSA (Individuals – fully collateralised personal needs loans)	CSA	2.79%
CSN (Individuals – personal needs loans without collateral or not fully covered)	CSN	3.12%
CSS (Legal entities Services)	CSS	5.74%
CTS (Bridge loans for subsidies)	CTS	0.55%
IP (Individuals – Mortgage loans)	IP	0.36%
OW (Cards/Overdraft)	OW	2.92%

The macroeconomic indicators used to adjust the observed PD curves are:

1. Models for loans to private individuals
   - change in GDP, 6 months lag;
   - net average salary growth, adjusted with the inflation rate, 6 months lag.
2. Models for loans to legal entities
   - change in GDP, 6 months lag;
   - ROBOR 3M rate, 12 months lag.

To compute the cumulative probability of default curve (cPD) by incorporating the current forecasts for the macroeconomic indicators, the following scenarios have been used:

- base scenario with a probability of 60% taking into account the GDP, average net salary and ROBOR 3M rate as follows:

  - for GDP: estimates as per WORLD BANK Global Economic Prospects January 2024, for 2024 economic growth of 3.30% and economic growth of 3.80% in 2025;

  - an increase in the average net salary adjusted with inflation, in 2024 equal to the average growth in the last 10 years and in 2025 equal to 75% of the average growth in the last 10 years, respectively increase of 3.88% in 2024 and increase of 4.19% in 2025;

  - ROBOR 3M rate – internal forecast provided by the Strategy and Macroeconomic Analysis Department.

- downside scenario with a probability of 30% taking into account the GDP, average net salary and ROBOR 3M rate as follows:

(All amounts are in RON thousands unless otherwise stated)

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

- for GDP, the base scenario shifted downwards by 0.5 standard deviations (based on GDP evolution between 2005- 2023), for 2024 economic growth of 1.46% and economic growth of 1.96% in 2025;

- an increase in the average net salary adjusted with inflation, in 2024 75% of the average growth in the last 10 years and in 2025 equal to the minimum growth in the last 10 years, respectively decrease of 0.11% in 2024 and decrease of 0.92% in 2025;

- ROBOR 3M rate – the base scenario shifted upwards by the uncertainty interval of the inflation forecast.

- upside scenario with a probability of 10% taking into account the GDP, average net salary and ROBOR 3M rate as follows:

- for GDP, the base scenario shifted upwards by 0.25 standard deviations (based on GDP evolution between 2005- 2023), for 2024 economic growth of 4.22% and economic growth of 4.72% in 2025;

- an increase in the average net salary adjusted with inflation - annual growth equal to the average growth in the last 10 years, respectively increase of 5.50% in 2024 and increase of 9.20% in 2025;

- ROBOR 3M rate – the base scenario shifted downwards by the uncertainty interval of the inflation forecast.

Expected evolution of GDP

Scenario	Probability	2023	2024	2025
Scenario 1	30%	1.80%	1.46%	1.96%
Scenario 2	60%	1.80%	3.30%	3.80%
Scenario 3	10%	1.80%	4.22%	4.72%

Expected evolution of ROBOR 3M

Scenario	31.12.2023	31.03.2024	30.06.2024	30.09.2024	31.12.2024	31.03.2025	30.06.2025	30.09.2025	31.12.2025
Scenario 1	6.22%	7.17%	7.32%	7.42%	7.12%	7.52%	7.12%	6.62%	6.37%
Scenario 2	6.22%	6.17%	5.92%	5.42%	4.92%	5.22%	4.72%	4.22%	3.97%
Scenario 3	6.22%	5.27%	4.42%	3.52%	2.72%	2.92%	2.32%	1.82%	1.57%

Expected evolution of inflation

Scenario	31.12.2023	31.03.2024	30.06.2024	30.09.2024	31.12.2024	31.03.2025	30.06.2025	30.09.2025	31.12.2025
Scenario 1	8.00%	8.70%	8.20%	7.70%	7.00%	5.90%	6.00%	5.70%	5.70%
Scenario 2	7.50%	7.70%	6.80%	5.70%	4.80%	3.60%	3.60%	3.30%	3.30%
Scenario 3	7.00%	6.80%	5.30%	3.80%	2.60%	1.30%	1.20%	0.90%	0.90%

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

Expected evolution of the average net salary

Scenario	2023	2024	2025
Scenario 1	14.62%	7.78%	4.85%
Scenario 2	14.62%	10.38%	7.78%
Scenario 3	14.62%	10.38%	10.38%

Expected evolution of the average net salary adjusted with inflation

Scenario	2023	2024	2025
Scenario 1	3.82%	-0.11%	-0.92%
Scenario 2	3.94%	3.88%	4.19%
Scenario 3	4.06%	5.50%	9.20%

In addition to the inherent estimation uncertainty, the economic effects of the pandemic and the Russian-Ukrainian war have caused increased uncertainties, in particular regarding macroeconomic forecasts and their probabilities of occurrence, and therefore actual results may differ materially from the estimated ones. The Group believes that these forecasts represent the best estimate of possible results.

Sensitivity analysis of adjustments for expected losses determined by considering 100% probability for each scenario as at 31.12.2023 (RON thousand):

Balance sheet exposure	Actual	Base scenario 100%	Upside scenario 100%	Downside scenario 100%
Individuals	9,388,441	9,388,441	9,388,441	9,388,441
Corporate entities	24,123,416	24,123,416	24,123,416	24,123,416
Total	33,511,857	33,511,857	33,511,857	33,511,857

Adjustments for expected credit losses	Actual	Base scenario 100%	Upside scenario 100%	Downside scenario 100%
Individuals	157,389	156,845	155,874	159,490
Legal entities	1,729,919	1,722,811	1,708,260	1,752,184
Total	1,887,307	1,879,656	1,864,133	1,911,674

Variables added to the parameter estimation models – ROBOR 3M interest rate and the increase of the average net salary adjusted with inflation – allow a more accurate evaluation of the impact on borrowers caused by the rising inflation and interest rates.

Considering the perspective of the economic situation in the context of the increase in energy/ gas prices, as well as the difficulties in the supply/ distribution chain, the Russian-Ukrainian war, the

(All amounts are in RON thousands unless otherwise stated)

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

increase in inflation and the prolonged period of elevated interest rates, the Bank made some adjustments to the post-model expected credit loss ratios for loans classified in S1 and S2.
Overlay coefficients for loans classified in S2 were validated based on updated information at the end of 2023.
The level of the coefficients was similar to the one estimated for 31.12.2022.
For the loans classified as S1, there were introduced overlay coefficients for the portfolios for which, during 2023, the default observed rates were significantly above the probability of default estimated in December 2022; the value of 1.5 was determined as an average level of exceeding the probabilities estimated by the realized rates (exceeding in the range 1.2-1.7)
The bank used the following post model adjustment coefficients of expected credit losses for exposures classified as S1 and S2:

Homogenous portfolio	ECL adjustment coefficient S1	ECL adjustment coefficient S2
CSS (Legal entities Services)		2.52
CIN (Legal entities Industry)		2.25
CCO (Legal entities Construction)	1.5	2.25
CCM (Legal entities Commerce)		2.25
CAG (Legal entities Agriculture)	1.5	2.25
CAP (Public local administrations)		2.25
CSN (Individuals – personal needs loans without real estate collaterals or not fully covered)	1.5	
IP (Individuals – Mortgage loans)	1.5	

The quantitative effect of the post model adjustment coefficients was an increase in expected loss adjustments by approx. RON 200.96 million

For individuals, the expectations of interest rate increases were taken into account in the classification of performing exposures. The impact of a 3 pp increase in benchmark rates was reflected in the increase in the level of indebtedness. A significant increase in credit risk is expected when:

- for unsecured loans, the monthly payment instalment increases by more than RON 150;
- for secured loans granted as of the beginning of 2019, the monthly payment instalment increases by more than RON 500 and the level of indebtedness exceeds 60%.

(All amounts are in RON thousands unless otherwise stated)

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

Based on these criteria, a total exposure of RON 544.69 million was classified in Stage 2 with an increase in adjustments for expected losses of approx. RON 3.72 million. As at 31.12.2023 the total exposure decreased to RON 456,34 million, of which RON 3,70 million migrated to Stage 3.
Assumptions and techniques used in estimating adjustments for expected credit losses:
The 12-month average probability of default, estimated at the level of the loan portfolio as at 31.12.2022 and used to determine the adjustments for expected losses (before applying the post model adjustment coefficients presented on page 71) is:

	Group	12-month average
CAG (Legal entities Agriculture)	CAG	2.91%
CAP (Public local administrations)	CAP	1.35%
CCM (Legal entities Commerce)	CCM	4.62%
CCO (Legal entities Construction)	CCO	6.13%
CIN (Legal entities Industry)	CIN	5.36%
CSA (Individuals – personal needs loans fully collateralised with real estate collaterals)	CSA	3.06%
CSN (Individuals – personal needs loans without real estate collaterals or not fully covered)	CSN	3.60%
CSS (Legal entities Services)	CSS	5.58%
CTS (Bridge loans for subsides)	CTS	0.54%
IP (Individuals – Mortgage loans)	IP	0.39%
OW (Cards/Overdraft)	OW	3.19%

The macroeconomic indicators used to adjust the observed PD curves were:

1. Models for loans to private individuals
   - change in GDP, 6 months lag;
   - net average salary growth, adjusted with the inflation rate, 6 months lag.
2. Models for loans to legal entities
   - change in GDP, 6 months lag;
   - ROBOR 3M rate, 12 months lag.

To compute the cumulative probability of default curve (cPD) by incorporating the current forecasts for the macroeconomic indicators, the following scenarios were used :
- base scenario with a probability of 60% taking into account the GDP, average net salary and ROBOR 3M rate as follows:

- for GDP: estimates as per WORLD BANK Global Economic Prospects January 2023, for 2023 economic growth of 2,6% and economic growth of 4,2% in 2024;

- an increase in the average net salary adjusted with inflation, in 2023 equal to the average growth in the last 10 years and in 2024 equal to 75% of the average growth in the last 10 years, respectively decrease of 0,18% in 2023 and increase of 2,17% in 2024;

- ROBOR 3M rate – internal forecast provided by the Strategy and Macroeconomic Analysis Department.

3 **FINANCIAL RISK MANAGEMENT (CONTINUED)**

- downside scenario with a probability of 30% taking into account the GDP, average net salary and ROBOR 3M rate as follows:

  - for GDP, the base scenario shifted downwards by 0.5 standard deviations (based on GDP evolution between 2005-2022), for 2023 economic growth of 0,73% and economic growth of 2,33% in 2024;

  - an increase in the average net salary adjusted with inflation, in 2023 75% of the average growth in the last 10 years and in 2024 equal to the minimum growth in the last 10 years, respectively decrease of 3,50% in 2023 and decrease of 2,42% in 2024;

  - ROBOR 3M rate – the base scenario shifted upwards by the uncertainty interval of the inflation forecast.

- upside scenario with a probability of 10% taking into account the GDP, average net salary and ROBOR 3M rate as follows:

  - for GDP, the base scenario shifted upwards by 0.25 standard deviations (based on GDP evolution between 2005-2022), for 2023 economic growth of 3,53% and economic growth of 5,13% in 2024;

  - an increase in the average net salary adjusted with inflation - annual growth equal to the average growth in the last 10 years, respectively increase of 0,94% in 2023 and increase of 6,88% in 2024;

  - ROBOR 3M rate – the base scenario shifted downwards by the uncertainty interval of the inflation forecast.

In addition to the inherent estimation uncertainty, the economic effects of the pandemic have caused increased uncertainties, in particular, regarding macroeconomic forecasts and their probabilities of occurrence, and therefore actual results may differ materially from those estimated. The Bank believes that these forecasts represent the best estimate of possible results.

Sensitivity analysis of adjustments for expected losses determined by changes in macroeconomic factors as at 31.12.2022 (RON thousand):

Balance sheet exposure	**Actual**	**Base scenario 100%**	**Upside scenario 100%**	**Downside scenario 100%**
Individuals	9,595,665	9,595,665	9,595,665	9,595,665
Corporate entities	21,619,858	21,619,858	21,619,858	21,619,858
Total	31,215,523	31,215,523	31,215,523	31,215,523
Adjustments for expected credit losses	**Actual**	**Base scenario 100%**	**Upside scenario 100%**	**Downside scenario 100%**
Individuals	139,009	138,375	137,604	140,437
Legal entities	1,497,478	1,490,212	1,477,474	1,516,354
Total	1,636,487	1,628,587	1,615,078	1,656,791

(All amounts are in RON thousands unless otherwise stated)

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

Considering the perspective of the economic situation in the context of the increase in energy/gas prices, as well as the difficulties in the supply/distribution chain, the Bank made some adjustments to the model for estimating expected credit losses, namely the application of some post-model coefficients for adjusting expected credit losses for loans classified in S2 depending on the industry risk.

The bank used the following post model adjustment coefficients of expected credit losses for exposures classified S2:

Homogenous portfolio	ECL adjustment coefficient S2
CSS (Legal entities Services)	2.52
CIN (Legal entities Industry)	2.25
CCO (Legal entities Construction)	2.25
CCM (Legal entities Commerce)	2.25
CAG (Legal entities Agriculture)	2.25
CAP (Public local administrations)	2.25

The quantitative effect of the post model adjustment coefficients was an increase in expected loss adjustments by approx. RON 152.65 million.

For individuals, the expectations of interest rate increases were taken into account in the classification of performing exposures. The impact of a 3 pp increase in benchmark rates was reflected in the increase in the level of indebtedness. A significant increase in credit risk is expected when:

- for unsecured loans, the monthly payment instalment increases by more than RON 150;
- for secured loans granted as of the beginning of 2019, the monthly payment instalment increases by more than RON 500 and the level of indebtedness exceeds 60%.

Based on these criteria, a total exposure of RON 544.69 million was classified in Stage 2 as at 30.06.2022, with an increase in adjustments for expected losses of approx. RON 3.72 million. As at 31.12.2022 the total exposure decreased to RON 523.38 million, of which RON 1.63 million migrated to Stage 3.

(All amounts are in RON thousands unless otherwise stated)

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

Residential mortgage lending

The tables below classify credit exposures from mortgage loans and advances to retail customers, (including the consumer loans secured by mortgage) by ranges of loan-to-value (LTV) ratio. LTV is calculated as the ratio of the gross amount of the loan – or the amount committed for loan commitments – to the value of the collateral. The gross amounts exclude any expected credit loss. The value of the collateral excludes any adjustments for obtaining and selling the collateral. The value of the collateral for residential mortgage loans is the fair value that is determined at least once every three years based on evaluation reports.
The Group/Bank's ratio between loans and related real estate guarantees (loan-to-value-LTV) at 31 December 2023:

LTV	Balance sheet exposure	Off balance sheet exposure
< 60%	2,471,339	1,600
61-80%	2,850,668	2,729
81-100%	1,568,497	1,903
101-120%	31,182	179
121-140%	4,253	112
> 140%	23,647	1,354
Total	6,949,587	7,876

The Group/Bank's ratio between loans and related real estate guarantees (loan-to-value-LTV) at 31 December 2022:

LTV	Balance sheet exposure	Off balance sheet exposure
< 60%	2,111,265	1,698
61-80%	3,069,418	3,132
81-100%	2,133,940	2,117
101-120%	39,980	216
121-140%	5,480	636
> 140%	22,254	464
Total	7,382,337	8,263

The Group holds collaterals for loans and advances granted to clients in the form of collateral deposits, mortgages over property, guarantees and other pledges over equipment or future collections. Fair value estimates take into account the value of the guarantee assessed as at the date of the loan and subsequently updated in accordance with the Group's internal policy. In case of collective expected credit loss assessment, the model accounts for recovery rates which are estimated based on historical recovery information. Generally, no guarantees are used for loans and advances granted to banks.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

Loans with renegotiated terms

Restructuring activities include agreements regarding postponed payments and approved external management plans. The decision regarding the restructuring of credit facilities is based on the economic and financial analysis of corporate clients (based on the latest financial information held), and on the analysis of future payments or on the repayment capacity of the individuals (based on documents reflecting net realised income).

Restructuring policies and practices are based on ratios or criteria which, in the opinion of management, indicate the probability that payments continue in the future. These policies are reviewed continuously. Specialised departments analyse and approve, according to internal regulations the restructuring, the proposals submitted by the Bank units and then send them for approval to the Restructuring Committee/Head Quarter Credit Committee depending upon Bank's exposure to the client/group of connected clients. Subsequent to restructuring, the Bank regularly monitors the restructured loans on a case by case basis.

As at 31 December 2023, the gross carrying amount of restructured loans is RON 1,987,506 thousand (31 December 2022: RON 1,729,157 thousand), out of which RON 1, 215.113 thousand loans neither past due nor impaired (31 December 2022: RON 1,011,735 thousand).

Repossessed collaterals

During 2023, the Group did not took over property in its patrimony on the basis of Law no. 77/2016 on the payment of some buildings in order to settle the obligations assumed by credits (during 2022, the Group took over property in the amount of RON 99 thousand).

The Group has recognised as inventory as at 31 December 2022 in amount of RON 3,859 thousand (31 December 2021: RON 3,760 thousand) assets taken into patrimony or from the execution of collaterals from loans granted to clients.

Investment securities

The Investment securities included in the Bank's portfolio are financial assets at fair value through other comprehensive income and financial assets measured at amortized cost (government bonds and treasury bills) and have a low credit risk.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

The rating for Romania's long term debt confirmed by Fitch in 2024 in local currency is "BBB-", with a stable outlook, the F3 qualification was confirmed for debts on short term and also the country rating "BBB+".

Also the rating for Romania's long term debt confirmed by Fitch in 2023 in local currency is "BBB-", with a stable outlook, the F3 qualification was confirmed for debts on short term and also the country rating "BBB+".

Each of the rating agencies use different rating scales and the "BBB-" rating with a stable outlook is assigned by Fitch and also by S&P and the "Baa3" rating with a stable outlook is assigned by Moody's. According to internal procedures, the short term and long term ratings provided by the three agencies in the report are utilised in the sense that, based on them, the analysed credit institutions are classified according to their risk classes assigned by the Bank.

Loans and advances to banks

The exposure related to loans and advances to banks is neither past due, nor impaired.

The Group is making short term deposits with banks in the day to day activity in order to manage the cash surplus. The quality of the counterparties is regularly assessed in order to mitigate the credit risk and the management of the Bank approves the exposure limits for each counterparty.

For the determination of exposure limits to credit institutions, their financial information (in the case of Romanian banks) and ratings issued by international rating agencies, in conjunction with financial information (in the case of credit institutions, foreign legal entities and Romanian legal entities with foreign parent banks), is used, leading to risk classes allocation.

The credit institutions (with their respective ratings) with which the Bank has current accounts, deposits and loans and advances are the following:

(All amounts are in RON thousands unless otherwise stated)

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

Loans and advances to banks and public institutions – neither past due not impaired		31 December 2023 Total balance	31 December 2022 Total balance	Rating 31 December 2023 Short/Long term	Rating 31 December 2022 Short/Long term
Current account due from other banks	ING Bank	7,788	196,785	A-1/A+	A-1/A+
	Barclays Bank	16,677	4,890	F1/A+	F1/A+
	Commerzbank	16,095	18,605	P-1/A1	P-1/A1
	Societe Generale, Paris	480,136	342,912	P-1/A1	P-1/A1
	State Treasury	1,541	99	BBB-/A-3	BBB-/A-3
	PKO Bank Polski, Varsovia	568	18	P-1/A2	P-1/A2
	OTP Bank Budapesta	898	605	P-2/Baa1	P-2/Baa1
	ING Bank-Olanda	57,363	-	F1+/AA-	
	CITIBANK NY	41,406		F1/A+	
	Other	15,696	7,909	without rating	without rating
Deposits due from other banks	DEUTSCHE BANK AG	248,937	-	F2/A-	
	Barclays Bank	48,839	47,608	F1/A+	F1/A+
	TECHVENTURES BANK SA	9,953	-	without rating	
	Credit Europe Bank NV	272,817	-	B / BB-	
	State Treasury	5,506,366	5,005,164	BBB-/A-3	BBB-/A-3
	SMBC BANK EU AG, FRANKFURT	647,087	-	F1/A-	F2/BBB
	PATRIA BANK	79,619	-	without rating	without rating
	BCR	54,629	-	F2/BBB+	
	BRD	173,819	-	F2/BBB+	
	Banca Transilvania SA	247,858	-	B/BB+	B/BB+
	GARANTI BANK	49,530	-	B/BB-	B/BB-
	IDEA BANK	-	24,803	without rating	without rating
Collateral deposits due from other banks	HSBC Bank London	612	601	F1+/AA-	F1+/AA-
	COMMERZBANK	-	1	P-1/A1	P-1/A1
	JP Morgan Securities	2,811	13,868	F1+/AA	F1+/AA
	JP MORGAN FRANKFURT	3,391	-	F1/AA	
	BCR	-	4,263	F2/BBB+	F2/BBB+
	CITI BANK	97	7,979	F1/A+	F1/A+
	ING Bank	-	2,228	F1+/AA-	F1+/AA-
Loans and advances to banks	EXIM BANCA ROMANEASCA	321,141	388,907	without rating	without rating
Reverse repo transactions	Banca Transilvania SA	-	51,831	B/BB+	B/BB+
Total loans and advances to banks and public institutions		**8,305,674**	**6,119,076**		

As at 31 December 2023, the amounts presented in the financial position loans and advances to banks and public institutions of accruals amounted of RON 8,305,674 thousand (31 December 2022: RON 6,119,076 thousand).

If the institutions have no external rating, the bank use his internal rating scale for asses the credit risk, considering a level of PD between 0.03% and 7.72%.

(All amounts are in RON thousands unless otherwise stated)

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

The credit institutions (with their respective ratings) with which the Group has current accounts, deposits and loans and advances are the following:

Loans and advances to banks and public institutions – neither past due not impaired		31 December 2023 Total balance	31 December 2022 Total balance	Rating 31 December 2023 Short/Long term	Rating 31 December 2022 Short/Long term
Current account due from other banks	ING Bank	7,788	196,785	A-1/A+	A-1/A+
	Barclays Bank	16,677	4,890	F1/A+	F1/A+
	Commerzbank	16,095	18,605	P-1/A1	P-1/A1
	Societe Generale, Paris	480,136	342,912	P-1/A1	P-1/A1
	State Treasury	1,541	99	BBB-/A-3	BBB-/A-3
	PKO Bank Polski, Varsovia	568	18	P-1/A2	P-1/A2
	OTP Bank Budapesta	898	605	P-2/Baa1	P-2/Baa1
	ING Bank-Olanda	57,363	-	F1+/AA-	
	CITIBANK NY	41,406		F1/A+	
	Other	15,956	7,909	without rating	without rating
Deposits due from other banks	DEUTSCHE BANK AG	248,937	-	F2/A-	-
	Barclays Bank	48,839	47,608	F1/A+	F1/A+
	TECHVENTURES BANK SA	9,953	-	without rating	
	Credit Europe Bank NV	272,817	-	B / BB-	
	State Treasury	5,506,366	5,005,164	BBB-/A-3	BBB-/A-3
	SMBC BANK EU AG, FRANKFURT	647,087	-	F1/A-	F2/BBB
	PATRIA BANK	79,619	-	without rating	without rating
	BCR	54,629	-	F2/BBB+	
	BRD	201,207	-	F2/BBB+	
	Banca Transilvania SA	254,197	-	B/BB+	B/BB+
	GARANTI BANK	49,530	-	B/BB-	B/BB-
	IDEA BANK	-	24,803	without rating	without rating
Collateral deposits due from other banks	HSBC Bank London	612	601	F1+/AA-	F1+/AA-
	COMMERZBANK	-	1	P-1/A1	P-1/A1
	JP Morgan Securities	2,811	13,868	F1+/AA	F1+/AA
	JP MORGAN FRANKFURT	3,391	-	F1/AA	
	BCR	-	4,263	F2/BBB+	F2/BBB+
	CITI BANK	97	7,979	F1/A+	F1/A+
	ING Bank	-	2,228	F1+/AA-	F1+/AA-
Loans and advances to banks	EXIM BANCA ROMANEASCA	321,141	388,907	without rating	without rating
Reverse repo transactions	Banca Transilvania SA	-	51,831	B/BB+	B/BB+
Total loans and advances to banks and public institutions		**8,339,662**	**6,119,076**		

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

c) Market risk

Market risk is the present or future risk of recording losses related to balance and off-balance sheet due to adverse movements in market price (such as: stock prices) of interest rates and foreign exchange rates.

Market risk has two major components respectively price risk and currency risk.

Price risk is the risk of significant losses from the sale of the government bond portfolio (FVTOCI-Fair Value Through Other Comprehensive Income), and currency risk is the risk of losses due to exchanges rates fluctuations.

The Group assesses market risk in terms of elements which define it, such as: the share of government securities investments in the total placements, the volume of loans to non-banks customers, the volume of operations in foreign currency, the important position which the Bank holds on the market deposits towards population availability in conjunction with the analysis of endogenous and exogenous factors.

For the assessment of market risk, starting with April 2022, the Bank holds and monitors on a daily basis domestic government securities within a small trading book portfolio (the maximum limit is RON 200 million equivalent, out of which maximum RON 25 million equivalent for maturities above 10 years, maximum RON 60 million equivalent for maturities between [5-10) years and maximum RON 75 million equiv. for maturities between [2-5) years).

The positions held to trade are represented by the positions of short-term resale and/or with the intention of benefiting from differences on short-term, real or expected, regarding the buying and selling prices or as a result of other price changes or interest rate.

The strategy in relation to market risk management policy is to have a portfolio with low sensitivity to changes in government securities prices, changes in VaR (Value at Risk) indicator and exchange rate and achieve the objectives set through the risk profile. These are mainly achieved by monitoring the price of government securities on the market as indicator of price risk as well as by determination and monitoring the VaR indicator and of foreign exchange position of the Bank, as indicators of the currency risk.

The implementation of the policy and the achievement of the market risk management objectives shall be achieved by constantly monitoring:

- The key indicators underlying the determination of the risk profile, respectively "the level of hypothetical loss that would result from the immediate sale of the portfolio of government securities classified as financial assets measured at fair value through other comprehensive income -FVTOCI" for price risk and "Total net foreign exchange position" for currency risk;
- Level II indicators, monitored daily, respectively trading book position for government securities for price risk and indicators for currency risk represented by the individual net currency position and currency portfolio risk measurement indicator – Value at Risk (VaR) methodology.

(All amounts are in RON thousands unless otherwise stated)

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

The level of risk limits accepted by the Group for the key indicators, as well as the ranges taken into account in the assessment of their values, have been determined in the light of the Bank's market risk policy, assessed as significant risk, in conjunction with the limits imposed by the BNR/EBA regulations, with historical trends in the values of these indicators, the size and structure of the assets and liabilities taken into account in their determination, the results of the various forecasts made, budgetary provisions, etc.

By monitoring the price risk, the Group intends to reduce the loss which would record it in case of hypothetical immediate sale of the entire portfolio of government securities classified as "financial assets measured at fair value through other items of comprehensive income", so that the impact of the loss is minimal vis-à-vis honouring other obligations.

By monitoring foreign exchange risk, the Bank intends to achieve an optimal correlation portfolio between the value of foreign exchange-denominated assets and liabilities and the compensation of foreign exchange trading, and respectively, to maintain a balance between long and short net open positions so that both volatility impact of the exchange rate, as well as maximum probable loss to be recorded, to be minimal.

Also, for the risk measurement of currency portfolio, the Group uses the methodology for determining VaR (Value-at-Risk), through which the Bank wishes the classification in the maximum loss likely to be recorded in total, within a certain period of time and with a certain probability of confidence. Internal regulations relating to the market risk are presented for approval to the Risk Management Committee.

