CREDIT EUROPE BANK (ROMANIA) S.A.

Consolidated financial statements

December 31, 2023

Drafted in accordance with
International Financial Reporting Standards as adopted by the European Union and Order No 27 of 16 December 2010 approving the Accounting Regulations in accordance with International Financial Reporting Standards as adopted by the European Union, as subsequently amended.

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CREDIT EUROPE BANK (ROMANIA) S.A.
Consolidated statement of profit or loss account
For the financial year ended December 31

Thousand RON	**Note**	**2023**	**2022**
Interest income calculated using the effective interest method		237.428	183.636
Interest expenses		(76.839)	(43.090)
Net interest income	7	**160.589**	**140.546**
Income from fees and commissions		45.476	44.745
Expenses with fees and commissions		(18.215)	(18.284)
Net income from fees and commissions	8	**27.261**	**26.461**
Net trading income	11	7.391	9.708
Net earnings on non-trading financial instruments at fair value through profit or loss account		3.722	(674)
Net realised gains on derecognition of financial assets measured through other comprehensive income	10	27	99
Other operating income	9	27.165	46.433
Other operating income		**38.305**	**55.566**
Operational income		**226.155**	**222.573**
Net income / (expenses) with adjustments for the depreciation of the value of financial assets that are not evaluated at fair value through the profit and loss account	12	25.316	(21.530)
Personnel expenses	13	(94.411)	(84.685)
Amortization expenses	23,24	(22.314)	(20.593)
Other operating expenses	14	(56.718)	(59.092)
Income from depreciation adjustments for other assets	4b	54	111
Operational expenses		**(148.073)**	**(185.789)**
Profit before taxation		**78.082**	**36.784**
Income tax expense	15	(11.261)	(6.033)
Profit for the financial year		**66.821**	**30.751**

The explanatory notes on pages 6 to 102 form an integral part of these consolidated financial statements.

Consolidated statement of profit or loss and other comprehensive income

For the financial year ended December 31

Thousand RON	Note	2023	2022
Profit for the financial year		**66.821**	**30.751**
Items that will under no circumstances be reclassified to the profit and loss account			
Tangible assets Revaluation		113	307
Fair value changes relating to equity instruments measured at fair value through other comprehensive income		2.657	963
Income tax related to the above items		(293)	158
Items that are or may be reclassified in the profit and loss account			
Fair value changes relating to debt instruments measured at fair value through other comprehensive income		14,740	(10.593)
Income tax related to the above items		(2.425)	1.887
Comprehensive income for the financial year		**81.613**	**23.473**

The explanatory notes on pages 6 to 102 form an integral part of these consolidated financial statements.

Consolidated statement of financial position

As at 31 December

Thousand RON	**Note**	**31 December 2023**	**31 December 2022**
Assets			
Cash and current accounts at central bank	17	795.305	506.693
Derivative financial instruments	19, 20	106	204
Financial assets at fair value through profit or loss account	19	18.284	15.062
Financial assets at fair value through other items of comprehensive income	21	517.758	779.484
Loans and advances granted to banks	18	222.440	213.198
Loans and advances to customers	22	1.625.998	2.272.344
Tangible assets and assets relating to the right of use	23,25	71.934	83.834
Intangible assets	24	15.578	10.205
Current income tax receivables		284	621
Deferred corporate income tax receivables	29	7.289	10.153
Other assets	26	102.471	109.138
Total assets		**3.377.447**	**4.000.936**
Debts			
Financial liabilities at fair value through profit and loss account - derivatives	20	2.239	744
Bank deposits	27	401.285	625.811
Deposits from customers	28	2.000.645	2.427.269
Debts related to current profit tax		4	-
Other debts	30	61.331	67.307
Total debts		**2.465.504**	**3.121.131**
Own Capital			
Share Capital	31	608.165	608.165
Retained earnings		228.631	214.221
Other reserves	32	75.147	57.419
Total own capital attributable to Group's shareholders		**911.943**	**879.805**
Interests without control		**0**	**0**
Total own capital		**911.943**	**879.805**
Total debts and own capital		**3.377.447**	**4.000.936**

The consolidated financial statements were approved and authorised by the Board of Directors on 14.03.2024 and were signed on its behalf by:

Alin Iulian Alupei
Vicepresident

Cenker Altincag
Financial Manager

The explanatory notes on pages 6 to 102 form an integral part of these consolidated financial statements.

CREDIT EUROPE BANK (ROMANIA) S.A.

Consolidated statement of changes in own capital

For the financial year ended December 31

Thousand RON	**Share capital and issuance premium**	**Revaluation reserves**	**Other reserves**	**Retained earnings/(Accrued losses)**	**Total own capital**
Balance on December 31, 2021	**608.165**	**10.966**	**45.302**	**231.482**	**895.915**
Net profit for the financial year	-	-	-	30.751	**30.751**
Other comprehensive income items for the year, net of corporate tax	-	**619**	**(7.897)**	-	**(7.278)**
Tangible assets Revaluation, net of corporate tax		619	-	-	**619**
Losses on financial assets at fair value through other comprehensive income, net of corporate tax	-	-	(7.897)	-	**(7.897)**
Total comprehensive income	-	619	(7.897)	30.751	23.473
Declared and paid dividends	-	-	-	(39.583)	(39.583)
Transfers to reserves	-	(2.256)	10.685	(8.429)	-
Balance as at 31 December 2022	**608.165**	**9.329**	**48.090**	**214.221**	**879.805**

Thousand RON	**Share capital and issuance premium**	**Revaluation reserves**	**Other reserves**	**Retained earnings/(Accrued losses)**	**Total own capital**
Balance as at 31 December 2022	**608.165**	**9.329**	**48.090**	**214.221**	**879.805**
Net profit for the financial year	-	-	-	66.821	**66.821**
Other comprehensive income items for the year, net of corporate tax	-	**245**	**14.547**	**-**	**14.792**
Tangible assets Revaluation, net of corporate tax	-	245	-	-	**245**
Gains on financial assets at fair value through other comprehensive income, net of corporate tax	-	-	14.547	-	**14.547**
Total comprehensive income	-	245	14.547	66.821	81.613
Declared and paid dividends	-	-	-	(49.475)	(49.475)
Transfers to reserves	-	**(941)**	**3.877**	**(2.936)**	**-**
Balance as at 31 December 2023	**608.165**	**8.633**	**66.514**	**228.631**	**911.943**

The explanatory notes on pages 6 to 102 form an integral part of these consolidated financial statements.

CREDIT EUROPE BANK (ROMANIA) S.A.

Consolidated statement of cash flow

For the financial year ended December 31

Thousand RON	**Note**	**2023**	**2022**
Operating activities			
Profit / (loss) before taxation		**66.821**	30.751
Adjustments for:		(156.118)	(93.805)
Expenses related to non-current assets amortization	23,24	22.314	20.593
Net income/Net expenses related to adjustments for depreciation of loans granted to customers	12	(25.317)	21.530
Net interest income		(160.589)	(140.546)
Income from depreciation adjustments for other assets	4b	(54)	(111)
Net realised gains on derecognition of financial assets measured through other comprehensive income	10	(27)	99
Other provisions		(978)	(1.827)
Dividend income	9	(2.184)	(1.925)
Other adjustments for non-monetary items:		(598)	2.352
Income tax expense		11.261	6.033
Cash flows from operating activities before changes in operating assets and liabilities		**(89.297)**	**(63.054)**
Derivative instruments - Debts		2.888	(1.526)
Bank deposits		(224.526)	235.846
Deposits from customers		(417.820)	(56.621)
Other debts		1.811	689
Cash and current accounts at the National Bank of Romania		(298.520)	71.485
Financial assets at fair value		(3.222)	(222)
Loans and advances granted to banks		(2.880)	97.349
Loans and advances to customers		672.860	(204.121)
Derivative instruments - Assets		135	(91)
Other assets		1.264	(4.622)
Received dividends		2.184	1.925
Received interest		208.308	154.054
Paid interest		(87.037)	(46.387)
Paid corporate tax		(5.315)	(5.457)
Net cash flow from / (used for) operating activity		**(239.167)**	**179.247**
Investment activities			
Financial assets evaluated at fair value through other comprehensive income		(402.882)	(608.337)
Sales/maturities of financial assets at fair value through other comprehensive income		663.040	629.811
Collection of coupons related to securities		40.978	39.652
Acquisitions of tangible assets	23	(3.568)	(4.144)
Revenue from sale of tangible assets		6.970	2.930
Acquisitions of intangible assets	24	(12.723)	(8.940)
Net cash flow from / (used for) investment activity		**291.806**	**50.972**
Financing activities			
Instalment payments for finance lease liabilities		(10.377)	**(10.031)**
Paid dividends		(49.475)	(39.583)
Cash flow used in financing activity		**(59.852)**	**(49.614)**
(Net decrease) /Net Increase in cash and cash equivalents		**(7.210)**	**180.605**
Effect of foreign exchange rate fluctuations on cash and cash equivalents		**3.964**	**4.415**
Cash and cash equivalents at the beginning of the financial year		**275.138**	**90.118**
Cash and cash equivalents at the end of the financial year	16	**271.892**	**275.138**

** The Bank has opted for a modified presentation of interest under IAS 7, which impacts previously reported amounts.*

The explanatory notes on pages 6 to 102 form an integral part of these consolidated financial statements.

1. Reporting entity

Credit Europe Bank (Romania) S.A. ("Bank") is a Romanian entity based in Bucharest, Romania established in 1993 and carrying out banking operations in accordance with the rules and regulations issued by the National Bank of Romania.

Credit Europe Bank (ROMÂNIA) S.A. ("CEB" or "Bank") has its registered office in Bucharest, B-dul Timisoara, nr. 26Z, Anchor Plaza building, sector 6, registered with the Trade Register Office in Bucharest under no. J40/18074/1993, Sole Registration Code and VAT Registration Code RO 4315966, registered in the Bank Register under no. RB-PJR-40-008/18.02.1999

The final shareholder of the Group is Credit Europe Bank N.V., holding 99.34% of the Bank's total number of shares. Credit Europe Bank N.V. is an international financial services group with operations in the Netherlands, Turkey, Germany, Switzerland, Malta and Ukraine. Credit Europe Bank N.V. offers a wide range of financial services for large companies, small and medium-sized enterprises and natural person customers. Credit Europe Bank N.V. is part of the FIBA Holding Anonim Sirketi Group and the final beneficiary is Mr. Hüsnü M. Özyeğin, founder of the FIBA Holding Group.

The consolidated financial statements of the Group for the year ended 31 December 2023 include the Bank and its subsidiary, Credit Europe Ipotecar IFN S.A. ("the Group").

The Group carries out banking and other financial services with natural and legal persons. These include: account and deposit openings, domestic and foreign payments, foreign exchange operations, credit cards, mortgage credits, current business financing, medium-term financing, letters of guarantee, letters of credit and warehousing services.

The Group operates through its head office (located in Bucharest) and a network of 12 branches, 1 agency and 2 outlets (31 December 2022: 20 branches, 1 agency and 2 outlets).

2. Basics of drafting

a) Declaration of conformity

The Group's consolidated financial statements have been drafted in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRS") and Order No. 27 of 16 December 2010 approving the Accounting Regulations in accordance with International Financial Reporting Standards as adopted by the European Union, as subsequently amended.

The Bank's accounting records are maintained in RON, in accordance with the requirements of the International Financial Reporting Standards adopted by the European Union and Order No. 27 of 16 December 2010 approving the Accounting Regulations in accordance with the International Financial Reporting Standards adopted by the European Union, as subsequently amended. The subsidiary prepares its accounting records in accordance with Romanian accounting legislation. The accounting records of the Bank's subsidiary are hereinafter referred to as the statutory accounts.

The main differences from the statutory financial statements as at 31 December 2022 for the subsidiary, prepared in accordance with national regulations, are:

- grouping several items into broader categories;
- fair value and depreciation adjustments in accordance with IFRS 9 (from 1 January 2018); and
- presentation of the information required under IFRS in the explanatory notes.

2. Basics of drafting (continued)

a) Declaration of Conformity (continued)

The parent company that prepares the consolidated financial statements is Credit Europe Bank NV, with registered office at 6A Karspeldreef Street, 1101 CJ Amsterdam, the Netherlands. The consolidated annual financial statements are available on the website www.crediteuropebank.com.

Credit Europe Bank N.V. is in its turn part of the FIBA Holding Anonim Sirketi Group and the final beneficiary is Mr. Hüsnü M. Özyeğin, founder of the FIBA Holding Group. The consolidated annual financial statements are available on the website www.fibagroup.com.

b) Basics of evaluation

The Group's consolidated financial statements have been drafted based on the fair value of financial assets at fair value through other comprehensive income, assets and liabilities at fair value through profit or loss account and derivative financial instruments.

Receivables, Other financial assets and liabilities as well as non-financial assets and liabilities are presented at amortised cost, revalued value or historical cost.

c) Functional currency and presentation currency

Items included in the financial statements of each Group entity are measured using the currency of the primary economic environment in which the entity operates ("functional currency"). The consolidated financial statements are prepared and presented in RON, which is the functional and presentation currency of the Bank and the Group, rounded-off to the nearest thousand.

d) Use of significant accounting estimates and interpretations

The preparation of consolidated financial statements in conformity with IFRS requires that the management makes estimates, judgements and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from estimates.

Estimates and related assumptions are reviewed periodically. Revisions to accounting estimates are recognised in the period in which the estimate is revised, if the revision affects only that period, or in the period in which the estimate is revised and in future periods if the revision affects both the current period and future periods.

The Group uses estimates and judgements that affect the reported amounts of assets and liabilities during the next financial year. These estimates and judgments are reassessed on an ongoing basis and are based on management's experience and other factors, including expectations regarding future events considered reasonable in the respective circumstances. Management also uses judgements, other than those involving estimates, in the process of applying accounting policies. These clarifications complete the significant accounting methods and policies (Note 3) and risk management policies (Note 4).

Information about those estimates used and judgements made by management in applying accounting policies that have a significant effect on the consolidated financial statements, as well as estimates that involve a significant degree of uncertainty, are disclosed in Notes 4 and 5.

3. Material accounting methods and policies

The significant accounting methods and policies presented below have been consistently applied by the Group in each of the financial years presented.

a) Bases of consolidation

IFRS 10 "Consolidated Financial Statements" replaces the portion of IAS 27 "Consolidated and Separate Financial Statements" that deals with accounting for consolidated financial statements. It also addresses the issues included in SIC-12 Consolidation - Special Purpose Entities.

IFRS 10 establishes a single control model that applies to all entities, including special purpose entities. The changes introduced by IFRS 10 require management to exercise significant judgement in determining which entities are controlled and should therefore be consolidated by a parent entity, compared to the requirements of IAS 27.

i) Subsidiaries

Subsidiaries are entities under the control of the Bank. There is control when the Bank has the power to govern, directly or indirectly, the financial and operating policies of an entity in order to obtain benefits from its activities. Potential voting rights that can be exercised at present or are convertible must also be taken into account when assessing control. The financial statements of subsidiaries are included in the consolidated financial statements from the time control commences until control ceases.

The bank owns 99.99993% of the share capital of Credit Europe Ipotecar IFN S.A., a company that provides credit services in the form of mortgage and consumer loans to local customers, natural persons. The head office is in Bd Timisoara nr. 26Z, Sector 6, Bucuresti, postal code 061331. As at 31 December 2023, the company has a hare capital amounting to 15.000.000 RON (2022: 15.000.000 RON).

The Bank has consolidated the financial statements of the above mentioned subsidiary in accordance with IFRS 10 "Consolidated Financial Statements".

The purchase method of accounting is used to account for the Group's acquisition of subsidiaries, according to which the cost of an acquisition is measured taking into account the fair value of the assets, own capital items and liabilities acquired or assumed at the date of the transaction, plus costs directly attributable to the transaction. Identifiable assets acquired and contingent liabilities assumed in a business combination are initially measured at acquisition-date fair values, without regard to any minority interests. The excess of the acquisition cost over the fair value of the net identifiable assets acquired is recorded as goodwill. If the acquisition cost is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised in the income statement.

The statements of financial position and profit and loss accounts of subsidiaries are consolidated line by line and the value of the investment in subsidiaries is eliminated against the related own capital. Intra-group transactions are eliminated on consolidation. Dividends generated by subsidiaries are eliminated from the result for the financial year.

3. Material accounting methods and policies (continued)

a) Basics of consolidation (continued)

i) Subsidiaries (continued)

Acquisition of entities under common control

A business combination involving entities under the joint control of Credit Europe Bank N.V. is a business combination in which all entities are ultimately controlled by Credit Europe Bank N.V., both before and after the combination, and this control is not transitory. Thus, the Group considers combinations of businesses ultimately controlled by Credit Europe Bank N.V. as combinations of businesses under common control.

Business combinations resulting from the transfer of interests in entities that are under the control of the controlling shareholder are recognised as if the acquisition had occurred at the beginning of the first comparative period presented or, if later, at the date when joint control was established; for this purpose, comparative periods are restated. Acquired assets and liabilities are recognised at the amount previously recognised in the consolidated financial statements of the controlling shareholder.

The own capital components of the acquired entities are aggregated to the same components of the Group's capital.

Since business combinations involving entities under the common control of Credit Europe Bank N.V. result in a single entity, a single set of uniform accounting policies has been adopted. Thus, the resulting entity recognises the assets, liabilities and equity of the combined entities at their existing book values, adjusted only as a result of complying with the accounting policies of the combined entities and applying those accounting policies to all periods presented.

Similarly, the effects of all transactions between combined entities, whether occurring before or after the combination, are eliminated when preparing the financial statements of the combined entity.

Prior to the date of its acquisition by the Bank in 2008, Credit Europe Ipotecar IFN S.A. was controlled by the same shareholder as the Bank, both entities being part of Credit Europe Group N.V. in the Netherlands.

ii) Transactions eliminated on consolidation

Intra-Group settlements and transactions, as well as unrealised profits resulting from intra-Group transactions, are entirely removed from the consolidated financial statements. Unrealised profits arising from transactions with associated or jointly controlled entities are eliminated to the extent of the Group's percentage ownership. Unrealised profits arising from transactions with an associated entity are eliminated against the investment in the associated company. Unrealised losses are eliminated in the same way as unrealised profits, but only to the extent that there is no indication of value depreciation.

3. Material accounting methods and policies (continued)

b) Transactions in foreign currency

Transactions denominated in foreign currency are converted into the Group's functional currency at the exchange rate on the settlement date. Monetary assets and liabilities denominated in foreign currencies at the date of preparation of the statement of financial position are expressed in the functional currency at the exchange rate on that day. Gains or losses on translation of monetary assets and liabilities denominated in foreign currencies are recognised in the profit and loss account.

Non-monetary assets and liabilities carried at historical cost in foreign currencies are expressed in the functional currency at the exchange rate on the day of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are recorded in the functional currency at the exchange rate at the date the fair value was determined.

Translation differences are presented in the profit and loss account with the exception of differences arising from the translation of financial instruments classified at fair value through other comprehensive income, which are included in the reserve arising from the change in fair value of these instruments in own capital.

The exchange rates of the main currencies were the following:

Currency	31 December 2023	31 December 2022	% Increase/(Decrease)
Euro (EUR)	1:RON 4,9746	1:RON 4,9474	0,550%
US Dollar (USD)	1:RON 4,4958	1:RON 4,6346	(2,995)%

c) Interest income and interest expense

Interest income and interest expense are recognised in the profit and loss account using the effective interest method.

The effective interest method is a method of calculating the amortized cost of a financial asset or financial liability and allocating interest income or expense over a relevant period of time. The effective interest rate is the rate that accurately discounts the estimated future cash flows to be paid or received, over the life of the financial instrument, or, where applicable, a shorter period, to the net present value of the financial asset or financial liability. For the calculation of the effective interest rate, the Group estimates future cash flows taking into account all contractual terms of the financial instrument, but does not take into account future losses from credit. The calculation method includes all fees and commissions paid or received between the contractual parties that are an integral part of the effective interest, transaction costs, and other premiums and discounts.

3. Material accounting methods and policies (continued)

d) Income and expenses from fees and commissions

Generally, fees and commissions are recognized in the profit and loss account in accordance with accrual accounting principles over the life of the related transaction, or are recognized directly when the service is provided/transaction is done. Income and expenses from fees and commissions that are an integral part of the effective interest rate of a financial asset or liability are included in the calculation of the effective interest rate.

Other income from financial services fees and commissions provided by the Group, including cash management services, brokerage, investment advice, financial planning, investment banking services, are recognised in the profit and loss account when the service is provided.

Expenses on other fees and commissions mainly relate to transaction and service fees and are recognised in the profit and loss account when the service is provided.

e) Net trading income

Net trading income/loss includes the difference between gains and losses on financial assets and liabilities recognized at fair value through profit or loss and includes all realized and unrealized fair value changes, foreign exchange translation differences and net foreign exchange gains.

f) Dividends

Dividend income is recognized in the profit and loss account at the date the right to receive such income is established. Income from participating interests and other investments without fixed income is recognised as dividend income when incurred. Dividends are reflected as a component of other operating income.

Dividends are treated as profit distributions in the period in which they are declared and approved by the General Meeting of Shareholders.

g) Contribution to the Deposit Guarantee Fund

Deposits of natural persons and certain types of legal persons, including small and medium-sized enterprises, are guaranteed up to a certain ceiling (EUR 100,000) by the Deposit Guarantee Fund in the Banking System ("Fund") according to the legislation in force (Law 311/2015 on deposit guarantee schemes and the Deposit Guarantee Fund).

Credit institutions in Romania are required to pay an annual contribution to the FGDB ("Bank Deposit Guarantee Fund"), in order to guarantee customer deposits in case of insolvency of the credit institution, as well as an annual contribution to the Resolution Fund.

The Group has applied the provisions of IFRIC 21 "Fees", whereby this contribution to the Fund corresponds to the definition of a fee that must be fully expensed in the same financial year in which the fee is paid.

3. Material accounting methods and policies (continued)

h) Leasing contracts

IFRS 16 establishes principles for the recognition, measurement, presentation and disclosure of information concerning leases by the two parties to a lease, i.e. the client ("lessee") and the supplier ("lessor").

The standard requires lessees to recognise most leases in their financial statements. Lessees have one accounting model for all contracts, with certain exceptions. The lessor's accounting remains significantly unchanged. The Group has identified those contracts that fall within the scope of IFRS 16 and has quantified and recorded their effect within assets representing rights of use and within financial liabilities.

The group has leasing contracts for branch offices and agencies as well as for cars. The Group has recognised right-of-use assets and lease liabilities for those contracts previously classified as operating leases, with the exception of short-term or low-value contracts.

The Group assesses at inception of the contract whether it is or contains a lease. That is, if the contract transfers the right to control the use of an identified asset for a period of time in return for a counter performance.

The Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases for low value assets. The group recognizes leasing liabilities for making lease payments and assets representing the right to use the underlying assets.

<u>Assets from the right-of-use</u>

The Group recognizes right-of-use assets at the commencement date of the leasing contract (ie, the date on which it is available for use). Right-of-use assets are measured at cost, less any accumulated amortization and depreciation losses and adjusted for any revaluation of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred and lease payments made on or before the commencement date, less lease incentives received. Right-of-use assets are amortised using the straight-line amortization method over the lease period.
Right-of-use assets are presented in note 23 Tangible fixed assets and Note 25 Right-of-use assets and lease liabilities and are subject to the impairment test in accordance with the Group's policy, as described in the note below on Impairment of non-financial assets.

3. Material accounting methods and policies (continued)

h) Leasing contracts (continued)

Leasing financial liabilities

At the starting date of the leasing contract, the Group recognizes the leasing liabilities valued at the discounted value of the leasing payments that must be made during the leasing contract. Lease payments include fixed payments (less incentives receivable related to leasing contracts), variable lease payments that depend on an index or a rate and the amounts expected to be paid under residual value guarantees. Lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and penalty payments for termination
of the leasing contract, if it reflects the exercise of the termination option. Variable lease payments that do not depend on an index or a rate are recognized as expenses in the period when the event or condition that triggers the payment occurs.

The Group as a lessor

Leasing contracts in which the Group does not substantially transfer all the risks and rewards related to the ownership of an asset are classified as operating leasing contracts. The income from the resulting rents is accounted for linearly throughout the lease contract and is included in income in the profit and loss account due to its operational nature. The initial direct costs incurred for the negotiation and arrangement of an operational leasing contract are added to the accounting value of the asset and are recognized during the lease duration on the same basis as the rental income. Contingent rents are recognized as income in the period in which they are obtained.

i) Corporate tax

The corporate tax for the year includes the current tax and the deferred tax. The corporate tax is recognized in the profit and loss account or directly in own capital if the tax is related to elements recognized in own capital.

