VISTA BANK (ROMANIA) SA

FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED DECEMBER 31, 2023

PREPARED IN ACCORDANCE WITH THE INTERNATIONAL FINANCIAL REPORTING STANDARDS, AS ADOPTED BY THE EUROPEAN UNION

Free translation from the original Romanian version.

CONTENTS: **PAGE:**

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders,
Vista Bank (Romania) S.A.

Report on the Audit of the financial statements

Opinion

1. We have audited the financial statements of Vista Bank (Romania) S.A. (the "Bank"), with registered office in Emanoil Porumbaru Street, no. 90-92, District 1, Bucharest, Romania, identified by unique tax registration code RO 10556861 which comprise the statement of financial position as at 31 December 2023, the statement of profit or loss and of the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including material accounting policy information.

2. The financial statements as of 31 December 2023 are identified as follows:

• Equity	RON 633,775,713
• Net profit for the financial year	RON 62,870,976

3. In our opinion the accompanying financial statements present fairly, in all material respects, the financial position of the Bank as at 31 December 2023, and its financial performance and its cash flows for the year then ended in accordance with IFRS Accounting Standards as adopted by the EU and National Bank of Romania Order no. 27/2010 for the approval of accounting regulations in accordance with International Financial Reporting Standards applicable to credit institutions, with subsequent amendments ("Order 27/2010").

Basis for Opinion

4. We conducted our audit in accordance with International Standards on Auditing (ISAs), Regulation (EU) No. 537/2014 of the European Parliament and the Council (herein after referred to as "Regulation") and Law 162/2017 on the statutory audit of annual financial statements and annual consolidated financial statements and on amending other pronouncements (herein after referred to as "Law 162/2017"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Bank in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code), in accordance with ethical requirements relevant for the audit of the financial statements in Romania including the Regulation and the Law 162/2017, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

5. Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

<table>
<tr><th>Nature of the area of focus</th><th>How our audit addressed the key audit matter</th></tr>
<tr><td>Collective impairment of loans and advances to customers</td><td></td></tr>
<tr><td>
The Bank accounts for credit losses on the basis of expected credit losses (ECL) in accordance with IFRS 9 – Financial instruments: for a period of up to 12 months for credit exposures for which the credit risk has not increased significantly since origination and for credit lifetime for those with significant increase in credit risk, as detailed in the policy regarding the identification and measurement of impairment from Note 2.13 and in Note 3.1.1.a) to the financial statements.
As of December 31, 2023, the Bank's key financial statements lines with impact from IFRS 9 requirements are the loans and advances to customers measured at amortized cost, in amount of RON 4,435,820,162 (net of the related impairment allowances in amount of RON 95,978,479).
The Bank exercises significant professional judgment using different assumptions over both when and how much to record as impairment for loans and advances to customers.
Since determination of appropriate impairment allowances for expected credit losses on loans and advances to customers requires use of complex models which capture historical data and relevant prospective data (generally depend on IT elements) and significant judgment from the Management, the process of measuring expected credit losses may be exposed to management bias. Because loans and advances to customers form a significant portion of the Bank's assets, and due to the significance of the professional judgment applied by management in classifying loans and advances to customers into various stages stipulated by IFRS 9 and in determining the appropriate impairment requirements, this audit area is considered a key audit matter.
The key areas of professional judgment exercised by the Management included:

the use of historical data in the process of determining risk parameters;
the interpretation of the requirements to determine the receivables impairment under application of IFRS 9, which is reflected in the expected credit loss model;
assumptions used in the expected credit models to assess the credit risk related to the exposure and the expected future cash flows of the customers;
timely identification of exposures with significant increase of credit risk and credit impairment triggers;
the assessment of forward-looking information.

</td><td>
Based on our risk assessment and industry knowledge, with the support of our Credit risk experts, we have examined the impairment charges of loans and advances to customers and assessed the methodology applied in determining the impairment, as well as the key assumptions and source data used by Management according to the description of the key audit matter.
Our procedures included the following elements:
1) Testing of key controls in respect of:

quality assurance of the source data used in developing professional judgments and the ECL related models;
timely identification of impairment triggers, including the significant increase in credit risk;
debtors` financial performance assessment and estimation of future cash flows;
the governance processes in place for credit risk models, input, review of ECL.

2) Obtaining and analyzing the information to support the assumptions used in:

development of the models for computation of the key risk parameters (12 months Probability of Default, Lifetime Probability of Default and Loss Given Default), including performing procedures on the source data quality;
development of the expected credit losses models;
development and appropriateness of the stage allocation and the criteria used for determination of the significant increase of credit risk;
development of models to reflect the potential impact of the future economic conditions in the ECL computation.

For all the above procedures, we involved our own Credit risk specialists to review the ECL model development and forward-looking models in order to test whether these accurately reflected the Bank's policies and methodologies.
3) Verifying with IT specialists the accurate implementation of the ECL computation methodology into the IT computation systems, including:

testing of general IT controls regarding data sources;
sample-based assessment of the credit quality and stage allocation;
sample-based testing of ECL computation.

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<table>
<tr><th>Nature of the area of focus</th><th>How our audit addressed the key audit matter</th></tr>
<tr><td></td><td>4) We have assessed whether the significant information on ECLs related to loans and advances to customers presented in the financial statements is adequate, in accordance with the applicable IFRS requirements.</td></tr>
<tr><td>Interest Income Recognition</td><td></td></tr>
<tr><td>Refer to Note 5 of the financial statements.

For the year ended December 31, 2023, the Bank's interest income represents RON 569,007,368 the main source being loans to customers. These are the main contributor to the Bank's operating income, influencing its profitability.

Interest income from loans and advances to customers is accrued over the expected life of the financial instrument using the effective interest rate.

Fees that are directly attributable to the financial instrument are part of the effective interest rate and accrued over the expected life of such an instrument and are presented as interest income.

Revenue recognition specifics, a high volume of individually small transactions which depends on data quality of interest and fee inputs and on IT system for their recording, resulted in this matter being identified as a key audit matter.</td><td>- We have tested the design, implementation and operating effectiveness of the key internal controls and focused on:
data input on interest and directly attributable fees for loans and advances to customers and customers' accounts;
recording, modification and updating interest rates data in the Bank system;
management oversight and control on interest income results, including budget monitoring;
IT controls relating to access rights and change management of relevant automated controls, with the assistance of our IT specialists.
- We also performed the following procedures with regard to interest revenue recognition:
We evaluated the accounting treatment in respect of fees charged to clients to determine whether the methodology complies with the requirement of the relevant accounting standard. We have focused our testing on challenging the correct classification of fees that are identified as directly attributable to the financial instrument and are part of the effective interest rate;
For a sample of loans, we assessed the completeness and accuracy of data used for the calculation of interest income;
We evaluated the mathematical formula used for accruing the relevant interest income over expected life of the loan;
We have assessed the interest income by building our own expectation on the revenue and compared with the actual results.
- We have assessed the presentation in financial statements of the interest income in accordance with the applicable IFRS requirements.</td></tr>
</table>

Other information – Administrators` Report

6. The administrators are responsible for the preparation and presentation of the other information. The other information comprises the Boards' report ("Administrator`s report") but does not include the financial statements and our auditor's report thereon.

   Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

   In connection with our audit of the financial statements for the year ended 31 December 2023, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements, or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Other reporting responsibilities with respect to other information – Administrators` Report

With respect to the Administrators` report, we read and report if this has been prepared, in all material respects, in accordance with the provisions of National Bank of Romania Order no. 27/2010, articles 12-13.

On the sole basis of the procedures performed within the audit of the financial statements, in our opinion:

a) The information included in the Administrators' report for the financial year for which the financial statements have been prepared are consistent, in all material respects, with these financial statements.

b) The Administrators' report has been prepared, in all material respects, in accordance with the provisions of National Bank of Romania Order no. 27/2010, articles 12-13.

Moreover, based on our knowledge and understanding concerning the Bank and its environment gained during the audit on the financial statements prepared as at 31 December 2023, we are required to report if we have identified a material misstatement of this Administrators' report. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

7. Management is responsible for the preparation and fair presentation of the financial statements in accordance with Order 27/2010 and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

    - Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

    - Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.

    - Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

    - Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.

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- Evaluate the overall presentation, structure, and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

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

Report on Other Legal and Regulatory Requirements

15. We have been appointed by the General Meeting of Shareholders dated March 24, 2023, to audit the financial statements of Vista Bank (Romania) S.A. for the financial year ended 31 December 2023. The uninterrupted total duration of our commitment is 8 years, covering the financial years ended December 31, 2016 until December 31, 2023.