The Group's and Bank's financial assets and liabilities held in RON and in foreign currencies at 31 December 2023 can be analysed as follows:

Group

	RON	EUR	Others	Total
Balance sheet financial assets				
Cash and balance at Central Bank	9,752,143	2,092,671	127,007	11,971,822
Financial assets at fair value through profit or loss	71,457	-	21,141	92,598
Loans and advances to banks and public institutions	5,948,090	2,258,239	133,333	8,339,662
Financial assets measured at fair value through other comprehensive income	7,788,552	12,658,725	332,618	20,779,895
Investments in debt instruments at amortized cost	7,469,494	2,061,057	59,351	9,589,902
Loans and advances to customers	23,816,958	7,675,355	132,237	31,624,550
Other financial assets	75,776	9,747	1,148	86,671
Total financial assets	54,922,471	26,755,795	806,834	82,485,100

(All amounts are in RON thousands unless otherwise stated)

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

	RON	EUR	Others	Total
Derivative financial assets				
Notional amount of derivatives — SWAP per exchange rate	215,494	1,293,396	308,815	1,817,705
Total derivative assets	215,494	1,293,396	308,815	1,817,705

	RON	EUR	Others	Total
Balance sheet financial liabilities				
Derivatives	-	-	3,872	3,872
Deposits from banks	1,498,031	164,203	871	1,663,105
Deposits from customers	46,133,337	25,469,034	1,141,706	72,744,078
Other borrowed funds	43,680	135,375	-	179,055
Debt securities issued	174,729	1,962,527	-	2,137,255
Subordinated liabilities	1,434,229	-	-	1,434,229
Other financial liabilities	343,423	11,214	3,753	358,391
Total financial liabilities	49,627,429	27,742,354	1,150,203	79,519,986

	RON	EUR	Others	Total
Derivative financial liabilities				
Notional amount of derivatives — SWAP per exchange rate	1,294,616	525,815	-	1,820,431
Total derivative liabilities	1,294,616	525,815	-	1,820,431
On balance sheet net financial assets/ (liabilities)	5,295,041	(986,559)	(343,369)	3,965,113
Derivative financial assets/ (liabilities)	(1,079,122)	767,581	308,815	(2,726)

	RON	EUR	Others	Total
Letters of guarantee issued for customers	1,895,744	228,318	3,798	2,127,860
Undrawn loan commitments	3,486,278	898,042	59,427	4,347,042

The Group's and Bank's financial assets and liabilities held in RON and in foreign currencies at 31 December 2022 can be analysed as follows:

(All amounts are in RON thousands unless otherwise stated)

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

Group

	RON	EUR	Other	Total
Balance sheet financial assets				
Cash and balance at central bank	7,083,164	2,895,831	125,092	10,104,087
Financial assets at fair value through profit or loss	6,289	-	16,341	22,630
Loans and advances to banks	5,459,145	526,857	133,947	6,119,331
Financial assets measured at fair value through other comprehensive income	8,279,716	1,885,709	203,829	10,369,254
Investments in debt instruments at amortized cost	2,744,084	1,982,404	44,455	4,770,943
Loans and advances to customers	22,279,851	6,764,671	198,210	29,242,809
Other financial assets	79,673	8,666	627	88,966
Total financial assets	45,931,922	14,064,597	721,501	60,718,020

	RON	EUR	Other	Total
Derivative financial assets				
Notional amount of derivatives — SWAP per exchange rate	-	1,088,428	147,953	1,236,381
Total derivative assets	-	1,088,428	147,953	1,236,381

	RON	EUR	Other	Total
Balance sheet financial liabilities				
Derivatives	24,626	310	14	24,950
Deposits from banks	2,697,460	18	771	2,698,249
Deposits from customers	36,702,865	14,818,363	911,563	52,432,793
Other borrowed funds	46,318	231,924	-	278,242
Debt securities issued	174,529	479,107	-	653,636
Subordinated liabilities	1,439,628	-	-	1,439,628
Other financial liabilities	146,295	3,434	1,535	151,264
Total financial liabilities	41,231,721	15,533,156	913,885	57,678,762

	RON	EUR	Other	Total
Derivative financial liabilities				
Notional amount of derivatives — SWAP per exchange rate	1,119,755	148,422	-	1,268,177
Total derivative liabilities	1,119,755	148,422	-	1,268,177
On balance sheet net financial assets/(liabilities)	4,700,201	(1,468,559)	(192,384)	3,039,258
Derivative financial assets/ (liabilities)	(1,119,755)	940,006	147,953	(31,796)

	RON	EUR	Other	Total
Letters of guarantee issued for customers	1,787,813	167,224	3,341	1,958,378
Undrawn loan commitments	3,486,278	898,042	59,427	4,443,747

(All amounts are in RON thousands unless otherwise stated)

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

Bank

	RON	EUR	Others	Total
Balance sheet financial assets				
Cash and balance at Central Bank	9,752,138	2,092,671	127,007	11,971,816
Financial assets at fair value through profit or loss	71,457	-	21,141	92,598
Loans and advances to banks and public institutions	5,914,102	2,258,239	133,333	8,305,674
Financial assets held at historical cost	5,000	-	-	5,000
Financial assets measured at fair value through other comprehensive income	7,788,552	12,658,725	332,618	20,779,895
Investments in debt instruments at amortized cost	7,455,739	2,061,057	59,351	9,576,147
Loans and advances to customers	23,816,958	7,675,355	132,237	31,624,550
Other financial assets	68,945	9,747	1,148	79,840
Total financial assets	54,872,891	26,755,794	806,835	82,435,520

	RON	EUR	Others	Total
Derivative financial assets				
Notional amount of derivatives — SWAP per exchange rate	215,494	1,293,396	308,815	1,817,705
Total derivative assets	215,494	1,293,396	308,815	1,817,705

	RON	EUR	Others	Total
Balance sheet financial liabilities				
Derivatives	-	-	3,872	3,872
Deposits from banks	1,498,031	164,203	871	1,663,105
Deposits from customers	46,134,000	25,469,100	1,141,706	72,744,806
Other borrowed funds	43,680	135,375	-	179,055
Debt securities issued	174,728	1,962,527	-	2,137,255
Subordinated liabilities	1,434,229	-	-	1,434,229
Other financial liabilities	315,018	11,214	3,753	329,985
Total financial liabilities	49,599,686	27,742,419	1,150,202	78,492,307

	RON	EUR	Others	Total
Derivative financial liabilities				
Notional amount of derivatives — SWAP per exchange rate	1,294,616	525,815	-	1,820,431
Total derivative liabilities	1,294,616	525,815	-	1,820,431
On balance sheet net financial assets/ (liabilities)	5,273,205	(986,625)	(343,367)	3,943,213
Derivative financial assets/ (liabilities)	(1,079,122)	767,581	308,815	(2,726)

(All amounts are in RON thousands unless otherwise stated)

3 **FINANCIAL RISK MANAGEMENT (CONTINUED)**

	RON	EUR	Others	Total
Letters of guarantee issued for customers	1,895,744	228,318	3,798	2,127,860
Undrawn loan commitments	3,486,278	898,042	59,427	4,347,042

The financial assets and liabilities held in RON and in foreign currencies at 31 December 2022 can be analysed as follows:

	Bank			
	RON	EUR	Other	Total
Balance sheet financial assets				
Cash and balance at central bank	7,083,164	2,895,831	125,092	10,104,087
Financial assets at fair value through profit or loss	6,289	-	16,341	22,630
Loans and advances to banks	5,459,145	526,857	133,947	6,119,331
Financial assets measured at fair value through other comprehensive income	8,279,716	1,885,709	203,829	10,369,254
Investments in debt instruments at amortized cost	2,744,084	1,982,404	44,455	4,770,943
Loans and advances to customers	22,279,851	6,764,671	198,210	29,242,809
Other financial assets	79,673	8,666	627	88,966
Total financial assets	45,931,922	14,064,597	721,501	60,718,020

	RON	EUR	Other	Total
Derivative financial assets				
Notional amount of derivatives — SWAP per exchange rate	-	1,088,428	147,953	1,236,381
Total derivative assets	-	1,088,428	147,953	1,236,381

	RON	EUR	Other	Total
Balance sheet financial liabilities				
Derivatives	24,626	310	14	24,950
Deposits from banks	2,697,460	18	771	2,698,249
Deposits from customers	36,702,865	14,818,363	911,563	52,432,793
Other borrowed funds	46,318	231,924	-	278,242
Debt securities issued	174,529	479,107	-	653,636
Subordinated liabilities	1,439,628	-	-	1,439,628
Other financial liabilities	146,295	3,434	1,535	151,264
Total financial liabilities	41,231,721	15,533,156	913,885	57,678,762

	RON	EUR	Other	Total
Derivative financial liabilities				
Notional amount of derivatives — SWAP per exchange rate	1,119,755	148,422	-	1,268,177
Total derivative liabilities	1,119,755	148,422	-	1,268,177

(All amounts are in RON thousands unless otherwise stated)

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

On balance sheet net financial assets/(liabilities)	4,700,201	(1,468,559)	(192,384)	3,039,258
Derivative financial assets/ (liabilities)	(1,119,755)	940,006	147,953	(31,796)

	RON	EUR	Other	Total
Letters of guarantee issued for customers	1,787,813	167,224	3,341	1,958,378
Undrawn loan commitments	3,486,278	898,042	59,427	4,443,747

The main currency held by the Bank is EUR. The open currency positions represent a source of currency risk.

d) Interest rate risk other than trading portfolio

Interest rate risk is the current or future risk that profit and equity are negatively affected by adverse changes in interest rates.

Starting with April 2022 the assessment of interest rate risk takes into account that the Bank carries out and monitors on a daily basis trading book activity, with a small trading book portfolio having a ceiling of RON 200 million equivalent for domestic government securities.

The interest rate risk management is identified, quantified, monitor, managed and reported for all Bank's activities with potential interest rate movements at the banking book level (for activities other than trading book).

Also, starting with May 2022, the Bank re-acquired the status of primary dealer of government securities.

The main source of interest rate risk is the correlation between the structure of the Bank's asset portfolio and the type of interest rate (taking into account the maturity date - in the case of fixed interest rates instruments - and the bullet maturity and/or principal and interest flows for fixed rate current loans) and the date of price updating - in the case of variable interest rates).

The interest rate risk management policy is to optimize the gap between sensitive assets and liabilities regarding interest rate movements, both overall and per various time frames, so that the impact of interest rate changes on net interest income is minimal.

The Bank aims to properly manage assets and liabilities bearing interest as well as to promote its products, in order to achieve a portfolio with low sensitivity to changes in interest rates and achieve the targets set through the risk profile.

The risk profile assumed for interest rate risk is managed by the limitations set for the key indicators based on the risk appetite that the Bank assumes for business continuity purposes.

The key indicators determined by the Bank, continuously monitored and underlying the determination of the interest rate risk profile are:

- the potential change in economic value due to changes in interest rate levels based on the standardized method;

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

- relative GAP per interest rate (calculated in RON equivalent per maturity band as a percentage between the absolute GAP on interest rate and total interest-bearing assets – principal accounts);
- the difference between the average active interest rate in foreign currency loans granted to individuals and corporate entities and the cost of funds plus the risk margin.

The level of risk limits accepted by the Group for the key indicators, as well as the ranges taken into account in the assessment of their values, have been determined in the light of the Bank's strategy for interest rate risk, assessed as significant risk, in conjunction with the limits provisioned by the NBR/EBA regulations, with historical trends in the values of these indicators, the size and structure of the assets and liabilities taken into account in their determination, the results of the various forecasts made, budgetary provisions, etc..

The Group assesses the compliance with the interest rate risk profile assumed according to the appetite for interest rate risk; the level of risk is quantified on the basis of a system of scoring key indicators related to interest rate risk according to their levels and the weightings allocated according to the importance of the indicators on the basis of historical analysis and professional expertise.

Also, in order to prevent situations of non-compliance with internal limitations, the Bank monitors the dynamic evolution of the Group's assets and liabilities that are sensitive to interest rate movements, performs forecasts, projections and simulations, "stress testing" type scenarios.

Through its risk management policy, the Group continuously monitors and controls the level of key indicators for interest rate risk in relation to appetite for risk, the Group aims to establish a moderate interest rate risk profile as the maximum allowed, profile in which it fit during 2023.

For the management of interest rate risk, in addition to the key indicators determining the interest rate risk profile, the Group shall monitor on a monthly/quarterly basis the following level II indicators, namely:

- EVE (Economic Value of Equity) according to six standardized shock scenarios for the detection of extreme values, according to NBR/ EBA regulations in force;
- The break-even threshold level in conjunction with the average interest gap;
- The negative result obtained from the forecasts to capture the effect of the potential change of interest rates over net gains from interests.

Internal regulations on interest rate risk other than trading portfolio are presented for approval to the Risk Management Committee.

(All amounts are in RON thousands unless otherwise stated)

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

The following table shows the interest rates per annum obtained or offered by the Group and the Bank for its interest-bearing assets and liabilities during financial year 2023:

	RON Range		EUR Range	
	Min	Max	Min	Max
Assets				
Cash and balance at Central Bank	0.69	0.82	0.02	0.11
Investments with National Bank of Romania	6.00	6.00	-	-
Investments with other banks	6.00	6.75	1.70	4.10
Treasury certificates	5.99	6.94	2.75	3.84
Loans and advances to customers (*)	5.96	23.34	5.00	12.70
Investment securities	5.95	8.05	3.65	6.81
Liabilities				
Deposits from banks	5.75	6.90	1.60	3.91
Deposits from customers	-	12.80	-	4.75
NBR refinancing loans	8.00	8.00	-	-
Borrowings from banks and other financial institutions	7.74	8.27	-	0.35
Debt securities issued	9.00	9.00	7.50	7.50
Subordinated liabilities	9.84	11.23	-	-

(*) During the year 2023, in respect to credit cards, the Bank has practiced zero interest rate for payments of the interest within 59 days, exclusively for transactions at merchants (transactions non rates and/or rates posted on their due account), with the condition of the full payment of the credit limit used for the specific trading cycle.

The following table shows the interest rates per annum obtained or offered by the Group and the Bank for its interest-bearing assets and liabilities during financial year 2022:

	RON Range		EUR Range	
Assets	Min	Max	Min	Max
Cash and balance at Central Bank	0.13	0.70	-	0.02
Investments with National Bank of Romania	2.00	5.75	-	-
Investments with other banks	1.00	7.20	(0.63)	1.95
Treasury certificates	6.90	8.04	2.65	2.90
Loans and advances to customers (*)	1.95	23.57	2.25	9.32
Investment securities	3.88	9.93	0.18	4.27
Liabilities				
Deposits from banks	0.95	7.54	(0.55)	1.50
Deposits from customers	-	10.00	-	2.50
NBR refinancing loans	3.50	4.75	-	-
Borrowings from banks and other financial institutions	4.41	8.75	-	0.349
Debt securities issued	-	9.00	-	7.50
Subordinated liabilities	6.29	11.23	-	-

(All amounts are in RON thousands unless otherwise stated)

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

The following table shows the Group's and the Bank's interest re-pricing analysis as at 31 December 2023 with financial assets and liabilities categorised by the earlier of the re-pricing or contractual maturity date.

Group

	< 1 month	1 month 3 months	3 months – 1 year	1 year– 5 years	> 5 years	Non interest bearing	Total
Financial assets							
Cash and balances with Central Bank	11,971,822	-	-	-	-	-	11,971,822
Financial derivatives	-	-	-	-	-	1,294	1,294
Loans and advances to banks and public institutions	7,304,008	20,235	601	369,782	-	645,035 (*)	8,339,661
Loans and advances to customers	8,577,331	526,801	15,493,463	6,285,150	427,318	314,487 (**)	31,624,550
Financial assets held for tradin and measured at fair value through profit and loss	-	-	31,065	19,904	20,488	-	71,457
Financial assets mandatorily at fair value through profit or loss	-	-	-	-	-	19,847	19,847
Financial assets at fair value through other comprehensive income	612,989	3,622,474	10,027,277	5,336,855	1,148,147	32,153	20,779,895
Investments in debt instruments at amortized cost	-	8	403,612	5,577,500	3,608,782	-	9,589,902
Other financial assets	-	-	-	-	-	86,671	86,671
Total financial assets	28,466,150	4,169,518	25,956,018	17,589,191	5,204,735	1,099,487	82,485,099
Financial liabilities							
Financial derivatives	-	-	-	-	-	3,872	3,872
Deposits from banks	1,657,824	-	5,238	-	-	43	1,663,105
Deposits from customers	25,781,144	12,694,419	18,782,584	2,829,554	5,536,517	7,119,860(***)	72,744,078
Subordinated borrowing	1,434,229	-	-	-	-	-	1,434,229
Borrowings from banks and other financial institutions	25,158	2,726	82,358	68,813	-	-	179,055
Debt securities issued	-	-	-	2,137,255	-	-	2,137,255
Lease liabilities	2,879	5,498	23,584	53,060	13,702	-	98,723
Other financial liabilities	-	-	-	-	-	358,391	358,391
Total financial liabilities	28,901,234	12,702,643	18,893,764	5,088,682	5,550,219	7,482,166	78,618,708
Interest rate gap	(435,084)	(8,533,125)	7,062,254	12,500,509	(345,484)	(6,382,679)	3,866,391

(All amounts are in RON thousands unless otherwise stated)

Bank

	< 1 month	1 month 3 months	3 months – 1 year	1 year– 5 years	> 5 years	Non interest bearing	Total
Financial assets							
Cash and balances with Central Bank	11,971,816	-	-	-	-	-	11,971,816
Financial derivatives	-	-	-	-	-	1,294	1,294
Loans and advances to banks and public institutions	7,290,857	-	-	369,782	-	645,035 (*)	8,305,674
Loans and advances to customers	8,577,331	526,801	15,493,463	6,285,150	427,318	314,487 (**)	31,624,550
Financial assets held for tradin and measured at fair value through profit and loss	-	-	31,065	19,904	20,488	-	71,457
Financial assets mandatorily at fair value through profit or loss	-	-	-	-	-	19,847	19,847
Financial assets at fair value through other comprehensive income	612,989	3,622,474	10,027,277	5,336,855	1,148,147	32,153	20,779,895
Investments in debt instruments at amortized cost	-	-	389,685	5,577,500	3,608,782	-	9,576,147
Financial assets held at historical cost	-	-	-	-	-	5,000	5,000
Other financial assets	-	-	-	-	-	79,840	79,840
Total financial assets	28,452,993	4,149,275	25,941,670	17,589,191	5,204,735	1,097,656	82,435,520
Financial liabilities							
Financial derivatives	-	-	-	-	-	3,872	3,872
Deposits from banks	1,657,824	-	5,238	-	-	43	1,663,105
Deposits from customers	25,781,270	12,695,021	18,782,584	2,829,554	5,536,517	7,119,860(***)	72,744,806
Subordinated borrowing	1,434,229	-	-	-	-	-	1,434,229
Borrowings from banks and other financial institutions	25,074	1,821	79,221	72,939	-	-	179,055
Debt securities issued	-	-	-	2,137,255	-	-	2,137,255
Lease liabilities	2,879	5,498	23,584	53,060	13,702	-	98,723
Other financial liabilities	-	-	-	-	-	329,985	329,985
Total financial liabilities	28,901,276	12,702,340	18,890,627	5,092,808	5,550,219	7,453,760	78,591,030
Interest rate gap	(448,283)	(8,553,065)	7,051,043	12,496,383	(345,484)	(6,356,104)	3,844,490

(*) the amount comprises current accounts at other banks.

(**) the amount comprises exposures for corporate clients who entered insolvency or bankruptcy for which according to law nominal interest cannot be charged any longer.

(***) the amount comprises current accounts, deposits and other discontinued savings products for which interest is not applied.

(All amounts are in RON thousands unless otherwise stated)

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

The following table shows the Group's and the Bank's interest re-pricing analysis as at 31 December 2022 with financial assets and liabilities categorised by the earlier of the re-pricing or contractual maturity date.

Group

	< 1 month	1 month 3 months	3 months – 1 year	1 year– 5 years	> 5 years	Non interest bearing	Total
Financial assets							
Cash and balances with Central Bank	10,069,054	-	-	-	-	-	10,069,054
Loans and advances to banks and public institutions	5,005,325	-	76,615	436,404	-	600,732 (*)	6,119,076
Loans and advances to customers	6,985,365	461,615	14,784,840	6,523,780	293,289	175,148 (**)	29,224,037
Financial assets held for trading and measured at fair value through profit and loss	-	-	-	263	6,026	-	6,289
Financial assets mandatorily at fair value through profit or loss	-	-	-	-	-	16,341	16,341
Financial assets at fair value through other comprehensive income	-	3,391	4,013,115	5,594,661	731,813	26,274	10,369,254
Investments in debt instruments at amortized cost	-	-	600,615	2,382,612	1,787,716	-	4,770,943
Other financial assets	-	-	-	-	-	79,497	79,497
Total financial assets	22,059,744	465,006	19,475,185	14,937,720	2,818,844	897,992	60,654,491
Financial liabilities							
Financial derivatives	-	-	-	-	-	24,950	24,950
Deposits from banks	2,693,063	-	5,168	-	-	18	2,698,249
Deposits from customers	20,854,257	6,611,482	14,206,001	1,600,241	1,978,639	7,180,109(***)	52,430,729
Subordinated borrowing	-	1,439,628	-	-	-	-	1,439,628
Borrowings from banks and other financial institutions	16,882	8,575	97,836	154,949	-	-	278,242
Debt securities issued	-	-	-	653,636	-	-	653,636
Lease liabilities	2,353	4,583	21,583	59,218	8,738	-	96,475
Other financial liabilities	-	-	-	-	-	89,799	89,799
Total financial liabilities	23,566,555	8,064,268	14,330,588	2,468,044	1,987,377	7,294,876	57,711,708
Interest rate gap	(1,506,811)	(7,599,262)	5,144,597	12,469,676	831,467	(6,396,884)	2,942,783

(All amounts are in RON thousands unless otherwise stated)

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

Bank

	< 1 month	1 month 3 months	3 months – 1 year	1 year– 5 years	> 5 years	Non interest bearing	Total
Financial assets							
Cash and balances with Central Bank	10,069,054	-	-	-	-	-	10,069,054
Loans and advances to banks and public institutions	5,005,325	-	76,615	436,404	-	600,732 (*)	6,119,076
Loans and advances to customers	6,985,365	461,615	14,784,840	6,523,780	293,289	175,148 (**)	29,224,037
Financial assets held for trading and measured at fair value through profit and loss	-	-	-	263	6,026	-	6,289
Financial assets mandatorily at fair value through profit or loss	-	-	-	-	-	16,341	16,341
Financial assets at fair value through other comprehensive income	-	3,391	4,013,115	5,594,661	731,813	26,274	10,369,254
Investments in debt instruments at amortized cost	-	-	600,615	2,382,612	1,787,716	-	4,770,943
Other financial assets	-	-	-	-	-	79,497	79,497
Total financial assets	22,059,744	465,006	19,475,185	14,937,720	2,818,844	897,992	60,654,491
Financial liabilities							
Financial derivatives	-	-	-	-	-	24,950	24,950
Deposits from banks	2,693,063	-	5,168	-	-	18	2,698,249
Deposits from customers	20,854,257	6,611,482	14,206,001	1,600,241	1,978,639	7,180,109(***)	52,430,729
Subordinated borrowing	-	1,439,628	-	-	-	-	1,439,628
Borrowings from banks and other financial institutions	16,882	8,575	97,836	154,949	-	-	278,242
Debt securities issued	-	-	-	653,636	-	-	653,636
Lease liabilities	2,353	4,583	21,583	59,218	8,738	-	96,475
Other financial liabilities	-	-	-	-	-	89,799	89,799
Total financial liabilities	23,566,555	8,064,268	14,330,588	2,468,044	1,987,377	7,294,876	57,711,708
Interest rate gap	(1,506,811)	(7,599,262)	5,144,597	12,469,676	831,467	(6,396,884)	2,942,783

(*) the amount comprises current accounts at other banks.

(**) the amount comprises exposures for corporate clients who entered insolvency or bankruptcy for which according to law nominal interest cannot be charged any longer.

(***) the amount comprises current accounts, deposits and other discontinued savings products for which interest is not applied.

(All amounts are in RON thousands unless otherwise stated)

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

Sensitivity analysis

Interest Rate Sensitivity: the table below summarises the impact on the Bank's income statement and other comprehensive income resulting from a reasonably possible shift of the yield curve calculated using an interest rate gap model. Based on the fluctuation of the interest rate in the prior year and of other analysis made by the Bank, the potentially reasonable change is shown below.

Foreign Exchange rates Sensitivity: the table below summarises the impact of a potentially reasonable change in the value of RON against foreign currencies on the Bank's income statement and other comprehensive income calculated by applying the change to monetary financial instruments denominated in foreign currencies held by the Group and the Bank as at 31 December 2023 and 31 December 2022.

31 December 2023	Total sensitivity	Sensitivity of profit for the year	Sensitivity of other comprehensive income
Interest rate +/-1%	-455,475/ +443,268	+/-221,723	-233,752/+221,546
Foreign exchange 5% appreciation / depreciation of functional CCY	-/+66,597	-/+66,597	-

31 December 2022	Total sensitivity	Sensitivity of profit for the year	Sensitivity of other comprehensive income
Interest rate +/- 1%	-219,548/ +212,100	+/-25,872	-193,676/+186,227
Foreign exchange 5% appreciation / Depreciation of functional CCY	-/+5,037	-/+5,037	-

At 31 December 2023, if market interest rates had been 100 basis points higher/ lower for RON and 100 basis points higher/ lower for EUR and 100 basis points higher/ lower for USD, with all other variables held constant, profit for the year would have been RON 455,475 thousand (2022: RON 219,548 thousand) lower and RON 443,268 thousand higher (2022: RON 212,100 thousand). The impact was calculated on the basis of monthly average balances with variable interest.

The impact on the result would have been RON 233,752 thousand (2022: RON 193,6760 thousand) lower, respectively RON 221,546 thousand higher (2022: RON 186,227 thousand). The calculation was based on the market value at 31.12.2023 of debt instruments measured at fair value through other comprehensive income.

At 31 December 2023, if RON had strengthened/weakened by 500 basis points against relevant foreign currencies (all other variables held constant), profit for the year would have been RON 66,597 thousand higher/ lower (2022: RON: 5,037 thousand higher/lower). Impact was calculated by applying a +/- 5% higher/lower exchange rate against the EUR and USD closing rate.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

e) Liquidity risk

Liquidity risk is an important part, along with other significant risks, to financial risk management system in terms as far as the Group operates in developed financial markets.

Liquidity risk is the current or future risk that profit and equity are negatively affected by the inability of the Group to meet its obligations at maturity, given potential causes: insufficient liquid assets, the Bank's inability to liquidate assets, inability to obtain adequate funding.

The Bank has adequate liquidity potential when, in the hypothetical unpredicted/critical situation, it is able to obtain the necessary funds (by borrowing additional resources, sale of assets, participation in REPO auctions organized by the central bank, etc.) immediately and at a reasonable cost, that will not affect the Group's profitability.

The liquidity risk management policy is the transposition into internal regulation of the internal liquidity assessment requirements (ILAAP) and takes into account all internal liquidity adequacy assessment processes as a EBA requirement. The policy and profile are an integral part of the regulations relating to the management of liquidity risk, being developed in order to demonstrate the soundness, effectiveness and comprehensiveness of ILAAP (respectively the treatment of liquidity risk according to the scale and complexity of the Group's activities).

The liquidity risk management policy comprises a decision-making structure for risk management, a model for the approach to funding and liquidity insurance, the accepted risk profile for liquidity risk exposure, and planning procedures after alternative action scenarios, including for contingencies.

The internal risk liquidity adequacy assessment policy aims at integrating at least the following into the general liquidity management practice: the liquidity planning process, the maintenance of an appropriate level of liquidity to cover risks to which the Group is likely to be subject, the monitoring of liquidity risk indicators, the identification of vulnerabilities and the assessment of potential hazards in a timely manner, in conjunction with ongoing actions to prevent such situations, the process of reaching conclusions and decision-making, including under stressed conditions.

Through liquidity risk management policy, part of a robust and specific framework for liquidity risk management, including the process of identification, assessment/quantification, monitoring, mitigation and control, the Group shall pursue to have a balanced portfolio of assets and liabilities of the Group, to ensure optimum liquidity, an adequate management of assets and liabilities, necessary for the maintenance of an adequate liquidity, as well, including an optimal liquidity reserve and ensuring the risk profile accepted by the Group.

Internal regulations on liquidity risk are presented for approval by the Risk Management Committee.

The table below presents the financial assets and liabilities as at 31 December 2023 according to their remaining contractual maturities. The amounts included in the table are contractual cash flows which are not discounted, gross accruals for loans and financial guarantees. Future cash flows which are not discounted are different to the amounts from the balance sheet because the amount from the later represents discounted cash flows. The financial derivatives are included in contractual value to be paid or received, except the situations when the Group is expected to close the exchange position before its maturity and in this case the instruments are presented according to estimated future cash flows.