The current tax is the tax to be paid on the profit of the period, determined based on the percentages applied on the date of the consolidated and separate situation of the financial position and all the adjustments related to the previous periods. The adjustments that influence the current tax base are: non-deductible expenses, non-taxable income, elements similar to expenses, respectively to income and other tax deductions.

In accordance with IAS 12 and national tax regulations, the Group calculates and accounts for deferred tax receivables and liabilities for all temporary differences between the tax bases of the assets / liabilities and their accounting bases, respectively the values at which they are recognized in the Group's financial statements . When calculating the deferred tax, the tax rate in force at the date of the consolidated financial statements is used, according to the tax legislation.

The receivables and liabilities regarding the calculated deferred tax are presented at net value in these financial statements for the Bank and for each consolidated subsidiary separately.

Deferred tax receivables and liabilities are offset if there is a legal right to offset current tax receivables and liabilities that refer to taxes levied by the same tax authority, from the same taxable entity, or on different tax entities, but which intend to realize current tax receivables and liabilities on a net basis or their tax assets and liabilities will be realized simultaneously.

3. Material accounting methods and policies (continued)

i) Corporate tax (continued)

For the carryover of unused fiscal losses, the deferred tax asset is recognized only to the extent that it is probable to obtain taxable profit in the future after compensation with the fiscal loss of previous years and with the corporate tax to be recovered. The deferred tax asset is reduced to the extent that the related tax benefit is unlikely to be realized.

Additional taxes arising from the distribution of dividends are recognized on the same date as the respective dividend payment obligation.

The corporate income tax rate used to calculate current and deferred tax was 16% at 31 December 2023 (31 December 2022: 16%).

j) Income Tax

Starting with January 1, 2024, Romanian credit institutions and branches in Romania of foreign credit institutions will pay an additional tax as turnover tax, which is added to the existing corporate tax. The turnover tax is calculated by applying a rate of 2% on the turnover, as defined in the Fiscal Code art 18.2, between January 1, 2024-December 31, 2025, respectively a rate of 1% starting from January 1 2026. Income tax falls within the scope of IFRIC 21.

k) Financial assets and liabilities

i) Classification

The group classifies and evaluates financial assets, based on the business model through which the Bank manages these assets, but also taking into account the characteristics of their cash flows. The business model determines the classification of assets based on the purpose for which the Bank holds them. Financial assets are classified into three categories:

- Financial assets evaluated at amortized cost
- Financial assets evaluated at fair value through other comprehensive income
- Financial assets evaluated at fair value through profit or loss account

Financial assets whose contractual cash flows contain only principal and interest payments are eligible for classification and valuation at fair value through other elements of the comprehensive income (if they were acquired based on a business model that considers both their holding to collect the contractual cash flows as well as their sale) or at amortized cost (if they were purchased based on a business model that considers their holding to collect the contractual cash flows), depending on the business model that characterizes the instruments analysed.

In the category of financial assets valued at amortized cost, the Bank includes loans and advances (including investments in credit institutions and loans granted to customers).

In order to classify and evaluate financial assets at amortized cost, a financial asset must fulfil the following cumulative conditions:

- The financial asset is held to collect the contractual cash flows
- The cash flows generated according to the contractual terms represent exclusively payments of principal and interest related to the amount of principal owed

The group verifies credit contracts from the perspective of cash flows (hereinafter referred to as the SPPI test) in order to classify them as financial assets evaluated at amortized cost.

k) Financial assets and liabilities (continued)

i) Classification (continued)

The SPPI test seeks to establish whether the contracts signed between the parties generate exclusively cash flows from the principal and the interest related to the principal owed. If, following the performed test, it is found that a contract does not meet the conditions, then it is classified and evaluated at fair value through the profit and loss account.

Interest income and gains or losses from exchange rate differences are recognized in profit or loss. Interest income is recognized in the profit and loss account using the effective interest method.

In the category of financial assets at fair value through other elements of the comprehensive income, the Group included debt securities and capital instruments that represent strategic investments for the Group.

The Group classifies financial instruments as debt securities measured at FVOCI if both of the following requirements are met:

- the instrument is held within a business model whose objective is achieved through the collection of contractual cash flows and the sale of financial assets;
- the contractual terms of the financial asset meet the SPPI test.

Financial assets at fair value through other comprehensive income are initially recognised at fair value and subsequently measured at fair value at the time of revaluation. Gains and losses arising from changes in the fair value of debt securities classified as financial assets are recognised in equity until those financial assets are derecognised or become impaired, at which time the cumulative gains/losses previously recognised in equity are transferred to the profit and loss account.

Interest income and foreign exchange gains or losses are recognised in profit or loss in the same way as for financial assets evaluated at amortised cost.

In the case of equity instruments recognised as equity instruments at fair value through other comprehensive income, gains and losses arising from changes in fair value are never recognised in the profit and loss account but they are recognised in own capital (other comprehensive income).

Dividends are recognised in the profit or loss account as other operating income, unless the Group benefits from them as of a recovery of part of the investment cost, in which case such gains are recognised in other comprehensive income ("OCI"). Own capital instruments at fair value through other comprehensive income are not subject to an impairment assessment.

Derivative financial instruments are classified and valued at fair value through profit or loss.

Financial instruments are classified in this category if doing so substantially reduces the valuation inconsistencies that would arise if the associated derivatives were accounted for as held for trading and the financial instruments concerned were recorded at amortised cost (such as loans and advances to customers or banks and debt securities issued).

Financial assets and liabilities designated as at fair value through profit or loss account are initially recognised at fair value and subsequently valued at fair value at the time of revaluation.

Financial liabilities have been classified as instruments valued at amortised cost, except for derivatives which are classified at fair value through profit and loss account.

k) Financial assets and liabilities (continued)

ii) Recognition

The Group initially recognises loans and receivables, deposits, loans from banks and subordinated debt at the date they are created. All other financial assets and liabilities (including those at fair value through profit or loss account) are recognised initially at the date an asset is received or delivered by a Group entity. Derivative financial instruments are initially recognised at fair value when the Group becomes a party to the contractual terms of that instrument.

A financial asset or financial liability is initially valued at fair value plus, in the case of a financial instrument not designated at fair value through profit or loss account, the transaction costs directly attributable to the acquisition or issue of that financial instrument.

The date of origination is different from the date of initial recognition when, subsequent to recognition, the contract may be materially altered by either a commercial renegotiation or a restructuring transaction.

In respect of the acquisition of a financial asset, that instrument is recognised on receipt by the entity.

iii) Derecognition

The Group derecognises a financial asset when the contractual rights over the cash flows from that financial asset expire, or when the Group has transferred the rights to receive the contractual cash flows from that financial asset in a transaction in which substantially all the risks and rewards of ownership of that asset have been transferred. Any rights and obligations created or retained in the transfer are recognised by the Group separately as assets or liabilities.

In respect of a financial asset’s disposal, the asset is derecognised and the receivable from the buyer and any gain or loss arising from the sale is recognised when the entity delivers the asset. Any changes in fair value between the trade date and the settlement date are not recognised because there is an agreed selling price at the trade date, making subsequent changes in value irrelevant from the seller's perspective. In other words, the seller's rights to changes in fair value cease on the transaction date.

On derecognition of a financial asset, the difference between the book value of the asset (or the book value allocated to the part of the asset transferred) and the sum of (i) the total amount received (including any new asset received less any new liability assumed) and (ii) any gains or losses that were previously recognised in other comprehensive income are recognised in the income statement except for equity instruments classified as financial assets at fair value through other comprehensive income, for which no recycling to the profit and loss account is ever performed.

The Group derecognises a financial liability when its contractual obligations have been fulfilled, cancelled or expired.

The Group enters into transactions whereby it transfers assets recognised in the consolidated statement of the financial position, but retains either all or part of the risks and rewards associated with the transferred assets. If all or most of the risks and rewards are retained, then the transferred assets are not derecognised from the consolidated statement of the financial position. Transfers of assets with retention of all or most significant risks and rewards are, for example, sale transactions of securities with a repurchase clause.

3. Material accounting methods and policies (continued)

k) Financial assets and liabilities (continued)

iii) Derecognition (continued)

When assets are sold to a third party and at the same time the entity enters into a total return swap on the transferred assets, the transaction is accounted for as a secured financial transaction, similar to sale and repurchase transactions. In the case of transactions where the Group neither retains nor transfers substantially all the risks and rewards of ownership of a financial asset, the asset is derecognised if control over it has been lost.

Rights and obligations retained as a result of the transfer are recognised separately as assets and liabilities, as appropriate. In transfers where control of the asset is retained, the Group continues to recognise the asset to the extent that it remains involved, the degree of involvement being determined by the extent to which it is exposed to the transferred asset's value change.

In some transactions the Group is required to manage the financial claim transferred in return for a fee. The transferred receivable is derecognised if it meets the derecognition criteria. A receivable or liability is recognised for the management contract, based on the management fee, if it is sufficient (for the receivable) or if it is not sufficient (for the liability) to perform the management.

iv) Compensations

Financial assets and financial liabilities are offset and the net result is presented in the balance sheet only when there is a legal right of set-off and if there is an intention to settle them on a net basis or if there is an intention to realise the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when allowed by accounting standards, or when the profit and loss results from a group of similar transactions such as in the Group's trading activity.

v) Valuation at amortised cost

The amortised cost of a financial asset or financial liability is the measured value of the financial asset or financial liability when initially recognised, less principal payments, plus or minus cumulative amortization using the effective interest method for differences between the amount initially recognised and the amount at maturity, less decreases for assets impairment.

vi) Fair value valuation

Fair value is the price that would be received if an asset were sold or the price that would be paid to transfer a liability in a normal transaction between market participants at the valuation date, which takes place in a principal market (the market with the largest volume and level of activity) or, in the absence of a principal market, in the most advantageous market to which the Group has access at that date. The fair value of a debt reflects the effect of the risk of default (default risk).

Where available, the Group measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is considered active if transactions with the asset or debt occur with sufficient frequency and volume to consistently provide pricing information. Where there is no quoted price in an active market, the Group uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all the factors that market participants would consider in pricing a transaction.

3. Material accounting methods and policies (continued)

k) Financial assets and liabilities (continued)

vi) Fair value valuation

The best evidence of fair value of a financial instrument at initial recognition is normally the transaction price - the fair value of consideration given or received. If the Group determines that the fair value at initial recognition differs from the transaction price and fair value is not evidenced either by a quoted price in an active market for an identical asset or liability or by a valuation technique that uses only observable market data, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value at initial recognition and the transaction price. Subsequently, this difference is recognised in profit or loss account on an appropriate basis over the life of an instrument, but no later than the time when the valuation is fully supported by observable market values or when the transaction is closed.

The Group recognises transfers between fair value hierarchy levels at the end of the reporting period as in the period in which the changes occur.

vii) Identifying and assessing impairment of financial assets

In assessing the impairment of financial assets, an expected loss model is used taking into account all reasonable and supportable information, including predictive information. Expected loss (ECL) is calculated in multiple scenarios as the difference between future cash flows according to contractual terms and future cash flows that the Group expects to receive.
Under IFRS 9, a three-stage classification model is applied to determine adjustments for expected losses based on changes in credit risk after initial recognition:

- Stage 1 includes financial instruments that have not had a significant increase in credit risk since initial recognition or those that, at the reporting date, have low credit risk. For these assets, expected losses are recognised over a 12-month horizon. Expected 12-month losses are expected credit losses resulting from credit risk events that are possible within 12 months from the reporting date. The expected loss is not given by the 12-month collection differences, it is the loss from the entire asset weighted by the probability that the credit risk event occurs in the next 12 months.
- Stage 2 includes financial assets that have had a significant increase in credit risk since initial recognition (except in cases where the credit risk at the reporting date is small) and do not show objective signs of impairment. For these assets, expected losses are recorded for the entire duration of the contract or until the behavioural maturity of the loans. Expected losses for the entire duration of the contract are expected losses resulting from failure to meet any obligations. Expected losses are weighted by the probability of default ('PD') over the life of the contract or until the behavioural maturity of the loans.
- Stage 3 includes financial assets that have an objective indication of impairment at the reporting date. Expected future losses are recognised for these assets over the life of the contract.
- POCI includes financial assets that are impaired on initial recognition. Adjustment for loss must be equal to the LTECL (life time expected credit loss). Expected credit losses are recognised or reversed only to the extent that there is a subsequent change in expected credit losses. As at 31.12.2023 the Group did not recognise any such impaired financial assets on initial recognition.

3. Material accounting methods and policies (continued)

k) Financial assets and liabilities (continued)

vii) Identifying and assessing impairment of financial assets (continued)

The Group recognises an impairment adjustment for expected losses on assets valued at amortised cost and guarantees granted, in accordance with IFRS 9. For the estimation of expected losses related to corporate clients, the Group uses a PD model used at Credit Europe Bank Group level, while for LGD a model based on adjusted collateral value (model created based on the Group's history) is used.

For SME, mortgage and credit card clients, PD models have been developed and implemented locally, while for LGD for SME and mortgage clients the same collateral-adjusted value model is used as for the corporate portfolio, and for credit cards the LGD model developed based on recoveries is used.

IFRS 9 requires taking into account past events, current market conditions and a reasonable approximation of future macroeconomic circumstances in determining the possible increase in credit risk and quantifying future losses. In estimating the future economic circumstances, the Group considers multiple economic scenarios (the base scenario, the optimistic scenario and the pessimistic scenario). The expected evolution of the Gross Domestic Product, the unemployment rate and labour productivity as basic economic variables are used to quantify the expected losses arising from credit risk.

Debt securities valued at fair value through other comprehensive income

Expected credit losses for Debt securities valued at fair value through other comprehensive income do not reduce the accounting value of these financial assets in the consolidated statement of the financial position, which remains at fair value. Instead, an amount equal to the impairment that would have occurred if the assets had been measured at amortised cost is recognised in other comprehensive income as an accumulated impairment amount, with a corresponding expense in the profit or loss account. The accumulated depreciation recognised in other elements of the comprehensive income is recycled in the profit or loss account when the assets are derecognised.

Off-balance-sheet removal treatment policy

The Group can remove from the balance sheet a loan/security/receivable (and any related impairment losses), by directly reducing the gross value, when the Group's Credit Committee / the Group's Board of Directors determines that for the respective loans/security/receivables there are no reasonable expectations of recovery. This conclusion is reached after evaluating the significant changes that occurred in the financial performance of the borrower / issuer, changes that determined the impossibility of paying the obligation or insufficient amounts from the recovery of guarantees to cover the entire exposure.

The group can apply the direct reduction of the gross accounting value in the case of loans fully covered with adjustments for expected losses, simultaneously with their off-balance sheet registration. Also, in the case of loans partially covered with expected loss adjustments, the Group applies the direct reduction of the gross accounting value (corporate, SME, respectively mortgage loans, for which legal procedures have been initiated against the debtors and for which the entire credit exposure has been declared due), simultaneously removing from the balance sheet the part of the loan covered by depreciation adjustments. For these loans there are no reasonable expectations of recovery left, but the Group does not completely waive the legal rights arising from the respective financial asset.

In the case of recoveries made after removing these loans from the balance sheet, the Group classifies these amounts as other operating income.

3. Material accounting methods and policies (continued)

l) Derivative financial instruments

Derivative financial instruments held for risk management

Derivative financial instruments are initially recognised at fair value at the moment the Group becomes a party to the contractual terms of that instrument, and are consequently valued at their fair value. The fair values of derivative financial instruments that are quoted on active markets are determined based on the prices quoted on the respective markets including recent transactions on these markets. The fair values of derivatives that are not traded on active markets are determined using valuation techniques, including models based on updating future cash flows. When the Group uses valuation models to estimate fair values, these models are periodically reviewed and validated.

Derivative financial instruments are recognized in the Group's financial statements as assets, when their fair value is positive, and as liabilities when the fair value is negative. The best indicator of a derivative's fair value at the time of initial recognition is the trading price.

The fair value of derivative financial instruments on the exchange rate traded on the markets ("over-the-counter") is determined based on the comparison between the forward rate at the time of the initiation of the transaction and the forward rate determined based on the interest rates of the market for the respective currencies for the remaining period until the maturity of the contract, the amounts being updated on the date of the financial position statement. The profits or losses generated by the differences between the spot rate and the forward rate (for forward contracts that have reached maturity) and, respectively, those generated by the differences between the spot rate and the initial forward rate updated on the reporting date (for outstanding contracts)) are reclassified in interest income / expenses.

m) Tangible assets

i) Recognition and valuation

Upon initial recognition, tangible assets are valued at cost plus any other costs directly attributable to bringing the respective assets to the condition necessary to function in the desired manner. Afterwards, the equipment is booked at cost less accumulated depreciation and any adjustments for depreciation.

The group adopted the revaluation model in accordance with the provisions of IAS 16 for land and buildings. The revalued values provided by independent experts are presented in the consolidated financial statements. The positive differences between the acquisition cost and the revalued valuation were included in revaluation reserves, and the negative differences were recorded as impairment losses in the profit and loss account.

3. Material accounting methods and policies (continued)

m) Tangible assets (continued)

ii) Subsequent costs

The Group recognises in the accounting value of a tangible fixed asset the cost of replacing its components when this cost is incurred if it is probable that future economic benefits related to that asset will be generated to the Group and those costs can be reliably assessed. All other costs are recognized as expenses in the profit and loss account when they are incurred.

The expenses generated by the replacement of some components of tangible assets that are highlighted separately, including major inspections or capital repairs, are capitalized. Other subsequent expenses are capitalized to the extent that they generate an increase in the future economic benefits incorporated in the respective items of tangible assets. All other expenses related to repairs and maintenance of tangible assets are recorded in the profit and loss account at the time of their execution.

iii) Amortization

Amortization is calculated using the straight-line method during the estimated useful lives for each item in the tangible fixed assets category. Assets acquired through leasing are depreciated over the shorter period between the lease term and the useful life. The lands are not amortised.

Estimated lifetimes by category are as follows:

Buildings	8 – 60 years
Office furniture and equipment	2 - 24 years
Cars	4 -12 years
Computers and IT equipment	2 -15 years

Depreciation methods, useful lives and residual values are reanalyzed at the end of each financial year and adjusted if necessary. Assets representing the right of use are presented together with goods and equipment in the statement of the financial position. The details regarding their accounting policy are highlighted above in Note 3h). Right-of-use assets are amortised using the straight-line amortization method over the lease period.

n) Intangible assets

i) IT applications

The costs related to the development or maintenance of an IT application are recognised as expenses when incurred. Costs that are directly attributable to the production of identifiable and unique IT applications under Group's control, and that are likely to generate economic benefits greater than production costs over a period of more than one year, are recognised as intangible assets.

Subsequent expenses with the development of IT applications are capitalized only to the extent that they will generate an increase in the future economic benefits incorporated in these assets. All other expenses are reflected in the profit and loss account as they are incurred.

Amortization of intangible assets is recorded in the profit and loss account on a straight-line basis over the estimated useful life of the intangible assets, the latter being 3 to 5 years.

3. Material accounting methods and policies (continued)

o) Real estate investments

Real estate investment is defined as property held for rental or capital appreciation or both, and not for use in the production of goods or services or for administrative purposes, or sale in the normal course of business. The accounting value of real estate investments is recognised at fair value minus depreciation, if applicable.

A real estate investment is recognized as an asset if and only if:

- it is likely that the future economic benefits associated with the investment will accrue to the Group and the Bank
- the cost of the asset can be reliably assessed.

Gains or losses resulting from the change in fair value of real estate investments are recognised in the profit or loss account of the period in which they occur.

The fair value of real estate investments reflects the market conditions at the reporting date.

Transfers to or from real estate investments are made when and only when there is a change in the use of the respective asset. For the transfer of a real estate investment valued at fair value to tangible assets, the implicit cost of the asset for the purpose of its subsequent accounting will be the fair value on the date of the change of use.

p) Recovered assets

Recovered assets are recorded at the lower value between the accounting value and the net realizable value. Recovered assets are obtained as a result of foreclosures.

q) Impairment of non-financial assets

The net book value of the non-financial assets held by the Group, other than the deferred tax receivables, are reviewed on the date of each reporting period if there are indications of impairment. If there is such an indication of impairment, the recoverable value of the asset is estimated. For intangible assets that do not have a limited lifespan or that are not yet available for use, the recoverable amount is estimated at each reporting period.

The recoverable value of an asset or a cash-generating unit is the maximum between the value in use and its fair value less the costs for the sale of that asset or unit. To determine the value in use, the estimated future cash flows are discounted using a pre-tax discount rate that reflects current market conditions and risks specific to the respective asset

For the purpose of assessment for impairment, assets that cannot be tested individually are included in the smallest groups of assets that generate, through their continued use, cash flows independent of the cash flows generated by other assets or groups of assets ("unit cash generators").

The Group's assets do not generate separate cash flows. If there is any indication that such an asset could be impaired, then the recoverable amount is determined for the cash-generating unit to which the asset belongs.

3. Material accounting methods and policies (continued)

q) Impairment of non-financial assets (continued)

An impairment loss is recognised when the accounting value of the asset or cash-generating unit exceeds its recoverable amount. Impairment losses recognised for cash-generating units are allocated pro rata to the unit's assets.

An impairment loss related to the goodwill cannot be recovered in a subsequent period. In the case of other assets, other than the goodwill, the losses generated by the value depreciation are reversed later if there was a change in the estimates used in determining the recoverable value. An adjustment for depreciation may be reversed provided that the asset book value does not exceed the recoverable value, less amortization, that would have been determined if the adjustment for depreciation had not been recognised.

r) Deposits from banks and deposits from customers

Customer deposits, bank loans and subordinated debts are initially recognized at fair value including transaction costs, and subsequently measured at amortised cost using the effective interest rate method.

When the Group sells a financial asset and, simultaneously, concludes a contract to buy back the asset (or a similar asset) at a fixed price and on a set date ("repo"), the contract is registered as a loan from the banks, and the asset it refers to continues to be recognised in the Group's consolidated financial statements.

s) Provisions, contingent assets and contingent liabilities

Provisions are recognized when the Group has a legal or implied obligation generated by one or more events in the past and it is likely that in the future an outflow of resources incorporating benefits will be required to settle this obligation, and the amount of the obligation can be reliably estimated. To determine the provision, future cash flows are discounted using a pre-tax discount rate that reflects current market conditions and the risks specific to the respective debt.

When the effect of the time value of money is significant, the amount of the provision will be equal to the discounted value of the expenses expected to be incurred in order to extinguish the obligation. The discount rate used will reflect the risks specific to the obligation, will be pre-taxation and will not reflect the risks for which the cash flows have already been adjusted.

Potential assets or liabilities that arise as a result of past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events that are not entirely under the control of the Group will not be reflected in the consolidated financial statements and will be treated as contingent assets and liabilities.

t) Financial guarantees

Financial guarantees are contracts whereby the Group undertakes to make specific payments to the holder of the financial guarantee to compensate for the loss that the holder suffers in the event that a debtor fails to make payment when due in accordance with the terms of a debt instrument.

The debt related to financial guarantees is initially recognized at fair value, and is subsequently amortised over the lifetime of the financial guarantee. The debt related to the financial guarantees is subsequently valued at the higher value between the amortised amount and the discounted value of the estimated payments (when the payment has become probable). Financial guarantees are included in other liabilities.

3. Material accounting methods and policies (continued)

u) Employee benefits

i) Short-term benefits

Obligations with short-term benefits granted to employees are not updated and are recognized in the profit and loss account as expenses as the related service is provided.

Short-term employee benefits include wages, premiums, and social security contributions.

A liability is recognized for amounts expected to be paid as short-term cash bonuses or employee profit-sharing schemes where the Group currently has a legal or implied obligation to pay those amounts as a result of the services provided by employees in the past and if the respective obligation can be reliably estimated.

ii) Defined contribution plans

The bank and its subsidiary make payments on behalf of their own employees to the Romanian state pension system, health insurance and the unemployment fund, during the normal course of business. All the employees of the Bank and its subsidiary are members and they also have the legal obligation to contribute (through social contributions) to the pension system of the Romanian state (a defined contribution plan of the State).

All related contributions are recognized in the profit and loss account of the period when they are made. The bank and its subsidiaries have no other additional obligations.