We confirm that:

- Our audit opinion is consistent with the additional report submitted to the Audit Committee of the Bank that we issued the same date we issued this report. Also, in conducting our audit, we have retained our independence from the Bank.

- No non-audit services referred to in Article 5 (1) of EU Regulation No. 537/2014 were provided.

The engagement partner on the audit resulting in this independent auditor's report is Irina Dobre.

Irina Dobre, Audit Partner

For signature, please refer to the original signed Romanian version.

Registered in the Electronic Public Register of Financial Auditors and Audit Firms under no. AF 3344

On behalf of:

DELOITTE AUDIT SRL

Registered in the Electronic Public Register of Financial Auditors and Audit Firms under no. FA 25

The Mark Building, 84-98 and 100-102 Calea Grivitei, 9th Floor, District 1
Bucharest, Romania
April 16, 2024

VISTA BANK ROMANIA SA
STATEMENT OF FINANCIAL POSITION
FOT THE YEAR ENDED DECEMBER 31, 2023
(all amounts are expressed in RON, unless otherwise stated)

	Note	December 31, 2023	December 31, 2022
Cash and balances with Central Banks at amortised cost	**11,33**	1,817,622,492	1,140,122,537
Loans and advances to banks at amortised cost	**12,33**	937,812,960	887,732,251
Loans and advances to customers at amortised cost	**3**	4,435,820,162	4,462,505,796
Financial instruments at amortised cost	**13**	2,024,198,479	1,272,650,113
Financial assets at fair value through other comprehensive income	**14**	10,351,172	58,428,768
Financial assets mandatory measured at fair value through profit or loss	**15**	1,771,990	2,792,777
Derivative financial instruments	**26**	3,065,690	39,300
Repossessed assets (inventories)	**20**	39,549,755	49,657,510
Other financial assets	**21**	11,965,797	12,079,350
Other assets	**21**	12,359,259	13,229,839
Investment property	**19**	77,143,493	86,574,773
Current tax receivables	**27**	7,632,149	4,224,590
Property and equipment	**17**	36,227,850	26,839,417
Right-of-use assets	**18**	49,862,659	47,924,683
Intangible assets	**16**	22,962,239	28,679,302
Deferred tax assets	**27**	1,957,376	15,966,423
Total assets		**9,490,353,522**	**8,109,447,429**
Deposits from banks	**22**	138,722,422	48,511,995
Deposits from customers	**23**	8,470,774,851	7,294,268,210
Loans from banks	**24**	-	21,222,572
Derivative financial instruments	**26**	-	-
Other financial liabilities	**29**	78,074,469	38,727,153
Other liabilities	**29**	6,875,174	3,664,459
Lease liabilities	**28**	53,229,003	51,136,977
Subordinated loans	**25**	95,697,650	68,024,154
Other provisions	**30**	7,472,190	8,520,393
Deferred tax liabilities	**27**	5,732,050	7,420,725
Total liabilities		**8,856,577,809**	**7,541,496,638**
Equity			
Share capital	31	504,907,982	504,907,982
Reserves	32	18,602,494	11,868,054
Result for the period		62,870,976	23,835,846
Retained earnings profit/(loss)		47,394,261	27,338,909
Equity attributable to Bank’s shareholders		**633,775,713**	**567,950,791**
Non-controlling interests		-	-
Total equity		**633,775,713**	**567,950,791**
Total equity and liabilities		**9,490,353,522**	**8,109,447,429**

The financial statements were approved in the General Shareholders Assembly of April 29, 2024 and signed by:

Georgios Athanasopoulos
CEO

Theodor-Cornel Stanescu
First-Deputy CEO

(all amounts are expressed in RON, unless otherwise stated)

	Note	Financial year ended December 31, 2023	Financial year ended December 31, 2022
Interest income recognised using the effective interest rate	5	569,007,368	350,984,970
Interest expenses	5	-361,644,187	-189,694,774
Net interest income			
		207,363,181	**161,290,196**
Fees and commission income	6		
Fees and commission expenses	6	15,929,081	20,620,479
		-2,945,673	-6,396,325
Net fees and commission income			
Net gains from foreign exchange differences	7.1	**12,983,408**	**14,224,154**
Other operating income	7	19,681,641	16,143,260
Other operating expenses	8	7,687,915	17,667,220
Net income/(expenses) with impairment of financial assets	10	-167,721,782	-178,068,969
		-4,384,470	-7,395,965
Profit before tax		**75,609,893**	**23,859,896**
Expense from tax on profit	9	-12,738,917	-24,050
Net profit of the year		**62,870,976**	**23,835,846**
Items that cannot be reclassified through other comprehensive income, net of tax			
Revaluation of property, plant and equipment		229,966	1,123
Items that are or can be reclassified through other comprehensive income			
Differences from change in fair value of financial instruments at fair value through other comprehensive income, net of tax		2,723,980	-3,019,162
Total other comprehensive income		**2,953,946**	**-3,018,039**
Total comprehensive income for the financial year		**65,824,922**	**20,817,807**
Net profit attributable to:		**62,870,976**	**23,835,846**
Bank's owners		62,870,976	23,835,846
Loss allocated to non-controlling interests		-	-
Comprehensive income, of which:		**65,824,922**	**20,817,807**
Bank's owners		65,824,922	20,817,807
Loss allocated to non-controlling interests		-	-

The financial statements were approved in the General Shareholders Assembly of April 29, 2024 and signed by:

Georgios Athanasopoulos	**Theodor-Cornel Stanescu**
CEO	**First-Deputy CEO**

	Note	Financial year ended December 31, 2023	Financial year ended December 31, 2022
Profit before tax		**75,609,893**	**23,859,896**
Adjustments for non-monetary items:			
Gains from acquisition of Credit Agricole Bank Romania SA	**37**	-	-
Net (gains)/losses on impairment of loans and advances to customers	**10**	4,384,470	7,395,965
Income from depreciation	**8**	28,127,458	25,089,704
Interest expenses	**5**	361,644,187	189,694,774
Interest income	**5**	-569,007,368	-350,984,970
Income from dividends	**7**	-1,086,479	-910,492
Expenses/(income) with provisions for risks and charges	**8**	-1,056,748	-7,554,851
Other non-monetary adjustments		550,350	3,606,958
Operating profit before changes in operating assets and liabilities		**-100,834,237**	**-109,803,016**
(Increase) / Decrease in operating assets:			
(Increase)/Decrease in loans and advances to customers		19,526,185	-489,902,372
Decrease / (Increase) in loans and advances to banks		-18,326,012	3,072,132
Decrease / (Increase) in other assets		28,246,090	27,359,645
Increase / (Decrease) in operating liabilities:			
Increase / (Decrease) in deposits from banks		90,210,427	48,465,191
Increase in customer deposits		1,150,104,594	1,009,382,761
Increase / (Decrease) in other liabilities		42,407,994	19,609,516
Cash flow from operating activities before interest and tax		**1,211,235,008**	**508,183,857**
Interest earned from loans and advances to customers and banks	**5**	490,234,197	268,226,611
Interest paid on deposits with banks and customers	**5**	-326,926,270	-152,723,717
Income tax paid	**9**	-3,407,559	-3,353,450
Cash flow from operating activities		**1,371,235,008**	**620,333,301**
Acquisitions of investments:			
Acquisitions of interest	**37**	-	-
Acquisitions of financial assets carried at amortised cost	**13**	-1,342,114,389	-923,155,014
Buy-backs of financial assets carried at amortised cost	**13**	606,055,014	432,776,140
Acquisitions of financial assets at fair value through profit or loss	**14**	-	-101,310,379
Sales and buy-backs of financial assets at fair value through other comprehensive income	**14**	50,000,000	300,730,598
Proceeds from sale of financial assets at fair value through profit or loss	**15**	1,020,787	-
Interest received from investing activities	**5**	83,196,785	37,572,553
Dividends received	**7**	1,086,479	910,492
Purchases of tangible and intangible assets	**16,17**	-21,839,724	-19,493,089
Sales of tangible and intangible assets	**16,17**	273,244	592,810
Income from lease of investment property		1,097,397	919,828
Cash flows used in investing activities		**-621,260,408**	**-270,456,061**

(all amounts are expressed in RON, unless otherwise stated)