The table below presents an analysis of non-derivative assets at their carrying amount and according to their contractual maturities. The impaired loans are presented at their carrying amount net of provision and according to the expected timing of collection.

(All amounts are in RON thousands unless otherwise stated)

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

Derivatives are presented according to their contractual maturity. When the amount to be paid is not fixed, the amount disclosed is determined based on the existing conditions at the reporting period. The payments in foreign currency are revaluated using the exchange rate at the reporting period end.

Group

31 December 2023	Carrying amount	Gross Amount Inflow/ outflow	< 1 month	1 - 3 months	3 months – 1 year	1 year- 5 years	> 5 years	No fixed maturity
Assets								
Cash and balances with central bank	11,971,822	11,971,822	11,971,822	-	-	-	-	-
Loans and advances to banks and public institutions	8,339,662	8,656,534	7,062,964	69,052	887,639	-	-	636,879
Loans and advances to customers	31,624,550	45,452,841	755,085	976,178	5,206,074	16,824,158	21,691,346	-
Financial assets held for trading and measured at fair value through profit or los	71,457	84,387	-	-	32,120	23,115	29,152	-
Financial assets mandatory at fair value through profit or loss	19,847	19,847	-	-	-	-	-	19,847
Financial assets measured at fair value through other comprehensive income	20,779,895	21,915,053	616,202	3,654,588	9,751,563	6,225,582	1,634,965	32,153
Investments in debt instruments at amortized cost	9,589,902	12,483,316	-	8	415,033	6,612,519	5,455,756	-
Financial derivatives, out of which:								
- receivable	1,294	1,241,986	1,241,986	-	-	-	-	-
- payable	-	1,240,692	1,240,692	-	-	-	-	-
Other financial assets	79,840	79,840	79,840	-	-	-	-	-
Total financial assets	82,478,268	100,664,934	20,487,207	4,699,826	16,292,429	29,685,374	28,811,219	688,879
Liabilities								
Deposits from banks	1,663,105	1,663,467	1,658,109	-	5,358	-	-	-
Deposits from customers	72,744,078	73,796,837	29,900,151	25,261,166	17,343,930	1,280,494	-	11,096
Subordinated liabilities	1,434,229	2,553,370	68,458	-	203,142	814,800	1,466,970	-
Borrowings from other banks and other financial institutions	179,055	179,290	25,160	2,726	82,439	68,965	-	-
Debt securities issued	2,137,255	4,274,510	75,537	-	-	4,198,973	-	-
Financial derivatives, out of which:								
- receivable	3,872	577,106	486,656	49,842	-	40,608	-	
- payable	-	580,978	490,364	49,897	-	40,717	-	
Lease liabilities	98,723	108,914	2,880	5,506	23,663	54,009	22,856	-
Other financial liabilities	358,391	333,453	333,453	-	-	-	-	-
Total financial liabilities	78,618,709	83,913,713	32,067,456	25,269,453	17,658,532	6,417,350	1,489,826	11,096
Net liquidity gap	3,859,559	17,751,221	(11,580,249)	(20,569,627)	(1,366,103)	23,268,024	27,321,393	677,783
Loan commitments	4,347,042	4,347,042	4,347,042	-	-	-	-	-
Guarantee letters issued by the Bank	2,127,860	2,127,860	2,127,860	-	-	-	-	-

(All amounts are in RON thousands unless otherwise stated)

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

Bank

31 December 2023	Carrying amount	Gross Amount Inflow/ outflow	< 1 month	1 - 3 months	3 months – 1 year	1 year- 5 years	> 5 years	No fixed maturity
Assets								
Cash and balances with central bank	11,971,816	11,971,816	11,971,816	-	-	-	-	-
Loans and advances to banks and public institutions	8,305,674	8,330,143	7,049,793	48,641	594,830	-	-	636,879
Loans and advances to customers	31,624,550	45,187,578	789,443	982,105	5,321,402	17,002,644	21,091,984	-
Financial assets held for trading and measured at fair value through profit or los	71,457	84,387	-	-	32,120	23,115	29,152	-
Financial assets mandatory at fair value through profit or loss	19,847	19,847	-	-	-	-	-	19,847
Financial assets measured at fair value through other comprehensive income	20,779,895	21,915,053	616,202	3,405,858	10,000,293	6,225,582	1,634,965	32,153
Financial assets held at historical cost	5,000	5,000	-	-	-	-	-	5,000
Investments in debt instruments at amortized cost	9,576,147	12,469,247	-	-	400,972	6,612,519	5,455,756	-
Financial derivatives, out of which:								
- receivable	1,294	1,241,986	1,241,986	-	-	-	-	-
- payable	-	1,240,692	1,240,692	-	-	-	-	-
Other financial assets	79,840	79,840	79,840	-	-	-	-	-
Total financial assets	82,435,520	100,064,205	20,508,388	4,436,604	16,349,617	29,863,860	28,211,857	693,879
Liabilities								
Deposits from banks	1,663,105	1,663,467	1,658,109	-	5,358	-	-	-
Deposits from customers	72,744,806	73,797,572	29,900,277	25,261,775	17,343,930	1,280,494	-	11,096
Subordinated liabilities	1,434,229	2,553,370	68,458	-	203,142	814,800	1,466,970	-
Borrowings from other banks and other financial institutions	179,055	179,290	25,074	1,821	79,303	73,092	-	-
Debt securities issued	2,137,255	4,274,510	75,537	-	-	4,198,973	-	-
Financial derivatives, out of which:								
- receivable	3,872	577,106	486,656	49,842	-	40,608	-	
- payable	-	580,978	490,364	49,897	-	40,717	-	
Lease liabilities	98,723	108,914	2,880	5,506	23,663	54,009	22,856	-
Other financial liabilities	329,985	329,985	329,985	-	-	-	-	-
Total financial liabilities	78,591,030	82,910,980	32,064,028	25,269,157	17,655,396	6,421,477	1,489,826	11,096
Net liquidity gap	3,844,490	17,153,225	(11,555,640)	(20,832,553)	(1,305,779)	23,442,383	26,722,031	682,783
Loan commitments	4,347,042	4,347,042	4,347,042	-	-	-	-	-
Guarantee letters issued by the Bank	2,127,860	2,127,860	2,127,860	-	-	-	-	-

(All amounts are in RON thousands unless otherwise stated)

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

Group

31 December 2022	Carrying amount	Gross Amount Inflow/ outflow	< 1 month	1 - 3 months	3 months – 1 year	1 year- 5 years	> 5 years	No fixed maturity
Assets								
Cash and balances with central bank	10,069,054	10,069,054	10,069,054	-	-	-	-	-
Loans and advances to banks and public institutions	6,119,076	6,160,090	5,057,579	50,898	15,308	461,128	-	575,177
Loans and advances to customers	29,224,037	41,502,788	965,228	413,116	8,657,744	15,200,583	16,266,117	-
Financial assets held for trading and measured at fair value through profit or loss	6,289	10,252	-	-	368	1,758	8,126	-
Financial assets mandatory at fair value through profit or loss	16,341	16,341	-	-	-	-	-	16,341
Financial assets measured at fair value through other comprehensive income	10,369,254	11,634,059	18,368	22,097	4,136,945	6,488,025	942,350	26,274
Investments in debt instruments at amortized cost	4,770,943	5,794,757	17,223	16,504	739,435	2,943,875	2,077,720	-
Other financial assets	79,497	79,497	79,497	-	-	-	-	-
Total financial assets	60,654,491	75,266,838	16,206,949	502,615	13,549,800	25,095,369	19,294,313	617,792
Liabilities								
Deposits from banks	2,698,249	2,698,820	2,693,431	-	5,389	-	-	-
Deposits from customers	52,430,729	53,072,098	32,912,512	5,788,273	13,784,250	575,938	-	11,125
Subordinated liabilities	1,439,628	2,848,360	79,256	-	225,859	915,390	1,627,855	-
Borrowings from other banks and other financial institutions	278,242	278,792	16,883	8,576	97,938	155,395	-	-
Debt securities issued	653,636	809,291	-	-	48,789	760,502	-	-
Financial derivatives, out of which:								
- receivable	1,292,912	1,292,912	742,849	499,700	50,363	-	-	
- payable	1,317,862	1,317,862	757,367	507,970	52,525	-	-	
Lease liabilities	96,475	104,212	2,355	4,589	21,653	60,040	15,575	-
Other financial liabilities	89,799	89,799	89,799	-	-	-	-	-
Total financial liabilities	57,711,708	59,926,322	35,808,754	5,809,708	14,186,040	2,467,265	1,643,430	11,125
Net liquidity gap		15,340,516	(19,601,805)	(5,307,093)	(636,240)	22,628,104	17,650,883	606,667
Loan commitments	4,443,747	4,443,747	4,443,747	-	-	-	-	-
Guarantee letters issued by the Bank	1,958,378	1,958,378	1,958,378	-	-	-	-	-

(All amounts are in RON thousands unless otherwise stated)

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

Bank

31 December 2022	Carrying amount	Gross Amount Inflow/ outflow	< 1 month	1 - 3 months	3 months – 1 year	1 year- 5 years	> 5 years	No fixed maturity
Assets								
Cash and balances with central bar	10,069,054	10,069,054	10,069,054	-	-	-	-	-
Loans and advances to banks and public institutions	6,119,076	6,160,090	5,057,579	50,898	15,308	461,128	-	575,177
Loans and advances to customers	29,224,037	41,502,788	965,228	413,116	8,657,744	15,200,583	16,266,117	-
Financial assets held for trading ar measured at fair value through profit or loss	6,289	10,252	-	-	368	1,758	8,126	-
Financial assets mandatory at fair value through profit or loss	16,341	16,341	-	-	-	-	-	16,341
Financial assets measured at fair value through other comprehensiv income	10,369,254	11,634,059	18,368	22,097	4,136,945	6,488,025	942,350	26,274
Investments in debt instruments at amortized cost	4,770,943	5,794,757	17,223	16,504	739,435	2,943,875	2,077,720	-
Other financial assets	79,497	79,497	79,497	-	-	-	-	-
Total financial assets	60,654,491	75,266,838	16,206,949	502,615	13,549,800	25,095,369	19,294,313	617,792
Liabilities								
Deposits from banks	2,698,249	2,698,820	2,693,431	-	5,389	-	-	-
Deposits from customers	52,430,729	53,072,098	32,912,512	5,788,273	13,784,250	575,938	-	11,125
Subordinated liabilities	1,439,628	2,848,360	79,256	-	225,859	915,390	1,627,855	-
Borrowings from other banks and other financial institutions	278,242	278,792	16,883	8,576	97,938	155,395	-	-
Debt securities issued	653,636	809,291	-	-	48,789	760,502	-	-
Financial derivatives, out of which:								
- receivable	1,292,912	1,292,912	742,849	499,700	50,363	-	-	
- payable	1,317,862	1,317,862	757,367	507,970	52,525	-	-	
Lease liabilities	96,475	104,212	2,355	4,589	21,653	60,040	15,575	-
Other financial liabilities	89,799	89,799	89,799	-	-	-	-	-
Total financial liabilities	57,711,708	59,926,322	35,808,754	5,809,708	14,186,040	2,467,265	1,643,430	11,125
Net liquidity gap		15,340,516	(19,601,805)	(5,307,093)	(636,240)	22,628,104	17,650,883	606,667
Loan commitments	4,443,747	4,443,747	4,443,747	-	-	-	-	-
Guarantee letters issued by the Bar	1,958,378	1,958,378	1,958,378	-	-	-	-	-

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

Credit commitments are presented on the basis of earliest possible contractual maturity. For financial guarantees contracts and loan commitments the maximum amount is allocated to the earliest period in which the financial instrument can be called.

The management believes that although a substantial proportion of deposits have their maturity in less than three months, diversification of these deposits as the number and types of deposits as well as previous experience of the Bank indicates that these deposits provide a stable source of financing long-term.

To manage liquidity risk, the Bank holds liquid assets comprising cash and cash equivalents and financial assets for which there is an active and liquid market. These assets can be sold in a short time to meet liquidity requirements.

The implementation of the policy and the achievement of liquidity risk targets is achieved, primarily and without limitation, by monitoring and continuous follow-up of risk limits of key ratios (liquidity and funding ratios) and level II indicators- Early Warning Indicators.

The Bank's classification in the liquidity risk profile is managed by assessing key risk ratios based on the risk appetite that the Bank assumes for business continuity on prudential and sound principles, i.e. the LCR - Liquidity Coverage Ratio (all reporting currencies); NSFR - Net Stable Funding Ratio (RON equivalent); Quick liquidity indicator (RON equivalent), the share of the unencumbered government securities portfolio in total on-balance sheet obligations (RON equivalent), encumbered assets ratio (RON equivalent) and debt-to-equity ratio (RON equivalent).

Through its risk management policy and risk profile, the bank monitors and controls the level of risk limits for key liquidity risk ratios in relation to appetite for risk, the Bank aimed to achieve a medium liquidity risk profile as the maximum allowed.

The level of risk limits accepted by the Bank for the key indicators, as well as the intervals taken into account in the valuation of their values, have been determined in the light of the Bank's liquidity risk management, assessed as significant risk, in conjunction with limits imposed by the NBR/EBA regulations, with historical trends in the values of these indicators, the size and structure of the assets and liabilities taken into account in their determination, the results of the various forecasts made, budgetary provisions, etc.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

Taking into account the Bank's strategy and based on the size of the Bank's assets and liabilities, their maturity and structures etc., the main level II indicators, early warning indicators, which are quantifiable, assessed, monitored and analysed are presented as follows:

- Liquid assets – by monitoring liquid assets (split between most liquid, less liquid and the least liquid based on their relative liquidity level) it is observed, on different levels, the assets' gradual ability to generate liquidity;
- Government Securities dividend by Total Assets ratios- for the purpose of monitoring the portfolio of government securities held by the Bank, the component of liquid assets;
- Indicators: loans to non-bank customers/deposits received from non-bank customers; liquid spot assets/total deposits attracted on demand; the rate of monthly decrease of sources drawn from non-bank customers, loans with outstanding amounts of more than 31 days (inclusive)/total assets, by monitoring them with a view to identifying as a matter of urgency the increased vulnerability in terms of liquidity position or funding needs and so on;
- Forecasts of hypothetical evolution of the LCR ratio - the dynamic LCR on different time horizons in order to prevent crisis or unexpected cases;
- The weight of pledged/unpledged government securities in the total government securities portfolio, in order to monitor the evolution of government securities portfolio structure.

f) Capital management

The Bank's objectives regarding capital management represent a broader concept than the term "equity" that is found in the statement of financial position and are represented by:

a. capital of the Bank must comply to requirements provided by national regulations and to those provided by EBA (European Banking Authority);
b. capital of the Bank must ensure the continuation of the Bank's activity in the following period, to ensure the revenues of the shareholder and benefits to other related parties of the Bank;
c. capital of the Bank must ensure a powerful basis to allow the development of the business.

Starting 1 January 2014, the Bank computes own funds and own funds requirements according to Regulation No. 575/2013 of European Parliament and of the Council from 26 June 2013 on prudential requirements for credit institutions and investment firms and NBR Regulation No. 5/20.12.2013 related to prudential requirements for credit institutions.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

Starting 1 January 2018, the Bank exercised the option of applying for a transitional period of 5 years of the transitory measures regarding the inclusion of a portion of the adjustments for the increased expected credit loss in the Bank's basic level 1 own funds.

In the internal process of capital adequacy to risks for 2023, the Bank envisaged maintaining a total own funds rate aiming to meet the following requirements cumulatively:

a) maintaining a global capital requirement (OCR) of 18.58%, consisting of:

  - the target rates of own funds due to the pillar II adjustments (Basel III), representing SREP capital requirements (TSCRs) to be met permanently:
    - rate of own funds tier 1 basis: 7.08%;
    - rate of own funds tier 1: 9.44%;
    - total own funds rate: 12.58%.
  - combined capital buffer requirement equivalent to 6.0% of total risk exposure amount, as a result of the aggregation of the requirement for the capital conservation buffer (2.5%) and the O-SII buffer requirement (0.5%) and systemic risk buffer (2%) and the anticyclic buffer requirements (1%)

b) maintaining an internal additional capital buffer representing 2.5% to support possible future capital requirements adjustments.

In regard of the capital management the Bank assesses capital adequacy in accordance with the "Policy for the internal assessment of capital adequacy", NBR regulations and respectively CRD V regulations package.

The Bank intends that the internal capital to be covering both the risks for which capital requirements are regulated (credit risk, operational risk, currency risk, settlement risk and credit assessment adjustment risk) as well as significant risks identified by the Bank for which regulatory capital requirements are not fully covering.

From a strategic point of view the exposures are undertaken towards counterparties with a good rating and under conditions of a good collateral coverage so as the capital required by the respective exposures be as low as possible.

Capital adequacy ratio is monitored on a monthly basis any substantial deterioration triggering the need to review the portfolio of exposures and to claim if necessary a capital increase. The Bank's own funds and own funds ratios are calculated in accordance with the National Bank of Romania's (NBR) regulations in force, and within the limits imposed by EU Regulation no. 575/2013.

At 31.12.2023 the Bank complied within the regulated indicators regarding capital adequacy, including MREL requirements.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

The total equity ratio was above the total capital requirements imposed by the National Bank of Romania in the SREP (Supervisory, Review and Evaluation Process) and over the global capital requirement-OCR, including capital buffers. An adequate level of capital and general financial indicators have been maintained, in line with the principles of banking prudence.

Capital Management takes into account the evolution of the medium and long term capital and underlies the grounding rationale of the strategy of Business and Bank policy.

Bank's targets regarding own funds level are set in the context of some internal factors (e.g. risk and estimated profit) and some external factors (e.g. market expectations and macroeconomic environment, the crisis caused by the coronavirus infection and the change in the macroeconomic context) and are focused towards an annual positive financial result and its capitalization. Internal capital requirement is internal capital necessary to cover banking risks in order to ensure the sustainability of the Bank.

As of 31.12.2023 the Bank registered a total own funds rate of 24.18%.

Starting December 2022 the Bank has liabilities, other than own funds, eligible for covering MREL requirements, carrying out a private placement of bonds to professional investors, in lei and euros, with a cumulative value of approx. RON 2,061.72 million.

As of 31.12.2023 the Bank registered a surplus of 5.90% of capital and eligible MREL liabilities, being in compliance with the MREL ratio.

Other measures made by the Bank during the year 2023 to maintain a satisfying level of MREL requirements, along with bonds issuance, are represented by non-distribution of dividents, as well as measures to control the level and intensity of RWA (Risk Weighted Assets), through RWA management.

Regarding climate-related risks, the Group has started a Project with the support of external consultants to align the Risk Strategy to relevant ESG factors, as well as to prepare the Group for CSRD, NFRD and taxonomy reporting requirements. The Project is coordinated by Risk and Product Departments, is ongoing and it will also cover elements related to incorporating ESG in credit risk assessment and measurement/parameters (PD, LGD, FLI scenarios), inclusion of ESG factors in stress testing and risk scenarios, implementing a system for GHG emissions quantification.

The Bank is in a process to develop a new rating model for loan origination that aim to assess how borrower performance is linked to climate change and plans to use these models in pricing credit risk. Also, the group plans to limit the exposure to industries exposed to increased transition risks.

The Group is organising specific trainings for relevant personnel in credit origination in respect with ESG elements and accurate and reliable data collection and analysis.

4 SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS

The Bank makes estimates and assumptions that affect the reported amount of assets and liabilities in the next financial year. Estimates and judgments are continually evaluated and are based on past experience and other factors, including expectations of future events that are considered reasonable under the circumstances. In addition to historical experience and information, the Bank considered in the assessment of these estimates, the effects of the current conditions in the financial industry.

Impairment losses on loans, advances and credit commitments

The Bank reviews the loan portfolio on a monthly basis to assess the expected credit losses for these assets in accordance with IFRS 9.

In determining whether an expected credit loss should be recorded in the income statement, the Bank considers the reasonable and justifiable information that affects credit risk for a financial instrument. This evidence may include observable data indicating that there has been an unfavourable change in the group debtors' situation or in the economic conditions at national or local level related to non-payment of assets in the group.

When planning future cash flows, the Bank uses estimates based on historical loss experience for assets with credit risk characteristics and on the objective evidence of impairment similar to those in the portfolio, in the current conditions as well as in provisional data.

The methodology and assumptions used in the impairment assessment are constantly reviewed (at least once a year) to reduce the difference between the expected losses and the actual losses over a certain period of time, making comparisons and analyses (back–testing type) of the differences between the adjustments already recorded for a certain period of time and the actual loss incurred at the end of that period.

In addition, the Bank makes estimates in respect of the probability that the current undrawn facilities will be drawn in the foreseeable future, i.e. how will convert letters / guarantee ceilings into credits. For commitments that are likely to become credit exposures, the Bank makes estimates for future expected credit losses.

Given the current macroeconomic situation and its outlook, the Bank made some post-model adjustments to estimate the expected loss adjustments, detailed in Note 3 - Financial Risk Management.

Fair Values of Financial Assets and Liabilities

Fair value is the price that would have been received to sell an asset or would have been paid to transfer a liability in a regulated transaction between market participants at the valuation date. The best evidence of fair value is the price on an active market. An active market is one in which asset or liability transactions take place with sufficient frequency and volume to provide price information on a continuous basis.

The fair value of financial instruments traded on an active market is measured as the product of the quoted price for the individual asset or liability and the amount held by the entity. A portfolio of derivatives or other assets and liabilities that are not traded on a financial active market is measured at the fair value of a group of financial assets and financial liabilities based on the price they would have received to sell a long net position (e.g., an asset) for a particular exposure to risk or would have paid to transfer a short net position (e.g., a liability) for a particular exposure to risk in an orderly transaction between the market participants at the valuation date.

4 SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS (CONTINUED)

Hierarchy analysis of the fair value of financial instruments measured at fair value:

Level 1: includes instruments quoted in active markets for identical assets or liabilities;

Level 2: includes instruments whose fair value is determined using inputs that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3: includes instruments for which the fair value is determined using inputs that are not based on observable market data (unobservable inputs).

Real estate evaluation - applied evaluation methods

- Given the characteristics and location of the Assets under Evaluation, all three evaluation approaches described below were applied depending on the type of asset being valued and the specific market information available.
- The main approach used in the measurement was the income approach, i.e. the Income Capitalization Method (MCV), which is applied to most of the assets subject to valuation. Values earned through the income approach have been verified with information on offers of similar property sales on the specific market.
- The Cost Approach (CIN) was applied for: The CEC Palace (the value of the land was estimated by the Market Approach - Direct Comparison Method (MCD), and the value of the Building by Net Replacement Cost (CIN), the Slanic Training Center and Accommodation Moldova (its land is not owned by CEC Bank, being leased) garages and wooden cottages located in Tuzla. The share held by the assets valued by the cost approach in total assets, except the CEC Palace, is very low 1%).
- The Market Approach and the Direct Comparison Method (MCD) were applied for the estimation of the market value of the CEC Palace land, for the valuation of the surplus / independent land owned by the Bank and of the non-operating residential properties (Ceahlau - Neamt, Ocna Mures - Alba, Andrid - Satu Mare, Lisa - Brasov and Sarmasel – Mures), as well as for checking the values obtained for the residential properties (apartments and houses located in the rural area) by applying the income approach and the unit values for commercial properties.

IFRS 13 identifies three widely used evaluation techniques:

a) Market approach
b) Income approach
c) Cost approach

IFRS 13 does not require the use of a particular valuation technique but sets out principles for choosing an appropriate valuation technique for which sufficient, observable and relevant data is available.

a) Market approach

The market approach provides an indication of the value by comparing the subject asset with identical or similar assets for which price information is available.

b) Income approach

The income approach provides an indication of the value by converting future cash flows into a single current value of the capital. This approach takes into account the revenue that an asset will generate over its useful life and indicates the value through a capitalization process. Capitalization involves the conversion of income into a capital value by applying an appropriate capitalization / discount rate.

c) Cost approach

Cost approach provides an indication of value by using the economic principle according to which a buyer will not pay more for an asset than the cost required to obtain an asset with the same utility,

(All amounts are in RON thousands unless otherwise stated)

4 **SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS (CONTINUED)**

either by buying or building. Often, the asset under evaluation will be less attractive than the equivalent that could be bought or built because of age or depreciation. In this case, it may be necessary to apply adjustments to the cost of the equivalent asset, depending on the type of value requested.

The tables below analyse the financial assets and liabilities measured at fair value at the end of the reporting period, on hierarchical levels:

Financial assets and liabilities at fair value at 31 December 2023:

	Group			
	Level 1	Level 2	Level 3	Total
Financial assets				
Other financial assets				
Financial assets held for trading and measured at fair value through profit or loss, of which:	66,038	5,419	-	71,457
Debt securities	66,038	5,419	-	71,457
Financial derivatives - Swap on exchange rate	-	1,294	-	1,294
Financial assets measured at fair value through other comprehensive income, out of which:	19,338,507	1,409,235	32,153	20,779,895
– Securities	19,338,507	1,409,235	-	20,747,742
– Equity Investments	-	-	32,153	32,153
Financial assets mandatorily at fair value through profit or loss, out of which:	-	-	19,847	19,847
– Debt securities	-	-	19,847	19,847
Non-financial assets				
- Land and buildings	-	-	589,459	589,459
Total assets carried at fair value	19,409,964	1,410,529	641,459	21,458,012
Financial liabilities				
Other financial liabilities				
Financial derivatives - Swap on exchange rate	-	3,872	-	3,872
Total liabilities carried at fair value	-	3,872	-	3,872

Financial assets and liabilities at fair value at 31 December 2023:

	Bank			
	Level 1	Level 2	Level 3	Total
Financial assets				
Other financial assets				
Financial assets held for trading and measured at fair value through profit or loss, of which:	66,038	5,419	-	71,457
Debt securities	66,038	5,419	-	71,457
Financial derivatives - Swap on exchange rate	-	1,294	-	1,294
Financial assets measured at fair value through other comprehensive income, out of which:	19,338,507	1,409,235	32,153	20,779,895
– Securities	19,338,507	1,409,235	-	20,747,742

(All amounts are in RON thousands unless otherwise stated)

– Equity Investments	-	-	32,153	32,153
Financial assets mandatorily at fair value through profit or loss, out of which:	-	-	19,847	19,847
– Debt securities	-	-	19,847	19,847
Non-financial assets				
- Land and buildings	-	-	585,519	585,519
Total assets carried at fair value	19,409,964	1,410,529	637,519	21,458,012
Financial liabilities				
Other financial liabilities				
Financial derivatives - Swap on exchange rate	-	3,872	-	3,872
Total liabilities carried at fair value	-	3,872	-	3,872

Financial assets and liabilities at fair value at 31 December 2022:

	Group			
	Level 1	Level 2	Level 3	Total
Financial assets				
Other financial assets				
Financial assets held for trading and measured at fair value through profit or loss, of which:	6,289	-	-	6,289
Debt securities	6,289	-	-	6,289
Financial derivatives - Swap on exchange rate	-	-	-	-
Financial assets measured at fair value through other comprehensive income, out of which:	9,815,878	527,103	26,273	10,369,254
– Securities	9,815,878	527,103	-	10,342,981
– Equity Investments	-	-	26,273	26,273
Financial assets mandatorily at fair value through profit or loss, out of which:	-	-	16,341	16,341
– Debt securities	-	-	16,341	16,341
Non-financial assets				
- Land and buildings	-	-	598,081	598,081
Total assets carried at fair value	9,822,167	527,103	640,695	10,989,965
Financial liabilities				
Other financial liabilities				
Financial derivatives - Swap on exchange rate	-	24,950	-	24,950
Total liabilities carried at fair value	-	24,950	-	24,950

(All amounts are in RON thousands unless otherwise stated)

	Bank Level 1	Level 2	Level 3	Total
Financial assets				
Other financial assets				
Financial assets held for trading and measured at fair value through profit or loss, of which:	6,289	-	-	6,289
Debt securities	6,289	-	-	6,289
Financial derivatives - Swap on exchange rate	-	-	-	-
Financial assets measured at fair value through other comprehensive income, out of which:	9,815,878	527,103	26,273	10,369,254
– Securities	9,815,878	527,103	-	10,342,981
– Equity Investments	-	-	26,273	26,273
Financial assets mandatorily at fair value through profit or loss, out of which:	-	-	16,341	16,341
– Debt securities	-	-	16,341	16,341
Non-financial assets				
- Land and buildings	-	-	598,081	598,081
Total assets carried at fair value	9,822,167	527,103	640,695	10,989,965
Financial liabilities				
Other financial liabilities				
Financial derivatives - Swap on exchange rate	-	24,950	-	24,950
Total liabilities carried at fair value	-	24,950	-	24,950

Assets and liabilities not measured at fair value in the balance sheet

The following table summarizes the carrying amounts and fair values of those financial assets and liabilities that are not measured at fair value in the balance sheet of the Bank. Purchase prices are used to estimate the fair values of assets and sales prices are applied for liabilities.