The bank and its subsidiary are not engaged in any independent pension system and, consequently, have no other obligations in this regard. The bank and its subsidiaries are not engaged in any other post-retirement benefits system. The bank and its subsidiaries have no obligation to provide subsequent services to former or current employees.

iii) Benefits granted upon termination of employment contracts

The benefits granted upon the termination of the employment contracts are recognised as an expense at the time the Group is engaged, without a real possibility of giving up, to an official detailed plan either to terminate the employment contracts before the normal retirement date, or to provide benefits for the termination of employment contracts as a result of an offer to encourage voluntary unemployment.

Expenses with benefits upon termination of the employment contract for voluntary unemployment are recognized if the Group has made an offer to encourage voluntary unemployment, if it is likely that the offer will be accepted, and the number of those who will accept can be reliably estimated. If the benefits are due more than 12 months after the reporting period, they are updated to their present value.

v) Affiliated parties

The person or an entity that is related to the entity preparing its financial statements is:

a) any entity over which the Group exercises control, including special purpose entities ("special purpose vehicles");

b) any entity in which the Group holds shares, including special purpose vehicles ("special purpose vehicles");

c) entities exercising control over the Group;

d) any entity in which the entities mentioned in letter c) either exercise control or hold shares, except where the respective entity is state-owned;

e) shareholders who have qualified holdings in the capital of the Group;

f) any entity in which the shareholders mentioned in letter e) either exercise control or hold shares, except when the respective entity is state-owned;

3. Material accounting methods and policies (continued)

v) Affiliated parties (continued)

g) the members of the Group's management bodies, as well as the persons holding key positions within the Group, together with:

(i) the entities in which they hold/present direct or indirect interests; and

(ii) their close family members, who are expected to influence or be influenced by them in relation to the Group; they can include: the life partner, according to the law, and the person's children; the children of the person's life partner; dependents and parents of the person or of their life partner;

h) members of the management body and persons who hold key functions or, as the case may be, functions similar to key functions in the entities from letter a) - f), together with the related entities and persons corresponding mentioned in letter g) points (i) and (ii).

w) Deposits with banks

Deposits placed with other banks are recorded when the Group advances funds without the intention of trading the resulting non-derivative financial asset, with fixed or determinable payments. Bank deposits are booked at amortised cost.

x) Other loans

Loans from banks and other financial institutions are booked at amortised cost using the effective interest method.

y) Repurchase agreements

Repurchase agreements are transactions in which the Group sells a security and at the same time agrees to repurchase it (or a claim that is substantially the same), at a fixed price, at a later date. The group continues to recognize the securities in full in the consolidated statement of financial position, because it retains substantially all the risks and benefits associated with ownership. The cash received is recognised as a financial asset and a financial liability is recognised for the obligation to pay the repurchase price. As the Group sells the contractual rights to the securities cash flows, it does not have the ability to use the assets transferred during the term of the agreement.

The securities sold that are the subject of repurchase agreements ("repo") are kept in the financial statements at fair value through other elements of the comprehensive income, and as a counterpart a debt is included in the category "Deposits from banks" or "Deposits from customers". The securities purchased through resale contracts ("reverse repo") are registered as "Loans and advances granted to banks". The difference between the sale price and the repurchase price is treated as interest and amortised over the life of the repurchase agreements, using the effective interest method.

z) Cash and cash equivalents

The cash and cash equivalents considered for the cash flow note include balances with an initial maturity of less than 90 days, including cash and current accounts at central banks, excluding the mandatory minimum reserve requirements of the National Bank of Romania and loans and advances granted to banks.

3. Material accounting methods and policies (continued)

aa) Recoveries of debts taken off the balance sheet

The amounts collected representing the recovery of debts taken off the balance sheet are recorded in the profit and loss account as income immediately after their collection. The Group's policy is to recognize these revenues in the category of other operational revenues.

ab) Standards and interpretations that are not yet in force and have not been adopted early

Amendments to IAS 12 Corporate tax, Deferred tax on assets and liabilities arising from a single transaction

The amendments narrow the scope of the initial recognition exemption (IRE) to exclude transactions that give rise to equal and compensating temporary differences – for example, leases and liabilities arising from decommissioning. For leases and liabilities arising from decommissioning, the associated deferred tax

assets and liabilities should be recognized from the beginning of the first comparative period presented, with any cumulative effect recognized as an adjustment to retained earnings or other components of equity at that date. For all other transactions, the amendments apply to transactions that occur after the beginning of the first period presented. The entity accounts for deferred tax related to leases and liabilities arising from decommissioning using the "integrally linked" approach, which results in a similar result to the amendments, except that the deferred tax impact is presented net in the statement of the financial position. Under the amendments, the entity will recognize a separate deferred tax asset and deferred tax liability.
This change does not have a significant impact for the Group.

Amendments to IAS 1 Presentation of financial statements - Classification of liabilities in current liabilities or long-term liabilities

The amendments clarify that a classification of liabilities into current or long-term liabilities is based solely on the entity's right to defer settlement of the liability at the end of the reporting period. The entity's right to defer settlement for at least twelve months after the reporting date shall not be

unconditional, but must have an economic basis. The classification is not affected by management's intentions or expectations regarding the extent and timing of the entity's exercise of its right. The amendments also clarify the situations that are assimilated to a settlement of a debt.
This change does not have a significant impact for the Group.

Amendments to IAS 1 Presentation of financial statements and IFRS Practice Statement, no. 2 Making judgments about the materiality threshold

The amendments to IAS 1 require companies to disclose accounting policy information regarding the materiality threshold rather than material accounting policies.
This change does not have a significant impact for the Group.

Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors

The amendments introduced a definition of "accounting estimates" and included other amendments to IAS 8 that clarify how changes in accounting policies can be distinguished from changes in estimates. The distinction is important because changes in accounting policies are generally applied retrospectively, while changes in estimates are accounted for in the period in which the change occurs.
This change does not have a significant impact for the Group.

3. Material accounting methods and policies (continued)

ab) Standards and interpretations that are not yet in force and have not been adopted early (continued)

Amendments to IFRS 16 “Leases” Lease liability arising from sale and leaseback transactions

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 beginning in 2019.

The amendments confirm the following:
• on initial recognition, the seller-lessee includes variable lease payments when measuring a liability arising from a sale and leaseback transaction;

• after initial recognition, the seller-lessee applies the general requirements for subsequent accounting of the liability arising from the lease so that it does not recognize any gain or loss related to the right of use that it retains.
A seller-lessee may take different approaches to meet the new post-assessment requirements.
These amendments do not change the accounting for leases other than those resulting from a sale and leaseback transaction.
This change does not have a significant impact for the Group.

Amendments to IFRS 17 Insurance contracts: initial application of IFRS 17 and IFRS 9 – Comparative information (issued on 9 December 2022)

IFRS 17 sets out requirements for the accounting, measurement and recognition of insurance contracts. IFRS 17 is effective for reporting periods beginning on or after 1 January 2023 This change does not have a significant impact for the Group.

ac) Changes to the accounting policies and the information to be provided

The adopted accounting policies are consistent with those of the previous financial year, with the exception of the following modified IFRSs, which were adopted by the Group on January 1, 2023:

Amendments to IAS 16 Tangible assets – Receipts before expected use (Effective for annual periods beginning on or after 1 January 2023. Earlier application is permitted.

The amendments to IAS 16 require that proceeds from the sale of items produced - when an item of property, plant and equipment is brought to the location and in the necessary condition for it to function as intended - to be recognized, together with the cost of those items, in profit or loss and that the entity assesses the cost of those items that apply the valuation provisions of IAS. The amendments must be applied retroactively, but only for items of property, plant and equipment that are brought to the place and in the necessary condition for them to be able to function in the manner intended at the beginning of or after the beginning of the first period presented in the financial statements in which the entity applies the amendments for the first time. The cumulative effect of the initial application of the amendments will be recognized as an adjustment to the opening balance of retained earnings (or other components of equity, as applicable) at the beginning of the first period presented (if necessary).

This change does not have a significant impact for the Group.

3. Material accounting methods and policies (continued)

ac) Changes to the accounting policies and the information to be provided (continued)

Amendments to IAS 37 Provisions, contingent liabilities and contingent assets, onerous contracts – The cost of fulfilling a contract

To determine the costs of performing a contract, the amendments require an entity to include all costs that directly relate to a contract. The amendment clarifies that the cost of executing a contract includes: the marginal costs related to the execution of that contract and an allocation of other costs directly related to the execution of the contract. An entity must apply those amendments to contracts for which it has not yet fulfilled all of its obligations at the beginning of the annual reporting period in which it first applies the amendments (date of initial application). The entity shall not restate the comparative information. Instead, the entity shall recognize the cumulative effect of the initial application of the changes as an adjustment to the opening balance of retained earnings or other components of own capital, as appropriate, at the date of initial application.
This change does not have a significant impact for the Group.

4. Risk-management policies

a) Introduction

The group is exposed to the following risks as a result of the use of financial instruments:

- Credit risk
- Interest risk
- Foreign exchange risk
- Liquidity risk
- Capital management
- Operational Risk

This note presents information regarding the Group's exposure to each risk mentioned above.

Risk management framework

The Board of Directors of the Bank and its subsidiary is responsible for establishing and monitoring the management of the risk management framework. The Bank's Board of Directors established the Management Committee, the Assets and Liabilities Management Committee (ALCO), the Audit and Risk Committee and the Credit Committees which are responsible for the development and monitoring of the Bank's and subsidiaries' risk management policies in the areas specified by them. All committees periodically report to the Management Committee.

The Bank's and its subsidiary's risk management policies are established to identify and analyse the risks to which the Group is exposed, to establish appropriate risk and control limits, and to monitor risks and adherence to risk limits. Risk management policies and systems are periodically reviewed to reflect changes in market conditions, products and services offered. The bank and its subsidiary aim to develop a disciplined and constructive control environment, in which all employees understand their rights and obligations, through training courses and activity management standards and procedures.

The Audit and Risk Committee of each entity within the Group is responsible for monitoring compliance with risk management policies and procedures and reviewing the adequacy of the risk management framework for the risks faced by the respective entity. The Audit Committee is assisted in these activities by the internal audit. The internal audit carries out both the regular and the ad hoc revision of the controls and risk management procedures, the result being communicated to the Audit and Risk Committee and the Board of Directors. The Board of Directors and the management of Credit Europe Ipotecar IFN S.A. have responsibilities related to risk management from their own activity in accordance with the legislation in force.

4. Risk-management policies (continued)

b) Credit risk

i) Credit risk management

Credit risk is the risk of financial loss if a client or counterparty of a financial instrument does not fulfil its contractual obligations and is mainly due to loans and advances to clients or other banks and securities. For risk management reports, the Group takes into account all elements of exposure to credit risk (such as the individual debtors' risk of non-payment, country risk and sector risk).

The Board of Directors of the Bank and its subsidiary, through the Management Committee, assigned the responsibility of credit risk management to the Audit and Risk Committee and the Credit Committees, which are responsible for the supervision and management of credit risk, including:

- *Drafting credit policies* by consulting with business units, covering collateral requirements, credit evaluation, risk classification and reporting, legal and documentation procedures, and compliance with statutory and regulatory requirements.
- *Establishing the authorization structure* for the approval and renewal of credit facilities. Authorization limits are allocated on credit committee levels. Credit facilities of higher values require the approval of the highest level of the Credit Committee, the Management Committee or the Board of Directors, as the case may be.
- *Credit risk review and assessment.* The Credit Committee evaluates all credit exposures higher than the established limits, before facilities are granted to clients by the unit in question. The renewal and revision of the facilities are subject to the same evaluation process.
- *Limiting the concentration of exposure* on counterparties, currencies and industries (for loans and advances granted to clients) and on issuer, credit classification category, market liquidity and country (for securities held as investments).
- *Developing and maintaining the Group's risk classification system* to classify exposures according to the financial loss risk level and to allow management to focus on the risks that accompany them. The risk rating system is used to determine whether adjustments for expected losses are required for certain credit exposures. These classifications are subject to periodic revisions according to the statutory regulations.
- Verification of the inclusion of business units within the established exposure limits, including those for specific industries and products.
- *Periodic reports on the quality of the portfolio* are submitted to the Board of Directors and appropriate rectification measures are taken.
- *Providing information, guidance and experts* to units in order to promote the most appropriate practice regarding credit risk management in the Group.

Each branch / agency must implement the Group's credit policies and procedures, with the assigned approval powers. Each branch is responsible for the quality and performance of its portfolio and for monitoring and controlling all credit risks in it, including those subject to approval at headquarters.

4. Risk management policies (continued)

b) Credit risk (continued)

i) Credit risk management (continued)

The Internal Audit Department carries out periodic checks of each branch/agency and of the lending processes within the Group.

The Group is exposed to credit risk as a result of the activity of placing, granting loans and making investments and in cases where the Group acts as an intermediary on behalf of its clients or other third parties, or issues letters of guarantee.

The group is exposed to credit risk mainly as a result of the lending activity. The value that represents the exposure to this risk is given by the accounting value of the loans and advances granted by the Group in the accounting balance sheet. The group is exposed to credit risk from several financial assets, including securities, the risk exposure being equal to the book value of these instruments. In addition, the Group is exposed to off-balance sheet credit risk from lending commitments and issued guarantees (Note 34).

Exposure at Default (EAD)
Exposure at Default (EAD) represents the exposure used in the calculation of expected losses according to IFRS 9. EAD is represented by the loan balance calculated at amortized cost in the case of loans classified in Stages 1 and 3. For loans classified in Stage 2 - for the calculation of the expected loss for the entire contractual period - EAD is determined taking into account the contractual maturity of the loan and the amounts assumed through the repayment schedule, and in the case of revolving loans, behavioural maturity is taken into account.
For credit cards classified in Stage 2, the maturity used in the calculation is 6 years, and for credit lines granted to legal entities with current activity destination, the maturity used is
3 years For exposures from unused credit lines, the used credit conversion factor is the regulated one, in the absence of an internal model.

Probability of Default (PD)

Probability of Default (PD) represents the probability that a counterparty will not fulfil its obligations under the credit contract.
For corporate loans, the Group uses the internal rating group system, with the associated PDs
For SME loans and for exposures from retail mortgage loans, credit cards and consumer credits, the Group has developed its own calculation model, based exclusively on local historical data, by constructing marginal PD curves "through- the-cycle" (TTC) and their adjustment for point-in-time (PIT).
For the debt securities portfolio, the Group uses, in this case as well, the internal rating group system with PDs associated with credit evaluations provided by the external credit evaluation institutions (ECAI) for the country risk to which the Group has exposure.

4. Risk management policies (continued)

b) Credit risk (continued)

i) Credit risk management (continued)

Loss Given Default (LGD)

Loss Given Default (LGD) is defined as the ratio between loss and exposure, in case the client defaults. For LGD, the group has 2 approaches:

- For guaranteed loans, the methodology of adjustment coefficients by guarantee type;
- For unsecured loans – credit cards and consumer loans – the Group has developed its own LGD model, based on local historical data;
- For the debt securities portfolio, the Group uses the regulated LGD for exposures with priority rank that do not benefit from eligible real guarantees of 45%, according to Art. 161 of Regulation 575/2013 of the European Parliament and of the Council regarding prudential requirements for credit institutions and investment companies;

The update rate (the discount rate)
For the purpose of calculating the net present value from future cash-flows, as well as for updating expected losses (for multi-year expected losses), the effective interest rate (EIR) from the date of grant is used. For loans with variable interest, the EIR from the reporting date will be used. The EIR value is available for each exposure level.

Classification criteria in stages

The group has established a policy to assess, at the end of each reporting period, whether the credit risk has increased significantly since the initial recognition. The trial periods applicable to restructured and/or impaired exposures are aligned with the recommendations of the European Banking Authority regarding the definition of default events.
The Group classifies its credits in Stage 1, Stage 2 and Stage 3, according to the methodology for classifying credit exposures, as follows:

<u>Stage 1</u>
This group includes loans for which the credit risk has not increased significantly. These are performing loans, for which the borrower is unlikely to encounter significant problems in meeting payment obligations and which were not impaired at the time of initial recognition or at the reporting date. Expected losses over the next 12 months are calculated for these loans.
Loans in this category have the following characteristics:

- Loans that have recorded debt service less than or equal to 30 days;
- Loans that have met the criteria to exit the performing restructured loan category;
- Loans that have come out of quarantine.

<u>Stage 2</u>
This group includes loans that are under close monitoring because credit risk has increased significantly since initial recognition but there is no objective evidence of impairment. For these loans, expected losses are recognised over the entire period of the credit agreement, or behavioural period for cards and credit lines.

The criteria used by the Group to classify an exposure in Stage 2, for each type of clientele and/or type of product, are the following:

4. Risk management policies (continued)

b) Credit risk (continued)

i) Credit risk management (continued)

Legal entities

- Loans with a Group debt service of more than 30 days;
- Loans with a debt service of more than 60 days with other financial institutions, according to information provided by the Credit Risk Centre;
- Loans that are subject to distraints;
- Difficulties are identified within the group;
- Loans for which successful restructuring measures have been applied;
- Clients with more than a 3-fold deterioration of the internal rating at the reporting date compared to the origination date; if the PD at the origination date was more than 3%, then clients with more than a 2-fold deterioration of the internal rating will be considered;
- Clients with third party applications for insolvency proceedings;
- Loans that have come out of quarantine related to stage 3;
- Other subjective indicators identified, leading to the identification of a significant increase in credit risk after initial recognition.

Natural persons

- Loans that have recorded a debt service of more than 30 days;
- Loans with a debt service of more than 60 days with other financial institutions, according to information provided by the Credit Risk Centre;
- Loans that are subject to distraints;
- Loans for which successful restructuring measures have been applied;
- Clients with more than a 3-fold deterioration of the internal rating at the reporting date compared to the origination date; if the PD at the origination date was more than 3%, then clients with more than a 2-fold deterioration of the internal rating will be considered;
- Loans with a disbursed amount of less than EUR 250,000, LTV>150% at the reporting date and
    a. The exchange rate, applicable for buying the loan currency, recorded at the reporting date an increase of more than 52.6% compared to the loan agreement date;
    b. The monthly payment obligation has increased by more than 50% due to the increase in the variable interest rate..
- The indebtedness ratio exceeds 45% when applying the quarterly stress scenarios on IRCC growth and has increased by at least 5 percentage points compared to the indebtedness ratio at the date of the grant
- Other subjective indicators identified, leading to the identification of a significant increase in credit risk after initial recognition.

4. Risk management policies (continued)

b) Credit risk (continued)

i) Credit risk management (continued)

Restructuring measures consist of concessions granted to a debtor that is facing or is about to face difficulties in meeting its financial commitments ("financial difficulties"). A concession may entail a loss for the credit institution and refers to one of the following actions:

- modification of previous terms and conditions of a contract which the borrower is deemed unable to fulfil due to financial difficulties ("problem asset"), to allow sufficient capacity to repay the credit that would not have been granted had the borrower not been in financial difficulty;
- refinancing of all or part of a contract relating to a problem asset, which would not have been granted if the debtor had not been in financial difficulty.

Refinancing means the use of debt contracts to secure full or partial payment of other debt contracts whose terms cannot be met by the borrower.

Exposures are treated as restructured if a concession has been granted as a result of the debtor's financial difficulties, regardless of the existence of an outstanding amount or the classification of the exposures.

Exposures are not treated as restructured when the borrower is not in financial difficulty.

An amendment involving extinguishment of the obligation by taking ownership of the security interest is treated as a restructuring measure when the amendment represents a concession.

Stage 3

This category includes non-performing or impaired loans and are defined as exposures that meet one or both of the following criteria:

- material exposures that are more than 90 days past due, calculated as the maximum of the days contractually past due or as per new definition of default;
- it is assumed that the debtor is unlikely to pay its obligations in full in the absence of enforcement of the guarantee, regardless of the existence of any outstanding amounts or the number of days outstanding.

Materiality threshold of outstanding credit obligations and counting of days in arrears

An exposure is considered overdue only if there is a legal obligation to pay. Counting of days in arrears begins as soon as any amount (above the materiality thresholds shown below) of principal, interest or fees has not been paid by the date it became due.

Materiality threshold of outstanding credit obligations consists of two components:

- the absolute component level, equal to 150 lei for retail exposures and 1,000 lei for exposures other than retail;
- the relative component level, equal to 1% outstanding amounts of total exposure.

The group checks if the materiality is exceeded at each day-end, i.e. outstanding amount versus total exposure; if the outstanding amount exceeds both components of the materiality threshold (absolute component and relative component) the debt service will increase by 1 day. As long as this condition is met, debt service will continue to rise. If one of the two components of the materiality threshold is no longer exceeded, the debt service will reset to 0 days. When debt service reaches the 90-day threshold, the borrower's exposures will be classified as non-performing.

4. Risk management policies (continued)

b) Credit risk (continued)

i) Credit risk management (continued)

For corporate loan portfolios, the Group considers an exposure to be non-performing if the exposure exhibits at least one of the following impairment signs:

- Material exposures have a debt service greater than 90 days;
- Exposures for which the debtor is unlikely to meet its payment obligations in full without enforcement of the collateral, regardless of the existence of outstanding amounts or the number of days past due;
- Exposures to insolvent debtors;
- Non-performing restructured exposures;
- The debtor is experiencing difficulties within the group, i.e. it has non-performing exposures to other customers in the same group, and the debtor is assessed as unlikely to pay;
- The group initiates foreclosure against the debtor or third party guarantors;
- The Group has identified fraudulent activity at the time of granting or during the term of the loan;
- The corporate client is rated 21 (on a scale from 1 to 21).
- As a result of the credit monitoring processes, the group finds out about the unlikelihood of payment;
- The group is selling the loan bond at an economic loss, which will exceed the 5% threshold.

For consumers loan portfolios, the Group considers an exposure to be non-performing if the exposure exhibits at least one of the following impairment signs:

- Material exposures have a debt service greater than 90 days;
- Exposures for which the debtor is unlikely to meet its payment obligations in full without enforcement of the collateral, regardless of the existence of outstanding amounts or the number of days past due, such as bridge loans;
- Exposures to debtors who have notified the Group in accordance with Law 77/2016 on debt assignment;
- Non-performing restructured exposures.

Items that are considered indications of payment unlikelihood include the following:

- The Group ceases to recognise interest on the loan obligation;
- The Group recognises a specific credit risk adjustment resulting from perceiving a significant deterioration in the quality of credit subsequent to the time the institution became exposed to risk;
- The Group sells the loan obligation recording a significant economic loss;
- The Group consents to restructure the loan obligation on an emergency basis if this may lead to a reduction of the financial obligation ("distressed restructuring") as a result of the cancellation or deferral of a significant part of the principal, interest or, if applicable, fees;
- The group has filed a petition requesting the initiation of bankruptcy proceedings against the debtor or the enforcement of a similar measure in respect of a debtor's loan obligation to the institution, the parent company or any of its subsidiaries;

4. Risk management policies (continued)

b) Credit risk (continued)

i) Credit risk management (continued)

- The debtor has filed for bankruptcy or is subject to bankruptcy or similar protection if it would result in the payment avoidance or deferral of a debt obligation to the institution, its parent or any of its subsidiaries.

Evaluation of guarantees

In order to mitigate the credit risk on financial assets, the Group seeks to obtain guarantees/collateral where possible. Guarantees are accepted in various forms, such as collateral cash/deposits, letters of guarantee, real estate guarantees, receivables, stocks, etc.

Real estate guarantees are evaluated periodically, every three years for residential guarantees and at least one year for guarantees other than residential guarantees. Their market value is estimated by certified appraisers, who may be external or internal to the group.

The value of guarantees impacts the ECL calculation through the LGD parameter, which is the estimate of the loss on a transaction in the event of default, taking into account all cash flows received from the client, as well as recoveries from the valuation of guarantees (net of any additional related costs and losses), including the effect of the time value of money. The recovery value of a guarantee is determined by applying adjustment factors to its market value

Concentration of credit risk related to financial instruments exists for groups of customers when they have similar economic characteristics that make the ability to repay loans similarly affected by changes in the economic environment or other conditions. The main concentration of credit risk derives from individual and customer category exposure in respect of loans and advances to customers (Note 22).

Predictive information

An overview of the approach to estimating the expected credit loss is presented in a dedicated note within the Material Accounting Policies.

The assessment of the significant increase in credit risk and the calculation of expected credit losses includes predictive information. In determining impairments for credit risk, the Group incorporates prospective information, exercises professional judgment and uses estimates and assumptions. Estimating expected credit risk losses involves anticipating future macroeconomic conditions for the next 3 years. The macroeconomic scenarios applied have been updated to reflect the deterioration of the macroeconomic outlook in the current geopolitical context.