	Note	Financial year ended December 31, 2023	Financial year ended December 31, 2022
Financing activities			
Repayment of bank loans, including payment of interest		-21,593,840	-23,998,564
Payment of lease liabilities	**28**	-13,049,753	-10,356,669
Interest paid for subordinated loans	***5***	-6,451,638	-2,627,428
Cash flows used in financing activities		**-41,095,230**	**-36,982,661**
Net increase / (decrease) in cash and cash equivalents		708,879,370	312,894,579
Cash and cash equivalents at the beginning of the financial year (gross amount)	33	**2,027,253,913**	**1,714,359,334**
Cash and cash equivalents at the end of the financial year (gross amount)	33	**2,736,133,283**	**2,027,253,913**
Impairment allowances		-114,782	-166,722

The financial statements were approved in the General Shareholders Assembly of April 29, 2024 and signed by:

Georgios Athanasopoulos
CEO

Theodor-Cornel Stanescu
First-Deputy CEO

VISTA BANK ROMANIA SA
STATEMENT OF CHANGES IN EQUITY
FOT THE YEAR ENDED DECEMBER 31, 2023
(all amounts are expressed in RON, unless otherwise stated)

	Share capital	Reserves	Retained earnings (loss)	Total equity attributable to Bank's shareholders	Total equity attributable to non-controlling interests	Total
Balance as at January 1, 2023	**504,907,982**	**11,868,054**	**51,174,755**	**567,950,791**	**-**	**567,950,791**
Profit for the year	-	-	62,870,976	62,870,976	-	62,870,976
Difference from change in fair value of financial assets at fair value through other comprehensive income, net of deferred tax	-	2,953,946	-	2,953,946	-	2,953,946
Total comprehensive income for the year	**-**	**2,953,946**	**62,870,976**	**65,824,922**	**-**	**65,824,922**
Transfers to reserves	-	3,780,494	-3,780,494	-	-	-
Business combinations*	-	-	-	-	-	-
Reserves from revaluation of non-current assets	-	-	-	-	-	-
Other adjustments generated by the acquisition	-	-	-	-	-	-
Balance as at December 31, 2023	**504,907,982**	**18,602,494**	**110,265,237**	**633,775,713**	**-**	**633,775,713**

The financial statements were approved in the General Shareholders Assembly of April 29, 2024 and signed by:

Georgios Athanasopoulos
CEO

Theodor-Cornel Stanescu
First-Deputy CEO

VISTA BANK ROMANIA SA
STATEMENT OF CHANGES IN EQUITY
FOT THE YEAR ENDED DECEMBER 31, 2023
(all amounts are expressed in RON, unless otherwise stated)

	Share capital	Reserves	Retained earnings (loss)	Total equity attributable to Bank's shareholders	Total equity attributable to non-controlling interests	Total
Balance as at January 1, 2022	**504,754,052**	**13,693,099**	**28,365,618**	**546,830,637**	**-17,868**	**546,812,769**
Profit for the year	**-**	**-**	**23,835,846**	**23,835,846**	**-**	**23,835,846**
Difference from change in fair value of financial assets at fair value through other comprehensive income, net of deferred tax	-	-3,018,039	-	-3,018,039	-	-3,018,039
Total comprehensive income for the year	**-**	**-3,018,039**	**23,835,846**	**20,817,807**	**-**	**20,817,807**
Transfers to reserves	-	1,192,994	-1,192,994	-	-	-
Business combinations*	-	-	-	-	-	-
Reserves from revaluation of non-current assets	153,930	-	-	153,930	-	153,930
Other adjustments generated by the acquisition	-	-	166,285	148,417	17,868	166,285
Balance as at December 31, 2022	**504,907,982**	**11,868,054**	**51,174,755**	**567,950,791**	**-**	**567,950,791**

**The amount related to Business combinations is detailed in note 2.23 Business combinations.*

The financial statements were approved in the General Shareholders Assembly of April 29, 2024 and signed by:

Georgios Athanasopoulos
CEO

Theodor-Cornel Stanescu
First-Deputy CEO

1. THE BANK AND ITS OPERATIONS

Vista Bank Romania SA (hereinafter referred to as "the Bank") is a joint-stock company registered in Romania, licensed and supervised by the National Bank of Romania to conduct banking activities.

The financial statements include the financial statements of Vista Bank Romania SA for the year ended December 31, 2023 and for the year ended December 31, 2022.

Vista Bank Romania SA is a Romanian bank, with its registered office in 90-92 Emanoil Porumbaru Street, Bucharest, District 1, registered with O.R.C.T.B. (Trade Registry Office attached to the Bucharest Tribunal) with no. J40/4436/1998, and in the Bank Registry under no. RB-PJR-40-044/18.02.1999. It has Sole Registration Number RO 10556861, and bank account no. 371133700 RON opened with National Bank of Romania Central Office.

The credit institution is present on the Romanian banking market for more than 20 years. Founded in 1998 by a mixed company of BNP Paribas and Dresdner Bank as BNP – Dresdner Bank Romania, the Bank was purchased in 2000 by Egnatia Bank and renamed Egnatia Bank Romania in 2001. The name of the bank was changed again in 2008 into Marfin Bank (Romania) following a triple merger in Greece among Marfin Bank, Egnatia Bank and Laiki Bank.

In July 2018, the Bank was purchased by Mr. Ioannis Vardinogiannis through Barniveld Enterprises Ltd. Mr. Ioannis Vardinogiannis is a member of the family that controls one of the largest industrial conglomerates in South-East Europe, with global operations in energy, oil refineries, electricity generation and distribution, sea transport, financial services, mass-media and entertainment.

Marfin Bank Romania, part of the Vardinogiannis group, changed its name to Vista Bank Romania in in 2019.

On 4 January 2021, the sale of Credit Agricole Bank Romania SA to Vista Bank România SA was announced, and on 16 September 2021, after obtaining the approvals for the transaction, the shares were sold to the new shareholders, so that Barniveld Enterprises holds 0.05% of the shares and Vista Bank România SA holds 99,95% of the shares.

In 2022, Credit Agricole Bank Romania SA merged into Vista Bank (Romania) SA, and ceased its operations following the merger. The merger of Credit Agricole Bank Romania SA became effective October 1, 2022, the date set out in the Merger Project and approved by the Bank's shareholders in the Extraordinary General Meeting of Shareholders of Vista Bank Romania SA of January 28, 2022.

The Bank's **registered office** is:

Vista Bank Romania SA
90-92 Emanoil Porumbaru St
Bucharest, District 1
Romania

At December 31, 2023, the Bank does not hold any subsidiary (December 31, 2022: no subsidiary).

The Bank offers retail banking and commercial services to companies and individuals. Such services include: opening of accounts, deposits, domestic and foreign payments, currency transactions, financing of working capital, medium and long-term facilities, retail loans, bank guarantees and letters of credit.

Acquisition of Credit Agricole Bank Romania SA – brief history

Credit Agricole Bank Romania SA, as subsidiary of Vista Bank Romania SA at December 31, 2021 was a bank based in Romania, registered with the Trade Register under no. J40/3797/1996 and in the Bank Register under no. RB – PJR-40-033/1999.

The Bank's registered office was located in Bucharest, 19 Berzei St., District 1. Credit Agricole Bank Romania SA was authorised by the National Bank of Romania to conduct banking activities. The main object of activity of the Bank was the provision of banking services to its natural and legal person customers.

Such activities include customer deposits, domestic and international payments, transactions in foreign currency, financing of working capital, medium-term facilities, bank guarantees, letters of credit and financing of micro-enterprises and small enterprises operating in Romania etc.

(all amounts are expressed in RON, unless otherwise stated)

1. THE GROUP AND ITS OPERATIONS (continued)

At December 31, 2023, Vista Bank Romania SA operates through 35 branches and its head office located in Romania and has 486 employees.

At December 31, 2023, the structure of the Bank's **Board of Directors** was as follows:

Chairman:

- Mr. Stavros Lekkakos

Members:

- Ms. Pavlina Tavridaki
- Mr. Theodoros Efthys
- Mr. Catalin Vasile Parvu
- Mr. Ilias Volonasis
- Mr. Konstantaras Panagiotis
- Mr. Georgios Athanasopoulos
- Mr. Theodor-Cornel Stanescu

The majority shareholder of the Bank is Barniveld Enterprises Limited. The registered office address is 58 Arch. Makarios III, Iris Tower, 8th floor, 1075.