Assets and liabilities for which fair value is disclosed as at 31 December 2023:

	Group				
	Level 1	Level 2	Level 3	Total fair value	Total accounting value
Financial assets					
Cash and balance at Central Bank	-	11,971,822	-	11,971,822	11,971,822
Loans and advances to banks and public institutions	-	2,832,542	5,513,225	8,345,767	8,339,661

(All amounts are in RON thousands unless otherwise stated)

Loans and advances to customers	-	-	31,860,575	31,860,575	31,624,550
Investments in debt instruments at amortized cost	8,010,429	1,627,014	-	9,637,443	9,589,903
Investment property	-	-	96,364	96,364	54,159
Other financial assets	-	-	86,671	86,671	86,671
Total financial assets	8,010,429	16,431,378	37,556,835	61,998,642	61,666,766
Financial liabilities					
Deposits from banks	-	1,663,105	-	1,663,105	1,663,105
Deposits from customers	-	73,787,856	-	73,787,856	72,744,078
Borrowings from banks and other financial institutions	-	179,145	-	179,145	179,055
Debt securities issued	-	2,171,859	-	2,171,859	2,137,255
Subordinated liabilities	-	1,434,229	-	1,434,229	1,434,229
Other financial liabilities	-	-	358,390	358,390	358,390
Total financial liabilities	-	79,236,194	358,390	79,594,584	78,516,112

Bank

	Level 1	Level 2	Level 3	Total fair value	Total accounting value
Financial assets					
Cash and balance at Central Bank	-	11,971,816	-	11,971,816	11,971,816
Loans and advances to banks and public institutions	-	2,798,555	5,513,225	8,311,780	8,305,674
Loans and advances to customers	-	-	31,860,575	31,860,575	31,624,550
Investments in debt instruments at amortized cost	7,996,670	1,627,014	-	9,623,684	9,576,147
Investment property	-	-	96,364	96,364	54,159
Other financial assets	-	-	79,840	79,840	79,840
Total financial assets	7,996,670	16,397,385	37,550,004	61,944,059	61,612,186
Financial liabilities					
Deposits from banks	-	1,663,105	-	1,663,105	1,663,105
Deposits from customers	-	73,788,584	-	73,788,584	72,744,806
Borrowings from banks and other financial institutions	-	179,145	-	179,145	179,055
Debt securities issued	-	2,171,859	-	2,171,859	2,137,255
Subordinated liabilities	-	1,434,229	-	1,434,229	1,434,229
Other financial liabilities	-	-	329,985	329,985	329,985
Total financial liabilities	-	79,236,922	329,985	79,566,907	78,488,435

(All amounts are in RON thousands unless otherwise stated)

4 SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS (CONTINUED)

Assets and liabilities for which fair value is disclosed as at 31 December 2022:

	Level 1	Level 2	Level 3	Total fair value	Total accounting value
Financial assets					
Cash and balance at Central Bank	1,443,538	8,625,516	-	10,069,054	10,069,054
Loans and advances to banks and public institutions	-	6,119,076	-	6,119,076	6,119,076
Loans and advances to customers	-	-	28,728,588	28,728,588	29,224,037
Investments in debt instruments at amortized cost	4,403,070	-	-	4,403,070	4,770,943
Investment property	-	-	95,379	95,379	59,872
Other financial assets	-	-	79,497	79,497	79,497
Total financial assets	5,846,608	14,744,592	28,903,464	49,494,664	50,322,479
Financial liabilities					
Deposits from banks	-	2,698,249	-	2,698,249	2,698,249
Deposits from customers	-	53,065,211	-	53,065,211	52,430,729
Borrowings from banks and other financial institutions	-	276,956	-	276,956	278,242
Debt securities issued	653,636	-	-	653,636	653,636
Subordinated liabilities	-	1,439,628	-	1,439,628	1,439,628
Other financial liabilities	-	-	89,799	89,799	89,799
Total financial liabilities	653,636	57,480,044	89,799	58,223,479	57,590,283

a) Loans and advances to banks and public institutions and cash at Central Bank

Loans and advances to banks and public institutions include inter-bank placements and items in the course of collection. Cash at central banks includes the minimum reserve and current accounts held at the NBR. The fair value of floating rate placements and overnight deposits is equal to their carrying amount.

b) Loans and advances to customers

Loans and advances are net of provisions for impairment. The estimated fair value of loans and advances represents the discounted amount of estimated future cash flows expected to be received. Expected cash flows are discounted at current market rates to determine fair value. The estimated fair value of fixed and floating interest bearing loans is based on discounted cash flows using prevailing money-market interest rates for debts with similar credit risk and remaining maturity.

(All amounts are in RON thousands unless otherwise stated)

4 SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS (CONTINUED)

The following table provides the description of unobservable data and the valuation techniques used for level 3 in accordance with IFRS 13.

Group	Market value	Evaluation techniques	Significant unobservable inputs	Average interest rate	The sensitivity of the valua of the market value to unobservable inputs
Legal entities Agriculture exclusively bridge loans for subsides	3,012,390	Future discounted cash flows	PD and LGD as items reflecting credit risk in the discount rate of future cash flows.	6.96 % for EURO ; 9.15 % for RON	The individual growth of any unobservable inputs (PD, LGD, discount rate) would generate a lower market value.
Public local administrations	2,517,017	Future discounted cash flows	PD and LGD as items reflecting credit risk in the discount rate of future cash flows.	7.75% for RON	The individual growth of any unobservable inputs (PD, LGD, discount rate) would generate a lower market value.
Legal entities Commerce	3,192,648	Future discounted cash flows	PD and LGD as items reflecting credit risk in the discount rate of future cash flows.	7.05 % for EURO; 9.29 % for RON;	The individual growth of any unobservable inputs (PD, LGD, discount rate) would generate a lower market value.
Legal entities Construction	1,977,785	Future discounted cash flows	PD and LGD as items reflecting credit risk in the discount rate of future cash flows.	6.96 % for EURO; 8.98 % for RON	The individual growth of any unobservable inputs (PD, LGD, discount rate) would generate a lower market value.
Legal entities Industry	5,251,373	Future discounted cash flows	PD and LGD as items reflecting credit risk in the discount rate of future cash flows.	6.73 % for EURO; 8.92 % for RON; 8.63 % for USD	The individual growth of any unobservable inputs (PD, LGD, discount rate) would generate a lower market value.
Individuals – personal needs loans	1,898,292	Future discounted cash flows	PD and LGD as items reflecting credit risk in the discount rate of future cash flows.	6.83 % for EURO; 10.08 % for RON	The individual growth of any unobservable inputs (PD, LGD, discount rate) would generate a lower market value.
Legal entities Services	5,829,969	Future discounted cash flows	PD and LGD as items reflecting credit risk in the discount rate of future cash flows.	6.94 % for EURO; 9.34 % for RON	The individual growth of any unobservable inputs (PD, LGD, discount rate) would generate a lower market value.
Bridge loans for subsides	662,529	Future discounted cash flows	PD and LGD as items reflecting credit risk in the discount rate of future cash flows.	8.57 % for RON	The individual growth of any unobservable inputs (PD, LGD, discount rate) would generate a lower market value.
Individuals – Mortgage loans	7,051,513	Future discounted cash flows	PD and LGD as items reflecting credit risk in the discount rate of future cash flows.	7.57 % for EURO; 7.91 % for RON; 4.10 % for USD	The individual growth of any unobservable inputs (PD, LGD, discount rate) would generate a lower market value.
Cards/Overdraft	467,059	Future discounted cash flows	PD and LGD as items reflecting credit risk in the discount rate of future cash flows.	16.43 % for RON	The individual growth of any unobservable inputs (PD, LGD, discount rate) would generate a lower market value.

Total **31,860,575**

4 SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS (CONTINUED)

c) Deposits from banks, deposits from customers and borrowings from banks and other financial institutions and subordinated debts

The estimated fair value of deposits with no stated maturity, which includes non-interest-bearing deposits, as presented in the interest gap analysis, is the amount repayable on demand. The estimated fair value of fixed interest-bearing deposits, borrowings from banks and other financial institutions and subordinated debt without a quoted market price is based on discounted cash flows using interest rates for new debts with similar remaining maturity.

d) Debt securities issued

The fair value of the debt securities issued is determined using BID quotations (expressed as yield) from Bloomberg, the BGN or BVAL source, where BGN is not available. If none of the sources is available, the price of the last transaction made in the last 30 days on the regulated market, if any, will be used. Otherwise, the yield used to determine the fair value will be based on the following formula: the (BID) yield of the government bond with the closest maturity plus the credit spread relevant to the risk category to which the issuer of the evaluated bond belongs, allowing for any material instrument specific credit quality deterioration, if the case.

e) Financial assets measured at fair value through other items of comprehensive income - Government securities

The fair value of government securities measured at fair value through other items of comprehensive income is determined using BID quotations (expressed as yield) in Bloomberg, source BGN.
All securities owned by CEC Bank are periodically assessed in order to evaluate their liquidity as tradeable instruments. For this purpose, the Bank considers 3 main measures and data provided by Bloomberg, as made available via the function LQA.
The 3 main measures for each ISIN are:

- Amount outstanding. This is 100% identifiable and is considered to be directly correlated with liquidity;
- Bid-ask spread. This is generally observable and is inversely correlated with liquidity;
- Trade history. This measure becomes increasingly observable following MIFID requirements on APA publication. However full trading history is still largely unavailable as of 2023, therefore not yet included in Bank's explicit assessment mechanism.

The additional data retrieved from Bloomberg (LQA function) is:

- Liquidity score of the instrument from (ranging from 0 to 100)
- Liquidity assessment are per SEC classification criteria

The bank considers as Level 1 all ISINs that cumulatively meet the following criteria at the date o the assessment:

- Total issued amount at least 1 billion EUR;
- Bid-ask spread (as retrieved from Bloomberg LQA) of maximum 70 basis points;
- Liquidity score of at least 30 (as retrieved from Bloomberg LQA);
- SEC 22E4 classification HLI (Highly liquid)

f) Financial assets measured at fair value through other items of comprehensive income – Shares

Financial assets measured at fair value through other comprehensive income include shares that are not traded on an active market (FRGC S.A. - Fondul Roman de Garantare a Creditelor pentru Intreprinzatori Privati, Transfond S.A. - Societatea de Transfer de Fonduri si Decontari, Biroul de Credit S.A., SWIFT- Societatea de Telecomunicaţii Financiare Interbancare Globale) and shares

(All amounts are in RON thousands unless otherwise stated)

4 SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS (CONTINUED)

quoted in an active market (VISA Inc.). In the case of shares that are not listed on an active market, it is not possible to obtain the market value for those equity securities and therefore recent values in terms of their trading price are not publicly available. Management does not intend to sell these shares in the near future. The Bank determined the fair value for them using the net asset method based on the published financial statements, in the case of FRGC S.A. - Fondul Român de Garantare a Creditelor pentru Întreprinzători Privaţi and SWIFT - Societatea de Telecomunicaţii Financiare Interbancare Globale and the dividend method, in the case of Transfond S.A. - Societatea de Transfer de Fonduri şi Decontări si Biroul de Credit S.A.

In the case of Visa Inc.'s shares for which there is an active market, the market value is determined monthly based on the conversion coefficient communicated by VISA and the NYSE stock exchange quote.

The following table provides the description of unobservable data and the valuation techniques used for level 3 in accordance with IFRS 13.

Group	Market value	Evaluation techniques	Significant unobservable inputs	The sensitivity of the valuation of the market value to unobservable inputs
Shares measured at fair value through other comprehensive income	32,153	The market value is determined by VISA's conversion coefficient and NYSE's stock exchange rate. For unlisted equity instruments, the market value is determined by the net asset method based on the financial statements of the entities at the end of the last reporting period, as well as by the dividend method.	Financial performance of the issuer	The improvement and deteriorationof the issuer's financial performance has an impact on the increase or decrease of the market value.

g) Financial assets mandatorily at fair value through profit or loss – Debt securities

The Bank's debt instruments include shares that are traded on an active market (VISA Inc.) and in their case, market value is determined monthly based on the conversion coefficient communicated by VISA and the NYSE stock exchange quote.

The following table provides the description of unobservable data and the valuation techniques used for level 3 in accordance with IFRS 13.

Group	Market value	Evaluation techniques	Significant unobservable inputs	The sensitivity of the valuation of the market value to unobservable inputs
Debt securities mandatorily measured at fair value through profit or loss	19,847	The market value is determined by VISA's conversion coefficient and NYSE's stock exchange rate	Financial performance of the issuer	The improvement and deteriorationof the issuer's financial performance has an impact on the increase or decrease of the market value.

The following table shows a reconciliation from the beginning balances to the ending balances for fair value measurements in level 3 of the fair value hierarchy:

	Shares	Debt securities
Balance at 1 January 2023	26,274	16,341
Total gains or losses:		
- in profit or loss	-	3,506
- in other comprehensive income	6,303	-
Purchases	-	-
Issues	-	-
Settlements	(155)	-

4 SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS (CONTINUED)

Transfers into level 3	-	-
Transfers out of level 3	-	-
Exchange rate differences	(269)	-
Balance at 31 December 2023	32,153	19,847

h) Investments in debt instruments at amortized cost - Government securities/Corporate/ Municipal bonds

The fair value of the investments in debt instruments is determined using BID quotations (expressed as yield) from Bloomberg, the BGN or BVAL source, where BGN is not available. If none of the sources is available, the price of the last transaction made in the last 30 days on the regulated market, if any, will be used. Otherwise, the yield used to determine the fair value will be based on the following formula: the (BID) yield of the government/Corporate/Municipal bond with the closest maturity plus the credit spread relevant to the risk category to which the issuer of the evaluated bond belongs, allowing for any material instrument specific credit quality deterioration, if the case.

i) Derivative financial assets and liabilities

As of 31 December 2023, the value of financial derivative instruments (FX swap/forward) is determined using interest rates ROBID/ROBOR/EURIBOR/USD DEPO/SOFR/GBP DEPO/CHF DEPO/SONIA displayed by Thomson Reuters or Bloomberg, as well as official exchange rates published by NBR in order to compute forward rates for remaining period of outstanding contracts.

j) Other financial assets and liabilities

The management considered that the fair value is equal to the accounting value considering that these financial assets and liabilities are expected to be settled within one month or with no fixed maturity, they are short-term and their carrying amount is not materially different from their fair value.

k) Property

Following the analysis carried out by the Bank's management regarding the market value of goods on the real estate market, it emerged that it did not fluctuate significantly during 2023 and that there are no external indicators of impairment of assets compared to the analysis of 31 December 2022. Management considered that the net book value of land and buildings as at 31 December 2023 represents a fair estimate of fair values at the reporting date.

During the year ended 31 December 2023 (and 31 December 2022), there were no changes to the fair valuation at fair value in Level 3 rating techniques.

The following table shows the Bank's situation of the evaluation results on each applied valuation method.

Bank's Real Estate Valuation - input data analysis according to IFRS 13 as at 31.12.2023

Evaluation results for each evaluation method used							
Crt. No.	**Evaluation method**	**Properties (Pieces)**	**Surface property land (mp)**	**Surface land concession / use (mp)**	**Surface built unfolded (mp)**	**Surface useful total (mp)**	**Fair value (RON thousands)**
1	MCV	830	72,440	59,117	254,693	201,760	541,299
2	CIN	19	6,114	263	10,507	7,542	134,726
3	MCD	152	40,490	8,615	17,472	13,324	15,165
Total		**1,001**	**119,044**	**67,995**	**282,672**	**222,627**	**691,190**

4 SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS (CONTINUED)

Real Estate Valuation - input data analysis according to IFRS 13 as at 31.12.2022

Evaluation results for each evaluation method used							
Crt. No.	**Evaluation method**	**Properties (Pieces)**	**Surface property land (mp)**	**Surface land concession / use (mp)**	**Surface built unfolded (mp)**	**Surface useful total (mp)**	**Fair value (RON thousands)**
1	MCV	835	72,758	59,705	256,967	203,629	540,457
2	CIN	19	6,113	263	10,507	7,543	134,408
3	MCD	160	48,056	8,615	17,533	13,375	15,441
Total		**1,014**	**126,927**	**68,583**	**285,007**	**224,547**	**690,306**

Considering the valuation methodology used, it can be concluded that the input data used in estimating the fair value fall within the level 3 data category.

The following table shows the valuation techniques used to measure the fair values of the properties as well as the significant unobservable inputs used.

Valuation techniques	**Significant unobservable inputs**	**Fair value impact**
Income Capitalization Method (MCV) Cost approach (CIN) Direct Comparison Method (MCD)	Potential Gross Income Variation (PGI):-10% Capitalization rate variation (CR): 1%	(106,565) (-19.7%)
Income Capitalization Method (MCV) Cost approach (CIN) Direct Comparison Method (MCD)	Potential Gross Income Variation (PGI): -7% Capitalization rate variation (CR): 0,5%	(67,702) (-12.5%)
Income Capitalization Method (MCV) Cost approach (CIN) Direct Comparison Method (MCD)	Potential Gross Income Variation (PGI): -3% Capitalization rate variation (CR): 0,25%	(31,630) (-5.85%)
Income Capitalization Method (MCV) Cost approach (CIN) Direct Comparison Method (MCD)	Potential Gross Income Variation (PGI): 3% Capitalization rate variation (CR): -0,25%	33,251 (6.15%)
Income Capitalization Method (MCV) Cost approach (CIN) Direct Comparison Method (MCD)	Potential Gross Income Variation (PGI): 7% Capitalization rate variation (CR): -0,50%	74,781 (13.84%)
Income Capitalization Method (MCV) Cost approach (CIN) Direct Comparison Method (MCD)	Potential Gross Income Variation (PGI): 10% Capitalization rate variation (CR): -1%	130,270 (24.1%)

(All amounts are in RON thousands unless otherwise stated)

4 SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS (CONTINUED)

The table below provides a reconciliation of financial assets and liabilities in the statement of financial position by categories of financial instruments:

Group

31 December 2023	*Note*	Mandatorily at FVTPL	FVTPL	FVOCI – debt instruments	FVOCI – equity instruments	At amortized cost	At historical cost	Total carrying amount
Cash and balance at central banks	13	-	-	-	-	11,971,822	-	11,971,822
Derivatives financial assets	14	-	1,294	-	-	-	-	1,294
Loans and advances to banks and public institutions	15	-	-	-	-	8,339,661	-	8,339,661
Loans and advances to customers:	18	-	-	-	-	31,624,550	-	31,624,550
- at amortized cost		-	-	-	-	31,624,550	-	31,624,550
Debt instruments:		19,847	71,457	20,747,742	-	9,576,147	-	30,415,193
- measured at fair value through profit or loss	20	-	71,457	-	-	-	-	71,457
- mandatorily at fair value through profit or loss	19	19,847	-	-	-	-	-	19,847
- at fair value through other comprehensive income	16	-	-	20,747,742	-	-	-	20,747,742
- at amortized cost	17	-	-	-	-	9,589,903	-	9,589,903
Equity instruments	16	-	-	-	32,153	-	-	32,153
Other financial assets	25	-	-	-	-	86,671	-	86,671
Total financial assets		19,847	72,751	20,747,742	32,153	61,612,607	5.000	82,485,100
Derivatives financial liabilities	14	-	3,872	-	-	-	-	3,872
Deposits from banks	27	-	-	-	-	1,663,105	-	1,663,105
Deposits from customers	28	-	-	-	-	72,744,078	-	72,744,078
Borrowings from banks and other financial institutions	29	-	-	-	-	179,055	-	179,055
Debt securities issued	30	-	-	-	-	2,137,255		2,137,255
Subordinated liabilities	31	-	-	-	-	1,434,229	-	1,434,229
Lease liabilities	34	-	-	-	-	98,723	-	98,723
Other financial liabilities	36	-	-	-	-	358,390	-	358,390
Total financial liabilities		-	3,872	-	-	78,614,835	-	78,618,707

(All amounts are in RON thousands unless otherwise stated)

4 SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS (CONTINUED)

		Group					
31 December 2022	*Note*	**Mandatorily at FVTPL**	**FVTPL**	**FVOCI – debt instruments**	**FVOCI – equity instruments**	**At amortized cost**	**Total carrying amount**
Cash and balance at central banks	13	-	-	-	-	10,104,087	10,104,087
Derivatives financial assets	14	-	-	-	-	-	-
Loans and advances to banks and public institutions	15	-	-	-	-	6,119,331	6,119,331
Loans and advances to customers:	18	-	-	-	-	29,242,809	29,242,809
- at amortized cost		-	-	-	-	29,242,809	29,242,809
Debt instruments:		16,341	6,289	10,342,981	-	4,770,943	15,136,554
- measured at fair value through profit or loss	20	-	6,289	-	-	-	6,289
- mandatorily at fair value through profit or loss	19	16,341	-	-	-	-	16,341
- at fair value through other comprehensive income	16	-	-	10,342,981	-	-	10,342,981
- at amortized cost	17	-	-	-	-	4,770,943	4,770,943
Equity instruments	16	-	-	-	26,273	-	26,273
Other financial assets	25	-	-	-	-	88,966	88,966
Total financial assets		16,341	6,289	10,342,981	26,273	50,326,136	60,718,020
Derivatives financial liabilities	14	-	24,950	-	-	-	24,950
Deposits from banks	27	-	-	-	-	2,698,249	2,698,249
Deposits from customers	28	-	-	-	-	52,432,793	52,432,793
Borrowings from banks and other financial institutions	29	-	-	-	-	278,242	278,242
Debt securities issued	30					653,636	653,636
Subordinated liabilities	31	-	-	-	-	1,439,628	1,439,628
Lease liabilities	34	-	-	-	-	96,475	96,475
Other financial liabilities	36	-	-	-	-	151,264	151,264
Total financial liabilities		-	24,950	-	-	57,750,287	57,775,237

(All amounts are in RON thousands unless otherwise stated)

4 SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS (CONTINUED)

Bank

31 December 2023	Note	Mandatorily at FVTPL	FVTPL	FVOCI – debt instruments	FVOCI – equity instruments	At amortized cost	At historical cost	Total carrying amount
Cash and balance at central banks	13	-	-	-	-	11,971,816	-	11,971,816
Derivatives financial assets	14	-	1,294	-	-	-	-	1,294
Loans and advances to banks and public institutions	15	-	-	-	-	8,305,674	-	8,305,674
Loans and advances to customers:	18	-	-	-	-	31,624,550	-	31,624,550
- at amortized cost		-	-	-	-	31,624,550,,	-	31,624,550,,
Debt instruments:		19,847	71,457	20,747,742	-	9,576,147	-	30,415,193
- measured at fair value through profit or loss	20	-	71,457	-	-	-	-	71,457
- mandatorily at fair value through profit or loss	19	19,847	-	-	-	-	-	19,847
- at fair value through other comprehensive income	16	-	-	20,747,742	-	-	-	20,747,742
- at amortized cost	17	-	-	-	-	9,576,147	-	9,576,147
Equity instruments	16	-	-	-	32,153	-	-	32,153
Financial assets at historical cost		-	-	-	-	-	5,000	5,000
Other financial assets	25	-	-	-	-	79,840	-	79,840
Total financial assets		19,847	72,751	20,747,742	32,153	61,558,027	5,000	82,435,520
Derivatives financial liabilities	14	-	3,872	-	-	-		3,872
Deposits from banks	27	-	-	-	-	1,663,105	-	1,663,105
Deposits from customers	28	-	-	-	-	72,744,806	-	72,744,806
Borrowings from banks and other financial institutions	29	-	-	-	-	179,055	-	179,055
Debt securities issued	30					2,137,255	-	2,137,255
Subordinated liabilities	31	-	-	-	-	1,434,229	-	1,434,229
Lease liabilities	34	-	-	-	-	98,723	-	98,723
Other financial liabilities	36	-	-	-	-	329,985	-	329,985
Total financial liabilities		-	3,872	-	-	78,587,158	-	78,591,030

(All amounts are in RON thousands unless otherwise stated)

4 SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS (CONTINUED)

31 December 2022	Note	Bank Mandatorily at FVTPL	FVTPL	FVOCI – debt instruments	FVOCI – equity instruments	At amortized cost	Total carrying amount
Cash and balance at central banks	13	-	-	-	-	10,104,087	10,104,087
Derivatives financial assets	14	-	-	-	-	-	-
Loans and advances to banks and public institutions	15	-	-	-	-	6,119,331	6,119,331
Loans and advances to customers:	18	-	-	-	-	29,242,809	29,242,809
- at amortized cost		-	-	-	-	29,242,809	29,242,809
Debt instruments:		16,341	6,289	10,342,981	-	4,770,943	15,136,554
- measured at fair value through profit or loss	20	-	6,289	-	-	-	6,289
- mandatorily at fair value through profit or loss	19	16,341	-	-	-	-	16,341
- at fair value through other comprehensive income	16	-	-	10,342,981	-	-	10,342,981
- at amortized cost	17	-	-	-	-	4,770,943	4,770,943
Equity instruments	16	-	-	-	26,273	-	26,273
Other financial assets	25	-	-	-	-	88,966	88,966
Total financial assets		16,341	6,289	10,342,981	26,273	50,326,136	60,718,020
Derivatives financial liabilities	14	-	24,950	-	-	-	24,950
Deposits from banks	27	-	-	-	-	2,698,249	2,698,249
Deposits from customers	28	-	-	-	-	52,432,793	52,432,793
Borrowings from banks and other financial institutions	29	-	-	-	-	278,242	278,242
Debt securities issued	30					653,636	653,636
Subordinated liabilities	31	-	-	-	-	1,439,628	1,439,628
Lease liabilities	34	-	-	-	-	96,475	96,475
Other financial liabilities	36	-	-	-	-	151,264	151,264
Total financial liabilities		-	24,950	-	-	57,750,287	57,775,237

(All amounts are in RON thousands unless otherwise stated)

5 NET INTEREST INCOME

	Group		Bank	
	2023	2022	2023	2022
Interest income calculated using the effective interest method arising from:				
Current accounts, deposits loans and advances to banks	404,994	158,042	404,097	158,042
Treasury bills, bonds and other Investment securities	921,389	468,506	921,389	468,506
Loans and advances to customers, out of which:	2,759,815	1,998,393	2,759,815	1,998,393
Interest income on impaired loans	125,077	93,319	125,077	93,319
Modification loss not determined by credit risk	(544)	(4,418)	(544)	(4,418)
FGCR interest income - Government programs	229	-	-	-
Total interest income	4,086,426	2,624,941	4,085,301	2,624,941
Interest expense related to financial liabilities measured at amortized cost arising from:				
Savings instruments from customers	-	29	-	29
Current accounts and term deposits from customers	2,138,112	866,229	2,138,112	866,229
Loans and deposits from banks	69,200	95,211	69,200	95,211
Interest expense on lease liabilities	758	562	758	562
Other borrowed funds	302	476	302	476
Subordinated loan	141,972	123,145	141,972	123,145
Debt securities issued	101,914	284	101,914	284
Total interest expense	2,452,258	1,085,936	2,452,258	1,085,936
Net interest income	1,634,169	1,539,005	1,633,043	1,539,005

6 NET COMMISSION INCOME

	Group		Bank	
	2023	2022	2023	2022
Commission income				
Commissions from operations with cards	118,996	104,566	118,996	104,566
Commissions from cash transactions	62,628	69,731	62,628	69,731
Commissions from current accounts opening	124,003	129,729	124,034	129,729
Other commissions	55,298	49,357	55,298	49,357
Total commissions from contracts with customers	360,926	353,383	360,956	353,383
Commissions from financial guarantees and loan commitments given	36,392	19,371	24,097	19,371
Total commissions income	397,318	372,754	385,053	372,754

(All amounts are in RON thousands unless otherwise stated)

6 NET COMMISSION INCOME (CONTINUED)

Commission expense				
Commissions for inter-bank transactions	49,774	37,974	49,743	37,974
Commissions for financial risk insurance	3,404	1,908	3,404	1,908
Commissions for financial services	67,361	61,980	67,361	61,980
Total commission expense	120,539	101,862	120,508	101,862
Net commission income	276,779	270,892	264,545	270,892

The income from commissions and charges and commissions comes from the financial services offered/received by the bank and includes: commission on commitments of financial guarantees, commissions on card transactions, cash management fees, investment advice and financial planning, asset management services as well as credit risk insurance expenses for the loan and debt portfolio.