4. Risk management policies (continued)

b) Credit risk (continued)

i) Credit risk management (continued)

The Group conducted a historical analysis to identify key economic variables affecting credit risk and expected credit losses for the loan portfolio. The analysis resulted in using the following variables: the evolution of GDP, unemployment and labour productivity, under three scenarios, optimistic, baseline and pessimistic for the end of 2023, compared to the end of 2022 when the Bank also used the consumer price/inflation index as an additional variable. The levels used in the calculation*, as well as the weights assigned to each scenario are presented in the tables below:

31.12.2023

Indicator	ECL Scenario	Probabilities	2024	2025	2026
GDP	Optimistic	10%	4.6	5.5	5.1
	Basic	40%	4.2	5.0	4.6
	Pessimistic	50%	0	0	0

Indicator	ECL Scenario	Probabilities	2024	2025	2026
Unemployment	Optimistic	10%	4.5	4.0	3.5
	Basic	40%	4.9	4.5	4.4
	Pessimistic	50%	6.9	7.4	7.9

Indicator	ECL Scenario	Probabilities	2024	2025	2026
Labour productivity	Optimistic	10%	3.9	3.9	3.9
	Basic	40%	3.6	3.6	3.6
	Pessimistic	50%	0	0	0

31.12.2022

Indicator	ECL Scenario	Probabilities	2023	2024	2025
GDP	Optimistic	10%	2,25	2,75	2,75
	Basic	40%	1,80	2,20	2,20
	Pessimistic	50%	0,90	1,10	1,10

Indicator	ECL Scenario	Probabilities	2023	2024	2025
Unemployment	Optimistic	10%	4,80	4,30	3,80
	Basic	40%	5,80	5,40	5,40
	Pessimistic	50%	6,70	7,20	7,70

Indicator	ECL Scenario	Probabilities	2023	2024	2025
Consumer Price / Inflation index	Optimistic	10%	9,18	6,12	6,12
	Basic	40%	10,20	6,80	6,80
	Pessimistic	50%	12,75	8,50	8,50

Indicator	ECL Scenario	Probabilities	2023	2024	2025
Labour productivity	Optimistic	10%	11,59	11,59	11,59
	Basic	40%	10,54	10,54	10,54
	Pessimistic	50%	7,91	7,91	7,91

*) These variables shall be reviewed at least annually or whenever changes that need to be taken into account in their estimation, occur.

4. Risk management policies (continued)

b) Credit risk (continued)

i) Credit risk management (continued)

The Group also conducted a sensitivity analysis of the loan portfolio, following pessimistic and optimistic developments in the macroeconomic indicators used in the impairment adjustment calculation model.

In the pessimistic scenario, the Bank used the macroeconomic indicators presented above for the pessimistic scenario, the weight of this scenario being increased to 100% instead of 50%, while for the optimistic scenario, the Bank used the estimates of the macroeconomic indicators related to the optimistic scenario, with a weight of 100%, increased from 10%.

For 2022, the Bank used a pessimistic scenario weight of 100%, instead of 50%, for establishing the correlation function, GDP was estimated at 100.90% in 2023, 101.1% in 2024 and 101.1% in 2025. For the optimistic hypothesis, an optimistic scenario weight of 100% was used instead of 10%, with a GDP evolution of 102.25% for 2023, 102.75% for 2024 and 102.78% for 2025.

For its subsidiary, given the small size of the net assets, for the purpose of the sensitivity analysis for the year 2023, for the optimistic hypothesis the year-end results were maintained and for the pessimistic hypothesis the exposure was fully hedged with adjustments for expected losses, compared to the year 2022 when the year-end results were maintained.

The result of the sensitivity analysis in the loans and advances portfolio is as follows:

thousands RON	**2023**		**2022**	
Gross book value	**Optimistic scenario**	**Pessimistic scenario**	**Optimistic scenario**	**Pessimistic scenario**
Corporate loans	521.593	521.593	1.184.105	1.184.105
Small and medium-sized enterprises	116.582	116.582	117.844	117.844
Mortgage loans	624.281	624.281	684.575	684.575
Consumer loans	4.851	4.851	5.289	5.289
Credit cards	486.788	486.788	442.380	442.380
Total	**1.754.095**	**1.754.095**	**2.434.193**	**2.434.193**

thousands RON	**2023**		**2022**	
Depreciation	**Optimistic scenario**	**Pessimistic scenario**	**Optimistic scenario**	**Pessimistic scenario**
Corporate loans	(18.131)	(20.414)	(48.707)	(58.924)
Small and medium-sized enterprises	(8.274)	(8.682)	(8.412)	(8.586)
Mortgage loans	(87.101)	(88.772)	(93.115)	(96.653)
Consumer loans	(2.854)	(2.854)	(1.131)	(1.180)
Credit cards	(8.673)	(9.616)	(4.065)	(4.945)
Total	**(125.033)**	**(130.338)**	**(155.430)**	**(170.288)**
Reported provision	**(128.097)**	**(128.097)**	**(161.849)**	**(161.849)**
Impact	**3.064**	**(2.241)**	**6.419**	**(8.439)**

4. Risk-management policies (continued)

b) Credit risk (continued)

i) Credit risk management (continued)

The structure of the Loans and Advances portfolio granted to customers, by valuation method and customer type.

31.12.2023

	Gross book value	Depreciation	Net book value
Legal entities			
Stage 1	337.498	(1.017)	336.481
Stage 2	182.029	(16.536)	165.493
Stage 3	2.065	(2.052)	13
Total	**521.592**	**(19.605)**	**501.987**
Small and medium-sized enterprises			
Stage 1	83.731	(355)	83.376
Stage 2	24.073	(325)	23.748
Stage 3	8.778	(7.812)	966
Total	**116.582**	**(8.492)**	**108.090**
Mortgage loans			
Stage 1	441.421	(3.202)	438.219
Stage 2	80.772	(6.631)	74.141
Stage 3	102.087	(78.022)	24.065
Total	**624.280**	**(87.855)**	**536.425**
Consumer loans			
Stage 1	1.033	(1)	1.032
Stage 2	680	(3)	677
Stage 3	3.139	(2.848)	291
Total	**4.852**	**(2.852)**	**2.000**
Credit cards			
Stage 1	430.849	(1.368)	429.481
Stage 2	44.724	(420)	44.304
Stage 3	11.216	(7.505)	3.711
Total	**486.789**	**(9.293)**	**477.496**
Total	**1.754.095**	**(128.097)**	**1.625.998**

4. Risk-management policies (continued)

b) Credit risk (continued)

i) Credit risk management (continued)

31 December 2022

	Gross book value	Depreciation	Net book value
Legal entities			
Stage 1	903.115	(14.858)	888.257
Stage 2	272.857	(36.205)	236.652
Stage 3	8.133	(2.827)	5.306
Total	**1.184.105**	**(53.890)**	**1.130.215**
Small and medium-sized enterprises			
Stage 1	97.417	(1.124)	96.293
Stage 2	9.479	(350)	9.129
Stage 3	10.948	(7.020)	3.928
Total	**117.844**	**(8.494)**	**109.350**
Mortgage loans			
Stage 1	319.296	(1.105)	318.191
Stage 2	251.303	(10.497)	240.807
Stage 3	113.975	(81.954)	32.021
Total	**684.575**	**(93.556)**	**591.019**
Consumer loans			
Stage 1	1.877	(23)	1.854
Stage 2	1.192	(82)	1.110
Stage 3	2.235	(1.046)	1.189
Total	**5.304**	**(1.151)**	**4.153**
Credit cards			
Stage 1	426.224	(2.190)	424.034
Stage 2	10.376	(144)	10.232
Stage 3	5.765	(2.424)	3.341
Total	**442.365**	**(4.758)**	**437.607**
Total	**2.434.193**	**(161.848)**	**2.272.344**

4. Risk-management policies (continued)

b) Credit risk (continued)

i) Credit risk management (continued)

Net value of financial assets whose terms have been renegotiated, by financial asset class

The amounts shown below represent financial assets on which changes have been made to the terms and conditions of contracts with borrowers in financial difficulty (changes in interest rates, changes in final maturities, refinancing, etc.), divided into performing and non-performing categories:

31 December 2023		**Stage 2**			**Stage 3**				
	Gross book value	Instruments with changes to the Terms and Conditions	Refinancing	**Total performing**	Instruments with changes to the Terms and Conditions	Refinancing	**Total non-performing**	**Total exposures with restructuring measures**	Restructured loans ratio
Central banks	738.747	-	-	**-**	-	-	**-**	**-**	0.00%
Loans and advances granted to banks	222.440	-	-	**-**	-	-	**-**	**-**	0.00%
Loans and advances to customers							**-**	**-**	
Legal entities loans	521.593	-	-	**-**	1.753	-	**1.753**	**1.753**	0.34%
SME Loans	116.582	87	2.076	**2.163**	4.360	-	**4.360**	**6.523**	5.60%
Mortgage loans	624.281	10.833	492	**11.325**	44.736	1.180	**45.916**	**57.241**	9.17%
Consumer loans	4.851	522	-	**522**	1.949	-	**1.949**	**2.471**	50.94%
Credit cards	486.788	-	-	**-**	-	-	**-**	**-**	0.00%
Total	**2.715.282**	**11.442**	**2.568**	**14.010**	**52.798**	**1.180**	**53.978**	**67.988**	**2.50%**

4. Risk-management policies (continued)

b) Credit risk (continued)

i) Credit risk management (continued)

31 December 2022		**Stage 2**			**Stage 3**				
	Gross book value	Instruments with changes to the Terms and Conditions	Refinancing	**Total performing**	Instruments with changes to the Terms and Conditions	Refinancing	**Total non-performing**	**Total exposures with restructuring measures**	Restructured loans ratio
Central banks	440.527	-	-	-	-	-	-	-	0.00%
Loans and advances granted to banks	213.198	-	-	-	-	-	-	-	0.00%
Loans and advances to customers									
Legal entities loans	1.184.105	53.719	-	**53.719**	3.962	-	**3.962**	57.681	4.87%
SME Loans	117.844	172	3.015	**3.187**	6.109	-	**6.109**	9.296	7.89%
Mortgage loans	653.118	17.990	1.046	**19.036**	42.162	1.208	**43.370**	62.406	9.56%
Consumer loans	5.187	724	-	**724**	2.079	-	**2.079**	2.803	54.04%
Credit cards	442.365	-	-	-	-	-	-	-	0.00%
Total	**3.056.344**	**72.605**	**4.061**	**76.666**	**54.312**	**1.208**	**55.520**	**132.186**	**4.33%**

4. Risk management policies (continued)

b) Credit risk (continued)

i) Credit risk management (continued)

The table below shows the financial assets on which changes have been made to the contractual terms and conditions together with the related impairment adjustments:

31 December 2022

	Gross book value			Depreciation			
	Stage 2	Stage 3	TOTAL	Stage 2 Collective	Stage 3 Collective	Stage 3 Separate	TOTAL
Loans and advances granted to banks	-	-	-	-	-	-	-
Loans and advances to customers	-	-	-	-	-	-	-
Legal entities loans	-	1.753	**1.753**	-	(221)	(1.532)	**(1.753)**
SME Loans	2.163	4.360	**6.523**	(37)	(2.423)	(1.416)	**(3.876)**
Mortgage loans	11.325	45.916	**57.241**	(218)	(15.141)	(22.198)	**(37.557)**
Consumer loans	522	1.949	**2.471**	(3)	(6)	(1.928)	**(1.937)**
Total Loans and advances to customers	**14.010**	**53.978**	**67.988**	**(258)**	**(17.791)**	**(27.074)**	**(45.123)**

31 December 2022

	Gross book value			Depreciation			
	Stage 2	Stage 3	TOTAL	Stage 2 Collective	Stage 3 Collective	Stage 3 Separate	TOTAL
Loans and advances granted to banks	-	-	-	-	-	-	-
Loans and advances to customers	-	-	-	-	-	-	-
Legal entities loans	53.719	3.962	**57.681**	(8.360)	-	(1.993)	**(10.353)**
SME Loans	3.187	6.109	**9.296**	(282)	-	(4.235)	**(4.517)**
Mortgage loans	19.036	43.370	**62.406**	(1.829)	(29.944)	-	**(31.773)**
Consumer loans	724	2.079	**2.803**	(69)	(924)	-	**(993)**
Total Loans and advances to customers	**76.666**	**55.520**	**132.186**	**(10.540)**	**(30.868)**	**(6.228)**	**(47.636)**

4. Risk management policies (continued)

b) Credit risk (continued)

i) Credit risk management (continued)

Status of exposures with restructuring measures that have exited or returned to the restructured exposure category during 2023 and 2022 respectively:

31.12.2023 **Thousand RON**	
Gross book value of restructured exposures during 2023	12.635
Impairment of restructured exposures during 2023	(8.235)

31.12.2022 **Thousand RON**	
Gross book value of restructured exposures during 2022	16.601
Impairment of restructured exposures during 2022	(8.869)

	31.12.2023		**31.12.2022**	
	Gross book value	Depreciation	Gross book value	Depreciation
Exposures with restructuring measures that have exited the restructured exposure category and are now in Stage 1	2.546	(20)	3.974	(38)
Exposures with restructuring measures that have returned to the category of restructured exposures and are now in Stage 2/Stage 3	-	-	316	(12)

Restructured exposures are debt contracts for which concessions have been granted to a borrower experiencing or about to experience difficulties in meeting its financial obligations that would not have been granted had the borrower not been in financial difficulty.

Impaired loans

Impaired loans are loans and securities for which the Group establishes a probability of not being able to fully recover the principal amount and related interest under the contractual terms of the loan agreements.

Provisions for loan impairment

The Group makes impairment adjustments for expected loan losses that represent its best estimate of losses incurred in the loan portfolio based on an internal analysis methodology.

See Note 3 j vii) on the policy for identifying and assessing impairment of financial assets.

4. Risk-management policies (continued)

b) Credit risk (continued)

i) Credit risk management (continued)

Off-balance sheet loans

During 2023, the book value of the loans fully covered by impairment adjustments was directly reduced, while the respective receivables were recorded off-balance sheet, in the amount of 8.802 thousand RON. During 2022, the book value of the loans fully covered by impairment adjustments was directly reduced, while the respective receivables were recorded off-balance sheet, in the amount of 13.263 thousand RON.

The analysis of days past due for loans and advances in terms of delinquent debt service is shown in the table below:

	31 December 2023					
Thousand RON	**Not overdue**	**1-30 Days overdue**	**31-60 Days overdue**	**61-90 Days overdue**	**More than 90 Days overdue**	**Total**
Corporate loans, out of which:	**509.308**	**10.219**	**-**	**-**	**2.065**	**521.592**
Stage 1	332.203	5.295	-	-	-	337.498
Stage 2	177.105	4.924	-	-	-	182.029
Stage 3	-	-	-	-	2.065	2.065
Small and medium-sized enterprises, of which:	**103.314**	**7.627**	**-**	**-**	**5.641**	**116.582**
Stage 1	82.227	1.504	-	-	-	83.731
Stage 2	17.950	6.123	-	-	-	24.073
Stage 3	3.137	-	-	-	5.641	8.778
Natural persons, of which:	**506.061**	**35.780**	**10.478**	**3.927**	**72.886**	**629.132**
Stage 1	425.986	16.468	-	-	-	442.454
Stage 2	63.587	12.594	4.682	589	-	81.452
Stage 3	16.488	6.718	5.796	3.338	72.886	105.226
Credit Cards, of which:	**459.739**	**12.780**	**2.628**	**1.360**	**10.282**	**486.789**
Stage 1	425.013	5.836	-	-	-	430.849
Stage 2	34.173	6.813	2.491	1.247	-	44.724
Stage 3	553	131	137	113	10.282	11.216
TOTAL	**1.578.422**	**66.406**	**13.106**	**5.287**	**90.874**	**1.754.095**

4. Risk-management policies (continued)

b) Credit risk (continued)

i) Credit risk management (continued)

	31 December 2022					
Thousand RON	**Not overdue**	**1-30 Days overdue**	**31-60 Days overdue**	**61-90 Days overdue**	**More than 90 Days overdue**	**Total**
Corporate loans	**1.174.314**	**7.807**	**-**	**-**	**1.984**	**1.184.105**
Stage 1	900.605	2.510	-	-	-	903.115
Stage 2	267.560	5.297	-	-	-	272.857
Stage 3	6.149	-	-	-	1.984	8.133
Small and medium-sized enterprises	**103.427**	**8.563**	**95**	**217**	**5.544**	**117.846**
Stage 1	90.442	6.975	-	-	-	97.417
Stage 2	9.059	371	50	-	-	9.480
Stage 3	3.926	1.217	45	217	5.544	10.949
Natural persons	**540.822**	**40.521**	**13.949**	**9.302**	**85.282**	**689.877**
Stage 1	306.789	14.383	-	-	-	321.172
Stage 2	225.343	18.019	6.759	2.374	-	252.495
Stage 3	8.690	8.119	7.190	6.928	85.282	116.209
Credit cards	**426.142**	**8.128**	**2.331**	**916**	**4.848**	**442.365**
Stage 1	419.404	6.820	-	-	-	426.224
Stage 2	6.093	1.197	2.209	877	-	10.376
Stage 3	645	111	122	39	4.848	5.765
TOTAL	**2.244.705**	**65.019**	**16.375**	**10.435**	**97.658**	**2.434.193**

The Group holds guarantees for loans and advances to customers as mortgage guarantees on land and buildings, machinery and equipment, inventories, insurance policies, in which the Group holds the right of mortgage until the loan contract is concluded, and other guarantees. Fair value estimates are based on the value of collateral valued at the date of the loan and updated periodically. The Bank and its subsidiary value guarantees for loans and advances to customers annually, in accordance with the Group's accounting policy.

4. Risk-management policies (continued)

b) Credit risk (continued)

i) Credit risk management (continued)

The table below shows a distribution of the real and financial guarantees obtained by the Group:

Thousand RON	31 December 2023				
	Gross credit balance	**Impairment adjustments for loans**	**Net balance**	**Total collateral**	**Guarantees/ Total exposure (%)**
Legal entities loans	521.593	(19.605)	501.988	600.939	120%
SME Loans	116.582	(8.492)	108.090	169.870	157%
Natural persons loans	629.132	(90.707)	538.425	649.251	121%
Credit cards	486.788	(9.293)	477.495	-	0%
Total	**1.754.095**	**(128.097)**	**1.625.998**	**1.420.060**	**87%**

Thousand RON	31 December 2022				
	Gross credit balance	**Impairment adjustments for loans**	**Net balance**	**Total collateral**	**Guarantees/ Total exposure (%)**
Legal entities loans	1.184.105	(53.890)	1.130.215	857.009	76%
SME Loans	117.844	(8.494)	109.350	177.489	162%
Natural persons loans	689.879	(94.706)	595.172	738.940	124%
Credit cards	442.365	(4.758)	437.607	-	0%
Total	**2.434.193**	**(161.848)**	**2.272.344**	**1.773.438**	**78%**

The total balance of assets recovered by the Group from foreclosures as at 31 December 2023 and 31 December 2022 is shown below:

Thousand RON	**2023**	**2022**
Land	35.157	35.283
Buildings	24.466	33.045
Total	**59.623**	**68.328**

Movements in the recovered assets balance are shown in the following table:

Thousand RON	**2023**	**2022**
Balance as at 1 January	**68.328**	**62.069**
Receipts	2.601	20.121
Disbursements	(13.108)	(14.258)
Impairment adjustments in the period	1.802	396
Balance as at 31 December	**59.623**	**68.328**

4. Risk-management policies (continued)

b) Credit risk (continued)

i) Credit risk management (continued)

The Group has set up problematic credit committees that make decisions on the recovery of collateral on one hand, and the ongoing management of recovered assets on the other hand. The current status of repossessed assets, purchase offers received from third parties, the current status of tenders and possible sales are also discussed on an individual basis with information received from the Bank's specialist departments.

The fair value of the assets recovered by the Group is determined by an external and independent professional appraiser authorised by ANEVAR.

The table below summarises the Group's quantitative exposure to credit risk. The total represents the Group's maximum exposure to credit risk, before taking into account the effect of guarantees and other collateral obtained:

Thousand RON	**2023**	**2022**
Current accounts at central banks (*)	738.747	440.527
Derivative financial instruments	106	204
Financial assets at fair value through other comprehensive income (*)	498.402	762.783
Loans and advances granted to banks (*)	222.440	213.198
Loans and advances to customers		
Legal entities	501.987	1.130.215
Small and medium-sized enterprises	108.090	109.350
Natural persons	538.425	625.288
Credit cards	477.496	437.607
TOTAL BALANCE SHEET	**3.085.693**	**3.719.172**
Letters of guarantee issued	20.549	49.463
Letters of credit	-	-
Credit commitments	1.049.165	1.034.558
TOTAL OFF-BALANCE SHEET	**1.069.714**	**1.084.021**

(*) These financial assets are neither overdue nor impaired and, although unsecured, do not carry significant credit risk.

4. Risk-management policies (continued)

b) Credit risk (continued)

i) Credit risk management (continued)

The maximum amount that can be taken into account for guarantees as at 31 December 2023 and 31 December 2022 is shown below:

Thousand RON

31 December 2023

	Total Net Exposure	Financial guarantees	Material guarantees	Total guarantees obtained*	Guarantees/ Total exposure (%)
Cash and current accounts at central bank	795.305	-	-	-	0%
Financial assets at fair value through profit or loss account	106	-	-	-	0%
Loans and advances granted to banks	222.440	-	-	-	0%
Loans and advances to customers	1.625.998	34.923	1.385.137	1.420.060	87%
Financial assets at fair value through other comprehensive income	517.758	-	-	-	0%
Total	**3.161.607**	**34.923**	**1.385.137**	**1.420.060**	**45%**

31 December 2022

	Total Net Exposure	Financial guarantees	Material guarantees	Total guarantees obtained	Guarantees/ Total exposure (%)
Cash and current accounts at central bank	506.693	-	-	-	0%
Financial assets at fair value through profit or loss account	204	-	-	-	0%
Loans and advances granted to banks	213.198	-	-	-	0%
Loans and advances to customers	2.272.344	19.122	1.754.316	1.773.438	78%
Financial assets at fair value through other comprehensive income	779.484	-	-	-	0%
Total	**3.771.923**	**19.122**	**1.754.316**	**1.773.438**	**47%**

* For the column Total guarantees obtained, the guarantees at the value limited to the net exposure were used.

4. Risk-management policies (continued)

b) Credit risk (continued)

i) Credit risk management (continued)

The Group holds adequate guarantees for each loan in accordance with the specific risk associated with the loan and in accordance with local regulations. The guarantees strategy is differentiated according to the type of guarantee based on the client's assessment and the loan’s duration. In general, guarantees are bank deposits, mortgages, pledges, promissory notes, securities and assignment of receivables, corporate guarantees and default insurance policies.

Geographical concentration of assets — **31 December 2023**

Thousand RON	**Romania**	**Türkiye**	**The Netherlands**	**Developed markets**	**Emerging markets**	**TOTAL**
Cash and current accounts at central bank	795.305	-	-	-	-	**795.305**
Derivative financial instruments	106	-	-	-	-	**106**
Financial assets at fair value through profit or loss account	-	-	-	18.284	-	**18.284**
Financial assets at fair value through other comprehensive income	512.291	-	-	5.467	-	**517.758**
Loans and advances granted to banks	8.395	1	186.625	27.419	-	**222.440**
Loans and advances to customers	1.572.569	37.584	111	15.721	13	**1.625.998**
Real estate investments	-	-	-	-	-	**-**
Tangible assets	71.934	-	-	-	-	**71.934**
Intangible assets	15.578	-	-	-	-	**15.578**
Current corporate tax	284	-	-	-	-	**284**
Receivables from deferred corporate tax, net	7.289	-	-	-	-	**7.289**
Other assets	102.471	-	-	-	-	**102.471**
TOTAL	**3.091.689**	**37.585**	**186.736**	**61.424**	**13**	**3.377.447**
Off-balance sheet						
Letters of guarantee	17.829	-	-	2.720	-	**20.549**
Letters of credit	-	-	-	-	-	**-**
Credit commitments	1.048.331	373	23	417	21	**1.049.165**
TOTAL	**1.066.160**	**373**	**23**	**3.137**	**21**	**1.069.714**

4. Risk-management policies (continued)

b) Credit risk (continued)

i) Credit risk management (continued)

Geographical concentration of assets — **31 December 2022**

Thousand RON	**Romania**	**Türkiye**	**The Netherlands**	**Developed markets**	**Emerging markets**	**TOTAL**
Cash and current accounts at central bank	506.693	-	-	-	-	**506.693**

Derivative financial instruments	204	-	-	-	-	**204**
Financial assets at fair value through profit or loss account	-	-	-	15.062	-	**15.062**
Financial assets at fair value through other comprehensive income	775.147	-	-	4.337	-	**779.484**
Loans and advances granted to banks	198.585	48	2	14.563	-	**213.198**
Loans and advances to customers	2.223.801	39.825	111	8.591	16	**2.272.344**
Real estate investments	-	-	-	-	-	-
Tangible assets	83.834	-	-	-	-	**83.834**
Intangible assets	10.205	-	-	-	-	**10.205**
Current corporate tax	621	-	-	-	-	**621**
Receivables from deferred corporate tax, net	10.153	-	-	-	-	**10.153**
Other assets	109.138	-	-	-	-	**109.138**
TOTAL	**3.918.381**	**39.873**	**113**	**42.553**	**16**	**4.000.936**
Off-balance sheet						
Letters of guarantee	46.659	-	-	2.804	-	**49.463**
Letters of credit	-	-	-	-	-	-
Credit commitments	1.033.718	377	15	429	19	**1.034.558**
TOTAL	**1.080.377**	**377**	**15**	**3.233**	**19**	**1.084.021**

4. Risk-management policies (continued)

b) Credit risk (continued)

i) Credit risk management (continued)

Developed markets include the United States, Germany, France, Switzerland, United Kingdom, Belgium, Italy, Austria, Portugal, Japan, United Arab Emirates and others. Emerging markets include Poland, Hungary, Republic of Moldova and others.