The Board of Directors formulates policies for the operation of the bank and monitors their implementation. The Bank is managed by a Board of Directors formed of 8 members.

The members of the Board of Directors of Vista Bank Romania SA at December 31, 2023 and December 31, 2022 is the following:

Position	2023	2022
Chairman	Lekkakos Stavros	Lekkakos Stavros
Member	Pavlina Tavridaki	Pavlina Tavridaki
Member	Efthys Theodoros	Efthys Theodoros
Member	Parvu Catalin Vasile	Parvu Catalin Vasile
Member	Volonasis Ilias	Volonasis Ilias
Member	Panagiotis Konstantaras	Panagiotis Konstantaras
Member	Athanasopoulos Georgios	Athanasopoulos Georgios
Member	Stanescu Theodor-Cornel	Stanescu Theodor-Cornel

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis for preparation

The Bank's financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRS") and National Bank of Romania Order no. 27/2010 for the approval of the Accounting Regulations compliant with the International Financial Reporting Standards, applicable to credit institutions with subsequent amendments and additions ("NBR Order 27/2010") and with the International Financial Reporting Standards and the interpretations adopted by the International Accounting Standards Board ("IASB") as they were adopted by the European Union ("IFRS EU").

The main accounting methods and policies applied in the preparation of these financial statements are presented below and have been consistently applied for all the periods disclosed, unless otherwise specified.

The accounting records of the Bank are kept in the currency of the economic environment in which it operates, presented in Romanian lei (RON), in compliance with the accounting laws in Romania, as well as the banking regulations issued by the National Bank of Romania.

The preparation of the financial statements in compliance with IFRS requires the management make judgments, estimates and assumptions that affect the application of accounting policies, and the reported value of the assets, liabilities, income and expenses.

The estimates and assumptions related to the these are based on historical data and other factors thought as indicative under the circumstances, and their result form the basis of judgments used for determining the book value of assets and liabilities for which there are no other available sources. The actual results may differ from the estimated values.

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

Information related to these estimates used in appliance of the accounting policies that carry a significant effect upon the financial statements, as well as the estimates implying a significant degree of uncertainty, are presented in Note 4.

The financial statements of the Bank for 2023 include the operating results of Vista Bank SA for the 12-month period from January 1, 2023 to December 31, 2023.

The Group has prepared the first set of consolidated financial statements at December 31, 2021 following the acquisition of Credit Agricole Romania SA on September 16, 2021.

Further to the merger process ended October 1, 2022, the financial statements of Vista Bank Romania SA at December 31, 2022 include the results of the operations of Vista Bank for the 12-month period ended December 31, 2022, which also comprise the profit and loss and cash flows of Credit Agricole Bank Romania SA for the 9-month period spanning from January 1, 2022 to September 30, 2022.

2.2 Bases for consolidation

On September 16, 2021 Vista Bank Romania SA acquired an investment in the equity of Credit Agricole Bank Romania SA of 99.94%.

The acquisition process of Credit Agricole Bank Romania SA became effective on September 16, 2021 after obtaining the necessary approval from the NBR, date at which the transfer of control was also made. As of the date of control, Vista Bank Romania SA initiated the process of merger by absorption which was approved by the NBR and effected on October 1, 2022, the effective date of the merger by absorption.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Basis for consolidation (continued)

On October 1, 2022, Credit Agricole Bank Romania SA merged with Vista Bank (Romania) SA. As of such date, given that the merger process ended, legal-wise, Credit Agricole Bank Romania SA ceased its activity as a self-standing legal entity, as a subsidiary of Vista Bank Romania SA.

At December 31, 2022, further to the merger process, the financial statements of Vista Bank Romania SA contain the results of the operations of Vista Bank for the 12-month period ended December 31, 2022, which also include the profit and loss and cash flows of Credit Agricole Bank Romania SA for the 9-month period spanning from January 1, 2022 to September 30, 2022.

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

The main accounting policies adopted for the preparation of these financial statements are presented below.

In the financial statements for 2022 prepared after the merger with Credit Agricole Bank Romania SA, the Bank applied the provisions of IFRS 3 “Business combinations”, which contains the principles to be applied by the buyer when recognising and measuring the identifiable assets acquired and the liabilities assumed as part of a business combination:

i) The recognition principle – the identifiable assets acquired and liabilities assumed are recognised separately from goodwill at acquisition date.

ii) The measurement principle - the identifiable assets acquired and liabilities assumed as part of a business combination are carried at their fair value at the acquisition date.

iii) Vista Bank registers the acquisition of Credit Agricole Bank Romania SA in its financial statements by applying the acquisition method.

Therefore:

1. The acquisition was made based on the following principles:

    - The assets and liabilities of Credit Agricole Bank Romania SA have been recognized at fair value in accordance with IFRS 3;
    - The identifiable intangible assets obtained have been recognized at fair value in accordance with IFRS 3, separately from the gain on the acquisition of Credit Agricole Bank Romania SA resulting at the acquisition date.
    - The gain on the acquisition of Credit Agricole Bank Romania SA resulting from the acquisition has been calculated in accordance with IFRS 3.
    - Deferred tax assets and / or liabilities have been recognized, considering the impact of fair value adjustments and recognized intangible assets.
    - The tax benefits that resulted from the carried forward tax losses of Credit Agricole Bank Romania SA and that were not previously recognized by Credit Agricole Bank Romania SA have been recognized by the Bank, which has future taxable profits, for which the unrecognized tax benefit may apply.
    - Intra-group balances and transactions and the resulting unrealized profits have been eliminated in full.
    - Non-controlling interests were determined as a proportionate share of the fair value of the net assets of Credit Agricole held by minority shareholders.
    - The pre-acquisition reserves or the carried forward result of Credit Agricole Bank Romania SA ole were not recognized separately, these being included in the gain resulting from the acquisition of Credit Agricole Bank Romania SA.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Basis for consolidation (continued)

2. The merger was performed based on the following principles:

- The Bank's assets and liabilities are aggregated in the financial statements as follows: 100% of the Bank's assets and liabilities measured at book value and 100% of the assets and liabilities of Credit Agricole Bank Romania SA measured at book value, also considering the adjustments for the amortisation of fair value, which were determined upon acquisition, in accordance with IFRS 3;
- Intangible assets are recognized in the financial statements at cost, and are amortized over their estimated useful lives, as described in point 2.12.
- Deferred tax assets and / or liabilities are recognized in the financial statements, considering the impact of fair value adjustments and recognized intangible assets. In addition, tax benefits arising from deferred tax losses of Credit Agricole Bank Romania SA and which were not previously recognized by Credit Agricole Bank Romania SA were recognized in the financial statements by the Bank, which has future taxable profits, for which the unrecognized tax benefit may apply.
- Intra-group balances and transactions and the resulting unrealized profits of Credit Agricole Bank Romania SA were eliminated in full.
- The carried forward result and the reserves comprise the retained earnings and reserves of Vista Bank Romania SA and the gains and retained earnings and excluded the post-acquisition reserves of Credit Agricole Bank Romania SA.

At December 31, 2022, the merger between Vista Bank and Credit Agricole was completed, which resulted in the creation of a universal bank with products for both individuals, and legal entities.

The minority shareholders of the absorbed company, which own 0.05% in Credit Agricole, became shareholders of Vista Bank. Further to the merger, 1,539,304 shares were issued for the minority shareholders of Credit Agricole, which resulted in an increase in the share capital of Vista Bank by RON 153,930.

2.3 Functional and presentation currency

The Bank's functional currency is the currency of the economic environment in which it operates. The financial statements are presented in Romanian lei ("RON"), the Bank's functional and presentation currency, rounded at the closest decimal, except as otherwise mentioned.

2.4 Going concern

The financial statements of the Bank have been prepared in accordance with the going concern principle, which implies activity pursue on the part of the Bank in the foreseeable future. In addition, management is not aware of any material uncertainties that could cast significant doubt on its ability to continue as a going concern. Therefore, the financial statements are prepared on a going concern basis.

International context

The banking sector in Central and Eastern Europe (CEE) has faced numerous challenges in recent years, amidst the worsening macroeconomic balance, including the international geopolitical tension, both economically and financially, marked by multiple uncertainties.