Trading fees arising from transactions in securities, collection and payment services, exchanges, document transmission to customers, etc. are usually recorded at the time the service is provided.

Fees related to continuous management, account management, deposit and custody services, asset management and payment cards are normally recognized over time during the duration of the contract. The income is measured on a linear basis and is distributed evenly, usually monthly, over the duration of the contract.

The fees on loans granted other than those related to initiation which are part of the actual interest income shall be either recorded at the time the service is provided or recognized over time during the duration of the contract, based on the type of services provided.

The amount of Commission income is determined on the basis of contractual terms.

Commission income from contracts with customers are measured on the basis of consideration specified in a contract with a customer.
The Bank and the Group recognizes revenue when transferring control of a service to a customer.
The following table provides information on the nature and timing of performance obligations in customer contracts, including significant payment terms, as well as related revenue recognition policies.

Types of services	Nature and timing of performance obligations, including significant payment deadlines	Income recognition policies in accordance with IFRS 15
Retail and corporate banking	The Bank provides banking services to retail and corporate customers, including current account management, interbank transactions, cash transactions, card transactions, cash collection services, tax collection services due to authorities, SGB issue/change, online transaction services, insurance intermediation, other financial services.	Income from banking services is recognized over time as services are provided. Income related to transactions is recognised at the point in time when the transaction takes place.

	Cash transactions, card transactions, SGB issue/change, are charged to the customer's account when the transaction takes place. Account management fees, cash collection services, tax collection services, insurance intermediation are levied on a monthly basis.	
Asset management service	The Bank provides security custody services for which it charges a custody commission. The custody commission is calculated monthly and retained from the current account of the client.	Revenue from banking services is recognized over time as services are provided.

7 NET LOSS FROM FINANCIAL DERIVATIVES

	Group		Bank	
	2023	2022	2023	2022
Loss from foreign exchange derivative transactions	57,927	154,477	57,927	154,477
Total	57,927	154,477	57,927	154,477

Transactions includes gains and losses from forward contracts and currency swaps.
The variation in 2023 compared to 2022 is due to the decrease in the number of currency swap transactions.

8 OTHER OPERATING INCOME

	Group		Bank	
	2023	2022	2023	2022
Income from other operations	7,035	7,935	6,936	7,935
Income from dividends	1,668	6,850	1,668	6,850
Rental income	5,508	5,001	5,508	5,001
Total	14,211	19,786	14,112	19,786

9 STAFF COSTS

	Group		Bank	
	2023	2022	2023	2022
Wages and salaries	486,746	441,793	480,858	441,793
Other social security contributions	10,968	9,943	10,822	9,943
Other staff costs	43,428	35,254	43,283	35,254
Provisions for other employee benefits	6,234	5,890	4,237	5,890
Provision for employee benefits upon the termination of the employment contract (i)	(141)	(2,500)	(399)	(2,500)
Total	547,235	490,380	538,801	490,380

(All amounts are in RON thousands unless otherwise stated)

(i) As at 31.12.2023 the Bank set up provisions for funds to support the early retirement programme applicable in 2024 in the amount of RON 4,601 thousand.

FGCR is obliged to pay upon the retirement of employees a benefit equivalent to four salaries in the month of retirement for employees with more than 10 years of service and two salaries in the month of retirement for employees with less than 10 years of service.

At 31 December 31 2023, the Group has provisions for post-employment benefits in the amount of RON 4,859 thousand.

10 OTHER OPERATING EXPENSES

	Group		Bank	
	2023	2022	2023	2022
Third parties expenses (i)	36,490	34.497	36,101	34.497
Advertising and publicity	7,565	22.321	7,413	22.321
Materials and inventories	11,250	14.975	10,634	14.975
Other taxes	60,778	59.416	60,740	59.416
Provisions for litigations and for internal or external fraud (Note 30)	2,944	(743)	2,647	(743)
Other operating expenses	8,096	5.707	7,954	5.707
Rent expenses	2,675	2.941	2,653	2.941
Travel and transportation expenses	16,509	15.494	16,464	15.494
Expenses with deposits' guarantee fund	39,925	51.911	39,925	51.911
Repairs and maintenance of property and equipment	131,524	123.769	131,296	123.769
Expenses with post and telecommunications	34,475	28.370	34,397	28.370
(Gain)/ Loss on sale of fixed assets and investment property	(2,402)	(3.619)	(2,402)	(3.619)
Net charge for impairment of other financial and non-financial assets (Note 23 and Note 24)	235	737	235	737
Total	350,064	355.776	348,057	355.776

(i) At 31 December 2023, the Group's amount also includes the total fees charged by the statutory auditor in the amount of RON 3,063 thousand (2022: RON 3,176 thousand)as follows:

Bank:

- total fees for the statutory audit of the consolidated and individual annual financial statements for the financial year 2023 in the amount of RON 1,223 thousand, (2022: 1,008 thousand lei), of which unbilled amounts for the financial year 2023 in the amount of RON 856 thousand (2022: RON 690 thousand);
- total fees for other non statutory assurance services in the amount of RON 1,400 thousand (2022: RON 1,835 thousand);
- other non-audit services allowed by the legislation in force in the amount of RON 276 thousand (2022: RON 333 thousand).

FGCR:

At 31 December 2023, the value includes the total fees related to the financial exercise charged by the statutory auditor in the amount of RON 164 thousand, representing the statutory audit of the annual financial statements. The Fund had no expenses with services other than those of statutory audit allowed by the legislation in force or other non-audit services.

(All amounts are in RON thousands unless otherwise stated)

11 IMPAIRMENT LOSSES ON FINANCIAL INSTRUMENTS

	Group		Bank	
	2023	2022	2023	2022
Net impairment loss on loans and advances to customers	485,508	461,831	485,508	461,831
Net charge with adjustments for expected loss on current account and deposits with NBR	288	318	256	318
Net charge/release with adjustments for expected losses on correspondent accounts, deposits and loans with credit institutions	3,723	(3,798)	3,691	(3,798)
Losses from non-recoverable receivables not covered by adjustments for expected loss of credit	2,084	3,853	2,084	3,853
Provision for loan commitments and financial guarantees given	(746)	32,619	(746)	32,619
Recoveries from loans sold	(14,738)	(47,233)	(14,738)	(47,233)
Recoveries from loans previously written off	(94,793)	(114,184)	(94,793)	(114,184)
Income from debt recovery (Euro sources) FGCR	(45)	-	-	-
Net loss from impairment of debt instruments	7,406	1,218	7,404	1,218
Total net charge with adjustments for expected credit losses	388,655	334,624	388,666	334,624

12 INCOME TAX EXPENSE

	Group		Bank	
	2023	2022	2023	2022
Current tax expense at 16 % (2022: 16%) of taxable profits determined in accordance with Romanian law	78,459	89,899	77,682	89,899
Expense / (Income) from deferred tax (see Note 31)	(2,032)	(7,445)	(2,022)	(7,445)
Income tax expense/ (credit)	76,427	82,454	75,660	82,454

(All amounts are in RON thousands unless otherwise stated)

12 INCOME TAX EXPENSE (CONTINUED)

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted at the balance sheet date, and any adjustment to tax payable in respect of prior periods.
Income tax is equal with the value of payable/recoverable income tax considering the taxable profit/ fiscal loss over a period of time.

Deferred tax is determined using the balance sheet method, providing for temporary differences between the tax base for calculating the tax on assets and liabilities and their book value carrying amount.

Deferred tax is calculated using tax rates expected to be applied to temporary differences in the accounting carrying value of assets and liabilities, based on the effective legislation at the reporting date. The tax rate used to calculate the current and deferred tax position at 31 December 2023 is 16% (2022: 16%).

Deferred income tax assets are recognized for all temporary differences between the tax base and the carrying amount of assets and liabilities at the balance sheet date, and for unused tax credits and losses carried forward in the next period to the extent that it is probable that a future taxable profit, on which these temporary differences and unused tax credits and losses can be attributed.

Reconciliation of profit before tax to current tax expense in the income statement

	Group		Bank	
	2023	2022	2023	2022
Profit before tax	616,572	506,780	591,468	506,780
Theoretical tax charge at statutory rate of 16% (2022: 16%)	98,652	81,085	94,635	81,085
The tax effect of non-deductible expenses of 8.10% (2022: 8.60%)	48,303	43,586	47,902	43,586
Tax effect of non-taxable income of 4.45% (2022: 3.90%)	(26,711)	(19,758)	(26,335)	(19,758)
Tax deductions of 3.58% (2022: 3.46%)	(21,194)	(17,513)	(21,194)	(17,513)
Establishment and reversal of temporary differences	368	-	-	-
Sponsorship and reinvested profit tax credit of 2.66% (2022: 1.60%)	(15,755)	(8,106)	(15,716)	(8,106)
Items similar to expense and income of 0.27% (2022: (2.09%))	(1,611)	10,605	(1,611)	10,605
Income tax expense / (credit) for the year	78,459	89,899	77,681	89,899
Effective tax rate	12.73%	17.74%	13.13%	17.74%

Non-deductible expenses include negative fair value adjustments of financial assets, losses from the revaluation of fixed assets, fuel expenses and various other non-deductible operating expenses.
Non-taxable income includes the reversal of provisions for financial assets which were previously non-deductible expenses and income coming from dividends and other sundry non-taxable income.

(All amounts are in RON thousands unless otherwise stated)

13 CASH AND BALANCES AT CENTRAL BANK

	Group		Bank	
	31 December 2023	31 December 2022	31 December 2023	31 December 2022
Cash on hand	919,285	1,088,633	919,279	1,088,633
Cash in ATM's	438,488	354,905	438,488	354,905
Mandatory minimum reserve (i)	9,972,665	7,064,606	9,972,665	7,064,606
Other current accounts held with the National Bank of Romania (other than mandatory minimum reserve)	642,791	1,562,061	642,791	1,562,061
Expected credit losses	(1,407)	(1,151)	(1,407)	(1,151)
Cash and balance at Central Bank	11,971,822	10,069,054	11,971,816	10,069,054

(i) The mandatory minimum reserve is maintained in accordance with Regulation no. 6/2002 issued by the National Bank of Romania and the subsequent changes and amendments. According to this regulation, the Bank is required to maintain a minimum average balance of mandatory reserve throughout the reporting period (monthly basis). The amounts from the mandatory reserve accounts are readily available for the use of the Bank according to the liquidity needs and strategy, subject to achieving the minimum reserve as an average for the reporting period.

At 31 December 2023 the mandatory minimum reserve was set at 8% (31 December 2022: 8%) for funds attracted from customers in RON and 5% (31 December 2022: 5%) for foreign currency denominated funds attracted. The interest rate granted by the National Bank of Romania for the current accounts in RON during 2023 ranged between 0.69% and 0.82% p.a. (2022 between 0.13% and 0.70% p.a.). For the current account in EUR, the National Bank of Romania granted during 2023 an interest ranged between 0.02% and 0.11% p.a. (2022: between 0% and 0.02% p.a.). For the current account in USD, the National Bank of Romania granted during 2023 an interest ranged between 0.08% and 0.39% p.a. (2022: between 0.01% and 0.09% p.a.).

As at 31 December 2023 the amounts presented in the statement of financial position regarding cash and balance at Central Bank are current and not impaired.

14 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

		Group		Bank
	31 December 2023	31 December 2022	31 December 2023	31 December 2022
Financial derivatives	1,294	-	1,294	-
Financial assets which are required to be measured at fair value through profit or loss	19,847	16,341	19,847	16,341

(All amounts are in RON thousands unless otherwise stated)

Financial assets held for trading and measured at fair value through profit or loss	71,457	6,289	71,457	6,289
Financial assets at fair value through profit or loss	**92,598**	**22,630**	**92,598**	**22,630**

	Group			
	31 December 2023		**31 December 2022**	
	Asset	**Liability**	**Asset**	**Liability**
Financial derivatives	1,294	3,872	-	24,950

	Bank			
	31 December 2023		**31 December 2022**	
	Asset	**Liability**	**Asset**	**Liability**
Financial derivatives	1,294	3,872	-	24,950

In accordance with IFRS 9, the Group's 's derivatives are measured at fair value through profit or loss.

The table below sets out fair values, at the end of the reporting period, of currencies receivable or payable under foreign exchange forward and swap contracts entered into by the Bank. The table reflects gross positions before the netting of any counterparty positions (and payments) and covers the contracts with settlement dates after the end of the respective reporting period.

The contracts are short-term as follows:

		Notional		**Notional**
	31 December 2023		**31 December 2022**	
	Contracts with a positive result	**Contracts with a negative result**	**Contracts with a positive result**	**Contracts with a negative result**
FX swap contracts at fair values 31 December				
Receivable amounts-RON	174,886	40,608	-	1,095,636
Payable amounts-RON	(1,045,487)	(249,129)	-	-
Receivable amounts-EUR	1,045,835	248,893	-	197,276
Payable amounts-EUR	(195,205)	(331,836)	-	(1,119,755)
Receivable amounts- other currencies	21,209	287,606	-	-
Payable amounts-other currencies	-	-	-	(197,783)
Derivatives held for risk management	1,240	(3,858)	-	(24,626)

(All amounts are in RON thousands unless otherwise stated)

Derivative instruments concluded by the Group are, generally, traded on an over-the-counter market with professional counterparties in standard contractual terms and conditions. Derivative instruments have favourable potential (assets) or unfavourable potential (liability) depending on fluctuations in market interest rates, foreign exchange rates or other variables related to their terms. Aggregate fair value of derivative assets and liabilities can fluctuate significantly from time to time. Certain monetary items denominated in a foreign currency are economically safeguarded using FX swap contracts as set out in the table above. The Group does not use hedge accounting for its currency derivative contracts. Fair value of derivatives is determined using the market quotations or discounted cash flow models, as appropriate.
The increase in the volume of trading with derivatives during 2023 generated a net loss of RON 57,927 thousand (2022: RON 154,477 thousand).

The structure of financial assets which are required to be measured at fair value through profit or loss is presented in the table below:

	31 December 2023	31 December 2022
Debt instruments	19,847	16,341
Total	19,847	16,341

The structure of financial assets held for trading and measured at fair value through profit or loss is presented in the table below:

	31 December 2023	31 December 2022
Debt instruments	71,457	6,289
Total	71,457	6,289

Securities held for trading, measured at fair value through profit and loss (FVTPL) are securities that cannot be classified as measured at amortized cost or measured at fair value through other comprehensive income.
The classification decision for securities in the trading portfolio - FVTPL is taken at the time of the transaction, depending on the objectives of the Group.

The management of the Group has assessed that the sale is essential to achieve the objectives of the business model, as sales are expected to be performed to achieve the objectives mentioned above.

Based on previous experience, the Group has made sales to achieve its objectives, so it can be appreciated that sales are an integral part of managing the performance of these instruments.

Thus, based on the above, the Group's business model for this treasury instrument portfolio is "held for sale".
The securities include bonds denominated in RON issued by the Ministry of Finance.
Ratings for investment securities classified as financial assets held for trading at fair value through profit or loss portfolio are detailed in Note 3.

(All amounts are in RON thousands unless otherwise stated)

15 LOANS AND ADVANCES TO BANKS AND PUBLIC INSTITUTIONS

	Group		Bank	
	31 December 2023	31 December 2022	31 December 2023	31 December 2022
Current accounts held with other banks	638,468	572,118	638,468	572,118
Term deposits with other banks and public institutions	7,337,691	5,078,382	7,304,012	5,078,382
Sight deposits with other banks	40,398	-	40,000	-
Collateral deposits with other banks	6,916	28,959	6,916	28,959
Reverse repo transactions	-	51,837	-	51,837
Loans and advances to credit institutions	321,301	389,098	321,301	389,098
Expected credit losses	(5,112)	(1,318)	(5,023)	(1,318)
Total	8,339,662	6,119,076	8,305,674	6,119,076

As at 31 December 2023 the Bank has a term deposit with SMBC BANK EU AG, FRANKFURT of RON 647,404 thousand, a term deposit with Credit Europe Bank NV of RON 274,096 thousand and term deposits with the State Treasury in the amount of RON 5,507,119 thousand.

Also, as at 31 December 2022 the Bank also held term deposit with IDEA BANK SA of RON 24,919 thousand, a term deposit with BARCLAYS BANK LONDON of RON 47,631 thousand and term deposits with the State Treasury in the amount of RON 5,005,832 thousand.

As at 31 December 2023 the Bank has a collateral deposit concluded for VISA through the financial institution JP Morgan Collateral Custodian Services of RON 2,811 thousand (2022: RON 2,725 thousand) and a collateral deposit for MasterCard through HSBC Bank London of RON 612 thousand (2022: RON 601 thousand), a collateral deposit for Swap through JP Morgan of RON 3,390 thousand (2022: RON 11,149 thousand), and a collateral deposit for Swap through CITIBANK PLC of RON 101 thousand (2022: RON 7,982 thousand).

The obligation for holding such collateral deposits is necessary to cover the amounts carried / settled periodically by the organization. Value of collateral deposits is established depending on the transactional volume of each organization.

Organizations can regularly request the update of the value of deposits maintained in their favour. Contracts are valid during the period in which they are members of organizations licensed by VISA and MasterCard.

Current accounts and sight and term deposits with other banks are at the disposal of the Bank and are not restricted. Credit ratings of banks are presented in Note 3.

Except for reverse sale and repurchase agreements, amounts due from other banks are not collateralised.

As at 31 December 2023 the Bank did not perform reverse repo transactions.

As at 31 December 2022 the Bank made reverse repo transactions with Banca Transilvania in a gross amount of RON 51,837 thousand (2021: RON 0) with maturity date on 23 January 2023. The Bank has a right to sell or repledge securities with a fair value of RON 49,881 thousand received under reverse sale and repurchase agreements.

(All amounts are in RON thousands unless otherwise stated)

16 FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

a) Financial assets measured at fair value through other comprehensive income

	Group		Bank	
	31 December 2023	31 December 2022	31 December 2023	31 December 2022
Government bonds	20,747,742	10,342,981	20,747,742	10,342,981
Equity investments (Note 16 b)	32,153	26,273	32,153	26,273
Total	20,779,895	10,369,254	20,779,895	10,369,254

Government bonds measured at fair value through other comprehensive income are bonds for which the contractual cash flows are SPPI-compliant and they are held within a business model whose objective is achieved by both to collect contractual cash flows and sell the assets.

The Group's objectives for the sub-portfolio of government bonds are as follows:

- ensuring the required liquidity level of the Group;
- ensuring the profitability of the Group's investments;
- improving the yield and maturity of the portfolio of government securities.

Ratings for investment securities classified as financial assets measured at fair value through other comprehensive income portfolio issued by the Ministry of Finance are detailed in Note 3, page 74. The evolution of securities in the category "Financial assets measured at fair value through other comprehensive income" is shown in the following table:

	Group		Bank	
	2023	2022	2023	2022
Opening balance at 1 January	10,342,981	12,763,962	10,342,981	12,763,962
Acquisitions	33,665,931	1,397,885	33,665,931	1,397,885
Sales and Redemptions	(23,964,202)	(3,547,736)	(23,964,202)	(3,547,736)
Accrued interest income	545,650	347,943	545,650	347,943
Interest income receivable	(391,183)	(457,451)	(391,183)	(457,451)
Foreign exchange differences	58,315	304,980	58,315	304,980
Gain/(loss) from changes in fair value, out of which:	490,250	(466,602)	490,250	(466,602)
Gain/(loss) from changes in fair value from sales	(16,810)	(1,686)	(16,810)	(1,686)
Gain/(loss) from changes in fair value from mark-to-market	507,060	(464,916)	507,060	(464,916)
Balance at 31 December	20,747,742	10,342,981	20,747,742	10,342,981

(All amounts are in RON thousands unless otherwise stated)

16 FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (CONTINUED)

b) The Bank held the following financial equity investments measured at fair value through other comprehensive income at 31 December 2023:

Name	Nature of business	Country	Percentage held	Carrying Amount
Biroul de credit SA	Credit risk monitoring	Romania	4.74	2,743
FRGC SA	Fond for Guaranteeing Loans for Private Investors	Romania	3.10	190
TransFonD SA	Interbank transfers	Romania	2.69	9,038
SWIFT	Transfer of funds	Belgium	<0,01	519
VISA Inc.	Processing card transactions	United States of America	<0,01	19,663
Total				32,153

The Bank held the following equity investments at 31 December 2022:

Name	Nature of business	Country	Percentage held	Carrying Amount
Biroul de credit SA	Credit risk monitoring	Romania	4.74	1,920
FRGC SA	Fond for Guaranteeing Loans for Private Investors	Romania	3.10	470
TransFonD SA	Interbank transfers	Romania	2.69	7,232
SWIFT	Transfer of funds	Belgium	<0,01	475
VISA Inc.	Processing card transactions	United States of America	<0,01	16,176
Total				26,273

As at 31 December 2023 and 31 December 2022, the equity investments held by CEC Bank were not pledged.

Equity instruments are normally measured at fair value through profit or loss.

However, in accordance with IFRS 9.5.7.1 (b), 5.7.5, at initial recognition, the Bank may make an irrevocable instrumental choice to present in other comprehensive income the subsequent changes in the fair value of an investment in an equity instrument that is neither held for trading nor is it a contingent consideration recognized by a buyer in a business combination to which IFRS 3 "Business combinations" applies. In this situation, gains and losses are measured at fair value through other comprehensive income, without being recycled to the profit or loss account.

Equity instruments from the Bank's portfolio are designated at fair value through other comprehensive income.

(All amounts are in RON thousands unless otherwise stated)

17 FINANCIAL ASSESTS AT AMORTIZED COST – DEBT INSTRUMENTS

	Group		Bank	
	31 December 2023	31 December 2022	31 December 2023	31 December 2022
Government bonds	8,639,636	4,539,686	8,625,879	4,539,686
Bonds issued by credit institutions	677,553	111,108	677,553	111,108
Bonds issued by non-financial corporations	44,008	43,489	44,008	43,489
Bonds issued by local public administration	233,076	78,421	233,076	78,421
Expected credit losses	(4,369)	(1,761)	(4,369)	(1,761)
Total	9,589,902	4,770,943	9,576,147	4,770,943

Investments' classification as debt instruments at amortized cost depends both on the conditions and characteristics of the financial assets and on the ability and effective intention of the Bank to hold these instruments until maturity.

Government bonds measured at amortized cost are bonds for which the contractual cash flows are SPPI-compliant and they are held within a business model whose objective is to collect contractual cash flows.

Between 2014 and 2023, the Group did not record sales from this sub-portfolio of government securities, which were held until maturity.

As at 31 December 2023, investments in debt instruments at amortized cost include bonds which are pledged securities of RON 82,500 thousand (31 December 2022: RON 82,500 thousand) for operations with Visa, MasterCard and Sent (electronic settlement system for small local currency payments). The counterparty cannot subsequently sell or pledge these assets.

Additionally, at 31 December 2023, investments in debt instruments at amortized cost also include pledged securities for the borrowing with the EIB with a fair value of RON 55.286 thousand (31 December 2022: RON 126,263 thousand). The counterparty cannot sell or pledge these investments.

In addition, as at 31 December 2023, the Bank entered into repo-type transactions with other banks, supported by investments in debt instruments at amortized cost whose carrying amount is RON 1,131,698 thousand (2022: RON 320,258 thousand). The securities pledged under repo agreements may be sold or repledged by the counterparty.

During 2023, the Bank did not sell investment securities classified as investments in debt instruments at amortized cost.

Qualitative analysis of the financial assets measures at amortized cost - debt instruments as at 31 December 2023 and 31 December 2022, depending on the issuer's rating:

(All amounts are in RON thousands unless otherwise stated)

17 FINANCIAL ASSESTS AT AMORTIZED COST – DEBT INSTRUMENTS (CONTINUED)

Group

31 December 2023	Government	Credit institutions	Non-financial corporations	Public administration	Total
Debt instruments, of which:	**8,638,483**	**675,311**	**43,064**	**233,045**	**9,589,903**
B+	-	-	43,064	-	43,064
BB+	-	280,217	-	-	280,217
BB-	-	49,986	-	-	49,986
BBB-	8,638,483	-	-	233,045	8,871,528
BBB	-	25,141	-	-	25,141
BBB+	-	151,578	-	-	151,578
BAA1	-	168,389	-	-	168,389

Bank

31 December 2023	Government	Credit institutions	Non-financial corporations	Public administration	Total
Debt instruments, of which:	**8,624,727**	**675,311**	**43,064**	**233,045**	**9,576,147**
B+	-	-	43,064	-	43,064
BB+	-	280,217	-	-	280,217
BB-	-	49,986	-	-	49,986
BBB-	8,624,727	-	-	233,045	8,857,772
BBB	-	25,141	-	-	25,141
BBB+	-	151,578	-	-	151,578
BAA1	-	168,389	-	-	168,389

31 December 2022	Government	Credit institutions	Non-financial corporations	Public administration	Total
Debt instruments, of which:	**4,539,080**	**110,752**	**42,701**	**78,410**	**4,770,943**
B+	-	-	42,701	-	42,701
BB-	-	49,745	-	-	49,745
BBB-	4,539,080	61,007	-	78,410	4,678,497

The movement of securities in the category financial assets measured at amortized cost — debt instruments is shown in the table below:

(All amounts are in RON thousands unless otherwise stated)

	Group		Bank	
	2023	**2022**	**2023**	**2022**
Opening balance at 1 January	4,770,943	2,332,805	4,770,943	2,332,805
FGCR's securities at acquisition date	22	-	-	-
Acquisitions	4,646,820	2,422,681	4,633,071	2,422,681
Maturities	(13)	(27,114)	-	(27,114)
Accrued interest income	375,968	120,563	375,739	120,563
Interest income receivable	(214,054)	(80,135)	(213,825)	(80,135)
Foreign exchange differences	12,826	3,262	12,826	3,262
Expected credit losses	(2,609)	(1,119)	(2,607)	(1,119)
Balance at 31 December	9,589,903	4,770,943	9,576,147	4,770,943

18 LOANS AND ADVANCES TO CUSTOMERS

The Group's objective for the loan portfolio is to generate loans to collect contractual cash flows.

The Group's expectations regarding future loans sales are in line with previous practice, respectively the sale of non-performing loans on or off balance sheet, under favorable price conditions.

In accordance with IFRS 9, paragraph B4.1.3, sales due to the increase in credit risk of assets are in line with a business model whose objective is to hold financial assets to collect contractual cash flows.

Considering the fact that in the previous years, the Bank has made sales to maintain a lower level of nonperforming assets in its portfolio, according to the NBR's recommendations; sales are in line with the ownership model for collection.

In addition, the Group does not manage the loan portfolio on a fair value basis or other performance indicators that may indicate that the business model is not in line with the objective of holding for collection.

Thus, based on the above, the Group's business model for the loan portfolio is "held to collect contractual cash flows".