The table below shows the credit risk, taking into account the ratings of specialised rating agencies such as Fitch, Standard & Poor's (S&P) and Moody's:

31 December 2023

	Aaa / AA-	**A+ / A-**	**Bbb+ / BBB -**	**Bb+ / B -**	**Below B-**	**No rating**	**TOTAL**
Financial assets at fair value through other comprehensive income	5.467	-	512.291	-	-	-	517.758
Cash and current accounts at central bank	-	-	795.305	-	-	-	795.305
Loans and advances granted to banks	10.319	4.980	16.620	186.625	-	3.895	222.440
TOTAL	**15.786**	**4.980**	**1.324.216**	**186.625**	**-**	**3.895**	**1.535.503**

31 December 2022

	Aaa / AA-	A+ / A-	Bbb+ / BBB -	Bb+ / B -	Below B-	No rating	TOTAL
Financial assets at fair value through other comprehensive income	-	-	762.783	-	-	16.701	779.484
Cash and current accounts at central bank	-	-	440.527	-	-	-	440.527
Loans and advances granted to banks	5.565	34.723	164.885	50	-	7.975	213.198
TOTAL	**5.565**	**34.723**	**1.368.195**	**50**	**-**	**24.676**	**1.433.209**

c) Interest rate risk

The Group faces interest rate risk mainly due to exposure to adverse market interest rate fluctuations.

The main source of interest rate risk is the imperfect correlations between maturity dates (for fixed interest rates) or repricing dates (for floating interest rates) of interest-bearing assets and liabilities, adverse interest rate curve development (non-parallel development of interest rates of interest-bearing assets and liabilities), imperfect correlation in the adjustment of rates received and paid for financial instruments with similar repricing characteristics.

Interest-bearing assets and liabilities management activities are carried out in the context of the Group's sensitivity to interest rate fluctuations. In general, the Group grants loans with variable interest rates, in accordance with the Group's lending policies and with index-linked interest rates (which are updated according to reference interest rates such as ROBOR, LIBOR, EURIBOR). For deposits, the Group offers fixed interest rates.

4. Risk-management policies (continued)

c) Interest rate risk (*continued*)

The interest rates for the national currency and the main foreign currencies on 31 December 2023 and 2022 were as follows:

Currency	Interest rate	31 December 2023	31 December 2022
RON	ROBOR 3 months	6.22%	7,57%
Euro (EUR)	EURIBOR 3 months	3.909%	2,184%
Euro (EUR)	EURIBOR 6 months	3.861%	2,726%
US Dollar (USD)	LIBOR 6 months	5.58598%	5,13886%

The table below shows the average interest rates for the financial instruments in the Group's portfolio as at 31 December 2023 and 31 December 2022.

	2023				2022			
Average interest rates (%)	EUR	RON	USD	Other	EUR	RON	USD	Other
Assets								
Minimum reserve requirements	0.09%	0.74%	0.39%	-	0,02%	0,70%	0,08%	-

Loans and advances granted to banks	3.90%	-	5.33%	-	-	1,78%	-	-
Loans and advances to customers	8.49%	18.39%	6.74%	4.76%	5,14%	15,48%	5,02%	3,55%
Securities	3.42%	4.00%	4.78%	-	2,63%	4,80%	3,60%	-
Debts								
Bank deposits	3.84%	6.11%	5.40%	-	2,44%	5,94%	-	-
Deposits from customers	1.92%	4.75%	3.10%	0.01%	0,79%	4,46%	2,00%	0,001%

The table below shows the Group's exposure to interest rate risk outside the trading portfolio. For fixed interest rate instruments, the interest rate risk is calculated according to the number of days until maturity and for variable interest rate instruments it is calculated according to the number of days until the next interest rate change.

Current and savings accounts are allocated to maturity bands according to behavioural maturity.

4. Risk-management policies (continued)

c) Interest rate risk (*continued*)

31 December 2023

Thousand RON	**Less than 3 months**	**3 – 12 months**	**1 - 5 years**	**More than 5 year**	**Non-interest-bearing**	**Total**
Cash and current accounts at central bank	738.434	-	-	-	56.871	**795.305**
Derivative financial instruments	106	-	-	-	-	**106**
Financial assets at fair value through other comprehensive income	-	112.216	368.118	10.502	7.566	**498.402**
Loans and advances granted to banks	213.093	-	-	-	9.300	**222.440**
Loans and advances to customers	1.027.112	522.864	16.624	27.490	31.908	**1.625.998**
Tangible assets	-	-	-	-	71.934	**71.934**
Intangible assets	-	-	-	-	15.578	**15.578**
Current income tax receivables	-	-	-	-	284	**284**
Receivables from deferred corporate tax, net	-	-	-	-	7.289	**7.289**
Other assets	-	-	-	-	102.471	**102.471**
Total assets	**1.978.745**	**635.080**	**384.742**	**37.992**	**303.201**	**3.339.807**
Financial debts at fair value through profit and loss account	2.239	-	-	-	-	**2.239**
Deposits from central bank	-	-	-	-	-	**-**
Bank deposits	390.352	-	-	-	10.933	**401.285**
Deposits from customers	1.260.822	608.735	68.253	35.945	26.890	**2.000.645**
Loans from banks and other financial institutions	-	-	-	-	-	**-**
Other loans	-	-	-	-	-	**-**
Other debts	-	-	-	-	61.335	**61.335**
Total debts	**1.653.413**	**608.735**	**68.253**	**35.945**	**99.158**	**2.465.504**
Derivatives for risk management	**(2.133)**					**(2.133)**
Total net position*	**323.199**	**26.345**	**316.489**	**2.047**	**204.043**	**668.080**

4. Risk-management policies (continued)

c) Interest rate risk (*continued*)

31 December 2022

Thousand RON	**Less than 3 months**	**3 – 12 months**	**1 - 5 years**	**More than 5 year**	**Non-interest-bearing**	**Total**
Cash and current accounts at central bank	440.514	-	-	-	66.179	**506.693**
Derivative financial instruments	204	-	-	-	-	**204**
Financial assets at fair value through profit or loss account	-	-	-	-	15.062	**15.062**
Financial assets at fair value through other comprehensive income	-	587.901	155.121	19.761	16.701	**779.484**
Loans and advances granted to banks	192.206	-	-	-	20.992	**213.198**
Loans and advances to customers	1.772.521	442.259	4.467	6.424	46.674	**2.272.344**
Tangible assets	-	-	-	-	83.834	**83.834**
Intangible assets	-	-	-	-	10.205	**10.205**
Current income tax receivables	-	-	-	-	621	**621**
Receivables from deferred corporate tax, net	-	-	-	-	10.153	**10.153**
Other assets	-	-	-	-	109.138	**109.138**
Total assets	**2.405.445**	**1.030.160**	**159.588**	**26.185**	**379.559**	**4.000.936**
Financial debts at fair value through profit and loss account	744	-	-	-	-	**744**
Deposits from central bank	-	-	-	-	-	-
Bank deposits	595.844	-	-	-	29.967	**625.811**
Deposits from customers	1.306.096	635.305	34.880	366	450.622	**2.427.269**
Loans from banks and other financial institutions	-	-	-	-	-	-
Other loans	-	-	-	-	-	-
Other debts	-	-	-	-	67.307	**67.307**
Total debts	**1.902.684**	**635.305**	**34.880**	**366**	**547.896**	**3.121.131**
Derivatives for risk management	**(540)**					**(540)**
Total net position*	**502.761**	**394.855**	**124.708**	**25.819**	**(168.337)**	**879.805**

*The total net position does not include non-interest bearing items. Non-interest bearing assets are represented by: cash, corporate tax and other receivables, recoverable amounts, tangible and intangible fixed assets. The liabilities are mainly represented by current accounts of natural persons.

4. Risk-management policies (continued)

c) Interest rate risk (continued)

In addition to categorising assets and liabilities into maturity bands according to interest rate sensitivity and setting limits on the net position, interest rate risk management is completed by monitoring the sensitivity of the Group's financial assets and liabilities to various standard and non-standard interest rate change scenarios. Interest rate risk sensitivity for assets and liabilities outside the trading portfolio is calculated based on the economic value approach. The future cash flows of these assets and liabilities are discounted to present value with interest rates related to the respective currency (EURIBOR, LIBOR, ROBOR, swap rates) to determine the impact of changes in interest rate levels on the Group's economic value. The standard monthly scenarios include a parallel decrease or increase in the interest rate curve for all currencies in which the Group has significant activities (EUR, RON, USD, CHF) by 200 basis points. Below is a summary of the Group's sensitivity to increases or decreases in market interest rates (change in the Bank's economic value as a result of the standard shock application), assuming no asymmetric movements in the yield curve and a constant balance sheet position.

	Variation	Profit impact before taxation		Impact on capital	
December 2023					
EUR	+200 / (200)	1.656	(1.656)	(7.377)	7.382
USD	+200 / (200)	1.381	(1.381)	(14.764)	14.772
RON	+200 / (200)	3.112	(3.115)	968	(970)
CHF	+200 / (200)	(1.364)	1.364	(1.146)	1.146

	Variation	Profit impact before taxation		Impact on capital	
December 2022					
EUR	+200 / (200)	4.078	(4.078)	(7.224)	7.230
USD	+200 / (200)	1.151	(1.151)	(1.958)	1.958
RON	+200 / (200)	(1.117)	1.117	(6.429)	6.430
CHF	+200 / (200)	(249)	249	(209)	209

4. Risk-management policies (continued)

c) Interest rate risk (continued)

31 December 2023 (amounts are shown in RON) (impact in the detailed profit and loss account):

Maturity band	**EUR +200bps**	**USD +200bps**	**RON +200bps**	**CHF +200bps**
Less than 1 month	166.369	252.152	(1.059.044)	173.809
1 – 3 months	(492.554)	152.559	239.565	(35.557)
3 – 6 months	618.481	243.153	(1.566.795)	(224.191)
6 – 12 months	1.496.655	640.768	2.303.192	(1.182.799)
1 - 2 years	573.600	37.956	509.188	11.975
2 - 3 years	100.643	41.879	268.644	4.257
3 - 4 years	21.030	12.091	297.883	1.013
4 - 5 years	(53.293)	-	315.433	(4.625)
5 - 7 years	(1.886.580)	-	704.062	(14.103)
7 - 10 years	1.266.593	-	1.112.395	(32.169)
10 - 15 years	(215.221)	-	(6.146)	(61.597)
15 - 20 years	60.376	-	(6.236)	-
Over 20 years	-	-	(97)	-
TOTAL	**1.656.101**	**1.380.557**	**3.112.044**	**(1.363.987)**

Maturity band	**EUR -200bps**	**USD -200bps**	**RON -200bps**	**CHF -200bps**
Less than 1 month	(166.372)	(252.156)	1.059.061	(173.812)
1 – 3 months	492.579	(152.566)	(239.576)	35.559
3 – 6 months	(618.541)	(243.177)	1.566.948	224.213
6 – 12 months	(1.496.945)	(640.890)	(2.303.628)	1.183.032
1 - 2 years	(573.768)	(37.967)	(509.333)	(11.979)
2 - 3 years	(100.682)	(41.895)	(268.746)	(4.259)
3 - 4 years	(21.041)	(12.096)	(298.024)	(1.013)
4 - 5 years	53.324	-	(315.612)	4.628
5 - 7 years	1.888.054	-	(704.595)	14.114
7 - 10 years	(1.267.953)	-	(1.113.554)	32.204
10 - 15 years	215.557	-	6.155	61.695
15 - 20 years	(60.500)	-	6.248	-
Over 20 years	-	-	97	-
TOTAL	**(1.656.289)**	**(1.380.746)**	**(3.114.560)**	**1.364.381**

4. Risk-management policies (continued)

c) Interest rate risk (continued)

31 December 2022 (amounts are shown in RON) (impact in the detailed profit and loss account):

Maturity band	EUR +200bps	USD +200bps	RON +200bps	CHF +200bps
Less than 1 month	(689.234)	61.680	(443.674)	67.485
1 – 3 months	555.607	358.516	(385.183)	(49.840)
3 – 6 months	1.227.838	211.094	(1.884.797)	(234.439)
6 – 12 months	3.170.558	519.409	1.273.115	(3.708)
1 - 2 years	853.858	401	330.052	(372)
2 - 3 years	(58.268)	-	353	(571)
3 - 4 years	(75.611)	-	(584)	(780)
4 - 5 years	(91.983)	-	(754)	(996)
5 - 7 years	(207.958)	-	(2.211)	(2.846)
7 - 10 years	(378.832)	-	(3.531)	(6.340)
10 - 15 years	(279.484)	-	-	(16.501)
15 - 20 years	51.639	-	-	-
Over 20 years	-	-	-	-
TOTAL	**4.078.130**	**1.151.100**	**(1.117.214)**	**(248.907)**

Maturity band	EUR -200bps	USD -200bps	RON -200bps	CHF -200bps
Less than 1 month	689.246	(61.681)	443.681	(67.486)
1 – 3 months	(555.635)	(358.534)	385.202	49.842
3 – 6 months	(1.227.960)	(211.114)	1.884.979	234.462
6 – 12 months	(3.171.173)	(519.507)	(1.273.352)	3.709
1 - 2 years	(854.106)	(401)	(330.144)	372
2 - 3 years	58.291	-	(354)	571
3 - 4 years	75.648	-	585	780
4 - 5 years	92.036	-	755	997
5 - 7 years	208.119	-	2.213	2.848
7 - 10 years	379.237	-	3.535	6.346
10 - 15 years	279.918	-	-	16.527
15 - 20 years	(51.745)	-	-	-
Over 20 years	-	-	-	-
TOTAL	**(4.078.123)**	**(1.151.238)**	**1.117.099**	**248.969**

4. Risk-management policies (continued)

d) Currency risk

The Group is exposed to currency risk through foreign currency transactions against RON. The Group manages its exposure to exchange rate fluctuations by changing the mix of assets and liabilities. The main currencies held by the group are EUR, CHF and USD. On the Romanian market, exchange rates have a high volatility, therefore open exchange positions represent a source of currency risk. To reduce losses from adverse changes in exchange rates, the Group follows a policy of maintaining a certain foreign exchange position.

Currency risk is the risk of having losses or not achieving the expected profit due to market exchange rates fluctuations.

The table below indicates the currencies to which the Group has significant exposures as at 31 December 2023. The analysis calculates the effect of a reasonable possible increase in the exchange rate against RON, with all other variables held constant, on the annual income and capital. A negative amount reflects a possible net reduction in income or capital, while a positive amount reflects a possible net increase. An equivalent decrease for each of the currencies against the RON would have caused a similar impact of opposite sign.

31 December 2023

	Variation of exchange rates %	Profit impact before taxation	Impact on capital
EUR	5%	(2.278)	(1.914)

31 December 2022

	Variation of exchange rates %	Profit impact before taxation	Impact on capital
EUR	5%	578	486

The basis for identifying, estimating, monitoring and managing currency risk are, according to the Group's policies, the currency-denominated items in the Group's portfolio.

4. Risk management policies (continued)

d) Currency risk *(continued)*

Exchange position

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

Thousand RON	**RON**	**EUR**	**USD**	**Others**	**Total**
Cash and current accounts at central bank	714.545	69.245	5.789	5.726	**795.305**
Derivative financial instruments	106	-	-	-	**106**
Financial assets at fair value through profit or loss account	-	-	18.284	-	**18.284**
Financial assets at fair value through other comprehensive income	114.898	175.271	227.589	-	**517.758**
Loans and advances granted to banks	7.563	193.935	10.708	10.234	**222.440**
Loans and advances to customers	976.866	539.654	1.596	107.882	**1.625.998**
Tangible assets	71.934	-	-	-	**71.934**
Intangible assets	15.578	-	-	-	**15.578**
Current income tax receivables	284	-	-	-	**284**
Receivables from deferred corporate tax, net	7.289	-	-	-	**7.289**
Other assets	98.435	1.128	2	2.906	**102.471**
Total assets	**2.007.498**	**979.233**	**263.968**	**126.748**	**3.377.447**
Financial debts at fair value through profit and loss account	2.239	-	-	-	**2.239**
Deposits from central bank	-	-	-	-	**-**
Bank deposits	4	-	-	-	**4**
Deposits from customers	169.625	184.889	45.595	1.176	**401.285**
Derivative financial instruments	1.001.789	814.402	171.005	13.449	**2.000.645**
Other loans	-	-	-	-	**-**
Other debts	35.418	25.508	394	11	**61.331**
Total debts	**1.209.075**	**1.024.799**	**216.994**	**14.636**	**2.465.504**
Balance sheet position, net	**798.423**	**(45.566)**	**46.974**	**112.112**	**911.943**
Derivatives for risk management					
Total net position	**798.423**	**(45.566)**	**46.974**	**112.112**	**911.943**

4. Risk-management policies (*continued*)

d) Currency risk *(continued)*

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

Thousand RON	**RON**	**EUR**	**USD**	**Others**	**Total**
Cash and current accounts at central bank	468.709	26.818	5.100	6.066	**506.693**
Derivative financial instruments	-	204	-	-	**204**
Financial assets at fair value through profit or loss account	-	-	15.062	-	**15.062**
Financial assets at fair value through other comprehensive income	437.006	177.307	165.171	-	**779.484**
Loans and advances granted to banks	5.184	196.446	1.950	9.618	**213.198**
Loans and advances to customers	1.300.277	851.576	2.759	117.732	**2.272.344**
Tangible assets	83.833	-	-	-	**83.833**
Intangible assets	10.205	-	-	-	**10.205**
Current income tax receivables	621	-	-	-	**621**
Receivables from deferred corporate tax, net	10.154	-	-	-	**10.154**
Other assets	105.410	871	1	2.856	**109.138**
Total assets	**2.421.399**	**1.253.222**	**190.043**	**136.272**	**4.000.936**
Financial debts at fair value through profit and loss account	-	-	-	-	-
Deposits from central bank	-	-	-	-	-
Bank deposits	301.362	321.809	593	2.047	**625.811**
Deposits from customers	1.014.047	1.177.308	223.936	11.978	**2.427.269**
Derivative financial instruments	1	456	287	-	**744**
Other loans	-	-	-	-	-
Other debts	34.388	32.533	375	11	**67.307**
Total debts	**1.349.798**	**1.532.106**	**225.191**	**14.036**	**3.121.131**
Balance sheet position, net	**1.071.601**	**(278.884)**	**(35.148)**	**122.236**	**879.805**
Derivatives for risk management	**(208.409)**	**290.936**	**37.043**	**(120.027)**	**(457)**
Total net position	**863.192**	**12.052**	**1.895**	**2.209**	**879.348**

* RON is not included in the total net position as it is the Bank's functional currency.

4. Risk-management policies (*continued*)

e) Liquidity risk

i) Liquidity risk management

Liquidity risk is generated by the asset positions and obtained resources management policy. It includes both the risk that the Group will encounter difficulties in raising the funds necessary to refinance assets when due and the risk arising from the inability to liquidate an asset at a reasonable value within an appropriate period of time.

The group has access to diversified funding sources. Funds are attracted through a wide range of instruments including deposits, loans and equity. This improves the flexibility of fundraising, limits the reliance on a single type of funding and leads to an overall decrease in the costs of fundraising. The Group tries to maintain a balance between continuity and flexibility of fundraising by taking on debt with different maturities. The Group constantly assesses liquidity risk by identifying and monitoring changes in funding and diversifying its funding basis.

The daily liquidity position is monitored and sensitivity tests are performed based on various scenarios covering normal market conditions and severe market conditions. All liquidity procedures and rules are submitted to the Asset and Liability Management Committee for review and approval. The daily reports cover the liquidity position of the Group and its subsidiaries.

ii) Exposure to liquidity risk

The Group manages liquidity risk, based both on indicators and limits set by the National Bank of Romania and on internal indicators and limits. The main indicators monitored by the Group in managing liquidity risk are: liquidity requirements coverage, stable funding needs, immediate liquidity indicator calculated as the ratio of cash and cash equivalents, deposits with banks and uncollateralized government securities to sources of funding and borrowings.

The value of the liquidity indicators transmitted to the NBR according to the maturity bands on 31 December 2023 and 31 December 2022 respectively was within the limits provided by the NBR regulations.

4. Risk-management policies (*continued*)

e) Liquidity risk (continued)

The Group's assets and liabilities analysed based on the remaining period from 31 December 2023 to the contractual maturity date are as follows:

Thousand RON	Less than 1 year	1 - 5 years	More than 5 year	Without maturity	Total
Assets					
Cash and current accounts at central bank	795.305	-	-	-	795.305
Derivative financial instruments	106	-	-	-	106
Financial assets at fair value through profit or loss account	-	-	-	18.284	18.284
Financial assets at fair value through other comprehensive income	113.970	373.674	10.758	19.356	517.758
Loans and advances granted to banks	222.440	-	-	-	222.440
Loans and advances to customers	738.190	406.632	481.176	-	1.625.998
Tangible assets	1.839	21.680	-	48.415	71.934
Intangible assets	-	-	-	15.578	15.578
Current income tax receivables	-	-	-	284	284
Receivables from deferred corporate tax, net	-	-	-	7.289	7.289
Other assets	-	-	-	102.471	102.471
Total assets	**1.871.850**	**801.986**	**491.934**	**211.677**	**3.377.447**
Financial debts at fair value through profit and loss account	2.239	-	-	-	2.239
Deposits from central bank	-	-	-	-	-
Bank deposits	401.285	-	-	-	401.285
Deposits from customers	1.980.676	19.658	311	-	2.000.645
Other loans	-	-	-	-	-
Other debts	46.140	15.195	-	-	61.335
Total debts	**2.430.340**	**34.853**	**311**	**-**	**2.465.504**
Total net position	**(558.490)**	**767.133**	**491.623**	**211.677**	**911.943**

4. Risk-management policies (*continued*)

e) Liquidity risk (continued)

The negative liquidity gaps recorded by the Group on the first two maturity bands are determined by the structure of the bank's balance sheet, where the assets naturally have longer maturities and the liabilities, especially deposits from non-bank customers, have short maturities, determined by the general behaviour of the population and economic agents. However, this negative gap does not actually represent an outflow of funds due to the high rate of deposit rollover on one hand and new deposits on the other hand. In addition, for effective liquidity risk management, the Group holds a significant portfolio of government securities that can be immediately converted into cash to cover any funding needs, as well as a EUR 85 million contingency funding line from CEB NV.