A slight improvement was seen in the first part of 2023, due to improved consumer sentiment, lower food and energy prices, and the recovery of economic activity in China after the COVID-19 pandemic wave. However, the series of turmoil in the international banking sector observed since March 2023 has led to a considerable increase in investor risk aversion. In addition, there remains a high degree of uncertainty about the consequences of the continuing war in Ukraine, while the pace of monetary policy growth internationally has moderated.

Expectations for macroeconomic developments globally point to a slight improvement in 2023 compared to 2022, but there are significant downside risks to economic growth amid the continuing war in Ukraine, continued high, albeit declining, inflation and, last but not least, turbulence in several countries' banking sectors. According to the International Monetary Fund's latest assessment, the global economic growth rate for 2023 is estimated at 2.8% (down from 3.4% in 2022).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Basis for consolidation (continued)

International context (continued)

The energy crisis, as well as geopolitical tensions, has presented an opportunity for investment in clean energy, relocation of supply chains to reduce dependence on suppliers from other continents, accelerating the green transition or structural change to a higher value-added economy.

Although the capital adequacy of CEE banks declined slightly between 2022 and 2023, it remains robust against shocks. The solvency of the Romanian banking sector, according to the NBR, remained at an adequate level in 2022, with the total own funds ratio standing at 22.3% (September 2023), fuelled by the incorporation of profits for the financial year, a consequence of the NBR's recommendation to rationalise the dividend distribution policy. Although declining, the capital position remained robust at the end of March 2023, with the total own funds ratio remaining above the European average of 22.1% (September 2023).

The results of the latest solvency stress testing exercise according to NBR analysts, for the 2022- 2024 time horizon, indicate that banks have the capacity to absorb losses from the materialisation of the main regulated risks without significant capital impairment. In 2021. In addition, they could generate operating profit in an environment of persistently high interest rates. This highlights the ability of the Romanian banking sector to face the challenges of an unfavourable macroeconomic environment. Solvency has been positively influenced over the last three years by the effects of the transitional adjustments of the CRR Quick Fix package adopted by regulators to mitigate the effects of the COVID-19 pandemic.

However, the future remains uncertain and it is challenging to predict the long-term impact of the current inflationary environment and high interest rates on asset quality and NPL levels.

According to the National Institute of Statistics, the annual inflation rate was 6.6% in December 2023.

Statistics express growth prospects for consumer prices by average annual rates decelerating from 12.0% in 2022 to 9.9% in 2023, 5.4% in 2024, a development influenced by a number of factors, including the deterioration of the private consumption climate and the incorporation of new agricultural crop.

Consumer price growth was also affected by the Russian-Ukrainian war, which caused energy prices to rise and, consequently, production costs to rise. The war in Ukraine has also strengthened Romania's goal of energy independence, which can produce almost enough gas domestically to meet its own needs and is projected to be self-sufficient in natural gas by 2026, mainly due to simplified regulations for the extraction of natural gas from the Black Sea.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Going concern (continued)

International context (continued)

Romania also announced a plan to develop new nuclear reactors in the future.

In 2023, Romania was the only country in the EU with excessive deficit, and experts estimate that the country will not reduce the budget deficit to less than 3% of GDP by 2024.

Romania closes 2023 with a deficit of almost 6% of the GDP, more above the assumed 4.4% target.

The growing budget deficit is heavily affected by financial assistance to war refugees and the introduced "cap and subsidy" scheme for household energy prices.

Romania's public debt continued to increase in 2023 compared to the end of 2022. Public debt at December 2023 represents 48.9% of GDP, which means that, for the time being, the debt level, calculated as a share of GDP, remains below 50%.

The minimum reserve requirements for foreign exchange liabilities remained unchanged, at 5% and at 8% for liabilities in RON.

With the decrease of the last pandemic wave, and in the context of rising inflation, the NBR began to gradually increase the monetary policy interest rate. Thus, by the end of 2023, this was 7% (2022: 6.75%) with a corridor for the facility, extended to +/- 1%.

At the same time, the NBR maintains the interest rate for the lending facility (Lombard) at 8% per year and the interest rate for the deposit facility at 6% per year.

During 2023, the RON / USD and RON / EUR exchange rates continued to fluctuate, in the face of uncertainty on the international financial markets, global economic developments and signals of prolonged central banks' tight monetary policy.

Thus, the RON / EUR exchange rate registered a constant increase during 2023, registering a value of 4.9746 at the end of 2023, compared to 4.9474 at the end of 2022.

Regarding the Romanian banking system, in 2023 the deposits of the retail sector consolidated their dominant position in the liabilities of credit institutions and represent approximately two thirds of the value of the aggregate balance sheet of the banking sector.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Going concern (continued)

International context (continued)

The liquidity related to the Romanian banking sector maintained its prudent position, the credit institutions having a consistent stock of liquid assets able to manage liquidity shocks and to contribute to the reduction of risks from the retail sector.

In terms of liquidity indicators, Romanian banks have managed to keep them well above the specific requirements in force throughout the period since the beginning of the COVID-19 epidemic.

The IRCC or the Consumer Credit Reference Index, which has replaced the ROBOR in calculating the interest rate for variable interest loans, decreased slightly in 2023, at 5.97 at the end of the third quarter of 2023 (5.98 at the end of the fourth quarter of 2022).

Internal context

Vista Bank is a universal bank, of low size and complexity, ranking the 14th bank at December 31, 2023 in terms of assets (1.18% of the total banking assets of the Romanian banking system).

In addition to the external context, one must also consider the internal factors related to the size and performance of Vista Bank: the total value of assets increased by 17% at December 31, 2023 compared to December 31, 2022, to RON 9,490.35 million from RON 8,109.45 million.

As regards the evolution of liabilities, they increased especially due to the increase of customer and bank deposits (by 17%, namely RON 1,266.72 million).

The final result for 2023 is a profit of RON 62.87 million, compared to RON 23.84 million in December 2022.

During December 2022 – December 2023, the own funds of the credit institution increased by 14.58%, while the rate of total own funds increased against the background of increasing assets, namely from 16.54% to 17.16%.

As regards the quality of assets, the rate of non-performing exposures (NPE) decreased significantly, below the average of the banking system at December 31, 2023 (0.76% vs. 1.94% in Q3 2023). At December 31, 2023, the provision coverage ratio registered values below the system average (38.88% vs. 65.08% in Q3 2023).

As regards processes and their quality, it is worth mentioning that they were not affected by telework, which did not have adverse effects on communication inside the organisation or on the quality of work.

Conclusion

The main conclusion of these evolutions of the external and internal business environment is that Vista Bank is a solid bank, which has the capacity to manage work processes and to adapt to market changes, because it holds a base of stable customers, with the opportunity to extend its business in the future, by diversifying the portfolio of clients and products.

Liquidity

In 2023, the following actions continued:

- Strict monitoring of the evolution of volumes (loans, deposits, unused credit facilities);
- Strict monitoring of liquidity ratios with main emphasis on active observation of market evolution and customer behaviour and simulation of various scenarios;
- Managing financing initiatives to meet the liquidity needs of affected customers;
- Maintaining a sufficient stock of liquid assets to compensate for possible cash outflows in the event of a crisis.

Liquidity indicators comfortably exceed the minimum regulatory requirements, and the Bank estimates that they will remain above 100% in the future.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Going concern (continued)

Solvency

The Bank has adopted a number of measures to conserve capital, as follows:

- strict monitoring of the capital position and isolation of potential elements with high volatility;
- periodic simulations by using stress testing methodologies regarding the increase of the exchange rate, the increase of the interest rate and the increase of the non-repayment probabilities.

Liquidity and solvency position

The Bank regularly assesses the impact of Covid-19 in its activity, risk profile and prudential and performance indicators. In this sense, the Bank evaluates its performance based on stress testing scenarios on key performance and prudence indicators, strict monitoring of position and liquidity indicators (mainly liquidity coverage ratio and immediate liquidity ratio), monitoring the evolution of the interest rates of government bond due to the high level of market volatility and its impact on the capital base and monitoring the simulations of solvency ratios. The results of the stress tests are comfortable both in terms of solvency and in terms of liquidity. The Bank expects to maintain a solid position compared to the regulated minimum levels.

Position of Vista Bank Romania SA in Romania

According to the Decree issued by the Central Bank of Cyprus, published in the Official Gazette of the Republic of Cyprus no. 4645 of March 29th, 2013, Laiki Bank transferred to the Bank of Cyprus the financing granted to the Bank. As a result, the Bank could no longer rely on financial support from the parent bank, hence, it has been searching for a potential investor that would take over the majority shares.