The Group's loans and advances to customers are for legal entities and individuals living in Romania. The focus of the Group's portfolio of loans granted to customers by category of clients, type of credit for individuals, respectively the field of activity for legal entities as at 31 December 2023 and 31 December 2022 is:

	31 December 2023	**31 December 2022**
Individuals – personal needs loans fully collateralised with real estate collaterals	231,680	272,441
Individuals – personal needs loans without real estate collaterals or not fully covered	1,774,621	1,563,587
Individuals – Mortgage loans	6,901,377	7,306,237
Cards/Overdraft	480,763	363,950
Total loans for individuals	9,388,441	9,506,215

(All amounts are in RON thousands unless otherwise stated)

18 LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

Legal entities Agriculture	3,146,381	2,572,407
Public local administrations	2,553,330	3,006,359
Legal entities Industry	5,685,702	4,848,880
Legal entities Commerce	3,375,679	2,728,053
Legal entities Construction	2,286,972	1,882,492
Legal entities Services	6,406,545	5,898,179
Bridge loans for subsides	668,807	430,199
Total corporate loans and advances	24,123,416	21,366,569
Total loans advances to customers (gross)	33,511,857	30,872,784
Adjustments for expected credit loss	(1,887,307)	(1,648,747)
Total loans and advances to customers (net)	31,624,550	29,224,037

The effect of changing expected loss for loans and advances to customers can be analysed on 31 December 2023 as follows:

	Stage 1	Stage 2	Stage 3	Total
Opening balance at 1 January	264,605	269,151	1,114,991	1,648,747
Transfer to Stage 1	37,633	(29,938)	(7,695)	-
Transfer to Stage 2	(14,539)	140,896	(126,357)	-
Transfer to Stage 3	(8,153)	(16,205)	24,358	-
Increase due to new loans granted in the year	70,637	28,879	6,509	106,025
Decreases due to closed loans in year	(24,546)	(40,634)	(41,908)	(107,088)
Net remeasurement during the year	9,277	(51,635)	528,929	486,571
Write-off	-	-	(309,157)	(309,157)
Interest adjustments	-	-	64,582	64,582
Other adjustments	(425)	(853)	(1,095)	(2,373)
Closing balance at 31 December	334,489	299,661	1,253,157	1,887,307

During 2023 the Bank has written off loans granted to customers in gross value of RON 309,157 thousand by directly reducing the irrecoverable loans fully covered by the allowances for expected losses.

In 2023, the Bank has concluded loan sale agreements with third party entities. Assignments were made by selling individual receivables in gross carrying amount of RON 20,444 thousand on-balance sheet receivable and in the amount of RON 1,344 thousand off-balance sheet receivable.

At 31 December 2023 has been registered a gain of RON 14,738 thousand. This amount is found on the credit position of "Net impairment loss on loans and advances to customers" in the statement of profit or loss and other comprehensive income. The sale agreement is without recourse.

As at 31 December 2022, the breakdown of expected credit loss for client receivables is detailed by customer groups according to the field of activity in Note 3.

(All amounts are in RON thousands unless otherwise stated)

18 LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

The effect of changing expected loss for loans and advances to RETAIL customers in 2023 was as follows:

	Stage 1	Stage 2	Stage 3	Total
Opening balance at 1 January	21,805	5,138	120,877	147,820
Transfer to Stage 1	3,829	(407)	(3,422)	-
Transfer to Stage 2	(198)	4,011	(3,813)	-
Transfer to Stage 3	(438)	(351)	789	-
Increase due to new loans granted in the year	9,188	1	202	9,391
Decreases due to closed loans in year	(2,750)	(331)	(4,835)	(7,916)
Net remeasurement during the year	(1,731)	(3,566)	94,650	89,353
Write-off	-	-	(81,260)	(81,260)
Interest adjustments	-	-	-	-
Other adjustments	-	-	-	-
Closing balance at 31 December	29,705	4,495	123,188	157,388

The effect of changing expected loss for loans and advances to legal entities customers in 2023 was as follows:

	Stage 1	Stage 2	Stage 3	Total
Opening balance at 1 January	242,800	264,013	994,114	1,500,927
Transfer to Stage 1	33,804	(29,531)	(4,273)	-
Transfer to Stage 2	(14,341)	136,885	(122,544)	-
Transfer to Stage 3	(7,715)	(15,854)	23,569	-
Increase due to new loans granted in the year	61,449	28,878	6,307	96,634
Decreases due to closed loans in year	(21,796)	(40,303)	(37,073)	(99,172)
Net remeasurement during the year	11,008	(48,069)	434,279	397,218
Write-off	-	-	(227,897)	(227,897)
Interest adjustments	-	-	64,582	64,582
Other adjustments	(425)	(853)	(1,095)	(2,373)
Closing balance at 31 December	304,784	295,166	1,129,969	1,729,919

(All amounts are in RON thousands unless otherwise stated)

18 LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

The effect of changing expected loss for loans and advances to customers can be analysed as at 31 December 2022 as follows:

	Stage 1	Stage 2	Stage 3	Total
Opening balance at 1 January	186,097	163,922	1,018,479	1,368,498
Transfer to Stage 1	23,183	(12,877)	(10,306)	-
Transfer to Stage 2	(13,834)	49,318	(35,484)	-
Transfer to Stage 3	(5,329)	(13,810)	19,139	-
Increase due to new loans granted in the year	67,145	30,618	18,368	116,131
Decreases due to closed loans in year	(38,702)	(33,476)	(87,984)	(160,162)
Net remeasurement during the year	46,345	86,180	373,337	505,862
Write-off	-	-	(181,165)	(181,165)
Interest adjustments	-	-	787	787
Other adjustments	(300)	(724)	(180)	(1,204)
Closing balance at 31 December	264,605	269,151	1,114,991	1,648,747

During 2022 the Bank has written off loans granted to customers in gross value of RON 181,165 thousand by directly reducing the irrecoverable loans fully covered by the allowances for expected losses.

In 2022, the Bank has concluded loan sale agreements with third party entities. Assignments were made by selling portfolios, but also by selling individual receivables. Through these contracts, there were sold receivables from non-performing loans, individuals and legal entities, guaranteed and unsecured in gross carrying amount of RON 29,945 thousand on-balance sheet receivable (net carrying amount of RON 274 thousand on-balance sheet receivable) and in the amount of RON 129,809 thousand off-balance sheet receivable.
The amount of the receivables that was collected was RON 53,484, has been registered a gain of RON 47,233 thousand. This amount is found on the credit position of "Net impairment loss on loans and advances to customers" in the statement of profit or loss and other comprehensive income. The sale agreement is without recourse.

As at 31 December 2022, the breakdown of expected credit loss for client receivables is detailed by customer groups according to the field of activity in Note 3.

(All amounts are in RON thousands unless otherwise stated)

18 LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

The effect of changing expected loss for loans and advances to RETAIL customers in 2022 was as follows:

	Stage 1	Stage 2	Stage 3	Total
Opening balance at 1 January	18,210	2,166	132,859	153,235
Transfer to Stage 1	2,189	(456)	(1,733)	-
Transfer to Stage 2	(705)	4,794	(4,089)	-
Transfer to Stage 3	(356)	(425)	781	-
Increase due to new loans granted in the year	7,967	42	278	8,287
Decreases due to closed loans in year	(2,189)	(150)	(5,931)	(8,270)
Net remeasurement during the year	(3,287)	(819)	63,862	59,756
Write-off	-	-	(67,043)	(67,043)
Interest adjustments	-	-	1,913	1,913
Other adjustments	(24)	(14)	(20)	(58)
Closing balance at 31 December	21,805	5,138	120,877	147,820

The effect of changing expected loss for loans and advances to legal entities customers in 2022 was as follows:

	Stage 1	Stage 2	Stage 3	Total
Opening balance at 1 January	167,887	161,756	885,620	1,215,263
Transfer to Stage 1	20,994	(12,421)	(8,573)	-
Transfer to Stage 2	(13,129)	44,524	(31,395)	-
Transfer to Stage 3	(4,973)	(13,385)	18,358	-
Increase due to new loans granted in the year	59,178	30,576	18,090	107,844
Decreases due to closed loans in year	(36,513)	(33,326)	(82,053)	(151,892)
Net remeasurement during the year	49,632	86,999	309,475	446,106
Write-off	-	-	(114,122)	(114,122)
Interest adjustments	-	-	1,126	1,126
Other adjustments	(276)	(710)	(160)	(1,146)
Closing balance at 31 December	242,800	264,013	994,114	1,500,927

(All amounts are in RON thousands unless otherwise stated)

18 LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

The table below shows off-balance sheet receivables during the year that the Bank continues to pursue in the recovery process.

	31 December 2023	31 December 2022
Derecognition of loans and advances at amortized cost classified in Stage 3, no prospects for recovery,	(309,157)	(49,365)
Total	(309,157)	(49,365)

The Bank did not purchase receivables portfolios or other assets during the period 2022-2023.
The group does not expect significant recoveries.
Approximately 90% of the off-balance sheet receivables that still have real guarantees in the guarantee structure were derecognized in the period 2014-2019, the prospect of continuing recoveries being a distant one. The real estate remaining under collateral shows an accentuated depreciation being unsalable or difficult to sell, a situation confirmed by the long period elapsed since the start of the executions. In the current economic context, in which a reduction in transactions is estimated - both in the residential real estate market and in the market for other real estate, it is estimated that the off-balance sheet recoveries will be reduced compared to historical values.

19 PROPERTY AND EQUIPMENT

Group

	Land and buildings	Technical installations and machinery	Assets in course of construction	Other installations, equipment and furniture	Total
Gross cost at 1 January 2022	632,007	311,899	10,736	47,027	1,001,669
Additions (*)	4,197	51,102	14,905	3,444	73,648
Transfers	9,149	223	(9,374)	2	-
Disposals	(2,533)	(45,262)	(9)	(2,169)	(49,973)
Reclassifications from/to property and equipment to/from investment property	11,883	-	(398)	-	11,485
Gross cost at 31 December 2022	654,703	317,962	15,860	48,304	1,036,829
Gross cost at 1 January 2023	654,703	317,962	15,860	48,304	1,036,829
FGCR acquisition	3,878	1,108	-	20	5,006
Additions (*)	1,347	60,434	29,335	2,131	93,247
Transfers	10,587	369	(10,945)	(11)	-
Disposals	(5)	(19,893)	-	(152)	(20,050)
Reclassifications from/to property and equipment to investment property	1,788	-	(283)	-	1,505
Revaluation expenses	(209)	-	-	-	(209)
Revenue from revaluation	46	-	-	-	46
Revaluation's impact	229	-	-	-	229
Gross cost at 31 December 2023	672,364	359,980	33,967	50,292	1,116,603

(All amounts are in RON thousands unless otherwise stated)

19 PROPERTY AND EQUIPMENT (CONTINUED)

Bank

	Land and buildings	Technical installations and machinery	Assets in course of construction	Other installations, equipment and furniture	Total
Gross cost at 1 January 2022	632,007	311,899	10,736	47,027	1,001,669
Additions (*)	4,197	51,102	14,905	3,444	73,648
Transfers	9,149	223	(9,374)	2	-
Disposals	(2,533)	(45,262)	(9)	(2,169)	(49,973)
Reclassifications from property and equipment to investment property	11,883	-	(398)	-	11,485
Gross cost at 31 December 2022	654,703	317,962	15,860	48,304	1,036,829
Gross cost at 1 January 2023	654,703	317,962	15,860	48,304	1,036,829
Additions (*)	1,347	59,845	29,335	2,131	92,658
Transfers	10,587	369	(10,945)	(11)	-
Disposals	(5)	(19,893)	-	(152)	(20,050)
Reclassifications from/to property and equipment to investment property	1,788	-	(283)	-	1,505
Gross cost at 31 December 2023	668,420	358,282	33,967	50,273	1,110,942

Group

	Land and buildings	Technical installations and machinery	Assets in course of construction	Other installations, equipment and furniture	Total
Accumulated depreciation at 1 January 2022	32,672	213,547	-	38,708	284,927
Depreciation charge for the year	24,039	24,063	-	1,750	49,852
Disposals	(254)	(45,178)	-	(2,047)	(47,479)
Accumulated depreciation from property, and equipment to investment property	165	-	-	-	165
Accumulated depreciation at 31 December 2022	56,622	192,432	-	38,411	287,465
Accumulated depreciation at 1 January 2023	56,622	192,432	-	38,411	287,465
FGCR post-acquisition PPA adjustments	4	56	-	2	54
Depreciation charge for the year	26,291	33,583	-	2,109	62,146
Disposals	-	(19,337)	-	(155)	(19,492)
Accumulated depreciation from property, and equipment to investment property	(11)	-	-	-	(11)
Accumulated depreciation at 31 December 2023	82,898	206,734	-	40,367	330,162
Net book value at 31 December 2022	598,081	125,530	15,860	9,893	749,364
Net book value at 31 December 2023	589,466	153,246	33,967	9,925	786,440

(All amounts are in RON thousands unless otherwise stated)

19 PROPERTY AND EQUIPMENT (CONTINUED)

Bank

	Land and buildings	Technical installations and machinery	Assets in course of construction	Other installations, equipment and furniture	Total
Accumulated depreciation at 1 January 2022	32,672	213,547	-	38,708	284,927
Depreciation charge for the year	24,039	24,063	-	1,750	49,852
Disposals	(254)	(45,178)	-	(2,047)	(47,479)
Accumulated depreciation from property, and equipment to investment property	165	-	-	-	165
Accumulated depreciation at 31 December 2022	56,622	192,432	-	38,411	287,465
Accumulated depreciation at 1 January 2023	56,622	192,432	-	38,411	287,465
Depreciation charge for the year	26,291	33,583	-	2,109	61,983
Disposals	-	(19,337)	-	(155)	(19,492)
Accumulated depreciation from property, and equipment to investment property	(11)	-	-	-	(11)
Accumulated depreciation at 31 December 2023	82,902	206,678	-	40,365	329,945
Net book value at 31 December 2022	598,081	125,530	15,860	9,893	749,364
Net book value at 31 December 2023	585,518	151,604	33,967	9,908	780,997

(*)During 2023 the Bank purchased computers, laptops, IT equipment, workstations, servers, ATMs, multifunctional machines, telephones, furniture, air conditioners, power plants, thermal power plants, cars and electric car charging stations in amount of RON 64,912 thousand.

There were also works of arrangement of the Bank's headquarters in amount of RON 29,335 thousand.

At 31 December 2023, the committee established by the Bank performed impairment tests of assets and applying professional judgment estimated that during 2023 there were no internal signs for impairment in any group of assets, and there was no need to re-estimate the economic useful life, consequently, no depreciation allowance calculation and no accounting recording of impairment for assets depreciation was required.

Also, because the market value of real estate assets did not fluctuated significantly during 2023 and there were no external indicators for assets depreciation compared with the analysis at 31 December 2022, the management considered that the carrying amount of land and buildings at 31 December 2023 represents a reliable estimate of fair values at the reporting date.

As at 31 December 2023, CEC Bank owns 612 land properties and 859 buildings (as at 31 December 2022, CEC Bank owned 622 land and 863 buildings).

(All amounts are in RON thousands unless otherwise stated)

20 INTANGIBLE ASSETS

	Group		Bank	
	2023	2022	2023	2022
Gross cost as at 1 January	297,787	249,778	297,787	249,778
FGCR acquisition	1,256	-	-	-
Purchases	81,853	48,092	81,740	48,092
Transfers	-	-	-	-
Disposals	(160)	(83)	(160)	(83)
Gross cost as at 31 December	380,736	297,787	379,367	297,787
Accumulated depreciation as at 1 January	207,300	180,711	207,300	180,711
Post-acquisition PPA adjustments	59	-	-	-
Depreciation charge	35,408	26,672	35,350	26,672
Transfers	-	-	-	-
Disposals	(160)	(83)	(160)	(83)
Accumulated depreciation as at 31 December	242,607	207,300	242,490	207,300
Net book value	138,129	90,487	136,877	90,487

The balance of intangible assets for the Bank increased at 31 December 2023 compared to the previous year, by RON44.4 million, the increase being mainly explained by the purchases of software licenses.

21 INVESTMENT PROPERTY

	Group/Bank	
	2023	2022
Gross cost as at 1 January	92,051	112,060
Purchases	38	-
Reclassification from investment property to PPE	(1,505)	(11,485)
Disposals	(3,145)	(8,524)
Gross cost as at 31 December	87,439	92,051
Accumulated depreciation and impairment as at 1 January	32,179	35,237
Depreciation charge for the year	2,584	2,750
Impairment adjustments usage	(266)	(2,246)
Accumulated depreciation for reclassifications from property and equipment	11	(165)
Disposals	(1,228)	(3,397)
Accumulated depreciation and impairment as at 31 December	33,280	32,179
Net book value	54,159	59,872

At 31 December 2023, the committee established by the Bank performed impairment tests of assets and applying professional judgment estimated that during 2023 there were no internal signs for impairment and there was no need to re-estimate the economic useful life in any group of assets, consequently, no depreciation allowance calculation and no accounting recording of impairment for assets depreciation was required.

(All amounts are in RON thousands unless otherwise stated)

21 INVESTMENT PROPERTY (CONTINUED)

The fair value of real estate investments on December 31, 2023 is worth 95,364 thousand lei (2022: RON 95,379 thousand).

During 2023, the rent income from investment property has been in the amount of RON 4,216 thousand (2022: RON 3,856 thousand). Direct operating expenses (building tax, repairs, maintenance) arising from investment property that did not generate rental income during 2023 was in the amount of RON 1,433 thousand (2022: RON 2,076 thousand). Direct operating expenses of investment properties that generated rental income during 2023 was in the amount of RON 898 thousand (2022: RON 446 thousand).

During 2023, the Bank had 6 investment property sales (4 buildings and 2 land) as a result of which recorded RON 803 thousand net income (2022: RON 3,396 thousand).
The Bank did not acquire investment property under finance leases.

The Bank's future amounts receivable for rental income from rented premises contracts (without right of cancellation) with third parties real estate investment destination are as follows:

	Group/Bank	
	31 December 2023	31 December 2022
Not later than 1 year	8,444	4,410
Later than 1 year and not later than 5 year	9,329	10,689
Later than 5 years	14,816	16,367
Total	32,589	31,466

22 RIGHT-OF-USE ASSETS

	Group/Bank				
	Commercial buildings	Auto	Equipments	Land	Total
Gross cost as at 1 January 2022	118,306	-	3,136	7,415	128,857
Changes in leasing contracts	29,507	-	446	809	30,762
Additions	12,848	2,242	-	789	15,879
Disposals	(8,224)	(1,006)	-	(4)	(9,234)
Gross cost as at 31 December 2022	152,437	1,236	3,582	9,009	166,264
Gross cost as at 1 January 2023	152,437	1,236	3,582	9,009	166,264
Changes in leasing contracts	20,677	-	878	86	21,641
Additions	17,409	-	-	1,210	15,879
Disposals	(10,837)	-	-	(835)	(9,234)
Gross cost as at 31 December 2023	179,686	1,236	4,460	9,470	194,852

(All amounts are in RON thousands unless otherwise stated)

	Commercial buildings	Auto	Equipments	Land	Total
Accumulated depreciation as at 1 January 2022	46,620	-	1,967	1,337	49,924
Depreciation charge for the year	24,704	216	1,060	591	26,571
Disposals	(4,292)	(18)	-	(1)	(4,311)
Accumulated depreciation as at 31 December 2022	67,032	198	3,027	1,927	72,184
Accumulated depreciation as at 1 January 2021	67,032	198	3,027	1,927	72,184
Depreciation charge for the year	30,133	264	1,029	852	32,278
Disposals	(4,799)	-	-	(513)	(5,312)
Accumulated depreciation as at 31 December 2023	92,366	462	4,056	2,266	99,150
Net book value at 31 December 2022	85,405	1,038	555	7,082	94,080
Net book value at 31 December 2023	87,320	774	404	7,204	95,702

The following amounts are recognised in the statement of profit or loss:

	Group/Bank	
	31 December 2023	31 December 2022
Interest expense on lease liabilities	758	562
Depreciation charge for leases	32,278	26,570
Expenses relating to leases of low-value assets	2,545	2,795

In order to determine the lease term in the case of contracts concluded for an indefinite period or for which the lease term is automatically prolonged for successive specified periods or for indefinite period, the Group considers all relevant facts and circumstances that create an economic incentive to exercise the option to extend the lease, or not to exercise the option to terminate the lease.

Land concession contracts concluded on which the Bank built office spaces for its branches and agencies and for which the contract period is not mentioned at all. The Bank considered the lease term as the estimated useful life of the building the Bank built on the leased land. The Bank estimates for the building a useful life of 50 years.

Land concession contracts having a mismatch between the contract term and the rent payment term

In the case of the land concession contracts for which the rent is payable over a shorter period than the contract term, the Bank considered the guidance provided in IFRS 16 paragraph B36, according to which the lease term begins at the commencement date and includes any rent-free periods provided to the lessee by the lessor. Therefore, the lease term for these contracts is the full contractual term.

Leases for office spaces which are automatically extended for successive 12 months/indefinite periods.

For these contracts, the Bank considers factors that create an economic incentive for the exercise of the option to extend the lease/the option to terminate the lease for indefinite period contracts, including the asset being leased and market-based factors.

(All amounts are in RON thousands unless otherwise stated)

23 OTHER FINANCIAL ASSETS

	Group		Bank	
	31 December 2023	31 December 2022	31 December 2023	31 December 2022
Amounts in course of settlement with banks (i)	66,669	77,035	66,669	77,035
Amounts to be recovered from banks and clients	4,761	2,084	4,761	2,084
Other debtors and advances for non-current assets	9,892	10,704	9,705	10,704
Other debtors - FGCR	6,643	-	-	-
Allowances for impairment — other debtors	(1,295)	(857)	(1,295)	(857)
Total	86,671	88,966	79,840	88,966

(i) Within 'Amounts in course of settlement with banks' account there are included commissions and penalties due from corporate clients and individuals of RON 1,109 thousand (2022: RON 36,582 thousand) as well as cash in the process of settlement, intra-cash settlements on customer transactions and other settlement accounts with: own operations, reconciliation operations, EPOS deposits/withdrawals, ATM supplies, etc.

Other financial assets are not collateralized as at 31 December 2023 and 2022. For the amounts detailed as at 31 December 2023, the Bank intends to recover them during 2024.

The Bank's expected loss adjustments for other financial assets can be reconciled as follows:

	31 December 2023	31 December 2022
Balance at beginning of the year	857	663
Derecognition of other financial assets (write-down)	(314)	(5)
Charge/(release) of provision to income statement (Note 11)	752	199
Balance at end of the year	1,295	857

24 OTHER ASSETS

	Group		Bank	
	1 December 2023	1 December 2022	1 December 2023	31 December 2022
Prepaid expenses/Prepayments	17,923	16,138	17,867	16,138
Other guarantees for rent and utilities (i)	898	783	889	783
Receivables from the state budget	6,021	3,315	6,021	3,315
Other assets (ii)	4,840	4,320	4,840	4,320
Impairments of other assets	(1,753)	(2,378)	(1,753)	(2,378)
Other debtors	2,930	4,347	2,930	4,347
Adjustments for expected loss – other debtors	(1,156)	(1,166)	(1,156)	(1,166)
Other assets, net	**29,703**	**25,359**	**29,638**	**25,359**

(All amounts are in RON thousands unless otherwise stated)

24 OTHER ASSETS (CONTINUED)

(i) Guarantees for rent and utilities are advances paid by the Bank to suppliers of these services and blocked by these suppliers as guarantees and amounts available to the courts for FGCR.

(ii) The amount of RON 4,840 thousand, 'Other assets' category as at 31 December 2023 is composed of:

- RON 1,400 thousand repossessed collaterals from foreclosed loans to customers;
- RON 2,357 thousand (31 December 2022: RON 2,357 thousand) represents the Banks patrimony under Law no. 77/2016 with subsequent modifications and completions regarding the payment of some buildings in order to settle the obligations assumed by credits;
- RON 1,083 thousand materials and other consumables.

The assets do not meet the definition of non-current assets held for sale, and are classified as other assets. The assets were initially recognised at fair value when acquired.

The Group's and Bank's impairment of other assets that can be reconciled as follows:

	Group/Bank	
	31 December 2023	31 December 2022
Balance at beginning of the year	3,544	3,189
Derecognition of other assets	(118)	(183)
Charge/(release) of provision to income statement (Note 11)	(517)	538
Balance at end of year	2,909	3,544

25 DEPOSITS FROM BANKS

	Group		Bank	
	31 December 2023	31 December 2022	31 December 2023	31 December 2022
Sight deposits	266,176	180,075	266,176	180,075
Out of which, current accounts to other banks (LORO)	43	18	43	18
Term deposits	289,899	744,714	289,899	744,714
Repo transactions	1,107,030	1,773,460	1,107,030	1,773,460
Total	1,663,105	2,698,249	1,663,105	2,698,249

As at 31 December 2023 and at 31 December 2022 all "Deposits from banks" were on a short term basis - maturity of under a year.

(All amounts are in RON thousands unless otherwise stated)

26 DEPOSITS FROM CUSTOMERS

	Group/Bank	
	31 December 2023	31 December 2022
Current accounts and sight deposits		
Saving passbooks – sight	612	3,913
Current accounts – individuals	3,760,615	3,625,011
Current accounts – legal entities and other clients	4,149,455	3,862,026
Current accounts cards – individuals, legal entities and other clients	4,608,834	3,978,240
Sight deposits – legal entities	1,129,637	197,564
Total current accounts and sight deposits	13,649,153	11,666,754
Term deposits and savings		
Term saving passbooks (i)	14,697	78,944
Term deposits – individuals	28,689,066	23,034,014
Term deposits – legal entities and other clients	26,937,029	14,576,755
Collateral deposits (ii)	3,454,827	3,076,277
Other term deposits	34	49
Total term deposits and savings	59,095,653	40,766,039
Total	72,744,806	52,432,793

(i) Savings passbooks are sight/term savings products, in materialized form, in which the amounts deposited by customers, as well as the transactions subsequently ordered by them, are recorded and highlighted distinctly and chronologically.

(ii) Collateral deposits are provided for:

	Group/Bank	
	31 December 2023	31 December 2022
Letter of credit	17,211	1,678
Administration guarantees	143,301	131,048
Consignment	2,528,810	2,439,593
Guarantee loans	664,533	431,272
Guarantees for good performance of commercial contracts	50,787	39,025
Other collateral deposits	50,185	33,661
Total	3,454,827	3,076,277

(All amounts are in RON thousands unless otherwise stated)

27 BORROWINGS FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

	Group/Bank	
	31 December 2023	31 December 2022
European Investment Fund for the JEREMIE Initiative (i)	4,492	7,130
European Bank for Investments (EIB) (ii)	135,375	231,924
Romanian-Swiss program	39,188	39,188
Total	179,055	278,242

(i) On 2 July 2014 the Bank signed a Finance and Risk Sharing Agreement with the European Investment Fund (EIF) for the JEREMIE Initiative, amounting to EUR 10 million in RON equivalent.

Total amount of the Agreement including supplements: RON 150,536,800 (EIF RON 75,268,400 and CEC Bank RON 75,268,400).

The outstanding amount of the loan as at 31.12.2023 is RON 4,492,114.77.

Under the terms of the contract, the interest rate on 31 December 2023 was 7.74% (1M ROBOR + 1,63% p.a.). The final payment term is 31 December 2026.

(ii) Between 2013 and 2014, CEC Bank signed with the European Investment Bank (EIB) three loan agreements amounted to a total of EUR 145 million to finance facilities for small and medium-sized enterprises ("SMEs"), public sector entities and medium-capitalized enterprises and to encourage the youth employment. The loans have been fully drawn as of 31.12.2023.

On 30 July 2020 the Bank signed a new loan agreement with the EIB worth EUR 50 million. to finance small and medium enterprises ("SMEs") and companies with average market capitalization ("MidCaps").

The loan bears a fixed interest rate of 0.099% p.aand the final maturity is 30 September 2025.

The outstanding amount of the loan as at 31.12.2023 is EUR 20,000,000.

As at 31 December 2022 for the loan agreement signed with the European Bank for Investments (EIB) the Bank pledged financial assets measured at amortized cost as collateral, with a fair value of RON 55,286,272 (31 December 2022: RON 126,262,636).

As at 31 December 2023, the conditions set out in the financing agreements with the European Investment Fund ("EIF") and the European Investment Bank ("EIB") are complied with. The reconciliation of the movements of loans from banks and other financial institutions with the cash flows generated by the financing activity are shown in the table below:

Group/Bank	2023	2022
Opening balance at 1 January	278,242	443,199
Repayments of loans from banks and other financial institutions	(99,158)	(164,924)
Bank and other financial institution loan drawdowns	-	-
Total changes in cash flows financing	(99,158)	(164,924)
Interest expenses on loans from banks and other financial institutions	302	476
Interest payments on loans from banks and other financial institutions	(331)	(509)
Other changes	(29)	(33)
Balance at 31 December	179,055	278,242

(All amounts are in RON thousands unless otherwise stated)

28 DEBT SECURITIES ISSUED

	Group		Bank	
	31 December 2023	31 December 2022	31 December 2023	31 December 2022
Debt securities issued	2,137,255	653,636	2,137,255	653,636
Total	2,137,255	653,636	2,137,255	653,636

The reconciliation of the Group/Bank's debt securities issued are shown in the table below:

Group/Bank	2023	2022
Opening balance at 1 January	653,636	-
Repayments of debt securities issued	-	-
Bond issues	1,402,340	656,732
Interest payments on debt securities issued	52,065	-
Interest expenses on debt securities issued	99,397	284
Amounts to be amortized	(19,261)	(3,380)
Other changes	53,208	-
Balance at 31 December	2,137,255	653,636

The balance of debt securities issued as at 31 December 2023, including accrued interest, is in amount of RON 2,137,255 thousand (31 December 2022: RON 653,636 thousand).