The Group's assets and liabilities analysed based on the remaining period from 31 December 2022 to the contractual maturity date are as follows:

Thousand RON	**Less than 1 year**	**1 - 5 years**	**More than 5 year**	**Without maturity**	**Total**
Assets					
Cash and current accounts at central bank	506.693	-	-	-	506.693
Derivative financial instruments	204	-	-	-	204
Financial assets at fair value through profit or loss account	-	-	-	15.062	15.062
Financial assets at fair value through other comprehensive income	587.901	155.121	19.761	16.701	779.484
Loans and advances granted to banks	213.198	-	-	-	213.198
Loans and advances to customers	1.184.711	505.126	582.507	-	2.272.344
Tangible assets	-	-	-	83.834	83.834
Intangible assets	-	-	-	10.205	10.205
Current income tax receivables	-	-	-	621	621
Receivables from deferred corporate tax, net	-	-	-	10.153	10.153
Other assets	-	-	-	109.138	109.138
Total assets	**2.492.707**	**660.247**	**602.268**	**245.714**	**4.000.936**
Financial debts at fair value through profit and loss account	744	-	-	-	744
Deposits from central bank	-	-	-	-	-
Bank deposits	625.811	-	-	-	625.811
Deposits from customers	2.392.023	34.880	366	-	2.427.269
Other loans	-	-	-	-	-
Other debts	67.307	-	-	-	67.307
Total debts	**3.085.885**	**34.880**	**366**	**-**	**3.121.131**
Total net position	**(593.178)**	**625.367**	**601.902**	**245.714**	**879.805**

4. Risk-management policies (continued)

e) Liquidity risk (continued)

Residual contractual maturities of financial liabilities

Thousand RON	At on demand	Less than 3 months	3 months - 1 year	5-Jan years	Over 5 years	Receipts / (disbursements) Gross
31 December 2023						
Non-derivative liabilities						
Bank deposits	(296.760)	(104.624)	-	-	-	**(401.384)**
Deposits from customers	(416.227)	(979.304)	(604.320)	(20.754)	(311)	**(2.020.916)**
Loans from banks and other financial institutions	-	-	-	-	-	-
Total	**(712.987)**	**(1.083.928)**	**(604.320)**	**(20.754)**	**(311)**	**(2.422.300)**
Derivatives						
At fair value:						
Disbursements	(2.239)	-	-	-	-	**(2.239)**
Receipts	106	-	-	-	-	**106**
	(2.133)	-	-	-	-	**(2.133)**
Unused commitments	**1.049.165**	-	-	-	-	**1.049.165**

Thousand RON	At on demand	Less than 3 months	3 months - 1 year	5-Jan years	Over 5 years	Receipts / (disbursements) Gross
31 December 2022						
Non-derivative liabilities						
Bank deposits	(29.967)	(595.844)	-	-	-	**(625.811)**
Deposits from customers	(550.155)	(1.225.066)	(644.930)	(36.272)	(366)	**(2.456.789)**
Loans from banks and other financial institutions	-	-	-	-	-	-
Total	**(580.122)**	**(1.820.910)**	**(644.930)**	**(36.272)**	**(366)**	**(3.082.600)**
Derivatives						
At fair value:						
Disbursements	(744)	-	-	-	-	**(744)**
Receipts	204	-	-	-	-	**204**
	(540)	-	-	-	-	**(540)**
Unused commitments	**1.034.558**	-	-	-	-	**1.034.558**

4. Risk-management policies (continued)

f) Capital management

The National Bank of Romania ("NBR") regulates and monitors the Group's capital requirement.

To implement the current capital requirements the NBR requires the Bank to maintain a certain ratio of total capital to total risk-bearing assets.

The Group's capital is divided into two categories:

- Tier 1 capital includes paid-in capital instruments, retained earnings, accumulated other comprehensive income, other reserves and other reserves for general banking risks, gross value of other intangible assets, investments in financial affiliates and other transitional adjustments related to additional Tier 1 capital.
- Tier 2 own funds include other transitional adjustments related to Tier 2 own funds

The Group's policy is to maintain a strong capital base in order to maintain the confidence of investors, lenders and the market and to support future business development. The Group recognises the impact that capital level has on shareholder returns and the need to maintain a balance between high returns and the benefits and security of a healthy capital position.

The group complied with externally imposed capital requirements throughout the period, in accordance with applicable law.

g) Operational Risk

Operational risk is the risk of incurring direct or indirect losses resulting from a wide range of factors associated with the Group's processes, personnel, technology or infrastructure or external factors, other than those associated with credit, market or liquidity risks such as those resulting from legal and regulatory requirements or generally accepted corporate policy standards. Operational risk arises from all the Group's activities and occurs across all entities.

The Group's objective is to manage operational risk so as to strike a balance between avoiding financial losses and damage to the Group's reputation with cost effectiveness and avoiding excessive control procedures that restrict initiative and creativity.

Primary responsibility for developing and implementing operational risk controls rests with each unit's management and the Risk Committee. The responsibility is supported by the development of the Group's overall operational risk management standards in the following areas:

- Separation of responsibilities requirements, including independent authorisation of transactions;
- Reconciliation and transaction monitoring requirements;
- Alignment with regulatory and legal requirements;
- Documenting controls and procedures;
- Requirements to periodically review the operational risk to which the Group is exposed, and the adequacy of controls and procedures to respond to identified risks;
- Operational loss reporting requirements and remediation proposals;
- Developing contingent plans;
- Professional development and training;
- Setting ethical standards.
- Risk prevention, including insurance where applicable.

4. Risk management policies (continued)

g) Operational risk (continued)

The Group's objectives are to manage risk in a manner similar to industry best practice.

Credit Europe Bank (Romania) S.A. and its subsidiary manages operational risk by identifying, estimating, monitoring, controlling risks. Operational risks inherent in processes, activities and products are identified and estimated. The Group monitors losses resulting from operational risks and reports them to the Risk Committee, the Board of Directors and management. To ensure effective internal control, the Group adequately documents operational processes and establishes control procedures. The group also focuses on the principle of segregation of activities and independent authorisation in all its activities.

The Group's own operational risk management methods are the processes and systems applied by the Group to identify and manage operational risk and determine risk exposure at Group level. These are as follows:

- Collecting data on losses;
- Risk inventory;
- Own estimation of risk;
- Main risk indicators;
- Operational risk management system;
- Calculation of capital requirements.

The effective management of operational risks together with the communication, acceptance and implementation of these objectives are supported by an organisational structure with well-established activities, competencies and responsibilities.

The group uses a balanced set of methods to implement the overall strategy outlined above. The above mentioned set of methods is continuously developed and adjusted to the Group's requirements.

Data collection on operational risk losses is the key tool. The collection of data on losses enables the systematic identification, recording and evaluation of the sources of these losses and their direct impact. A (plausible) measurement method is established for each loss event. The collection of operational risk loss data forms the basis for future quantification of operational risks.

h) Climate risk

The way the economy works is affected by climate change, so financial institutions are also affected by the impact of climate change. Climate risk should not be seen as a stand-alone risk but is an accelerator of the other risks managed by the Group.

Climate risk consists of two categories of risk: physical risk and transition risk.

Physical risk is caused by extreme weather events (storms, floods, fires, etc.).

Transition risk arises as a result of measures taken to mitigate the effects of climate change and the transition to a low-carbon economy.

To manage these risks, the provisions of the "ESG Risk Policy" apply to loans with significant exposure. Thus, the Group uses an ESG assessment questionnaire at the time of granting loans, changes in contractual conditions or loan extensions to borrowers with exposures greater than 5 million RON.

During 2023 the Group assessed a number of 27 clients with exposures as at 31.12.2023 amounting 313.287 thousand RON, out of which only one client was identified with high ESG risk, with an exposure of 16.525 thousand RON.

5. Professional estimates and reasoning

The Group makes estimates and assumptions that affect the reported amount of assets and liabilities during the next financial year. Estimates and judgments are evaluated on an ongoing basis and are based on past experience and other factors, including expectations about future events that are believed to be reasonable under the circumstances.

a) Significant estimates

The Group is involved in a number of disputes with clients over unfair terms, with clients claiming the following to be unfair: origination fees, administration fees and rescheduling fees. Provisions of 6.041 thousand RON were recognised for this purpose as at 31 December 2023 (31 December 2022: 7.476 thousand RON). These provisions also contain the estimated results of potential future litigation that may arise on this type of subject in the future.

b) Professional estimates

Impairment losses on loans and advances to customers

In accordance with the internal impairment assessment procedure (see Note 3), the Group reviews the loan portfolio to assess the impairment of these assets on a monthly basis. To determine whether an impairment loss should be recognised in the profit and loss account. The Group makes judgements about disclosures that indicate the existence of objective indicators of impairment that affect the future cash flows expected to be generated by a loan or group of loans. Management uses estimates based on past experience of credit losses with similar credit risk characteristics; at the same time the calculation of the present value of future cash flows involves management's judgments and in the current macroeconomic context, post model adjustments are applied. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce differences between estimated losses and losses actually incurred on loans.

Given the uncertainties in the economy, such as rising inflation, rising benchmark interest rates, rising prices in the energy market, difficulties in the supply chain, the Group has applied a number of post-model adjustments to adapt the credit risk model to the new economic context.
Post-model adjustments applied in 2022 to estimate the effect of the pandemic event were largely maintained in 2023. Thus, exposures have been assessed as sensitive in some sectors (e.g. real estate and energy producers/consumers) or to the increase in IRCC with an effect on the indebtedness of natural person debtors with loans denominated in RON.
Post-model adjustments have led to higher expected loss volumes, as internal rating models have been slightly altered by government relief measures, the latter of which have prevented the occurrence of default events at debtor level that would otherwise have faced difficulties in paying debts to various creditors.

At the end of 2023, the Group applied post-model adjustments amounting to 42,8 million RON, representing 15,8 million RON for clients in the corporate loan portfolio considering the uncertainty regarding the significant increase in credit risk due to the geopolitical context with the volatility of raw material costs, energy prices and financing costs, and for the mortgage portfolio, post-model adjustments amounting to 27,0 million RON have been allocated as a result of the application of a minimum LGD curve for customers with long recovery terms in foreclosure, for customers who might be affected by the debt degree increase as a result of the increase in the IRCC and for clients who might give in payment for rental property.

5. Professional estimates and reasoning

b) Professional reasonings (*continued*)

At the end of 2022, the Group applied post-model adjustments amounting to 57,9 million RON, representing 32,4 million RON for clients in the corporate loan portfolio considering the uncertainty regarding the significant increase in credit risk due to the geopolitical context with the increase of raw material costs, energy prices and financing costs, and for the mortgage portfolio, post-model adjustments amounting to 25,5 million RON have been allocated as a result of the application of a minimum LGD curve for customers with long recovery terms in foreclosure, and of the guarantees' adjustment with impaired coefficients for customers with payment improbability.

6. The fair value of financial instruments

The Group measures the fair value of financial instruments using one of the following ranking methods:

- Tier 1: Quotes from an active market for similar financial instruments;
- Tier 2: Assets and liabilities that are excluded from Tier 1, with prices that are directly observable or indirectly observable using the prices of similar financial assets or liabilities;
- Tier 3: Assets and liabilities for which there is no observable market data for valuation;

The objective of valuation techniques is to determine the fair value that reflects the price that would be obtained in an arm's length transaction for the financial instrument at the balance sheet date. The availability of observable market data and models reduces the need for management estimates and judgments and the uncertainty associated with determining fair value. The availability of observable market data and patterns depends on market products and is prone to change based on specific events and general financial market conditions.

The fair value of financial instruments that are not traded on an active market (e.g. government securities, bonds and unlisted certificates of deposit) are determined using valuation techniques. The management uses judgments to select the valuation method and makes assumptions based primarily on market conditions at the balance sheet date.
Valuation models that use a significant amount of unobservable inputs require a higher percentage of management estimates and judgments in determining fair value. Management estimates and judgments are typically required to select the most appropriate valuation model, determine the future cash flows of the instrument being valued, determine the probability of counterparty default, and select prepayments and discount rates.

In determining fair values, the Group uses the average of plausible alternative inputs. When alternative assumptions are available within a wide range, the judgments exercised in selecting the most appropriate point in the data range include assessing the quality of the data sources (e.g., the experience and expertise of brokers providing different quotes in the same range gives greater weight to a quote from the instrument's original broker who has the most detailed data about the instrument) and the willingness to investigate information about the data included in the data range.

6. The fair value of financial instruments *(continued)*

The table below analyses the financial instruments measured at fair value at the end of the financial year, according to the level the method used to determine fair value falls in:

Thousand RON

31 December 2023	**Tier 1**	**Tier 2**	**Tier 3**	**Total**
Financial assets				
Financial assets at fair value through profit and loss account - derivatives	-	106	-	106
Financial assets at fair value through profit or loss account - capital instruments	932	-	17.352	18.284
Financial assets at fair value through other comprehensive income	**512.246**	**-**	**5.512**	**517.758**
Capital instruments - shares	13.844	-	5.512	19.356
Debt instruments - government bonds	498.402	-	-	498.402
Total	**513.178**	**106**	**22.864**	**536.148**
Financial liabilities				
Financial liabilities at fair value through profit and loss account - derivatives	-	2.239	-	**2.239**
Total	**-**	**2.239**	**-**	**2.239**

Thousand RON

31 December 2022	**Tier 1**	**Tier 2**	**Tier 3**	**Total**
Financial assets				
Financial assets at fair value through profit and loss account - derivatives	-	204	-	204
Financial assets at fair value through profit or loss account - capital instruments	766	-	14.296	15.062
Financial assets at fair value through other comprehensive income	**339.400**	**440.084**	**-**	**779.484**
Capital instruments - shares	11.189	-	5.512	16.701
Debt instruments - government bonds	328.211	434.572	-	762.783
Total	**340.166**	**440.288**	**14.296**	**794.750**
Financial liabilities				
Financial liabilities at fair value through profit and loss account - derivatives	-	744	-	**744**
Total	**-**	**744**	**-**	**744**

A change within reasonable limits in the unobservable amounts of financial instruments that are measured at fair market value classified as Tier 3 does not have a material impact on the Bank's result.

6. The fair value of financial instruments *(continued)*

The following table summarises the net accounting values and fair values for each class of financial assets and liabilities that are not presented at fair value in the Group's statement of financial position as at 31 December 2023:

Thousand RON

Assets	Tier 1	Tier 2	Tier 3	Total fair value	Book value
Loans and advances granted to banks	-	222.440	-	222.440	222.440
Loans and advances to customers	-	-	1.645.793	1.645.793	1.625.998
Total	**-**	**222.440**	**1.645.793**	**1.868.233**	**1.848.438**
Liabilities					
Bank deposits	-	401.285	-	401.285	**401.285**
Deposits from customers	-	-	2.015.352	2.015.352	2.000.645
Other loans	-	-	-	**-**	-
Total	**-**	**401.285**	**2.015.352**	**2.416.637**	**2.401.930**

The following table summarises the net accounting values and fair values for each class of financial assets and liabilities that are not presented at fair value in the Group's statement of financial position as at 31 December 2022:

Thousand RON

Assets	Tier 1	Tier 2	Tier 3	Total fair value	Book value
Loans and advances granted to banks	-	213.198	-	**213.198**	213.198
Loans and advances to customers	-	-	2.267.406	**2.267.406**	2.272.344
Total	**-**	**213.198**	**2.267.406**	**2.480.604**	**2.485.542**
Liabilities					
Bank deposits	-	625.811	-	**625.811**	625.811
Deposits from customers	-	-	2.436.145	**2.436.145**	2.427.269
Other loans	-	-	-	**-**	-
Total	**-**	**625.811**	**2.436.145**	**3.061.956**	**3.053.080**

6. The fair value of financial instruments *(continued)*

The following presents the significant methods and assumptions used in estimating the fair values of the financial instruments in the table above.

Loans and advances granted to banks: The Group's short-term investments with banks include current accounts and deposits with banks. The fair value of variable rate investments and overnight deposits is represented by their book value. Fixed interest rate deposits have a maturity of less than three months and their fair value is assumed not to be significantly different from the book value and can be converted into cash without significant transaction costs.

Loans and advances to customers: These are presented net of adjustments for impairment losses. For loans with variable interest rates or with a maturity of less than one year it is assumed that their fair value is not significantly different from the book value. The estimated fair value of fixed interest rate loans and advances that have changes in original loan terms are measured based on discounting future cash flows at the Group's internal rates. It is assumed that repayments are made according to the contractual repayment schedule for non-impaired loans, and in the case of impaired loans, the estimated recoveries and related losses are taken into account. Deposits from customers and from banks: for deposits on demand and for deposits without fixed maturity, the fair value is considered to be the amount payable at the date of the consolidated financial position. For deposits with a maturity of up to one year, it is assumed that their fair value is not significantly different from the book value. The fair value of fixed maturity deposits, including certificates of deposit, is based on discounted cash flows using interest rates offered at the balance sheet date for deposits with similar remaining maturities.

7. Net interest income

Thousand RON

	2023	2022
Interest income using the effective interest method		
Loans and advances to banks (includes interest income on investments with the NBR)	17.365	1.665
Investment securities	27.967	24.009
Loans granted to clients	189.311	157.278
Interest income from derivatives	2.785	684
Total interest income	**237.428**	**183.636**

During 2023 interest income on non-performing loans amounted to 2.124 thousand RON (Dec 2022: 2.386 mii RON).

Interest expenses		
Deposits from banks (includes interest expenses on banking investments from the NBR)	(7.632)	(10.927)
Deposits from customers	(68.163)	(30.253)
Interest expense on derivatives	(868)	(1.733)
Interest expenses on leasing contracts	(176)	(177)
Total interest expenses	**(76.839)**	**(43.090)**
Net interest income	**160.589**	**140.546**

8. Net income from fees and commissions

Thousand RON

	2023	2022
Income from fees and commissions operated		
Card transaction fees	33.853	32.333
Letters of guarantee issuance	523	545
Proceeds and payments transactions	6.548	7.271
Other	4.552	4.596
Total fees and commissions income	**45.476**	**44.745**
Expenses with fees and commissions		
Proceeds and payments transactions	(18.157)	(18.216)
Expenses on financial services	(58)	(67)
Other	-	(1)
Total fees and commissions expenses	**(18.215)**	**(18.284)**
Net income from fees and commissions	**27.261**	**26.461**

9. Other operating income

Thousand RON

	2023	2022
Dividend income	2.184	1.925
Income from rents	393	451
Other Income (*)	24.588	44.057
Total	**27.165**	**46.433**

(*)Other income mainly includes income from debt recoveries, taken off balance sheet, 15.923 thousand RON for 2023 (33.793 thousand RON for 2022).

10. Realised gains on securities

Thousand RON

	2023	2022
Financial assets evaluated at fair value through other comprehensive income	27	99
Total	**27**	**99**

11. Net trading income

Thousand RON

	2023	2022
Net profit from foreign exchange transactions	4.857	6.593
Net loss on revaluation of foreign currency assets/liabilities	2.534	3.115
Total	**7.391**	**9.708**

12. Net impairment expenses on financial assets not measured at fair value through profit or loss account

Thousand RON

	2023	2022
Expenses related to impairment adjustments on loans granted to customers	(132.059)	(113.104)
Income from impairment adjustments on loans granted to customers	158.951	100.768
Bad debt losses not covered by provisions	(1.378)	(8.321)
Net allocation of provisions for liabilities and guarantees granted	(198)	(873)
Net expenses with adjustments for financial assets impairment	**25.316**	**(21.530)**

13. Personnel expenses

Thousand RON

	2023	2022
Salaries and similar expenses	(90.552)	(81.000)
Social contributions	(3.359)	(2.916)
Provision for unused leave	(500)	(769)
Total	**(94.411)**	**(84.685)**

The number of Group employees on the December 2023 payroll was 588 employees (December 2022: 652 employees).

14. Other operating expenses

Thousand RON

	2023	2022
Third party services expenses	(12.076)	(14.179)
Rent expenses *(i)*	(398)	(363)
Materials and small inventory	(2.581)	(2.500)
Other fees	(2.138)	(2.316)
Contribution to the Deposit Guarantee Fund	(3.025)	(4.882)
Advertising and publicity	(4.789)	(5.219)
Postal and telephone expenses	(6.354)	(6.284)
Utility expenses	(3.453)	(4.154)
Maintenance and repairs expenses	(14.784)	(12.590)
Transport and travel expenses	(497)	(475)
The undepreciated portion of fixed assets decommissioned	(730)	(21)
Provision for litigation	-	(652)
Other expenses, including net expenses/revenues from resale of recovered assets (ii)	(5.893)	(5.457)
Total	**(56.718)**	**(59.092)**

(i) Rental expenses include short-term rental expenses of 313 thousand RON (Dec 2022: 292 thousand RON) and for low value assets of 17 thousand RON (dec 2022: 17 thousand RON).

(ii)

Thousand RON

2023	Statutory audit services	Other insurance services	Tax consultancy services	Other non-audit services
Amount paid	(985)*	(250)	-	-
Of which amounts paid for 2022	(482)	-	-	-
Amount to be paid	(620)	-	-	-

* Includes FINREP Audit expense at 30.06.2023 218 thousand RON

2022	Statutory audit services	Other insurance services	Tax consultancy services	Other non-audit services
Amount paid	(1.245)*	(95)	-	-
Of which amounts paid for 2021	(589)	-	-	-
Amount to be paid	(482)	-	-	-

* Includes FINREP Audit expense at 30.06.2022 203 thousand RON

During 2023 the statutory auditor provided no services other than audit and assurance services.

15. Corporate tax expense

Thousand RON	2023	2022
Current corporate tax expense	(11.114)	(5.545)
Deferred corporate tax expense	(147)	(488)
Corporate tax expense	**(11.261)**	**(6.033)**

Reconciliation of pre-tax profit to corporate tax expense

Thousand RON	2023	2022
Profit / (loss) before taxation	**78.082**	**36.784**
Taxation according to the statutory rate of 16%.	**(12.493)**	**(5.885)**
Effect due to non-deductible expenses	387	(24)
Effect due to non-taxable gains	(28)	63
Accounting and fiscal amortization differences	119	122
Impact of other items and deferred tax revenues/expenses	754	(309)
Corporate tax expense	**(11.261)**	**(6.033)**

16. Cash and cash equivalents

Thousand RON	31 December 2023	31 December 2022
Cash at cash desks and ATMs	56.558	66.166
Accounts with banks (initial maturity less than 3 months) (note 18)	215.334	208.972
Total cash and cash equivalents	**271.892**	**275.138**

17. Cash and current accounts at the central bank

Thousand RON

	31 December 2023	31 December 2022
Cash at cash desk	42.645	50.950
Cash at ATMs	13.913	15.216
Current accounts at National Bank of Romania	738.747	440.527
Total	**795.305**	**506.693**

The current accounts held with the National Bank of Romania were opened to meet the minimum reserve requirements. These funds are available for the Bank's daily activities as long as their average level respects the minimum level required by the National Bank of Romania. As at 31 December 2023, the minimum reserve ratio was 8% (31 December 2022: 8%) for RON-denominated funds raised from clients and 5% (31 December 2022: 5%) for funds denominated in foreign currency with a maturity of less than two years from the end of the observation period or more than two years from the end of the observation period, but with a redemption, transfer or early withdrawal clause.

18. Loans and advances granted to banks

Thousand RON

	31 December 2023	31 December 2022
Correspondent accounts with banks (nostro)	28.726	16.747
Demand deposits	186.608	192.225
Term deposits at banks	6.380	4.128
Collateral deposits at banks	726	98
Total	**222.440**	**213.198**

19. Financial assets valued at fair value through profit or loss account

Thousand RON

	31 December 2023	31 December 2022
Foreign exchange derivatives (swaps and forwards)	106	204
VISA shares	18.284	15.062
Total	**18.390**	**15.266**

19. Financial assets valued at fair value through profit or loss account (continued)

Revaluation of VISA Inc. Class C Preferred Shares is based on internal reasonable assumptions and estimates for Class C shares and on quoted market prices for Class A shares. The sale of shares is limited to certain conditions, which may restrict the conversion of preferred shares into tradable VISA Inc. shares. Due to these limiting conditions the fair value of the preferred shares was capped compared to VISA Inc. Class A common tradable shares. Accordingly, the price of the Class C preference shares has been determined using the reported conversion ratio and an additional 25% discount applied to take into account the uncertainty of the market price and the risk of the conversion factor for Class C shares.

20. Derivative financial instruments

The table below shows the fair value of derivative financial instruments, recorded as an asset or liability, together with the notional value of the contracts. The notional amount indicates the volume of transactions in the year end balance.

Thousand RON

	31 December 2023			**31 December 2022**		
	Assets	**Debts**	**Notional**	**Assets**	**Debts**	**Notional**
Derivatives - OTC market						
Foreign exchange swaps	22	2.192	251.132	41	741	408.510
Foreign exchange forwards	84	47	271.400	163	4	62.588
Total	**106**	**2.239**	**522.532**	**204**	**745**	**471.098**

21. Investment securities

Thousand RON

	31 December 2023	**31 December 2022**
Financial assets at fair value through other items of comprehensive income	517.758	779.484
Total Investment securities	**517.758**	**779.484**

Thousand RON

	31 December 2023	**31 December 2022**
Financial assets at fair value through other comprehensive income		
Government securities (i)	498.402	762.783
Capital instruments (ii)	19.356	16.701
Total securities available for sale	**517.758**	**779.484**

21. Investment securities (continued)

(i) At 31 December 2023 and 2022 The Group holds government securities issued by the Romanian Government (Ministry of Public Finance).