In 2018, major changes occurred in the bank's shareholding, as the ownership of the former shareholder of the bank, i.e., Cyprus Popular Bank Public Co Ltd Cyprus (99.535052%) was taken over by Barniveld Enterprises Limited. Thus, by letter no. FG 235/12.03.2018, the National Bank of Romania communicated that it did not oppose the plans of Barniveld Enterprises Limited to hold a direct qualified ownership of 99.535052% of the subscribed and paid in share capital of Vista Bank (Romania) SA, or the plans of Gem Force Investments Limited and Mr. Ioannis Vardinogiannis to hold indirect qualified ownership of 99.535052% of the subscribed and paid in share capital of the credit institution.

Also in 2018, the share capital was increased by EUR 30 million through the conversion of the subordinated loans in amount of EUR 30 million classified as Tier 2 equity, according to the Decision of the General Meeting of Shareholders of 28.08.2018. Barniveld Enterprises Limited took over from Bank of Cyprus the subordinated loans in amount of EUR 30 million (at nominal value) in the process of authorization of the new shareholder, and full payment was made from the personal funds of Barniveld Enterprises Limited on 30.08.2018.

(all amounts are expressed in RON, unless otherwise stated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 Going concern (continued)

In the present context, the Bank aimed to maintain adequate levels of liquidity and capital adequacy.

The Bank's main ratios registered adequate levels as follows:

Ratios/ Reporting data	December 31, 2023	December 31, 2022
	RON	*RON*
Own funds		
Own funds Tier 1	585,931,570	525,914,907
Own funds Tier 2	94,339,116	67,812,893
Total own funds	680,270,686	593,727,800
Capital adequacy ratios		
Capital adequacy ratio Tier 1	14.78%	14.65%
Total capital adequacy ratio	17.16%	16.54%
Debt-to-Equity ratio	5.90%	6.29%
Liquidity ratios		
Liquidity ratio	n/a	n/a
Quick ratio	53.82%	44.51%
Liquidity coverage ratio (LCR)	237.59%	179.62%
Profitability ratios		
Return on Assets (ROA)	0.66%	0.29%
Return on Equity (ROE)	9.92%	4.20%
Total expenses to total revenues	89.87%	97.80%
Ratios on the quality of the assets		
Non-performing loans ratio	0.76%	0.65%
Impaired receivables/Total credits	1.94%	1.66%
Coverage of non-performing loans and advances by provisions	38.88%	38.83%
Other ratios		
Granted loans/attracted deposits	52.37%	61.18%
Total debt/Total equity	13.97	13.28

As of September 1, 2014, the Bank calculates its own funds according to Regulation No. 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and NBR Regulation no. 5/ 20.12.2013 on prudential requirements for credit institutions.

In terms of capital management, the Bank assesses capital adequacy for risks in accordance with the "Policy on the Internal Capital Adequacy Assessment", NBR regulations and CRD IV regulations package respectively.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 Going concern (continued)

The National Bank of Romania, as national regulatory and supervisory authority of the banking system, monitors the capital requirements of the Bank within the limits imposed by EU Regulation no. 575/2013 on prudential requirements for credit institutions and investment firms which provide:

- a basic capital adequacy ratio Tier 1 of 4.5%;
- a capital adequacy ratio Tier 1 of 6%;
- a total capital adequacy ratio of 8%.

By Order 66/06.06.2023, the National Bank of Romania imposed minimum capital adequacy ratios compared to the standard regulatory limits, as follows:

- a basic capital adequacy ratio Tier 1 of 6.8%;
- a capital adequacy ratio Tier 1 of 9.06%;
- a total capital adequacy ratio of 12.08%.

Moreover, as of January 1, 2016 the provisions of Order No. 12/2015 of the National Bank of Romania on the capital conservation buffer and the anti-cyclic capital buffer are applied so that credit institutions must meet the requirements of maintaining a capital buffer equal to a certain percentage of the total value of exposure to risk as follows: 0.625% applicable in 2016, 1.25% applicable in 2017, 1.875% applicable in 2018 and 2.5% applicable in 2019 until now.

In Romania, the countercyclical capital buffer rate has been maintained at 0.0% since January 1, 2016.
From October 17, 2022, the countercyclical capital buffer rate applicable to the banking sector is 0.5%, and from October 2023 it zqs be increased to 1.0%.

In this context, as outlined at article 355 of the Guidelines on Common Procedures and Methodologies for the Supervisory Review and Evaluation Process (SREP) of Credit Institutions issued by the European Banking Authority, the Overall Capital Requirement (OCR) consists of the TSCR requirement, the buffer requirements set out in the Capital Requirements Directive and the additional own funds requirements to cover macro-prudential risks.

Also, according to the provisions of Order no. 4 / 09.05.2018 of the National Bank of Romania, starting 30 June 2018, credit institutions must meet the requirements for maintaining a systemic risk capital buffer in accordance with the methodology set out in the annex to the Order (2% in the case of Vista Bank Romania SA), which was reduced to 1% as of July 2021.

Consequently, the overall capital requirement for Total Tier 1 equity (Tier 1 ORC) is composed of the TSCR requirement for the Tier 1 equity ratio and the capital buffer requirements (capital buffer applicable at the end of 2023 at a rate of 2.5%, or capital buffer for 1% systemic risk and countercyclical buffer of 1%).

The Bank registered a profit of RON **62,870,976** for the financial year ended on December 31, 2023 and a total comprehensive income of RON **65,824,922**.

The Bank's management believes that they shall be able to take appropriate measures to enable maintaining capital and liquidity at appropriate levels to continue its activity.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 Going concern (continued)

Therefore, based on the above, the management believes that the use of the activity continuity principle in preparing the financial statements is appropriate.

a) Standards and amendments effective in the current period

In 2023, the Bank applied all interpretations of the new standards revised or issued by the International Accounting Standards Board (IASB) and the International Financial Reporting Standards Interpretations Committee (IFRS IC) of the IASB, adopted by the EU, which are relevant to the work done by it.

b) Initial application of new amendments to the existing standards effective for the current reporting period

The following amendments to the existing standards issued by the International Accounting Standards Board (IASB) and adopted by the EU are effective for the current reporting period:

- **Amendments to IFRS 17 “Insurance Contracts”** including amendments to IFRS 17 issued by IASB on 25 June 2020 - adopted by the EU on 19 November 2021 (effective for annual periods beginning on 1 January 2023),

- **Amendments to IFRS 17 “Insurance contracts”** - Initial Application of IFRS 17 and IFRS 9 – Comparative Information, adopted by the EU on 8 September 2022 (effective for annual periods beginning on 1 January 2023),

- **Amendments to IAS 1 “Presentation of Financial Statements”** - Disclosure of Accounting Policies adopted by the EU on 2 March 2022 (effective for annual periods beginning on 1 January 2023),

- **Amendments to IAS 8 “Accounting Policies, Changes in Accounting Estimates and Errors”** – Definition of Accounting Estimates adopted by the EU on 2 March 2022 (effective for annual periods beginning on 1 January 2023),

- **Amendments to IAS 12 “Income Taxes”** - Deferred Tax related to Assets and Liabilities arising from a Single Transaction adopted by the EU on 11 August 2022 (effective for annual periods beginning on 1 January 2023).

The adoption of these amendments to the existing standards has not led to any material changes in the Bank’s financial statements.

c) Standards and amendments to the existing standards issued by IASB and adopted by the EU, but not yet effective

At the date of authorisation of these financial statements, the following amendments to the existing standards were issued by IASB and adopted by the EU and which are not yet effective:

- **Amendments to IFRS 16 Leases - Lease Liability in a Sale and Leaseback** issued by IASB on 22 September 2022. Amendments to IFRS 16 require a seller-lessee to subsequently measure lease liabilities arising from a leaseback in a way that it does not recognise any amount of the gain or loss that relates to the right of use it retains. The new requirements do not prevent a seller-lessee from recognising in profit or loss any gain or loss relating to the partial or full termination of a lease (effective for annual periods beginning on 1 January 2024).