During 2022 and 2023 the Bank had four drawdowns of MREL eligible Senior Non-Preferred bonds (SNPs), subscribed by professional investors through private and international placements: two tranches in 2022, with maturity 30 December 2025, and two tranches in 2023 with maturity 07 February 2028.

The 30 December 2025 maturing bonds have a total nominal value of RON 175,350 thousand, respectively a total nominal value of EUR 97,300 thousand, bearing fixed coupon rates. According to the terms and conditions of the notes, the bonds were listed on February 17, 2023 on the regulated market of the Bucharest Stock Exchange, the BSE (the RON denominated tranche under ISIN XS2572123516 and the BSE trading symbol CECRO25, and the EUR denominated tranche under ISIN XS2572123433 and the BSE trading symbol CECRO25E). The instruments have an early redemption clause for tax reasons, regulatory reasons or at the option of the issuer (as of 30 December 2024).

The 7 February 2028 maturing bonds are denominated in EUR and were first issued on 7 February 2023 (EUR 119,300 thousand) and supplemented on 16 November 2023 (EUR 162,600 thousand), under the ISIN XS2574275280 and BSE trading symbol CECRO28E. According to the terms and conditions of the notes, the first tranche was listed on the regulated markets of Luxembourg Stock Exchange (LuxSE) on 7 February 2023 and of Bucharest Stock Exchange (BSE) on 24 February 2023; the total amount of EUR 281,900 thousand was listed after the two fungible tranches were cumulated.

The instruments have an early redemption clause for tax reasons, regulatory reasons or at the option of the issuer (as of 07 February 2027) and are bearing fixed coupon until 07 February 2027, that becomes a variable coupon payable quarterly during their last year.

The CEC Bank issued bonds are eligible for MREL purposes (Minimum Requirement for Own Funds and Eligible Liabilities - MREL).The notes are issued under the base prospectus of the Bank's EMTN (Medium term Notes) Program approved by the CSSF Luxembourg (Commission de Surveillance du Secteur Financier Luxembourg) on 21 December 2022. Under the Program, the bank may issue bonds up to a total ceiling of EUR 600 million (or equivalent in other currencies).

(All amounts are in RON thousands unless otherwise stated)

29 SUBORDINATED LIABILITIES

As at 31 December 2023 and 31 December 2022, the Bank complies with the subordinated loan contractual clauses with the financing party.

	Group		Bank	
	31 December 2023	31 December 2022	31 December 2023	31 December 2022
Shareholder loan	1,434,229	1,439,628	1,434,229	1,439,628
Total	1,434,229	1,439,628	1,434,229	1,439,628

The subordinated debts include the subordinated loan granted by the Romanian State, through the Ministry of Finance, as sole shareholder, in the amount of RON 1,400,000 thousand contracted on 23.12.2021, with an interest rate ROBOR 3 months plus 3.30% p.a. and due in 2031.

The loan is issued directly by the Ministry of Finance, has a maturity of 10 years from the date of the drawing of 28.12.2021 and is to be paid in full on 27.12.2031.The loan is not guaranteed and does not contain early repayment options, except in the event of insolvency or liquidation.

The reconciliation of the movements of subordinated liabilities with the cash flows generated by the financing activity are shown in the table below:

Group/Bank	2023	2022
Opening balance at 1 January	1,439,628	1,400,956
Repayments of subordinated liabilities	-	-
Subordinated liabilities drawdowns	-	-
Total changes in cash flows financing	-	-
Interest expenses on subordinated liabilities	141,972	123,145
Interest payments on subordinated liabilities	(147,371)	(84,473)
Other changes	(5,399)	38,672
Balance at 31 December	1,434,229	1,439,628

30 PROVISIONS

Group/Bank	31 December 2023	31 December 2022
Provisions for litigations	3,100	433
Provisions for internal and external frauds	1,779	1,799
Provisions for loan commitments and financial guarantees given	44,852	45,572
Total	49,731	47,804

(All amounts are in RON thousands unless otherwise stated)

30 PROVISIONS (CONTINUED)

The movement in provisions for litigations are listed below:

	31 December 2023	31 December 2022
Balance at 1 January	433	805
Additional provisions, including increases to existing provisions	2,786	71
Unused amounts reversed during periods	(119)	(443)
Balance at 31 December	3,100	433

The movement in provisions for internal and external frauds are listed below:

	31 December 2023	31 December 2022
Balance at 1 January	1,799	2,171
Additional provisions, including increases to existing provisions	12	7
Unused amounts reversed during periods	(32)	(379)
Balance at 31 December	1,779	1,799

The Bank's movement in provisions for loan commitments and financial guarantees given as at 31 December 2023 is shown below:

	Stage 1	Stage 2	Stage 3	Total
Opening balance at 1 January	24,476	7,164	13,932	45,572
Transfer to Stage 1	17,303	(17,241)	(63)	-
Transfer to Stage 2	(4,577)	14,202	(9,625)	-
Transfer to Stage 3	(8)	(735)	743	-
Increase due to new loans commitments /guarantees granted in the year	17,800	5,511	1,589	24,900
Decreases due to closed loans commitments /guarantees in year	(4,277)	(1,027)	(482)	(5,786)
Net remeasurement during the year	(21,686)	142	1,688	(19,856)
Write-off	-	-	-	-
Interest adjustments	-	-	-	-
Other adjustments	(2)	16	8	22
Closing balance at 31 December	29,029	8,032	7,790	44,852

The movement in provisions for loan commitments and financial guarantees given as at 31 December 2022 is shown below:

	Stage 1	Stage 2	Stage 3	Total
Opening balance at 1 January	12,136	625	176	12,937
Transfer to Stage 1	3,742	(3,715)	(27)	-
Transfer to Stage 2	(3,178)	3,267	(89)	-
Transfer to Stage 3	(35)	(1,334)	1,369	-
Increase due to new loans commitments /guarantees granted in the year	12,505	1,236	928	14,669
Decreases due to closed loans commitments /guarantees in year	(3,595)	(591)	(29)	(4,215)
Net remeasurement during the year	2,899	7,671	11,595	22,165
Write-off	-	-	-	-

Interest adjustments	-	-	-	-
Other adjustments	2	5	9	16
Closing balance at 31 December	24,476	7,164	13,932	45,572

Within provision for litigations are included the amounts provided for certain litigations in which the Bank is involved as defendant and litigations that could result in future cash outflows. Based on the status of the legal proceedings, a cash outflow (provisions balance as at 31 December 2023) of RON 3.100 thousand (31.12.2022: RON 433 thousand) is estimated. The Bank's management considers that these legal cases will not have a significant negative impact over financial result and position of the Bank. See also Note 41 *Contingent liabilities and commitments.*

31 DEFERRED TAX ASSETS AND LIABILITIES

Deferred tax assets and deferred tax liabilities at 31 December 2023 are attributable to the temporary differences detailed in the table below:

Group

		31 December 2023	
	Assets	**Liabilities**	**Net**
Fair value of financial assets measured at fair value through other comprehensive income - debt instruments	282,759	-	282,759
Fair value of financial assets measured at fair value through other comprehensive income - investments in equity instruments	-	(16,273)	(16,273)
Revaluation reserve for land and buildings(i)	-	(369,695)	(369,695)
Other tangible and intangible assets	-	(13,165)	(13,165)
Right-of-use assets	1,764	-	1,764
Provisions and other liabilities	101,035	-	101,035
Total	385,558	(399,133)	(13,575)
	61,689	**(63,788)**	**(2,099)**
PPA adjustments upon purchase	-	207	207
Post-acquisition PPA adjustments	-	18	18
Deferred tax assets at 16 %	**61,689**	**(63,599)**	**(2,287)**

Bank

		31 December 2023	
	Assets	**Liabilities**	**Net**
Fair value of financial assets measured at fair value through other comprehensive income - debt instruments	282,759	-	282,759
Fair value of financial assets measured at fair value through other comprehensive income - investments in equity instruments	-	(16,273)	(16,273)
Revaluation reserve for land and buildings(i)	-	(369,466)	(369,466)
Other tangible and intangible assets	-	(12,936)	(12,9366)
Right-of-use assets	1,764	-	1,764
Provisions and other liabilities	101,035	-	101,035
Total	385,558	(398,675)	(13,117)
Deferred tax assets at 16 %	61,689	(63,788)	(2,099)

(All amounts are in RON thousands unless otherwise stated)

(i) The bank owns tangible assets in the nature of buildings that it revalues every 3 years and for which it has recorded revaluation reserves.
Reserves from the revaluation of tangible assets were included in the fiscal and accounting base as follows:
- The revaluation reserves from 31.12.2003 were included in the fiscal and accounting value of the fixed assets;
- The revaluation reserves from the years 2004, 2006, 2007, 2010, 2012, 2015, 2018, 2021 were included only in the accounting value of the fixed assets.
The bank registers temporary differences between the book value and the tax value for which it registers deferred tax.
Deferred tax assets and deferred tax liabilities at 31 December 2022 are attributable to the temporary differences detailed in the table below:

Group

		31 December 2022	
	Assets	**Liabilities**	**Net**
Fair value of financial assets measured at fair value through other comprehensive income - debt instruments	771,628	-	771,628
Fair value of financial assets measured at fair value through other comprehensive income - investments in equity instruments	-	(10,238)	(10,238)
Revaluation reserve for land and buildings	-	(382,002)	(382,002)
Other tangible and intangible assets (i)	-	(10,286)	(10,286)
Right-of-use assets	2,134	-	2,134
Provisions and other liabilities	97,916	-	97,916
Total	871,678	(402,526)	469,152
Deferred tax liability at 16 %	139,468	(64,404)	75,064

Bank

		31 December 2022	
	Assets	**Liabilities**	**Net**
Fair value of financial assets measured at fair value through other comprehensive income - debt instruments	771,628	-	771,628
Fair value of financial assets measured at fair value through other comprehensive income - investments in equity instruments	-	(10,238)	(10,238)
Revaluation reserve for land and buildings	-	(382,002)	(382,002)
Other tangible and intangible assets (i)	-	(10,286)	(10,286)
Right-of-use assets	2,134	-	2,134
Provisions and other liabilities	97,916	-	97,916
Total	871,678	(402,526)	469,152
Deferred tax liability at 16 %	139,468	(64,404)	75,064

(i) Deferred tax on other tangible and intangible assets is due to the change in the useful life of certain classes of assets (Notes 19 and 20).

(All amounts are in RON thousands unless otherwise stated)

31 DEFERRED TAX ASSETS AND LIABILITIES (CONTINUED)

The Group's and Bank's movements in deferred tax assets/liabilities at 31 December 2023 are as follows:

	1 anuary 2023	Recognised in profit or loss account	Recognised in other comprehensive income	31 December 2023
Financial assets measured at fair value through other comprehensive income – debt instruments	123,460	-	(78,219)	45,241
Financial assets measured at fair value through other comprehensive income - investments in equity instruments	(1,638)	-	(966)	(2,604)
Revaluation reserve for land and buildings	(61,120)	1,813	-	(59,307)
Tangible and intangible assets - changes in accounting useful life	(1,647)	(231)	-	(1,878)
Right-of-use assets	341	440	-	781
Provisions and other liabilities	15,668	-	-	15,668
Total	75,064	2,022	(79,185)	(2,099)

The Group's and Bank's movements in deferred tax assets/liabilities at 31 December 2022 are as follows:

	1 anuary 2022	Recognised in profit or loss account	Recognised in other :omprehensive income	31 December 2022
Financial assets measured at fair value through other comprehensive income – debt instruments	49,025	-	74,435	123,460
Financial assets measured at fair value through other comprehensive income - investments in equity instruments	(523)	-	(1,115)	(1,638)
Revaluation reserve for land and buildings	63,336)	2,200	16	(61,120)
Tangible and intangible assets - changes in accounting useful life	(1,209)	(438)	-	(1,647)
Right-of-use assets	423	(82)	-	341
Provisions and other liabilities	9,903	5,765	-	15,668
Total	(5,717)	7,445	73,336	75,064

(All amounts are in RON thousands unless otherwise stated)

32 LEASE LIABILITIES

	Bank	
	31 December 2023	31 December 2022
Lease liabilities	98,652	96,408
Debts attached	71	67
Total	98,723	96,475

The analysis of maturity of lease liabilities

	31 December 2023	31 December 2022
Less than one month	2,880	2,355
Between two and three months	5,506	4,589
Between four and six months	8,111	7,484
Between seven and nine months	7,971	7,232
Between ten and twelve months	7,581	6,937
Between thirteen and sixty months	54,009	60,040
Over sixty months	22,856	15,575
Total	108,914	104,212

33 OTHER LIABILITIES

	Group		Bank	
	31 December 2023	31 December 2022	31 December 2023	31 December 2022
Social Contributions due to State Budget	19,536	19,054	19,082	19,054
Taxes payable to State Budget	18,480	13,549	18,385	13,549
Employee profit participation	35,511	30,801	33,511	30,801
Other liabilities	1,226	1,359	888	1,359
Provision for employee benefits upon the termination of the employment contract (Note 9)	4,859	5,000	4,601	5,000
Provision for employee benefits in the form of compensatory absences	6,143	4,293	5,820	4,293
Total liabilities	85,755	74,056	82,287	74,056

Social Contributions due to State Budget in balance represent contributions payable until 25th of next month.

(All amounts are in RON thousands unless otherwise stated)

34 OTHER FINANCIAL LIABILITIES

	Group		Bank	
	31 December 2023	31 December 2022	31 December 2023	31 December 2022
Deferred income from financial guarantees issued	2,370	1,257	2,370	1,257
Sundry creditors	64,719	58,542	64,719	58,542
Other financial liabilities (i)	262,927	91,456	262,896	91,456
Other various creditors FGCR	28,374	-	-	-
Total	358,391	151,264	329,985	151,264
Current	358,391	151,264	329,985	151,264

(i) The increase was determined by the reclassification from savings passbook category (approximately RON 57 million) to other financial liabilities following the customers notification process completed by the Bank in 2023.

35 SHARE CAPITAL

The share capital of the Group/Bank was RON 2,499,746 thousand as at 31 December 2023 (31 December 2022: RON 2,499,746 thousand). The Bank is 100% state owned, Ministry of Public Finance being the sole shareholder. The issued share capital is comprised of RON 2,290,661 thousand consisting of 22,906,616 registered shares with a value of RON 100/share.

	Group		Bank	
	31 December 2023	31 December 2022	31 December 2023	31 December 2022
Share capital as per Trade Registry	2,290,661	2,290,661	2,290,661	2,290,661
IAS 29 inflation adjustment	209,085	209,085	209,085	209,085
Total share capital	2,499,746	2,499,746	2,499,746	2,499,746

(All amounts are in RON thousands unless otherwise stated)

36 REVALUATION RESERVES

Revaluation reserves are non-distributable until their realization through the tangible assets sale/ disposals to which they refer.

Group

	Revaluation reserve gross	Deferred tax	FGCR revaluation reserve related to the parent	Total net
Balance as at 1 January 2022	646,183	(79,433)	-	566,750
The revaluation reserve representing the surplus realized	(7,520)	710		(6,810)
Net result from revaluation (Note 19)	-	16	-	16
Balance as at 31 December 2022	638,663	(78,707)	-	559,956
Balance as at 1 January 2023	638,663	(78,707)	-	559,956
The revaluation reserve representing the surplus realized	(1,700)	191	-	(1,510)
Acquisition adjustments - FGCR revaluation reserve related to the parent	-	-	229	229
Balance as at 31 December 2023	636,963	(78,516)	229	558,675

Bank

	Revaluation reserve gross	Deferred tax	Total net
Balance as at 1 January 2022	646,183	(79,433)	566,750
The revaluation reserve representing the surplus realized	(7,520)	710	(6,810)
Net result from revaluation (Note 19)	-	16	16
Balance as at 31 December 2022	638,663	(78,707)	559,956
Balance as at 1 January 2023	638,663	(78,707)	559,956
The revaluation reserve representing the surplus realized	(1,700)	190	(1,510)
Net result from revaluation (Note 19)	-	-	-
Balance as at 31 December 2023	636,963	(78,517)	558,446

(All amounts are in RON thousands unless otherwise stated)

37 RESERVES FOR FINANCIAL ASSETS AT FAIR VALUE MEASURED THROUGH OTHER ITEMS OF COMPREHENSIVE INCOME

	Group/Bank	
	31 December 2023	31 December 2022
Reserve for financial assets at FVOCI (net of deferred tax)	(221,078)	(639,567)
Total	(221,078)	(639,567)

This note discloses the movements in the reserves for financial assets at fair value measured through other items of comprehensive income.

	Group/Bank				
	Reserve for investments measured at FVOCI			Total	
	Government bonds	Equity investment	Gross	Deferred tax	Total Net
Balance as at 1 January 2022	(304,703)	3,268	(301,435)	48,502	(252,933)
Net gain/(loss) from changes in fair value from mark-to-market (Nota 16 a)	(464,916)	6,970	(457,946)	73,050	(384,896)
Net gain/(loss) from changes in fair value from sales (Nota 16 a)	(1,686)	-	(1,686)	270	(1,416)
Adjustments for depreciation of securities	(322)	-	(322)	-	(322)
Balance as at 31 December 2022	(771,627)	10,238	(761,389)	121,822	(639,567)

	Reserve for investments measured at FVOCI			Total	
	Government bonds	Equity investment	Gross	Deferred tax	Total Net
Balance as at 1 January 2023	(771,627)	10,238	(761,389)	121,822	(639,567)
Net gain/(loss) from changes in fair value from mark-to-market (Nota 16 a)	507,060	6,035	513,095	(81,874)	431,221
Net gain/(loss) from changes in fair value from sales (Nota 16 a)	(16,810)	-	(16,810)	2,690	(14,120)
Adjustments for depreciation of securities	1,388	-	1,388	-	1,388
Balance as at 31 December 2023	(279,989)	16,273	(263,716)	42,638	(221,078)

(All amounts are in RON thousands unless otherwise stated)

38 OTHER RESERVES

	Group		Bank	
	31 December 2023	31 December 2022	31 December 2023	31 December 2022
Statutory legal reserve (i)	256,315	226,742	256,315	226,742
General banking risk reserve (ii)	65,841	65,840	65,841	65,840
Reserve from goods received free of charge	2,932	2,935	2,932	2,935
Total	325,088	295,517	325,088	295,517

(i) Statutory legal reserves represent accumulated transfers from retained earnings in accordance with relevant local regulations. These reserves cannot be distributed to shareholders.
Local legislation requires 5% of the Bank's gross statutory profit to be transferred to a non-distributable statutory legal reserve until this reserve reaches 20% of the Bank's statutory share capital. In 2023 the Bank transferred RON 29,573 thousand to statutory legal reserve (2022: RON 25,339 thousand).

(ii) Reserves for general banking risks include amounts allocated in accordance with the banking legislation and are separately disclosed as allocations of statutory profit. These reserves are not distributable.

39 SEGMENT REPORTING

The Bank segment reporting is compliant with the management requirements use. The reporting segments are presented in a manner which is consistent with the internal reporting documentation submitted to the Executive Committee.

The reporting format is based on the internal management reporting format. The items of assets and liabilities, incomes and expenses are allocated to the reporting segments either directly or based on reasonable criteria established by the management.

The reporting segment of the Bank as described below:

Corporate – are legal entities which are not SMEs according to Commission Recommendation 2003/361/EC, respectively Law nr. 346/2004.The companies in this category usually have specific and sophisticated needs. Through its centralized and customized approach, the Bank seeks to ensure high operational efficiency, a prompt assessment of the specific needs of this type of clients in order to offer the appropriate customized solutions, but also an in-depth perspective of the risk profile in order to maintain a high quality loan portfolio.The Corporate clients have access to an all-inclusive package of banking products and services. The incomes generated by this segment resulting from lending operations, current business operations (transaction banking, treasury, trade finance and retail products).

SME'S – the segment is represented by the economic entities defined by the Commission Recommendation 2003/361/EC, as well as Law nr. 346/2004 regarding the stimulation of SME's set up and development, with further modification and amendments. SME are defined as those enterprises which cumulatively meet the following conditions:

39 SEGMENT REPORTING (CONTINUED)

a) the annual average of employees is below 250;

b) an annual turnover not exceeding EUR 50 million, and/or an annual balance sheet total not exceeding EUR 43 million, according to the latest approved financial statements.

The SME segment comprises the largest set of companies having the most diverse types of entities, such as limited liability companies, freelancers, sole proprietorships and others.

Lending products accessed by the SME are: loans for working capital or investments, letters of guarantee, EU project co-financing, credit cards, invoice discounting or factoring.

Another important category of products refers to general operations, incoming and outgoing payments, cheques, promissory notes, FX operations, salary payment agreements or bancassurance services. Increased attention is given to the digitalization of our products and services, our clients showing more and more interest in internet & mobile banking, e-commerce, last generation POSs.

Authorities of Public Local Administration (AAPL) - the authorities through which local autonomy is carried out in communes, cities and municipalities are: local, communal city and municipal councils, as deliberative authorities, and mayors as executive authorities. Local councils and mayors are elected under the conditions provided by the law for the election of local public administration authorities. Local councils and mayors function as authorities of the local public administration and solve public affairs in communes, cities and municipalities, under the conditions of the law. The classification is based on the NACE code of the main activity.

Lending products accessed by AAPL clients are investment loans, for financing the objectives of local interest.

Private Individuals

The Bank provide individuals with a wide range of banking products and services, including loans (consumer loans, car purchase loans, personal need loans and mortgage loans), savings and deposit accounts, payment services and securities trading.

Treasury Division

The Bank comprise in this category the treasury services which provides income streams from treasury activities, namely trading revenues, net income from financial assets held at fair value through profit or loss, as well as from interest contribution.

"Others" segment incorporates amounts that are not tracked by management at segment level (including capital).

In terms of geographical distribution, the Bank operates entirely in the Romanian territory.

As at 31 December 2023 and 31 December 2022, the Bank did not record income exceeding 10% of total incomes in relation to a single customer.

(All amounts are in RON thousands unless otherwise stated)

39 SEGMENT REPORTING (CONTINUED)

The table below presents the Bank's financial information per segments regarding the statement of financial position and the operating profit, for the financial year ended at 31 December 2023, and comparative data for 2022:

			Bank				
31 December 2023	**Corporate Customers**	**SME**	**AAPL**	**Private Individuals**	**Treasury Division**	**Others**	**Total**
Gross loans and advances to customers	3,266,873	18,303,213	2,553,330	9,388,441	-	-	33,511,857
Expected credit losses	(898,422)	(795,183)	(36,313)	(157,389)	-	-	(1,887,307)
Loans and advances to customers net of provisions	2,368,451	17,508,030	2,517,017	9,231,052	-	-	31,624,550
Portfolio of Debt instruments, Equity instruments and Derivative instruments, net of provisions	-	-	-	-	30,448,640	-	30,448,640
Treasury and inter-bank operations	-	-	-	-	20,277490	-	20,277490
Property and equipment, investment property and Intangible assets	-	-	-	-	-	972,034	972,034
Right-of-use assets	-	-	-	-	-	95,702	95,702
Financial assets at historical cost	-	-	-	-	-	5,000	5,000
Other assets	-	-	-	-	-	130,173	130,173
Total assets	**2,368,451**	**17,508,030**	**2,517,017**	**9,231,052**	**50,726,130**	**1,202,909**	**83,553,589**
Deposits from customers and current accounts	13,982,575	22,660,992	374,524	37,389,820	-	-	74,407,911
Loans from banks and other financial institutions	-	-	39,188	-	139,867	-	179,055
Debt securities issued	-	-	-	-	2,137,255	-	2,137,255
Subordinated liabilities	-	-	-	-	1,434,229	-	1,434,229
Lease liabilities	-	-	-	-	-	98,723	98,723
Other liabilities	-	-	-	-	3,872	464,102	467,974
Total liabilities	**13,982,575**	**22,660,992**	**413,712**	**37,389,820**	**3,715,223**	**562,825**	**78,725,147**
Equity and related items	-	-	-	-	-	4,828,442	4,828,442
Total liabilities and equity	**13,982,575**	**22,660,992**	**413,712**	**37,389,820**	**3,715,223**	**5,391,267**	**83,553,589**

(All amounts are in RON thousands unless otherwise stated)

39 SEGMENT REPORTING (CONTINUED)

31 December 2022	Corporate Customers	SME	Bank AAPL	Private Individuals	Treasury Division	Others	Total
Gross loans and advances to customers	8,772,777	9,544,995	3,067,568	9,506,215	-	-	30,891,555
Expected credit losses	(796,412)	(661,633)	(42,881)	(147,820)	-	-	(1,648,746)
Loans and advances to customers net of provisions	7,976,365	8,883,362	3,024,687	9,358,395	-	-	29,242,809
Portfolio of Debt instruments, Equity instruments and Derivative instruments, net of provisions	-	-	-	-	15,162,827	-	15,162,827
Treasury and inter-bank operations	-	-	-	-	16,223,418	-	16,223,418
Property and equipment, investment property and Intangible assets	-	-	-	-	-	899,723	899,723
Right-of-use assets	-	-	-	-	-	94,080	94,080
Other assets	-	-	-	-	-	189,389	189,389
Total assets	**7,976,365**	**8,883,362**	**3,024,687**	**9,358,395**	**31,386,245**	**1,183,192**	**61812,246**
Deposits from customers and current accounts	8,307,245	3,322,858	9,728,409	31,074,281	2,698,249	-	55,131,042
Loans from banks and other financial institutions	-	-	39,188	-	239,054	-	278,242
Debt securities issued	-	-	-	-	653,636	-	653,636
Subordinated liabilities	-	-	-	-	1,439,628	-	1,439,628
Lease liabilities		-	-	-	-	96,475	96,475
Other liabilities	-	-	-	-	24,950	294,929	319,879
Total liabilities	**8,307,245**	**3,322,858**	**9,767,597**	**31,074,281**	**5,055,517**	**391,404**	**57,918,902**
Equity and related items	-	-	-	-	-	3,893,344	3,893,344
Total liabilities and equity	**8,307,245**	**3,322,858**	**9,767,597**	**31,074,281**	**5,055,517**	**4,284,748**	**61,812,246**

(All amounts are in RON thousands unless otherwise stated)

39 SEGMENT REPORTING (CONTINUED)

31 December 2023	Corporate Customers	SME	Bank AAPL	Private Individuals	Treasury Division	Others	Total
Net interest income	43,632	860,631	241.908	(523.671)	1.010.543	-	1,633,043
Net commission income	7,043	100,927	1,592	151,416	3,567	-	264,545
Net gain from trading	-	-	-	-	97,423	-	97,423
Net loss from financial derivatives	-	-	-	-	(57,927)	-	(57,927)
Net gain/(loss) from financial assets mandatorily measured at fair value through profit or loss	-	-	-	-	3,350	-	3,350
Net gain from the sale of financial assets measured at fair value through other comprehensive income	-	-	-	-	16,810	-	16,810
Net gain from foreign exchange differences	-	-	-	-	27,831	-	27,831
Other operating income	-	-	-	-		14,112	14,112
Operating income	**50,675**	**961,558**	**243,500**	**(372,255)**	**1,101,597**	**14,112**	**1,999,187**
Impairment losses on financial instruments	32,892	(354,157)	(10,037)	(46,016)	(3,944)	-	(381,262)
Net loss from impairment of debt instruments	-	-	-	-	(7,404)	-	(7,404)
Staff costs	-	-	-	-	-	(538,801)	(538,801)
Depreciation and amortisation expenses	-	-	-	-	-	(132,195)	(132,195)
Other operating expenses	-	-	-	-	-	(348,057)	(348,057)
Operating expenses	**32,892**	**(354,157)**	**(10,037)**	**(46,016)**	**(11,348)**	**(1,019,053)**	**(1,407,719)**
Profit before tax	**83,567**	**607,401**	**233,463**	**(418,271)**	**1,090,249**	**(1,004,941)**	**591,468**
Income tax expense	-	-	-	-	-	(75,660)	(75,660)
Net Profit for the year	**83,567**	**607,401**	**233,463**	**(418,271)**	**1,090,249**	**(1,080,601)**	**515,808**

(All amounts are in RON thousands unless otherwise stated)

39 SEGMENT REPORTING (CONTINUED)

		Bank					
31 December 2022	**Corporate Customers**	**SME**	**AAPL**	**Private Individuals**	**Treasury Division**	**Others**	**Total**
Net interest income	46,258	788,662	218,954	77,699	407,432	-	1,539,005
Net commission income	11,472	155,396	947	126,739	(23,663)	-	270,891
Net gain from trading	-	-	-	-	95,035	-	95,035
Net loss from financial derivatives	-	-	-	-	(154,477)	-	(154,477)
Net gain/(loss) from financial assets mandatorily measured at fair value through profit or loss	-	-	-	-	(5,079)	-	(5,079)
Net gain from the sale of financial assets measured at fair value through other comprehensive income	-	-	-	-	1,686	-	1,686
Net gain from foreign exchange differences	-	-	-	-	26,557	-	26,557
Other operating income	-	-	-	-		19,786	19,786
Operating income	**57,730**	**944,058**	**219,901**	**204,438**	**347,491**	**19,786**	**1,793,404**
Impairment loss on loans and advances to customers, provisions for loan commitments and financial guarantees given	(100,280)	(190,674)	2,894	(48,826)	3,480	-	(333,406)
Net loss from impairment of debt instruments	-	-	-	-	(1,218)	-	(1,218)
Staff costs	-	-	-	-	-	(490,380)	(490,380)
Depreciation and amortisation expenses	-	-	-	-	-	(105,844)	(105,844)
Other operating expenses	-	-	-	-	-	(355,776)	(355,776)
Operating expenses	**(100,280)**	**(190,674)**	**2,894**	**(48,826)**	**2,262**	**(952,000)**	**(1,286,624)**
Profit before tax	**(42,550)**	**753,384**	**222,795**	**155,612**	**349,753**	**(932,214)**	**506,780**
Income tax expense	-	-	-	-	-	(82,454)	(82,454)
Net Profit for the year	**(42,550)**	**753,384**	**222,795**	**155,612**	**349,753**	**(1,014,668)**	**424,326**

(All amounts are in RON thousands unless otherwise stated)

40 RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability to control the other party or to exercise significant influence over the other party in making financial or operational decisions. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form.