(ii) As at 31 December 2023 and 2022 the Group holds capital instruments consisting of shares in Transfond S.A. and Biroul de Credit S.A.

(iii) As at 31 December 2023 the provision balance for government securities held by the Group was 785 thousand RON (31 December 2022 : 1.201 thousand RON).

As at 31 December 2023 the Group was not engaged in Repo transactions with government securities (2022: 0 mii RON).

22. Loans and advances to customers

a) Economic Sectors analysis

The commercial loans and advances granted by the Group focus on natural and legal persons domiciled in Romania.

Thousand RON

	31 December 2023	**31 December 2022**
Corporate clients	521,683	1.184.105
Small and medium-sized enterprises	116,582	117.844
Natural persons	1,115,830	1.132.245
Loans and advances granted to customers gross value	**1,754,095**	**2.434.194**
Minus: Loans and advances to customers impairment adjustments	(128,097)	(161.849)
Total	**1.625.998**	**2.272.344**

22. Loans and advances to customers (continued)
a) Economic Sectors analysis: (continued)

As at 31 December 2023 and 31 December 2022, the concentration of loans granted to customers analysed by economic sector is as follows:

Thousand RON

	31 December 2023	**31 December 2022**
A. Agriculture, forestry and fishing	5.249	11.504
B. Extracting industry	-	-
B. Extracting industry	66.048	112.096
D. Production and supply of electricity and heat, gas, hot water and air conditioning	10.569	13.898
E. Water distribution; Sanitation, waste management, decontamination activities	-	28
F. Constructions	109.465	171.744
G. Wholesale and retail trade; Repair of cars and motorcycles	119.689	207.794
H. Transport and storage	17.235	35.579
I. Hotels and restaurants	37.409	53.719
J. Information and communications	1	28
K. Financial Brokerage and Insurance	29.427	366.910
L. Real estate transactions	81.679	115.314
M. Professional, scientific and technical activities	88.554	100.932
N. Administrative and support service activities	38.381	41.296
P. Education	3.327	2.269
Q. Health and social care	-	1.586
R. Entertainment, cultural and recreational activities	362	944
S. Other service activities	1	16
U. Activities of extraterritorial organisations and bodies	2.746	3.989
Natural persons	1.015.855	1.032.698
Total	**1.625.998**	**2.272.344**

22. Loans and advances to customers (continued)

b) Provisions for loans value depreciation

The structure of the Loans and Advances portfolio granted to customers, by valuation method and customer type.

Corporate loans

31.12.2023

Gross book value **Internal rating scale**	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Performing Exposures				
Group 1	335.626	29.110	-	**364.736**
Group 2	1.872	102.566	-	**104.438**
Group 3	-	50.354	-	**50.354**
Non-performing Exposures				
Default	-	-	2.065	**2.065**
Total	**337.498**	**182.030**	**2.065**	**521.593**
Depreciation	**(1.016)**	**(16.536)**	**(2.052)**	**(19.604)**
Net book value	**336.482**	**165.494**	**13**	**501.989**

	PD Range
Group 1	0.00% -2,00%
Group 2	2,00%- 4,00%
Group 3	> 4.00%

31.12.2022

Gross book value **Internal rating scale**	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Performing Exposures				
Group 1	349.719	164.469	-	**514.188**
Group 2	233.181	15.041	-	**248.222**
Group 3	320.215	93.347	-	**413.562**
Non-performing Exposures				
Default	-	-	8.133	**8.133**
Total	**903.115**	**272.857**	**8.133**	**1.184.105**
Depreciation	**(14.858)**	**(36.205)**	**(2.827)**	**(53.890)**
Net book value	**888.257**	**236.652**	**5.306**	**1.130.215**

The table below shows the credit analysis according to the credit risk rating scale:

	PD Range
Group 1	0.00% -2,00%
Group 2	2,00%- 4,00%
Group 3	> 4.00%

22. Loans and advances to customers (continued)

b) Provisions for loans value impairment (continued)

The following is an analysis of changes in gross book values as follows:

	Stage 1 Collective	Stage 2 Collective	Stage 3 Individual	TOTAL
Gross book value at 1 January 2023**	886.410	261.371	8.133	**1.155.914**
Increases due to the issue or purchase of new loans	82.047	61.707	343	**144.097**
Decreases due to derecognition and full repayment of loans (less off-balance sheet removals)	(499.838)	(173.613)	(6.553)	**(680.004)**
Partial drawings on existing exposures and other exposure increases*	7.766	1	142	**7.909**
Partial repayments from existing exposures	(88.083)	(18.240)	-	**(106.323)**
Transfer in Stage 1	15.123	(15.123)	-	-
Transfer in Stage 2	(65.927)	65.927	-	-
Transfer in Stage 3	-	-	-	-
Write-offs or assignments	-	-	-	-
Adjustments for exchange rate differences	-	-	-	-
Gross book value at 31.12.2023	**337.498**	**182.030**	**2.065**	**521.593**

	Stage 1 Collective	Stage 2 Collective	Stage 3 Individual	TOTAL
Gross book value at 1 January 2022	630.044	390.913	4.821	**1.025.778**
Increases due to the issue or purchase of new loans	565.716	101.089	1.840	**668.645**
Decreases due to derecognition and full repayment of loans (less off-balance sheet removals)	(313.852)	(191.635)	(1.631)	**(507.118)**
Partial drawings on existing exposures and other exposure increases*	70.794	9.171	130	**80.095**
Partial repayments from existing exposures	(50.211)	(30.743)	(1.259)	**(82.213)**
Transfer in Stage 1	43.317	(43.317)	-	-
Transfer in Stage 2	(42.693)	42.693	-	-
Transfer in Stage 3	-	(5.314)	5.314	-
Write-offs or assignments	-	-	(1.082)	**(1.082)**
Adjustments for exchange rate differences	-	-	-	-
Gross book value at 31.12.2022	**903.115**	**272.857**	**8.133**	**1.184.105**

*Attached/accrued receivables, fees, penalties

**) The difference between the gross book value as at 31 December 2022 and the gross book value as at 1 January 2023 results from the reclassification during 2023 of 23 clients from Corporate to Small and Medium Enterprises (-47.458.955 RON) and of 2 clients from Small and Medium Enterprises to Corporate (3.149.152 RON).

22. Loans and advances to customers (continued)

b) Provisions for loans value impairment (continued)

The table below shows the analysis of the variation in expected losses as follows:

	Stage 1	Stage 2	Stage 3	TOTAL
Impairment of loans at 1 January 2023 (according to IFRS9)*	**14.825**	**35.895**	**2.827**	**53.547**
Increases due to the issue or purchase of new loans	274	3.531	330	4.135
Decreases due to derecognition and full repayment of loans (less off-balance sheet removals)	(11.498)	(21.866)	(1.275)	(34.639)
Increases due to partial drawings on existing exposures	33	235	170	438
Decreases due to partial repayments of existing exposures	(2.605)	(1.292)	-	(3.897)
Transfer in Stage 1	33	(33)	-	-
Transfer in Stage 2	(66)	66	-	-
Transfer in Stage 3	-	-	-	-
Write-offs of receivables	-	-	-	-
Adjustments for exchange rate differences	20	-	-	20
Impairment of loans at 31 December 2023	**1.016**	**16.536**	**2.052**	**19.604**

	Stage 1	Stage 2	Stage 3	TOTAL
Impairment of loans at 1 January 2022 (according to IFRS9)	**5.042**	**40.292**	**4.357**	**49.691**
Increases due to the issue or purchase of new loans	11.776	21.525	276	33.577
Decreases due to derecognition and full repayment of loans (less off-balance sheet removals)	(3.306)	(23.957)	(1.289)	(28.552)
Increases due to partial drawings on existing exposures	1.443	674	776	2.893
Decreases due to partial repayments of existing exposures	(1.209)	(1.212)	(216)	(2.637)
Transfer in Stage 1	1.196	(1.196)	-	-
Transfer in Stage 2	(74)	74	-	-
Transfer in Stage 3	-	(5)	5	-
Write-offs of receivables	-	-	(1.082)	(1.082)
Adjustments for exchange rate differences	(10)	10	-	-
Impairment of loans at 31 December 2022	**14.858**	**36.205**	**2.827**	**53.890**

*) The difference between total impairment as at 31 December 2022 and total impairment as at 1 January 2023 comes from the reclassification during 2023 of 23 clients from Corporate to Small and Medium Enterprises (-2.966.198 RON) and 2 clients from Small and Medium Enterprises to Corporate (7.459 RON).

22. Loans and advances to customers (continued)

b) Provisions for loans value impairment (continued)

Small and medium-sized enterprises

	31 December 2023			
Gross book value	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Performing Exposures				
Group 1	35.531	12.782	-	48.313
Group 2	31.517	7.908	-	39.425
Group 3	16.683	3.383	-	20.066
Non-performing Exposures				
Default	-	-	8.778	8.778
Total	**83.731**	**24.073**	**8.778**	**116.582**
Depreciation	**(356)**	**(325)**	**(7.811)**	**(8.492)**
Net book value	**83.375**	**23.748**	**967**	**108.090**

Performing exposures are classified according to the following rating groups:

	PD Range
Group 1	**0.00% -2,00%**
Group 2	**2,00%- 4,00%**
Grupa 3	**> 4.00%**

	31 December 2022			
Gross book value	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Performing Exposures				
Group 1	4.498	50	-	**4.548**
Group 2	30.055	851	-	**30.906**
Group 3	62.864	8.578	-	**71.442**
Non-performing Exposures				
Default	-	-	10.948	**10.948**
Total	**97.417**	**9.479**	**10.948**	**117.844**
Depreciation	**(1.124)**	**(350)**	**(7.020)**	**(8.494)**
Net book value	**96.293**	**9.129**	**3.928**	**109.350**

The performing exposures are classified into the following groups of PDs for the year 2022:

	PD Range
Group 1	**0.00% -2,00%**
Group 2	**2.00%- 4.00%**
Grupa 3	**> 4.00%**

22. Loans and advances to customers (continued)

b) Provisions for loans value impairment (continued)

The following table shows an analysis of changes in gross book values as follows:

	Stage 1 Collective	Stage 2 Collective	Stage 3 Individual	TOTAL
Gross book value at 1 January 2023**	**114.122**	**20.965**	**10.948**	**146.035**
Increases due to the issue or purchase of new loans	40.017	13.514	4.822	58.353
Decreases due to derecognition and full repayment of loans (less off-balance sheet removals)	(56.865)	(3.916)	(5.414)	(66.195)
Partial drawings on existing exposures and other increases in exposures*	620	-	23	643
Partial repayments from existing exposures	(16.340)	(3.942)	(1.972)	(22.254)
Transfer in Stage 1	7.151	(7.151)	-	-
Transfer in Stage 2	(4.974)	4.974	-	-
Transfer in Stage 3	-	(371)	371	-
Write-offs of receivables	-	-	-	-
Adjustments for exchange rate differences	-	-	-	-
Gross book value at 31.12.2023	**83.731**	**24.073**	**8.778**	**116.582**

	Stage 1 Collective	Stage 2 Collective	Stage 3 Individual	TOTAL
Gross book value at 1 January 2022	**74.156**	**28.004**	**19.731**	**121.891**
Increases due to the issue or purchase of new loans	36.556	1.796	1	38.353
Decreases due to derecognition and full repayment of loans (less off-balance sheet removals)	(9.882)	(5.402)	(1.973)	(17.257)
Partial drawings on existing exposures and other increases in exposures*	5.840	-	374	6.214
Partial repayments from existing exposures	(22.317)	(1.824)	(3.478)	(27.619)
Transfer in Stage 1	14.161	(14.160)	-	-
Transfer in Stage 2	(1.097)	1.097	-	-
Transfer in Stage 3	0	(32)	32	-
Write-offs of receivables	-	-	(3.739)	(3.739)
Adjustments for exchange rate differences	-	-	-	-
Gross book value at 31.12.2022	**97.417**	**9.479**	**10.948**	**117.844**

*Attached/accrued receivables, fees, penalties

**) The difference between the gross book value as at 31 December 2022 and the gross book value as at 1 January 2023 results from the reclassification during 2023 of 23 clients from Corporate to Small and Medium Enterprises (-47.458.955 RON) and of 2 clients from Small and Medium Enterprises to Corporate (3.149.152 RON).

The table below shows the analysis of the variation in expected losses as follows:

	Stage 1	Stage 2	Stage 3	TOTAL
Impairment of loans at 1 January 2023 (according to IFRS9)*	**1.156**	**660**	**7.020**	**8.836**
Increases due to the issue or purchase of new loans	239	188	4.571	4.998
Decreases due to derecognition and full repayment of loans (less off-balance sheet removals)	(498)	(283)	(4.489)	(5.270)
Increases due to partial drawings on existing exposures	4	22	1.363	1.389
Decreases due to partial repayments of existing exposures	(537)	(208)	(716)	(1.461)
Transfer in Stage 1	51	(51)	-	-
Transfer in Stage 2	(59)	59	-	-
Transfer in Stage 3	-	(62)	62	-
Write-offs of receivables	-	-	-	-
Adjustments for exchange rate differences	-	-	-	-
Impairment of loans at 31 December 2023	**356**	**325**	**7.811**	**8.492**

22. Loans and advances to customers (continued)

b) Provisions for loans value impairment (continued)

	Stage 1	Stage 2	Stage 3	TOTAL
Impairment of loans at 1 January 2022 (according to IFRS9)	**148**	**601**	**10.295**	**11.044**
Increases due to the issue or purchase of new loans	835	63	-	898
Decreases due to derecognition and full repayment of loans (less off-balance sheet removals)	(12)	(260)	337	65
Increases due to partial drawings on existing exposures	173	6	825	1.004
Decreases due to partial repayments of existing exposures	(81)	-	(698)	(779)
Transfer in Stage 1	61	(61)	-	-
Transfer in Stage 2	-	1	-	1
Transfer in Stage 3	-	-	-	-
Write-offs of receivables	-	-	(3.739)	(3.739)
Adjustments for exchange rate differences	-	-	-	-
Impairment of loans at 31 December 2022	**1.124**	**350**	**7.020**	**8.494**

*) The difference between total impairment as at 31 December 2022 and total impairment as at 1 January 2023 comes from the reclassification during 2023 of 23 clients from Corporate to Small and Medium Enterprises (-2.966.198 RON) and 2 clients from Small and Medium Enterprises to Corporate (7.459 RON).

Mortgage loans

	31 December 2023			
Gross book value	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Performing Exposures				
Group 1	198.823	36.000	-	234.823
Group 2	131.640	28.544	-	160.184
Group 3	110.958	16.229	-	127.187
Non-performing Exposures				
Default	-	-	102.087	102.087
Total	**441.421**	**80.773**	**102.087**	**624.281**
Depreciation	**(3.201)**	**(6.630)**	**(78.023)**	**(87.854)**
Net book value	**438.220**	**74.143**	**24.064**	**536.427**

Performing exposures are classified according to the following rating groups:

	PD Range
Group 1	**0.00% -2,00%**
Group 2	**2,00%- 4,00%**
Grupa 3	**> 4.00%**

22. Loans and advances to customers (continued)

b) Provisions for loans value impairment (continued)

	31 December 2022			
Gross book value	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Performing Exposures				
Group 1	-	-	-	-
Group 2	238.237	84.743	-	322.980
Group 3	81.059	166.560	-	247.620
Non-performing Exposures				
Default	-	-	113.975	**113.975**
Total	**319.296**	**251.303**	**113.975**	**684.575**
Depreciation	**(1.105)**	**(10.497)**	**(81.954)**	**(93.556)**
Net book value	**318.191**	**240.807**	**32.021**	**591.019**

Performing exposures are classified according to the following PD groups:

	PD Range
Group 1	**0.00% -2,00%**
Group 2	**2.00%- 4.00%**
Grupa 3	**> 4.00%**

The following table shows an analysis of changes in gross book values as follows:

	Stage 1 Collective	**Stage 2 Collective**	**Stage 3 Collective**	**TOTAL**
Gross book value at 1 January 2023	**319.296**	**251.303**	**113.975**	**684.574**
Increases due to the issue or purchase of new loans	138.602	35.851	18.532	192.985
Decreases due to derecognition and full repayment of loans (less off-balance sheet removals)	(117.523)	(77.457)	(25.104)	(220.084)
Partial drawings on existing exposures and other increases in exposures*	527	202	3.836	4.565
Partial repayments from existing exposures	(24.907)	(2.480)	(1.570)	(28.957)
Transfer in Stage 1	139.468	(137.057)	(2.411)	-
Transfer in Stage 2	(13.659)	18.327	(4.668)	-
Transfer in Stage 3	(383)	(7.916)	8.299	-
Write-offs of receivables	-	-	(8.802)	(8.802)
Adjustments for exchange rate differences	-	-	-	-
Gross book value at 31.12.2023	**441.421**	**80.773**	**102.087**	**624.281**

	Stage 1 Collective	**Stage 2 Collective**	**Stage 3 Collective**	**TOTAL**
Gross book value at 1 January 2022	**353.367**	**177.254**	**145.531**	**676.152**
Increases due to the issue or purchase of new loans	46.825	59.542	643	107.010
Decreases due to derecognition and full repayment of loans (less off-balance sheet removals)	(25.639)	(10.533)	(28.670)	(64.841)
Partial drawings on existing exposures and other increases in exposures*	1.079	845	3.399	5.323
Partial repayments from existing exposures	(21.780)	(14.272)	(3.017)	(39.069)
Transfer in Stage 1	37.296	(36.936)	(360)	-
Transfer in Stage 2	(71.678)	88.557	(16.879)	-
Transfer in Stage 3	(1.560)	(13.154)	14.714	-
Write-offs of receivables	-	-	-	-

Adjustments for exchange rate differences	1.386	-	(1.386)	-
Gross book value at 31.12.2022	**319.296**	**251.303**	**113.975**	**684.575**

*Attached/accrued receivables, fees, penalties

22. Loans and advances to customers (continued)

b) Provisions for loans value impairment (continued)

The table below shows the analysis of the variation in expected losses as follows:

	Stage 1	Stage 2	Stage 3	TOTAL
Impairment of loans at 1 January 2023 (according to IFRS9)	**1.105**	**10.497**	**81.954**	**93.556**
Increases due to the issue or purchase of new loans	918	5.056	11.723	17.697
Decreases due to derecognition and full repayment of loans (less off-balance sheet removals)	(355)	(2.959)	(13.600)	(16.914)
Increases due to partial drawings on existing exposures	720	319	12.106	13.145
Decreases due to partial repayments of existing exposures	(5.524)	(3.857)	(1.447)	(10.828)
Transfer in Stage 1	6.391	(4.931)	(1.460)	-
Transfer in Stage 2	(52)	2.913	(2.861)	-
Transfer in Stage 3	(2)	(408)	410	-
Write-offs of receivables	-	-	(8.802)	(8.802)
Adjustments for exchange rate differences	-	-	-	-
Impairment of loans at 31 December 2023	**3.201**	**6.630**	**78.023**	**87.854**

	Stage 1	Stage 2	Stage 3	TOTAL
Impairment of loans at 1 January 2022 (according to IFRS9)	**728**	**14.857**	**85.861**	**101.446**
Increases due to the issue or purchase of new loans	103	860	-	963
Decreases due to derecognition and full repayment of loans (less off-balance sheet removals)	72	(907)	(9.407)	(10.241)
Increases due to partial drawings on existing exposures	206	519	16.778	17.503
Decreases due to partial repayments of existing exposures	(980)	(9.667)	(1.791)	(12.438)
Transfer in Stage 1	1.073	(713)	(360)	-
Transfer in Stage 2	(96)	6.610	(6.514)	-
Transfer in Stage 3	(1)	(1.062)	1.064	1
Write-offs of receivables	-	-	(3.678)	(3.678)
Adjustments for exchange rate differences	-	-	-	-
Impairment of loans at 31 December 2022	**1.105**	**10.497**	**81.954**	**93.556**

Consumer loans

	31 December 2023			
Gross book value	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Performing Exposures				
Group 1	1.032	679	-	1.711
Group 2	-	-	-	-
Group 3	-	-	-	-
Non-performing Exposures				
Default	-	-	3.140	3.140
Total	**1.032**	**679**	**3.140**	**4.851**
Depreciation	**(1)**	**(4)**	**(2.848)**	**(2.853)**
Net book value	**1.031**	**675**	**292**	**1.998**

22. Loans and advances to customers (continued)

b) Provisions for loans value impairment (continued)

Performing exposures are classified according to the following rating groups:

	PD Range
Group 1	**0.00% -2,00%**
Group 2	**2,00%- 4,00%**
Grupa 3	**> 4.00%**

	31 December 2022			
Gross book value	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Performing Exposures				
Group 1	-	-	-	-
Group 2	1.843	1.192	-	3.035
Group 3	34	-	-	34
Non-performing Exposures				-
Default	-	-	2.235	2.235
Total	**1.877**	**1.192**	**2.235**	**5.304**
Depreciation	**(23)**	**(82)**	**(1.046)**	**(1.151)**
Net book value	**1.854**	**1.110**	**1.189**	**4.153**

The performing exposures are classified into the following groups of PDs for the year 2022:

	PD Range
Group 1	**0.00% -2,00%**
Group 2	**2,00%- 4,00%**
Grupa 3	**> 4.00%**

The following table shows an analysis of changes in gross book values as follows:

	Stage 1 Collective	Stage 2 Collective	Stage 3 Collective	TOTAL
Gross book value at 1 January 2023	**1.877**	**1.192**	**2.235**	**5.304**
Increases due to the issue or purchase of new loans	260	148	40	448
Decreases due to derecognition and full repayment of loans (less off-balance sheet removals)	(297)	(352)	(36)	(685)
*Partial drawings on existing exposures and other increases in exposures**	-	-	76	76
Partial repayments from existing exposures	(81)	(118)	(93)	(292)
Transfer in Stage 1	237	(237)	-	-
Transfer in Stage 2	(10)	69	(59)	-
Transfer in Stage 3	(954)	(23)	977	-
Assignment of bad debts	-	-	-	-
Adjustments for exchange rate differences	-	-	-	-
Gross book value at 31.12.2023	**1.032**	**679**	**3.140**	**4.851**

22. Loans and advances to customers (continued)

b) Provisions for loans value impairment (continued)

	Stage 1 Collective	Stage 2 Collective	Stage 3 Collective	TOTAL
Gross book value at 1 January 2022	**1.000**	**3.706**	**865**	**5.571**
Increases due to the issue or purchase of new loans	-	-	5	5
Decreases due to derecognition and full repayment of loans (less off-balance sheet removals)	(44)	(39)	(5)	(88)
*Partial drawings on existing exposures and other increases in exposures**	4	12	3	19
Partial repayments from existing exposures	(105)	(29)	(69)	(203)
Transfer in Stage 1	1.171	(1.171)	-	-
Transfer in Stage 2	(204)	798	(594)	-
Transfer in Stage 3	(14)	(2.085)	2.099	-
Assignment of bad debts	-	-	-	-
Adjustments for exchange rate differences	69	-	(69)	-
Gross book value at 31.12.2022	**1.877**	**1.192**	**2.235**	**5.304**

*Attached/accrued receivables, fees, penalties

The table below shows the analysis of the variation in expected losses as follows:

	Stage 1	Stage 2	Stage 3	TOTAL
Impairment of loans at 1 January 2023 (according to IFRS9)	**23**	**82**	**1.046**	**1.151**
Increases due to the issue or purchase of new loans	-	1	29	30
Decreases due to derecognition and full repayment of loans (less off-balance sheet removals)	(5)	(56)	(2)	(63)
Increases due to partial drawings on existing exposures	-	-	1.792	1.792
Decreases due to partial repayments of existing exposures	(12)	(45)	-	(57)
Transfer in Stage 1	6	(6)	-	-
Transfer in Stage 2	-	28	(28)	-
Transfer in Stage 3	(11)	-	11	-
Assignment of bad debts	-	-	-	-
Adjustments for exchange rate differences	-	-	-	-
Impairment of loans at 31 December 2023	**1**	**4**	**2.848**	**2.853**