- **Amendments to IAS 1 Presentation of Financial Statements - Classification of Liabilities as Current or Non-Current** issued by IASB on 23 January 2020 and **Amendments to IAS 1 Presentation of Financial Statements - Non-current Liabilities with Covenants** issued by IASB on 31 October 2022. Amendments issued on January 2020 provide more general approach to the classification of liabilities under IAS 1 based on the contractual arrangements in place at the reporting date. Amendments issued on October 2022 clarify how conditions with which an entity must comply within twelve months after the reporting period affect the classification of a liability (effective for annual periods beginning on 1 January 2024).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 Going concern (continued)

d) New standards and amendments to the existing standards issued by IASB, but not yet adopted by the EU

At present, IFRS as adopted by the EU do not significantly differ from regulations adopted by the IASB except for the following new standards, amendments to the existing standards and interpretations, which were not endorsed for use in EU as at the publication of these financial statements:

- **Amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures - Supplier Finance Arrangements** issued by IASB on 25 May 2023 (IASB effective date: 1 January 2024). Amendments add disclosure requirements, and ‘signposts’ within existing disclosure requirements to provide qualitative and quantitative information about supplier finance arrangements (not yet adopted by the EU).

- **Amendments to IAS 21 The Effects of Changes in Foreign Exchange Rates - Lack of Exchangeability** issued by IASB on 15 August 2023 (IASB effective date: 1 January 2025). Amendments contain guidance to specify when a currency is exchangeable and how to determine the exchange rate when it is not (not yet adopted by the EU).

- **IFRS 14 Regulatory Deferral Accounts** issued by IASB on 30 January 2014. This standard is intended to allow entities that are first-time adopters of IFRS, and that currently recognise regulatory deferral accounts in accordance with their previous GAAP, to continue to do so upon transition to IFRS (the European Commission has decided not to launch the endorsement process of this interim standard and to wait for the final standard).

- **Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture** issued by IASB on 11 September 2014 (the effective date was postponed indefinitely by the IASB, but early application is permitted). The amendments address a conflict between the requirements of IAS 28 and IFRS 10 and clarify that in a transaction involving an associate or joint venture the extent of gain or loss recognition depends on whether the assets sold or contributed constitute a business (the approval process was postponed indefinitely until the research project on the equity method is completed).

The adoption of these new standards and amendments to the existing standards will have no material impact on the separate financial statements of the Bank in the period of initial application.

Hedge accounting for a portfolio of financial assets and liabilities whose principles have not been adopted by the EU remains unregulated.

2.5 Accounting for the effects of hyperinflation

Prior to January 1, 2004, the adjustments and reclassifications of the statutory accounting records for compliance with the International Financial Reporting Standards included restatement of balances and transactions in order to reflect the purchasing power of the national currency, in accordance with IAS 29 (“Financial Reporting Standards in Hyperinflationary Economies). IAS 29 require that financial statements prepared in the currency of a hyperinflationary economy be displayed in the currency rate at the balance sheet date. On January 1, 2004, the Bank did not apply the provisions of IAS 29, as in the Romanian economic environment the hyperinflation features disappeared. The effects of hyperinflation in the Bank’s share capital is presented in Note 31. The restatement was based on the conversion factor: Consumer Price Index (CPI) in Romania published by the National Statistics Commission.

2.6 Foreign currency

Transactions denominated in foreign currencies are translated into RON at the official rate of exchange of the transaction date. Monetary assets and liabilities in foreign currencies at the balance sheet date are denominated in the functional currency at the exchange rate of the day.

Non-monetary assets and liabilities that are measured at historical cost in a foreign currency are translated using the exchange rate at the transaction date. 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.

(all amounts are expressed in RON, unless otherwise stated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.6 Foreign currency (continued)

Revaluation differences are presented in the income statement, except for differences arising from the revaluation of financial assets at fair value through other comprehensive income, which are included in the statement of comprehensive income.

The exchange rates for the main foreign currencies were:

Currency	December 31, 2023	December 31, 2022
Euro (EUR)	1: RON 4.9746	1: RON 4.9474
US Dollar (USD)	1: RON 4.4958	1: RON 4.6346

2.7 Financial assets and liabilities

Financial assets and liabilities are recognized in the Bank's balance sheet when the Bank becomes a party to the contractual provisions of the instrument.

Recognized financial assets and liabilities are initially measured at fair value. Trading costs directly attributable to the acquisition or issue of financial assets and liabilities (other than financial assets and liabilities at FVTPL) are added to or deducted from, the fair value of the financial assets or liabilities, as the case may be, at initial recognition. Trading costs directly attributable to the acquisition of financial assets or liabilities to FVTPL are recognized immediately in the income statement.

2.7.1. Financial assets

The evaluation of the business model is one of the two stages in the classification of financial assets.

The Bank's business model reflects the way it manages its financial assets to generate cash flows; the business model determines whether cash flows will result from the collection of contractual cash flows, from the sale of financial assets or from both.

The Bank sets its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective. The Bank's business model is not evaluated by instrument, but at a higher level of aggregate portfolios and is based on observable factors such as:

- The way in which the performance of the business model and of the financial assets held within that business model are evaluated and reported to the key personnel of the entity;
- The risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way in which these risks are managed;
- How portfolio managers are compensated (for example, whether the compensation is based on the fair value of the assets managed or the cash flows collected);
- Frequency, value and expected sales schedule are also important aspects of the Bank's valuation.

The evaluation of the business model is based on reasonably expected scenarios, without considering the "worst case" scenario or the "stress scenario". If cash flows after initial recognition are made in a manner different from the Bank's initial expectations, the Bank does not change the classification of financial assets remaining in this business model, but incorporates such information when valuing new products or new financial assets acquired.

To this end, the Bank has developed systems and processes to analyse the portfolio of debt securities and loans in force and to assess whether the characteristics of contractual cash flows allow for valuation at amortized cost (held-to-collect portfolio) or at fair value with effect on comprehensive income (held-to-collect and sell portfolio). The analysis in question was performed both by contract and by defining specific clusters based on the characteristics of the transactions and using a specific tool ("SPPI Tool") to analyse the characteristics of the contract in relation to the requirements of IFRS 9.

The Bank classifies financial assets according to the Bank's business model and the characteristics of the contractual cash flows of the financial asset. A business model reflects how the Bank manages its financial assets to achieve its performance objectives

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.7 Financial assets and liabilities (continued)

2.7.1. Financial assets (continued)

There are three business models:

Collection of contractual cash flows

This model includes financial assets that are held for the purpose of collecting cash flows, through the collection of contractual payments over the life of the instrument (includes assets such as loans, government securities and bonds that are not held for trading).

If these assets also meet the criterion of cash flows representing solely principal and interest (SPPI test), they can be classified at amortized cost and are included in the periodic calculation of adjustments for expected losses. There is no express requirement to keep these assets until maturity, sales can be made if they are infrequent (even if they have a significant value) or have an insignificant value both individually and in the aggregate (even if they are frequent) or when the risk profile of an instrument increases and is no longer in line with the Bank's investment policy. An increase in the frequency or value of sales over a period of time is not necessarily inconsistent with an objective of holding financial assets to collect contractual cash flows, if the Bank can explain the reasons for those sales and demonstrate why those sales do not reflect a change in the business model.

Collection of contractual cash flows and sale of financial assets

In this model, financial assets are managed both to obtain cash flows by collecting contractual payments and by selling them to improve the liquidity position or to optimize the portfolio return. Assets in this business model are measured at fair value through other comprehensive income. They can be government bonds, corporate bonds.

Other business models

Are the models that do not meet the criteria of the two models mentioned above, such as those in which the assets are managed to obtain cash flows from their sale (from trading) or those in which the management of assets is based on the fair value of assets acquired for trading (bonds or shares) and which are measured through profit or loss. This model involves managing the portfolio through frequent purchases and sales to maximize profits. The Bank recognizes all financial assets and liabilities at the date of trading. This is the date on which the Bank undertakes to buy or sell a financial asset.

As a second stage of the process of classification of financial assets, the Bank evaluates the contractual financing conditions to identify whether they result in "solely payments of principal and interest at the value of the outstanding principal" - the SPPI test.

The principal is defined as the "fair value of the financial asset at initial recognition" and may change over the life of the financial asset (for example, if there are reimbursements of principal or amortisation of the premium/discount). As regards "interest", the most significant elements are the time value of money and credit risk.

To conduct the SPPI evaluation, the Bank appreciates and considers relevant factors, such as the currency in which the financial asset is expressed and the period for which the interest rate is set. On the other hand, the contractual terns that introduce a larger than the „de minimis" exposure to risks and the volatility of contractual cash flows, which are not related to an underlying loan agreement, do not give rise to contractual cash flows representing solely payments of principal and interest out of the amount remaining unchanged. In such cases, the financial assets shall be measured at FVPL.
If the impact is "de minimis", the test is deemed passed.