The nature of the related party relationships for those related parties with whom the Bank entered into significant transactions or had significant balances outstanding at 31 December 2023 is detailed below. Transactions were entered into with related parties during the normal course of business at market rates.

Transactions with shareholders

The sole shareholder of the Bank is the Romanian Government, represented by the Ministry of Public Finance. A number of banking transactions were initiated, by which the Bank acquired coupon notes denominated in local currency issued by the Romanian Ministry of Public Finance. These transactions were carried out under commercial terms and conditions and at market rate. The transactions with the Romanian Ministry of Public Finance are presented in the relevant notes to these financial statements (Notes 16, 17 and 20).

Transactions with management of the Bank

The Bank performed a number of banking transactions with the management of the Bank in the normal course of business.

The Group's key management compensation is presented below:

	Expenses 31 December 2023	**Accrued liability at 31 December 2023**	**Expenses 31 December 2022**	**Accrued liability at 31 December 2022**
Short-term benefits:				
- Salaries	55,340	6,282	44,811	5,368
- Short-term bonuses	5,302	-	3,020	44
- Benefits in-kind	-	-	-	-
Bonuses upon the termination of the employment contract	-	-	-	-
Total	60,642	6,282	47,831	5,412

(All amounts are in RON thousands unless otherwise stated)

40 RELATED PARTY TRANSACTIONS (CONTINUED)

The Bank's key management compensation is presented below:

	Expenses 31 December 2023	Accrued liability at 31 December 2023	Expenses 31 December 2022	Accrued liability at 31 December 2022
Short-term benefits:				
- Salaries	51,418	5,465	44,811	5,368
- Short-term bonuses	3,127	-	3,020	44
- Benefits in-kind	-	-	-	-
Bonuses upon the termination of the employment contract	-	-	-	-
Total	54,544	5,465	47,831	5,412

Accrued liabilities represent contributions payable until the 25th of the next month.

Transactions with State-controlled entities

The Bank performed a number of banking transactions with organisations or companies controlled by the Romanian State, in the ordinary course of business. The transactions with organisations or companies controlled by the Romanian State took place in the ordinary course of business.

The Bank applied IAS 24 regarding the simplified treatment in the presentation of related party transactions.

At 31 December 2023, the Bank's outstanding balances with related parties were as follows:

Closing balances	Shareholder – Ministry of Finance	Key management personnel	FGCR	Other related parties
Total Assets	18,543,153	4,821	728	8,257,181
Out of which:				
Loans and advances to banks and public institutions (interest rate: 6.03%-6.05%)	-	-	728	5,507,119
Financial assets held for trading and measured at fair value through profit and loss (interest rate: 2.50%-8.25%)	71,457	-	-	-
Financial assets measured at fair value through other comprehensive income (contractual interest rate: 0%-8.75%)	9,846,969	-	-	-
Investments in debt instruments at amortized cost (contractual interest rate: 1.60%-9.75%)	8,624,727	-	-	233,045
Loans and advances – gross exposure (contractual interest rate: 2.28%-12.28%)	-	4,842	-	2,553,330
Adjustments for expected credit loss	-	(21)	-	(36,313)
Total liabilities	1,434,229	15,224	728	25,355,587

(All amounts are in RON thousands unless otherwise stated)

40 RELATED PARTY TRANSACTIONS (CONTINUED)

Out of which:				
Deposits (contractual interest rate: 0%-13%)	-	15,224	728	24,654,796
Debt securities issued (contractual interest rate: 7.5%-9%)	-	-	-	700,791
Subordinated liabilities (contractual interest rate: 9.84%-11.23%)	1,434,229			
Contractual commitments, financial guarantees and other commitments, out of which:	132,672	878	-	218,790
Issued	58,214	784	-	207,822
Received	74,458	94	-	10,968

At 31 December 2022, the Bank's outstanding balances with related parties were as follows:

Closing balances	Shareholder – Ministry of Finance	Key management personnel	Other related parties
Total Assets	14,888,349	4,139	8,590,448
Out of which:			
Loans and advances to banks and public institutions (interest rate: 6.40%-6.65%)	-	-	5,005,832
Financial assets held for trading and measured at fair value through profit and loss (interest rate: 2.50%-8.25%)	6,289	-	-
Financial assets measured at fair value through other comprehensive income (contractual interest rate: 0.7%-7.99%)	10,342,980	-	-
Investments in debt instruments at amortized cost (contractual interest rate: 1%-9.75%)	4,539,080	-	78,410
Loans and advances – gross exposure (contractual interest rate: 0%-35%)	-	4,165	3,574,361
Adjustments for expected credit loss	-	(26)	(68,155)
Total liabilities	1,439,628	8,682	12,590,302
Out of which:			
Deposits (contractual interest rate: 0%-13%)	-	8,682	12,141,414
Debt securities issued (contractual interest rate: 7.5%-9%)	-	-	448,888
Subordinated liabilities (contractual interest rate: 6.29%-11.23%)	1,439,628	-	-
Contractual commitments, financial guarantees and other commitments, out of which:	187,444	768	226,417
Issued	78,748	656	184,667
Received	108,696	112	41,750

(All amounts are in RON thousands unless otherwise stated)

40 RELATED PARTY TRANSACTIONS (CONTINUED)

The key personnel of the Bank's management includes the following functions : Chief Balance ALM Officer (CBO), Chief Financial Officer (CFO), Chief Risk Officer (CRO), Director (Large customers Division, SME Division, Agri Division, Legal Division, Compliance Division, Contentious Division, Internal Audit Division, Antifraud and Control Division, Cards Division, Operations Division, Remote Operations Division, Arrears and Asset Recovery Division, Credit Monitoring Division, Analysis of Individual Loans Division), Head of Independent Department (Evaluation (Independent) Department).

The composition of other related parties includes organizations or companies under the control of the Romanian State.

The balance of the securities issued by the Ministry of Finance is presented in Note 16, 17 and 20 of the present financial statements.

The Bank's income and expense items with related parties for the period January – December 2023 were as follows:

	Shareholder Ministry of Finance	Key management personnel	FGCR	Other related parties
Interest income	882,364	507	-	462,820
Interest expense	(141,972)	(4,264)	-	(440,153)
Net impairment loss on loans and advances to customers	-	1	-	(39,587)
Commission income	-	-	30	70
Commission expense	-	-	(30)	-

The Bank's income and expense items with related parties for the period January – December 2022 were as follows:

	Shareholder Ministry of Finance	Key management personnel	Other related parties
Interest income	460,065	310	453,768
Interest expense	(123,145)	(78)	(106,601)
Net impairment loss on loans and advances to customers	-	4	(7,916)
Commission income	-	-	112

In respect of the transactions with NBR, the Bank had at the year end the following balances:

	31 December 2023	31 December 2022
Current accounts held at National Bank of Romania (Note 13)	10,614,049	8,660,549

The income and expense items with NBR for the period were as follows:

	31 December 2023	31 December 2022
Interest expenses arising from REPO transactions with National Bank of Romania	-	2,508
Interest income from current accounts held at National Bank of Romania	99,187	14,016
Interest expense from current accounts — Lombard loan	-	19,993

(All amounts are in RON thousands unless otherwise stated)

41 CONTINGENT LIABILITIES AND COMMITMENTS

Litigations

As at 31 December 2023 the Bank is subject to several legal actions arisen in the normal course of business. The potential obligations existence regarding the litigations will be confirmed by future events that are not entirely controlled by the Bank. From the same reason, the Bank cannot reliably estimate the time in which it can effectively record the losses.

	31 December 2023	31 December 2022
Contingent liabilities related to third party litigations (including customers) and to other operational risk events in compliance with IAS 37	9,523	29,268

Taxation

The Romanian taxation system is undergoing a process of consolidation and harmonization with the European Union legislation. Accordingly, there are still different interpretations of the fiscal legislation. In various circumstances, the tax authorities may have different approaches to certain issues, and assess additional tax liabilities, together with late payment interest and penalties (currently, penalties determined by the duration of delay, plus 0.01% per day delay). In Romania, tax periods remain open for tax inspection for 5 years. The Bank's management considers that the tax liabilities included in these financial statements are fairly stated.

Transfer pricing

Romanian tax legislation includes the "market value" principle according to which transactions between related parties should be carried out at market value. Local taxpayers engaged in related party transactions have to prepare and make available upon the written request of the Romanian Tax Authorities their transfer pricing documentation file. Failure to present the transfer pricing documentation file, or presenting an incomplete file, may lead to non-compliance penalties; additionally, notwithstanding the contents of the transfer pricing documentation, the tax authorities may interpret the facts and transactions differently from management and impose additional tax liabilities resulting from transfer price adjustments. The Company's management believes that the Company will not suffer losses in case of a fiscal inspection on the subject of transfer prices. However, the impact of any challenge by the tax authorities cannot be reliably estimated.

(All amounts are in RON thousands unless otherwise stated)

41 CONTINGENT LIABILITIES AND COMMITMENTS (CONTINUED)

Credit related commitments

The Bank made investments on the inter-bank market and granted loans that were not fully drawn by the clients. The validity period of these commitments does not exceed the contractual maturity and their utilisation is restricted by contractual provisions.
At any time the Bank has commitments for loan granting. These commitments take the form of approved loans and credit line facilities. The amounts reflected in the commitments for loan granting are based on the assumption that all the amounts may be withdrawn without restrictions.

The primary purpose of these instruments is to ensure that funds are available to a customer as required. Guarantees and standby letters of credit, which represent irrevocable assurances that the Bank will make payments in the event that a customer cannot meet its obligations to third parties, carry the same credit risk as loans. Documentary and commercial letters of credit, which are written undertakings by the Bank on behalf of a customer authorizing a third party to draw drafts on the Bank up to a stipulated amount under specific terms and conditions, are collateralized by the underlying shipments of goods to which they relate and therefore carry less risk than a direct borrowing. Commitments to extend credits represent unused portions of authorizations to extend credit in the form of loans, guarantees or letters of credit. With respect to credit risk on commitments to extend credit, the Bank is potentially exposed to loss in an amount equal to the total unused commitments, if the unused commitments would be withdrawn. However, the likely amount of loss is less than the total unused commitments since most commitments to extend credit are contingent upon customers maintaining specific credit standards. The Bank monitors the maturity of credit commitments because longer-term commitments generally have a greater degree of credit risk than shorter-term commitments.

Loan commitments and guarantee letters issued on behalf of clients in balance are the following:

	31 December 2023	31 December 2022
Letters of guarantee issued for customers, out of which:	2,127,860	1,958,378
Guarantees for auctions	6,616	9,371
Good performance guarantees	534,108	376,296
Guarantees for advances refunds	735,299	784,423
Guarantees for payment insurance	285,056	287,455
Guarantees for custom duties and other claims	7,184	8,215
Other guarantees	559,598	492,618
Undrawn credit commitments	4,347,042	4,443,747
Total	6,474,902	6,402,125
Provision for undrawn loan commitments and financial guarantees issued (Note 30)	44,852	45,572

Part of the issued to customers guarantees are covered by cash collateral deposits in amount of RON 69,036 thousand (2022: RON 56,387 thousand).

42 EVENTS SUBSEQUENT TO THE BALANCE SHEET DATE

There were no significant events subsequent to December 31, 2023.

Bogdan Constantin Neacşu
General Manager –President of Executive Committee

Ştefan Silviu Fota
Director, Accounting Division

CEC BANK S.A.
CABINET PREŞEDINTE DIRECTOR GENERAL
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Independent Auditors' Report

(free translation[1])

To the sole Shareholder of CEC Bank S.A.

13 Calea Victoriei, 3rd district, Bucharest
Unique Registration Code: 361897

Report on the Audit of the Consolidated and Separate Financial Statements

Opinion

1. We have audited the accompanying:

   - Consolidated financial statements of CEC Bank S.A. ("the Bank") and its subsidiary (together "the Group"), which comprise the consolidated statement of financial position as at 31 December 2023, the consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising material accounting policies and other explanatory information, and

   - Separate financial statements of the Bank, which comprise the separate statement of financial position as at 31 December 2023, the separate statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising material accounting policies and other explanatory information.

2. The consolidated and separate financial statements as at and for the year ended 31 December 2023 are identified as follows:

• Total equity of the Group:	RON 4,853,010 thousand
• Group's net profit for the year:	RON 540,145 thousand
• Total equity of the Bank:	RON 4,828,442 thousand
• Bank's net profit for the year:	RON 515,808 thousand

[1] TRANSLATOR'S EXPLANATORY NOTE: The above translation of the auditors' report is provided as a free translation from Romanian which is the official and binding version and it refers to the Romanian official version of the consolidated and separate financial statements.

Fiscal registration code
RO12997279
Trade Registry no.J40/4439/2000
Share Capital 2,000 RON

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3. In our opinion, the accompanying consolidated and separate financial statements give a true and fair view of the consolidated and unconsolidated financial position of, respectively, the Group and the Bank as at 31 December 2023, and of their respective consolidated and unconsolidated financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standards as adopted by the European Union ("IFRS") and with the National Bank of Romania's Order no. 27/2010 for the approval of the accounting regulations in accordance with IFRS, with subsequent changes ("NBR Order no. 27/2010").

Basis for Opinion

4. We conducted our audit in accordance with International Standards on Auditing ("ISAs"), Regulation (EU) no. 537/2014 of the European Parliament and of the Council ("the Regulation") and Law no. 162/2017 ("the Law"). Our responsibilities under those standards and regulations are further described in the *Auditors' Responsibilities for the Audit of the Consolidated and Separate Financial Statements* section of our report. We are independent of the Group and the Bank in accordance with *International Ethics Standards Board for Accountants International Code of Ethics for Professional Accountants (including International Independence Standards) ("IESBA Code")* together with the ethical requirements that are relevant to our audit of the consolidated and separate financial statements in Romania, including the Regulation and the Law and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

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

Impairment of loans and advances to customers

As of 31 December 2023, the consolidated and separate financial statements include:

- Gross loans and advances to customers: RON 33,511,857 thousand (31 December 2022: RON 30,872,784 thousand)
- Related expected credit losses: RON 1,887,307 thousand (31 December 2022: RON 1,648,747 thousand)

and, for the year then ended, net impairment losses for loans and advances to customers of RON 485,508 thousand (2022: total net impairment losses for loans and advances to customers of RON 461,831 thousand).

Refer to the following notes to the consolidated and separate financial statements:

Notes 2.9 Summary of material accounting policies – Financial assets and liabilities, 3 - Financial risk management, 11 - Net impairment loss on loans and advances to customers and 18 – Loans and advances to customers.

The key audit matter	How the matter was addressed in our audit
➢ Impairment allowances represent management's best estimate of the expected credit losses ("ECLs") within loans and advances to customers (collectively "loans", "exposures") at amortized cost at the reporting date. ➢ Impairment allowances for the performing exposures (stage 1 and stage 2 in the IFRS 9 hierarchy) as well as non-performing	Our audit procedures performed, where relevant, with the assistance from our own financial risk management, information technology (IT) audit and valuation specialists, included, among others: • Inspecting the ECL impairment methods and models applied, and evaluating, among others, the following: o The models' key elements against the requirements of IFRS 9 and industry practice; and

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exposures (stage 3), with amounts not exceeding certain pre-determined thresholds individually, are determined by modelling techniques, relying on key parameters, such as the probability of default (PD), exposure at default (EAD), credit conversion factor (CCF) and loss given default (LGD), which are themselves developed based on complex models (together "collective impairment allowance"). The estimation of collective impairment allowance takes into account historical experience, identification of exposures with a significant increase in credit risk ("SICR"), forward-looking information and management judgment.

➢ Impairment allowances for non-performing (Stage 3) individual exposures with amounts exceeding certain pre-determined thresholds are determined on an individual basis by means of a discounted cash flows analysis. The process relies on a number of sensitive assumptions, in particular those in respect of the recovery scenarios and the expected proceeds from the sale of the related collateral and estimated period for collateral disposal.

➢ In the wake of the geopolitical volatility due to, among other things, the outbreak of the Russia-Ukraine war, and given the adverse macroeconomic effects of the increase in commodity prices, resulting inflationary pressures and prolonged period of elevated interest rates and related challenges on the real estate market, measurement of impairment allowances was associated with additional complexities and increased estimation uncertainty. Among other things, the application of post-model adjustments was required from management in arriving at the year-end estimate of impairment losses.

➢ Considering the above factors, we determined impairment of loans and advances to customers to be associated with significant risk of material misstatement in the consolidated and separate financial statements.

➢ Therefore, the area required our increased attention in the audit and, as such, was determined to be a key audit matter.

   - Adequacy of the methods' and models' sophistication, based on the assessment of both entity-level and loan portfolio-level factors.

- Testing the design and implementation and, where relevant, operating effectiveness of selected controls within the impairment process, such as those in respect of:
   - ECL model selection;
   - completeness and accuracy of relevant data inputs in the Bank's systems (mainly for loan exposure, maturity date, collateral values and interest rates data);
   - approval of loans;
   - system computation of debt service and forbearance monitoring;

  As part of the procedure, we have also tested the IT control environment for data security and access.

- Assessing the consistency of the application of the following SICR criteria: 30 past-due days, forborne flag, client financial performance, and of the criteria for identification of objective evidence of impairment (default), such as: 90 past-due days, insolvency flag, and client financial performance. As part of the procedure, we have also challenged, for a risk-based sample of exposures, the loans' classification into the stages prescribed by IFRS 9.

- For collective impairment allowance:
   - Testing, on a sample basis, the relevance and reliability of the data used in the process of calculating the PD, EAD and LGD parameters applied in the model, by reference to the supporting evidence, such as credit risk memoranda, debt service status, forbearance occurrence, repayment schedules and underlying data for collections occurring after default.
   - For a sample of loan portfolios, challenging, by means of the reperformance of the underlying respective model application, whether the key parameters: PD, LGD, EAD and CCF, were appropriately determined.
   - Challenging key assumptions underlying macroeconomic forecasts considered in the ECL models. As part of the procedure, we challenged the consideration of the current economic uncertainty, by making inquiries of the management and inspection of publicly available information.
   - Challenging significant post-model adjustments, by evaluating the appropriateness of the calculation method and key underlying assumptions.

- For impairment allowances calculated individually, for a risk-based sample of loans, challenging the Bank's cash flow

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	projections and key assumptions used therein, including realizable values of collaterals and recovery periods, by reference to the information in respective loan files and collateral appraisal reports, our knowledge of the relevant industry and of the borrower; • Based on the outcome of the preceding procedures, recomputing the ECLs. • Evaluating the ECL-related disclosures in the consolidated and separate financial statements against the qualitative and quantitative requirements of the relevant financial reporting standards.

Other information

6. The Board of Directors is responsible for the preparation and presentation of other information. The other information comprises the Annual Report prepared as per the requirements of the Financial Supervisory Authority Regulation No. 5/2018, the consolidated and separate Board of Directors' Report (which also includes the Non-Financial Statement), but does not include the consolidated and separate financial statements and our auditors' report thereon.

Our opinion on the consolidated and separate financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated and separate financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Other Reporting Responsibilities Related to Other Information – the consolidated and separate Board of Directors' Report

With respect to the consolidated and separate Board of Directors' Report, we read and report whether the consolidated and separate Board of Directors' Report is prepared, in all material respects, in accordance with NBR Order no. 27/2010, articles 12, 13, 15, 16 and 17 and 32 of the accounting regulations in accordance with International Financial Reporting Standards applicable to credit institutions.

Based solely on the work required to be undertaken in the course of the audit of the consolidated and separate financial statements, in our opinion:

a) The information given in the consolidated and separate Board of Directors' Report for the financial year for which the consolidated and separate financial statements are prepared is consistent, in all material respects, with the consolidated and separate financial statements;

b) The consolidated and separate Board of Directors' Report has been prepared, in all material respects, in accordance with NBR Order no. 27/2010, articles 12, 13, 15, 16 and 17 and 32 of the accounting regulations in accordance with International Financial Reporting Standards applicable to credit institutions.

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

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Responsibilities of the Management and Those Charged with Governance for the Consolidated and Separate Financial Statements

7. Management is responsible for the preparation of consolidated and separate financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and with National Bank of Romania's Order no. 27/2010 for the approval of the accounting regulations in acordance with IFRS with subsequent changes and for such internal control as management determines is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditors' Responsibility for the Audit of the Consolidated and Separate Financial Statements

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

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

    - Identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

    - Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's and Group's internal control.

    - Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

    - Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's and Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated and separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Bank or the Group to cease to continue as a going concern.

    - Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

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

Report on Other Legal and Regulatory Requirements - Report on Compliance with the ESEF Regulation

15. In accordance with Law no. 162/2017 on statutory audits of annual financial statements and consolidated and separate financial statements and amendment of certain regulations, we are required to express an opinion on compliance of the consolidated and separate financial statements, issued in Romanian, included in the Annual Report and endorsed by the Board of Directors, with the requirements of the Commission Delegated Regulation (EU) 2018/815 of 17 December 2018 supplementing Directive 2004/109/EC of the European Parliament and of the Council with regard to regulatory technical standards on the specification of a single electronic reporting format (the "RTS on ESEF").

Responsibilities of the management

16. Management is responsible for the preparation of the consolidated and separate financial statements in a digital format, issued in Romanian, that complies with the RTS on ESEF. This responsibility includes:

    - The preparation of the consolidated and separate financial statements in the applicable xHTML format, issued in Romanian;
    - The selection and application of appropriate iXBRL tags, in the preparation of the consolidated financial statements, using judgment where necessary;
    - Ensuring consistency between digitised information in the machine and human-readable formats and the signed consolidated and separate financial statements; and
    - The design, implementation and maintenance of internal controls relevant to the application of the RTS on ESEF.

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Auditors' Responsibilities

17. Our responsibility is to express an opinion on whether the consolidated and separate financial statements, issued in Romanian, included in the Annual Report, comply, in all material respects, with the RTS on ESEF, based on the evidence we have obtained. We conducted our reasonable assurance engagement in accordance with International Standard on Assurance Engagements 3000 (Revised), Assurance Engagements Other than Audits or Reviews of Historical Financial Information (ISAE 3000) issued by the International Auditing and Assurance Standards Board.

A reasonable assurance engagement in accordance with ISAE 3000 involves performing procedures to obtain evidence about compliance with the RTS on ESEF. The nature, timing and extent of procedures selected depend on the auditor's judgment, including the assessment of the risks of material departures from the requirements set out in the RTS on ESEF, whether due to fraud or error. Our procedures included, among other things:

➢ Regarding the consolidated financial statements:

- Obtaining an understanding of the tagging process;
- Evaluating the design and implementation of relevant controls over the tagging process;
- Tracing the tagged data to the consolidated financial statements of the Group presented in human-readable digital format and to the signed and audited consolidated financial statements, stamped by us for identification purposes;
- Evaluating the completeness of the Group's tagging of the consolidated financial statements;
- Evaluating the appropriateness of the Group's use of iXBRL elements selected from the ESEF taxonomy and creation of extension elements where no suitable element in the ESEF taxonomy has been identified;
- Evaluating the use of anchoring in relation to the extension elements;

➢ Regarding the consolidated and separate financial statements:

- Evaluating the appropriateness of the digital format of the consolidated and separate financial statements; and
- Assessing consistency between the digitised information in the machine and human-readable formats and the signed and audited consolidated and separate financial statements, stamped by us for identification purposes.

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

Opinion

18. In our opinion, the consolidated and separate financial statements of the Group and of the Bank, issued in Romanian, as at and for the year ended 31 December 2023 have been prepared, in all material respects, in accordance with the requirements of the RTS on ESEF.

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Report on Other Legal and Regulatory Requirements

19. We were appointed by the General Shareholders' Meeting on 21 September 2020 to audit the consolidated and separate financial statements of CEC Bank SA for the year ended 31 December 2023. Our total uninterrupted period of engagement is 9 years, covering the periods ended 31 December 2015 to 31 December 2023.

20. We confirm that:

- Our audit opinion is consistent with the additional report presented to the Audit Committee of the Bank which we issued on 18 April 2024. We also remained independent of the audited entity in conducting the audit.
- We have not provided to the Group the prohibited non-audit services (NASs) referred to in Article 5(1) of EU Regulation (EU) No 537/2014.

The engagement partner on the audit resulting in this independent auditors' report is Furtuna Cezar Gabriel.

For and on behalf of KPMG Audit S.R.L.:

Refer to the original signed Romanian version

Furtuna Cezar Gabriel	**KPMG Audit SRL**
registered in the electronic public register of financial auditors and audit firms under no AF1526	registered in the electronic public register of financial auditors and audit firms under no FA9

Bucharest, 19 April 2024

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STATEMENT

As per provisions the article 30 and article 31 of the Accounting Law no. 82/1991

The annual financial statements were prepared as at 31.12.2023 for:

Legal entity: CEC BANK SA
County: 40 - THE MUNICIPALITY OF BUCHAREST
Address: Bucharest city, str. CALEA VICTORIEI, no. 13, tel. 0213143985 Trade Registry number: J40/155/1997
Form of ownership: 12 - Commercial companies with full state capital
Main activity (CAEN code and class name): 6419 - Other monetary intermediation activities
Fiscal identification code: 361897

The General Manager - President of Executive Committee, Bogdan Constantin Neacsu takes full responsibility for preparing the annual financial statements as at December 31, 2023 and confirms that:

a) The accounting policies used to prepare the annual financial statements are in accordance with the applicable accounting regulations.
b) The annual financial statements present a true image of the financial position, financial performance and other information relating to the activity carried out.
c) The legal entity carries its business on an ongoing basis.

Bogdan Constantin Neacsu
General Manager - President of Executive Committee

CEC BANK S.A.
CABINET PRESEDINTE DIRECTOR GENERAL
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