	Stage 1	Stage 2	Stage 3	TOTAL
Impairment of loans at 1 January 2022 (according to IFRS9)	**3**	**194**	**463**	**660**
Increases due to the issue or purchase of new loans	-	-	22	22
Decreases due to derecognition and full repayment of loans (less off-balance sheet removals)	-	-	(4)	(4)
Increases due to partial drawings on existing exposures	10	7	781	798
Decreases due to partial repayments of existing exposures	-	(323)	(1)	(324)
Transfer in Stage 1	10	(11)	-	(1)
Transfer in Stage 2	-	332	(332)	-
Transfer in Stage 3	-	(117)	117	-
Assignment of bad debts	-	-	-	-
Adjustments for exchange rate differences	-	-	-	-
Impairment of loans at 31 December 2022	**23**	**82**	**1.046**	**1.151**

22. Loans and advances to customers (continued)

b) Provisions for loans value impairment (continued)

Credit cards

	31 December 2023			
Gross book value	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Performing Exposures				
Group 1	365.676	42.743	-	408.419
Group 2	64.098	1.980	-	66.078
Group 3	1.075	-	-	1.075
Non-performing Exposures				
Default	-	-	11.216	11.216
Total	**430.849**	**44.723**	**11.216**	**486.788**
Depreciation	**(1.368)**	**(420)**	**(7.504)**	**(9.292)**
Net book value	**429.481**	**44.303**	**3.712**	**477.496**

Performing exposures are classified according to the following rating groups:

	PD Range
Group 1	**0.00% -2,00%**
Group 2	**2,00%- 4,00%**
Grupa 3	**> 4.00%**

	31 December 2022			
Gross book value	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Performing Exposures				
Group 1	348.768	7.860	-	356.628
Group 2	31.019	1.118	-	32.137
Group 3	46.437	1.398	-	47.835
Non-performing Exposures				
Default	-	-	5.765	5.765
Total	**426.224**	**10.376**	**5.765**	**442.365**
Depreciation	**(2.190)**	**(144)**	**(2.424)**	**(4.758)**
Net book value	**424.034**	**10.232**	**3.341**	**437.607**

The performing exposures are classified into the following groups of PDs for the year 2022:

	PD Range
Group 1	**0.00% -2,00%**
Group 2	**2,00%- 4,00%**
Grupa 3	**> 4.00%**

22. Loans and advances to customers (continued)

b) Provisions for loans value impairment (continued)

The following table shows an analysis of changes in gross book values as follows:

	Stage 1 Collective	Stage 2 Collective	Stage 3 Collective	TOTAL
Gross book value at 1 January 2023	**426.224**	**10.376**	**5.765**	**442.365**
Increases due to the issue or purchase of new loans	156.505	13.119	4.163	173.787
Decreases due to derecognition and full repayment of loans (less off-balance sheet removals)	(120.071)	(3.045)	(2.721)	(125.837)
*Partial drawings on existing exposures and other increases in exposures**	81.360	6.910	847	89.117
Partial repayments from existing exposures	(84.783)	(7.088)	(773)	(92.644)
Transfer in Stage 1	3.467	(3.306)	(161)	-
Transfer in Stage 2	(29.018)	29.292	(274)	-
Transfer in Stage 3	(2.881)	(1.463)	4.344	-
Write-offs of receivables	-	-	-	-
Adjustments for exchange rate differences	46	(72)	26	-
Gross book value at 31.12.2023	**430.849**	**44.723**	**11.216**	**486.788**

	Stage 1 Collective	Stage 2 Collective	Stage 3 Collective	TOTAL
Gross book value at 1 January 2022	**390.147**	**29.069**	**4.032**	**423.248**
Increases due to the issue or purchase of new loans	47.423	1.440	872	49.735
Decreases due to derecognition and full repayment of loans (less off-balance sheet removals)	(15.742)	(2.283)	(237)	(18.262)
*Partial drawings on existing exposures and other increases in exposures**	107.656	1.470	823	109.949
Partial repayments from existing exposures	(117.571)	(1.764)	(470)	(119.805)
Transfer in Stage 1	23.574	(23.110)	(464)	-
Transfer in Stage 2	(6.540)	6.821	(281)	-
Transfer in Stage 3	(2.578)	(1.410)	3.988	-
Write-offs of receivables	(5)	(8)	(2,487)	(2500)
Adjustments for exchange rate differences	(140)	151	(11)	-
Gross book value at 31.12.2022	**426.224**	**10.376**	**5.765**	**442.365**

*Attached/accrued receivables, fees, penalties

The table below shows the analysis of the variation in expected losses as follows:

	Stage 1	Stage 2	Stage 3	TOTAL
Impairment of loans at 1 January 2023 (according to IFRS9)	**2.190**	**144**	**2.424**	**4.758**
Increases due to the issue or purchase of new loans	757	137	2.672	3.566
Decreases due to derecognition and full repayment of loans (less off-balance sheet removals)	(631)	(43)	(1.130)	(1.804)
Increases due to partial drawings on existing exposures	100	100	3.737	3.937
Decreases due to partial repayments of existing exposures	(900)	(181)	(84)	(1.165)
Transfer in Stage 1	106	(40)	(66)	-
Transfer in Stage 2	(218)	332	(114)	-
Transfer in Stage 3	(25)	(29)	54	-
Write-offs of receivables	-	-	-	-
Adjustments for exchange rate differences	(11)	-	11	-
Impairment of loans at 31 December 2023	**1.368**	**420**	**7.504**	**9.292**

22. Loans and advances to customers (continued)

b) Provisions for loans value impairment (continued)

	Stage 1	Stage 2	Stage 3	TOTAL
Impairment of loans at 1 January 2022 (according to IFRS9)	**2.502**	**445**	**3.579**	**6.526**
Increases due to the issue or purchase of new loans	698	41	358	1.097
Decreases due to derecognition and full repayment of loans (less off-balance sheet removals)	(122)	(39)	286	125
Increases due to partial drawings on existing exposures	301	52	1.781	2.134
Decreases due to partial repayments of existing exposures	(1.924)	(206)	(496)	(2.626)
Transfer in Stage 1	827	(363)	(464)	-
Transfer in Stage 2	(42)	246	(203)	1
Transfer in Stage 3	(18)	(17)	36	1
Write-offs of receivables	(5)	(8)	(2,487)	(2500)
Adjustments for exchange rate differences	(27)	(7)	34	-
Impairment of loans at 31 December 2022	**2.190**	**144**	**2.424**	**4.758**

23. Tangible assets

	Land and buildings	Fixtures and fittings IT	Means of transport	Non-currents assets in progress	Right of use assets	Total
Thousand RON						
Cost						
Balance as at 1 January 2022	**80.191**	**64.954**	**829**	**177**	**40.927**	**187.078**
Acquisitions	1.144	2.938	-	43	28.532	32.657
Revaluation differences	1.388	-	-	-	-	1.388
Disbursements	(5.498)	(2.881)	-	-	(94)	(8.473)
Balance as at 31 December 2022	**77.225**	**65.011**	**829**	**220**	**69.365**	**212.650**
Balance on 1 January 2023	**77.225**	**65.011**	**829**	**220**	**69.365**	**212.650**
Acquisitions	631	2.871	-	65	5.749	9.316
Revaluation differences	1.414	-	-	-	-	1.414
Disbursements	(9.628)	(7.368)	(493)	(43)	(10.882)	(28.414)
Balance as at 31 December 2023	**69.642**	**60.514**	**336**	**242**	**64.232**	**194.966**
Accrued amortization						
Balance as at 1 January 2022	**39.768**	**51.010**	**717**	**-**	**27.742**	**119.237**
Amortization expenses	2.581	2.289	45	-	10.207	15.122
Impairment losses	-	-	-	-	-	-
Disbursements	(2.632)	(2.860)	-	-	(51)	(5.543)
Balance as at 31 December 2022	**39.717**	**50.439**	**762**	**-**	**37.898**	**128.816**
Balance on 1 January 2023	**39.717**	**50.439**	**762**	**-**	**37.898**	**128.816**
Amortization expenses*	2.854	**2.592**	**26**	**-**	**10.213**	**15.685**
Impairment losses	-	-	-	-	-	-
Disbursements	(5.876)	(6.849)	(448)	-	(8.296)	(21.469)
Balance as at 31 December 2023	36.695	46.182	340	-	39.815	123.032
Net book value						
As at 1 January 2022	**40.423**	**13.944**	**112**	**177**	**13.185**	**67.841**
As at 31 December 2022	**37.508**	**14.572**	**67**	**220**	**31.467**	**83.834**
As at 1 January 2023	**37.508**	**14.572**	**67**	**220**	**31.467**	**83.834**
As at 31 December 2023	**32.947**	**14.332**	**(4)**	**242**	**24.417**	**71.934**

(*) The amortization expense related to "Land and buildings", amounting to 2.854 thousand RON, includes 706 thousand representing the revaluation at 31 Dec 2023.

The group adopted the revaluation model in accordance with the provisions of IAS 16 for land and buildings. Revalued values provided by certified appraisers are disclosed in the separate financial statements. The positive differences between the acquisition cost and the revalued value were included in revaluation reserves, and the negative differences were recorded as impairment losses in the profit and loss account. The book value of these land and buildings is at 31 December 2023, 32.947 thousand RON (31 December 2022: 37.508 thousand RON).

23. Tangible assets (continued)

The land and buildings owned by the Group were revalued on 31.12.2023 and on 31.12.2022 by an independent appraisal company approved by ANEVAR. The group ranks in tier 3 of the fair value hierarchy the results of these assessments. Income-based approaches and market comparisons were used in the valuation process.

Income capitalisation approach
Direct capitalization valuation is a method used to transform the estimated level of expected net income into an indicator of property value. The transformation can be done by dividing the estimated income by a capitalisation rate. The income generated by the property considered is the net operating income. The calculation of the income attributable to real estate properties was determined based on market rents at the valuation date for comparable properties.

Market comparisons approach
The valuation of real estate properties is based on comparison with offers/transactions with similar properties in the locality/area of the location.
Although the Group considers its own estimates of fair value to be appropriate, the use of other methods or hypotheses could lead to different fair value values.

24. Intangible assets

Thousand RON

	IT applications	**Total**
Cost		
Balance as at 1 January 2022	**83.368**	**83.368**
Acquisitions	8.939	8.939
Disbursements		
Balance as at 31 December 2022	**92.307**	**92.307**
Balance as at 1 January 2023	**92.307**	**92.307**
Acquisitions	12.732	12.732
Disbursements		
Balance as at 31 December 2023	**105.039**	**105.039**
Accrued amortization		
Balance as at 1 January 2022	**76.043**	**76.043**
Amortization expenses	6.059	6.059
Disbursements		
Balance as at 31 December 2022	**82.102**	**82.102**
Balance as at 1 January 2023	**82.102**	**82.102**
Amortization expenses	7.359	7.359
Disbursements		
Balance as at 31 December 2023	**89.461**	**89.461**
Net book value		
Balance as at 1 January 2022	**7.325**	**7.325**
Balance as at 31 December 2022	**10.205**	**10.205**
Balance on 1 January 2023	**10.205**	**10.205**
Balance as at 31 December 2023	**15.578**	**15.578**

25. Right of use assets

	Buildings and machinery	Financial liabilities from leases
As at 1 January 2023	**31.466**	**31.817**
Receipts	5.749	5.749
Disbursements	(2.585)	(2.585)
Amortization expenses	(10.213)	-
Interest expenses	-	176
Payments	-	(10.377)
as at 31 December 2023	**24.417**	**24.780**

	Buildings and machinery	Financial liabilities from leases
As at 1 January 2022	**13.184**	**13.689**
Receipts	28.532	28.532
Disbursements	(43)	(43)
Amortization expenses	(10.207)	-
Interest expenses	-	177
Payments	-	(10.538)
as at 31 December 2022	**31.466**	**31.817**

26. Other assets

Thousand RON	31 December 2023	31 December 2022
Sundry debtors	23.103	28.089
Recovered assets	59.623	68.327
Expenses in advance	2.844	2.402
Fees to recover	924	827
Materials, inventory and office supplies	4.015	3.711
Overdue fees	4.051	4.097
Cash at processors	15.680	10.728
Values received at cashing Visa and Mastercard	4.980	3.461
Income receivable	140	577
Total other assets before adjustments for depreciation	**115.360**	**122.219**
Provision for legal fees debtors	(8.838)	(8.984)
Provisions for outstanding commissions	(4.051)	(4.097)
Total other assets net of adjustments for depreciation	**102.471**	**109.138**

Recovered assets for the year 2023 are reflected at their recoverable amount of 60 million RON (31 December 2022: 68 million RON), including 13 million RON depreciation adjustment (31 December 2022 : 13 million RON).

27. Bank deposits

Thousand RON

	31 December 2023	31 December 2022
Current accounts	12.449	29.795
Demand deposits	284.119	595.998
Term deposits	104.701	-
Collateral deposits	16	18
Total	**401.285**	**625.811**

28. Deposits from customers

Thousand RON

	31 December 2023	31 December 2022
Corporate clients		
Current/savings accounts	149.378	191.918
Term deposits	442.986	792.230
Small and medium-sized enterprises		
Current/savings accounts	70.253	100.192
Term deposits	74.596	103.284
Retail customers		
Current/savings accounts	177.673	177.834
Term deposits	1.085.759	1.061.811
Total	**2.000.645**	**2.427.269**

29. Receivables and liabilities related to deferred tax

Thousand RON	31 December 2023			31 December 2022		
	Temporary differences	**Receivables**	**Debts**	**Temporary differences**	**Receivables**	**Debts**
Tangible and intangible assets	10.005	-	1.373	10.833	-	(1.505)
Financial assets at fair value through other comprehensive income	9.679	-	1.549	8.134	1.301	-
Accumulated tax loss	3.663	586	-	3.663	586	-
Provision for unused leave	2.814	450		2.367	379	-
Other provisions (*)	21.714	2.808	77	16.673	2.680	(14)
Other(**)	30.573	4.892		33.710	5.395	-
Losses uncovered by provisions	9.698	1.552	-	8.321	1.331	-
Receivables/ (Liabilities) related to deferred tax		**10.288**	**2.999**		**11.672**	**(1.519)**

(*) Other provisions include provisions for debtors and other provisions.

(**) Other includes provision for litigation, provision for long-term employee benefits as well as provision for repossessed assets as well as the effect of the transition to IFRS 9 on 1 January 2018 in deferred tax.

Movement of net deferred tax liabilities	**2023**	**2022**
Movement of net deferred tax receivables/ (liabilities) as at 1 January	**10.153**	**8.597**
Net income/(expense) recognised in the profit and loss account	(145)	(488)
Deferred tax recognised in own capital	(2.719)	2.044
Net deferred tax receivables/(liabilities) as at 31 December	**7.289**	**10.153**

30. Other debts

Thousand RON	**31 December 2023**	**31 December 2022**
Financial liabilities from leasing contracts (see also notes 3g and 25)	24.780	31.817
Sundry creditors	15.342	14.900
Expenses to be paid	3.505	2.901
Provision for unused leave	2.814	2.367
Provision for litigation (*)	6.041	7.476
Debts to the state budget	4.304	3.522
Other debts	576	539
Deferred income	99	113
Provisions related to off-balance sheet commitments	3.870	3.672
Total	**61.331**	**67.307**

30. Other debts (continued)

Regarding the future payments related to the financial debts from leasing contracts, they are divided as follows:

- Up to 1 year: 9.585
- Between 1 year and 5 years: 15.195
- More than 5 years: -

(*)The Group makes provisions for litigation based on the Legal Department and Risk Department's assessment to cover potential losses that may be incurred from litigation in which the Group is sued as a defendant with a claim assessable in cash.

(**) Other debts include provisions for other amounts due.

31. Share capital

The share capital of the Bank consists of 355.165.580 shares (31 December 2022: 355.165.580) with a nominal value of RON 1,57 each (31 December 2022: 1,57 RON each). The main shareholders of the bank are as follows:

	31 December 2023		31 December 2022	
	Number of Shares	**%**	**Number of Shares**	**%**
Credit Europe Bank NV	352.844.352	99,35%	352.835.471	99,34%
Other shareholders	2.321.228	0,65%	2.330.109	0,66%
Total	**355.165.580**	**100%**	**355.165.580**	**100%**

Share capital of the Bank in the amount of 608.165 thousand (31 December 2022: 608.165) RON includes the effect of indexation from the application of IAS 29, in the amount of 50.555 thousand RON (31 December 2022: 50.555 thousand RON), in accordance with IAS 29 "Financial Reporting in Hyperinflationary Economies".

32. Reserves

Thousand RON

	31 December 2023	**31 December 2022**
Legal reserves	34.090	30.213
General bank risk reserve	12.831	12.831
Revaluation reserves	8.633	9.329
Other reserves*	10.677	10.677
Reserve for financial instruments at fair value through other comprehensive income (net of deferred tax)	8.916	(5.631)
Total	**75.147**	**57.419**

* In 2023 the Group recorded a reserve related to reinvested profit in the amount of 0 thousand RON (2022: 8.630 RON) according to Law 227/2015 on the Fiscal Code, art.22.

32. Reserves (continued)

Legal reserves

Statutory legal reserves represent accumulated appropriations from retained earnings in accordance with current local legislation. These reserves cannot be distributed.

Current legislation requires that 5% of the Bank's and its subsidiary's statutory gross profit be allocated to a statutory non-distributable reserve until this reserve reaches 20% of the statutory share capital.

General banking risk reserve

General banking risk reserves include amounts allocated in accordance with banking legislation and are shown separately as allocations from statutory profit. These reserves cannot be distributed.

According to the Romanian legislation in force, the general banking risk reserve was set up from the financial year 2004 until the end of the financial year 2007.

33. Transactions with parties in a special relationship

Transactions with Group shareholders and management

A number of transactions with entities in special relationships were carried out in the normal course of business. These transactions were conducted on commercial terms and conditions and at market interest rates.

The parent company is Credit Europe Bank N.V

The final owner is Fiba Holding A.S owned by Özyeğin Family.

The affiliated parties represent companies that are part of the Fiba Holding A.S. group.

Balances with related parties are as follows (excluding key management personnel):

	31 December 2023			**31 December 2022**		
Thousand RON	Parent Company	Final sharehol der	Affiliate d parties	Parent Company	Final sharehol der	Affiliat ed parties
Assets						
Loans and advances granted to banks	186.625	-	-	3	-	-
Loans and advances to customers	-	-	47.329	-	-	47.439
Investments in branches	-	-	13.084	-	-	13.084
Tangible assets and assets relating to the right of use	-	-	18.656	-	-	22.975
Other assets	-	-	-	-	-	-
Total	**186.625**	**-**	**79.069**	**3**	**-**	**83.498**
Debts						
Bank deposits	2.310	-	-	198.295	-	-
Deposits from customers	5	90	61.528	5	90	39.588
Other debts *	59	-	19.446	37	-	23.549
Total	**2.374**	**90**	**79.069**	**198.337**	**90**	**63.137**

* Includes lease debt under IFRS 16

33. Transactions with parties in a special relationship (continued)

Transactions with Group shareholders and management (continued)

Thousand RON	**31 December 2023**			**31 December 2022**		
	Parent Company	Final shareholder	Affiliated parties	Parent Company	Final shareholder	Affiliated parties
Off-balance sheet						
Commitments received	422.841	-	-	420.529	-	-
Credit commitments	-	-	(374)	-	-	(315)
Letters of guarantee	-	-	(5.000)	-	-	(4.700)
Total	**422.841**	**-**	**(5.374)**	**420.529**	**-**	**(5.015)**

Thousand RON	**31 December 2023**			**31 December 2022**		
	Parent Company	Final shareholder	Affiliated parties	Parent Company	Final shareholder	Affiliated parties
Revenues						
Interest income	1.476	-	-	488	-	-
Fees and commissions income (**)	2.998	-	115	2.990	-	134
Net trading income /(expenses)	-	-	(8)	-	-	(16)
Other operating income	-	-	512	-	-	532
Total	**4.474**	**-**	**619**	**3.478**	**-**	**650**
Expenses						
Interest expenses	(1.663)	-	(196)	(243)	-	(73)
Expenses with fees and commissions	(2.165)	-	-	(2.147)	-	(235)
Other operating expenses (*)	(136)	-	(4.124)	(160)	-	(3.955)
Amortization expenses	-	-	(538)	-	-	(5.876)
Total	**(3.964)**	**-**	**(4.858)**	**(2.550)**	**-**	**(10.139)**

(*) Other operating expenses include rent and utilities, advertising expenses, maintenance and repairs.
(**) Fee income with the Parent Company represents loan administration services previously sold to the Parent Company.
The Group has signed a financing commitment with the parent company representing a credit line of 85.000 thousand EUR. As at 31 December 2023, the balance of this loan is 0 RON, the amount granted is fully unused.

33. Transactions with parties in a special relationship (continued)

Transactions with Group shareholders and management *(continued)*

Salaries and bonuses paid to directors and key managers of the Group during 2023 amounted to 16.252 thousand RON (2022: 14.943 thousand RON). For the deferred component of variable remuneration, a provision of 576 thousand RON (2022: 539 thousand RON).

The amount of loans granted by the Group to key management personnel and their first-degree relatives is as follows:

		Guarantees value		Guarantees value
	31 December 2023	**31 December 2023**	**31 December 2022**	**31 December 2022**
Mortgage loans and other secured loans	-	-	-	-
Credit cards	297	-	271	-
Other loans	-	-		
Total	**297**	**-**	**271**	**-**

37. Commitments and contingent liabilities

Loan commitments

The Group has loan commitments representing the undrawn amounts of loans granted. Loan commitments at the balance sheet date have a contractual period not exceeding the normal underwriting and settlement period.

The Group issues letters of guarantee and documentary letters of credit guaranteeing the fulfilment of client commitments to third parties. The contractual value of the Group's off-balance sheet financial instruments by category is shown in the table below. Most off-balance sheet financial instruments expire before all funds are actually advanced; therefore, these amounts do not represent future cash flows.

The contractual amounts of commitments and contingent liabilities by category are shown in the following table. The amounts reflected as commitments are assumed to be fully committed. The amounts in the table for guarantees and documentary credits represent the maximum accounting loss that would be recognised at the balance sheet date if the counterparties did not fulfil their contractual commitments.

Thousand RON	**31 December 2023**	**31 December 2022**
Letters of guarantee	20.549	49.463
Letters of credit	-	-
Credit commitments	1.049.165	1.034.558
Total Loan commitments	**1.069.714**	**1.084.021**

37. Commitments and contingent liabilities (continued)

The Group leases vehicles through operating leases. These are generally concluded for a period of up to 3 years, with a renewal option at the end of this period.

Disputes

The Group is involved in a number of disputes with clients over unfair terms, with clients claiming the following to be unfair: origination fees, administration fees and rescheduling fees. Provisions of 6.041 thousand RON were recognised for this purpose as at 30 December 2023 (31 December 2022: 7.476 thousand RON). These provisions also contain the estimated results of potential future litigation that may arise on this type of subject in the future.

35. Events subsequent to the balance sheet date of the position

The parent bank ("Credit Europe Bank N.V.") is currently working on a project concerning the cross-border merger by absorption by Credit Europe Bank N.V. of Credit Europe Bank RO and the transformation of Credit Europe Bank RO into a branch of Credit Europe Bank N.V., which is to be carried out without any change in the current activity provided by CEB RO in Romania. Currently, the Board of Directors of Credit Europe Bank RO has convened an Extraordinary General Meeting of Shareholders to approve the Merger in principle. From a regulatory point of view, the potential transaction is subject to analysis and approval by the National Bank of Romania and the National Bank of the Netherlands. If the proposed merger goes through, the shares of Credit Europe Ipotecar SA will be taken over by Credit Europe Bank NV. This transaction will transform Credit Europe Ipotecar into a subsidiary of Credit Europe Bank N.V.

****Sfârșitul traducerii****
****End of translation****

Subsemnata, Odor Teodora Lavinia, interpret şi traducător autorizat pentru limbile engleză și spaniolă, în temeiul Autorizației nr. 37509/2015, eliberată de Ministerul Justiției din România, certific exactitatea traducerii efectuate din limba română în limba engleză, că textul prezentat a fost tradus complet, fără omisiuni, şi că, prin traducere, înscrisului nu i-au fost denaturate conținutul şi sensul.

The undersigned, Odor Teodora Lavinia, authorized interpreter and translator for English and Spanish, by virtue of the Authorization no. 37509/2015, issued by the Ministry of Justice of Romania, certifies the accuracy of the translation from Romanian into English, that the text submitted has been translated completely, without omissions, and that the translation has not altered the content and meaning of the document.

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