Financial assets measured at fair value through other comprehensive income (FVOCI)

After initial recognition, financial assets are measured at fair value, including directly attributable trading costs. These are subsequently measured at fair value, and changes in fair value are recognized in a separate item from shareholders' equity. These financial assets are also subject to the measurement of a provision for expected credit losses, in the same approach as for debt instruments recognized at amortized cost. In addition, interest is recognized in the income statement using the effective interest method determined at the beginning of the contract.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.7 Financial assets and liabilities (continued)

2.7.1. Financial assets (continued)

- **Debt instruments**

These financial assets are held in a business model whose objective is achieved through the collection of contractual cash flows and the sale of financial assets, and the contractual terms of the financial asset give rise, on certain dates, to cash flows that are solely payments of principal and interest on the value of the principal due, that is, they meet the conditions of the “SPPI test”.

- **Equity instruments**

The Bank may make an irrevocable choice, at instrument level, to present in other comprehensive income the subsequent changes in the fair value of an investment in an equity instrument that is not held for trading. In this case, gains and losses remain measured at fair value through other income, without recycling in profit or loss.

Financial assets at amortised cost (AC)

- **Debt instruments**

A financial asset must be measured at amortized cost if the following conditions are met: the financial asset is held in a business model whose objective is to hold financial assets for the purpose of collecting contractual cash flows, and the contractual terms of the financial asset give rise, on certain dates, to cash flows that are solely payments of principal and interest on the value of principal due, i.e. they meet the SPPI condition.

Financial assets at fair value through profit or loss (FVTPL)

- **Derivative financial instruments**

In accordance with IFRS 9, the derivative financial instruments are measured at fair value through profit or loss.

- **Equity instruments**

In accordance with IFRS 9, the Bank will measure the equity instruments from held for trading to fair value through profit or loss, for which the option of fair value through other comprehensive income is not applied.

- **Debt instruments**

In accordance with IFRS 9, the Bank will mandatorily measure at fair value through profit or loss the equity instruments that are not classified as held for trading, held for trading and sale or which did not pass the SPPI test.

Financial assets – derecognition

The Bank derecognises a portfolio of financial assets, a financial asset, or a portion of a financial asset (herein after called “financial asset”) only when one of the following conditions is met:

- The contractual rights over cash flows expire;
- Transfers the financial asset and the transfer qualifies for derecognition;
- Voluntarily waives its rights over the financial asset due to the fact that the asset is considered irrecoverable or in order to grant a concession to the debtor;
- Significant change in a financial asset that results in the liquidation of the existing financial asset and the recognition of a new financial asset.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.7 Financial assets and liabilities (continued)

2.7.1. Financial assets (continued)

Financial assets – derecognition (continued)

In certain circumstances, the Bank renegotiates or otherwise modifies the contractual cash flows of loans granted to customers. In this case, the Bank assesses whether the new terms are substantially different from the original terms. The Bank does this by considering both quantitative factors, as well as qualitative changes that substantially change the size or nature of the creditor's risks associated with the pre-existing credit agreement. If the new terms are substantially different, the Bank waives the original financial assets and recognizes a "new" financial asset. The new financial asset is initially recognized at fair value, and the subsequent classification and measurement are reassessed considering the new business model and the contractual characteristics of cash flows. The renegotiation date is therefore considered to be the date of initial recognition for the calculation of impairment. All financial assets that are impaired at the date of initial recognition (first origination or a new origination due to significant changes) are classified as purchased or originated credit-impaired financial assets (POCI).

When evaluating new conditions to determine if they are significantly changed, the Bank considers whether the change is made to increase the recovery of the pre-existing loan. Renegotiating or changing the contractual cash flow of an existing financial asset may result in the waiver of the financial asset and the recognition of a new financial asset if those changes in the financial asset are significant. Changes made to increase the cash flows received and which are not considered significant changes in the contractual characteristics do not generate derecognition.

When assessing whether to derecognise a customer's loan, the Bank considers the following factors, among others:

A. Criteria for forborne exposures:

Although, in general, the modification for distressed assets is granted in order to recover as much as possible from the initial financial asset, there is a situation in which a forbearance operation substantially modifies the financial asset and the modified assets are substantially different in terms of economic and credit risk:

- Novation - change of contractual counterparty (debtor)
- Change of exposure currency
- Consolidations (from several facilities to 1)
- Spin-offs (from 1 to more).

The derecognition criteria for the modification of the non-forborne exposure will include the criteria for the distressed financial asset presented above and the situations in which the renegotiation of the contractual terms represents in fact a new lending relationship, namely:

- Insertion of a non-SPPI clause in an SPPI contract or removal from the contract of all non-SPPI clauses, so that the new contract form is SPPI
- Change after commercial renegotiation: a change in NPV above a 10% materiality threshold
- Product change
- Maturity changes of more than 50% and more than 1 year
- Extension of approved credit facilities based on a substantial analysis that may lead to rejection of the extension if the debtor's score / rating is below the threshold / limit

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.7 Financial assets and liabilities (continued)

2.7.2. Financial liabilities

The Bank has financial liabilities at fair value through profit or loss (including financial liabilities held for trading and those designated at fair value through profit or loss) and financial liabilities at amortized cost. Financial liabilities are derecognised when they are extinguished – i.e. when the obligation is deleted, cancelled or when they expire.

a) Financial liabilities at fair value through profit or loss

This category comprises two sub-groups: financial liabilities held for trading and those designated at fair value through profit or loss. Financial liabilities are classified in this category if they are obtained primarily for the purpose of selling in the near future or if so, designated by the management. Currently, the Bank does not have financial liabilities at fair value through profit or loss. Derivatives are also categorized as held for trading unless they are designated as hedging instruments.

b) Other liabilities at amortized cost

The financial liabilities not at fair value through profit or loss, or those that are not classified in this category are measured at amortized cost. Financial liabilities at amortized cost are deposits from other banks or from customers, debt securities in question for which the fair value and subordinated debt option is not applied.

A financial debt is cancelled when the debt obligation is paid, cancelled or expires. If an existing financial debt is replaced by another of the same creditor, in substantially different terms, or the conditions of an existing debt are substantially altered (modification after the commercial renegotiation of the NPV above a 10% materiality threshold), such exchange or modification is treated as a recognition of the original debt and the recognition of a new liability and the difference between the carrying amounts are recognized in the income statement.

2.8 Principles of fair value measurement

The fair values of quoted investments in active markets are based on bid price in the case of bonds and on the average price in the case of derivatives. If the market of a financial asset is not active (unlisted securities and derivatives), the Bank establishes the fair value by using valuation techniques and models developed internally. These include the use of recent transactions with objective price and discounted cash flow analysis.

2.9 Derivatives

Derivatives are classified as financial assets or liabilities held for trading and are initially recognized at fair value. After initial recognition, they are measured at market values without any deduction related to the costs of the sale.

Derivative financial instruments include foreign exchange swap contracts.

Gains or losses from the revaluation of derivatives are carried to income and expense accounts for derivative operations, corresponding to the type of instruments.

Derivatives are initially recognized at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Fair values are obtained from quoted prices in active markets, including recent market transactions, as well as based on evaluation techniques including discounted cash flow models. All derivatives are recorded as assets when fair value is positive and as liabilities when fair value is negative.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.10 Interest income and expense

Interest income and expenses are recorded in the profit or loss for all instruments measured at amortized cost using the effective interest method. Interest income includes coupons related fixed income investment securities, discounts and premiums earned from treasury certificates.

The effective interest method is a method of calculating the amortized cost of a financial asset or a financial obligation and allocation of income and expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, where appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. In calculating the effective interest rate, the Bank estimates cash flows considering all contractual terms of the financial instrument (for example, payment options beforehand) but there are not considered future credit losses. The calculation includes all fees and amounts paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and other premiums or discounts.

Effective interest is applied to the gross carrying amount of Stage 1 or 2 assets and all financial liabilities. For Stage 3 or POCI financial assets, the effective interest rate applies to the net carrying amount.

2.11 Income from fees and commissions

Income and expenses related to fees and commissions that are an integral part of the effective interest rate for a financial asset or liability are included in the measurement of the effective interest rate.

Income from fees and commissions and other operating income are recognized in the income statement as the Bank fulfils the performance obligation included in the contract, according to the rules of IFRS 15 Revenues from contracts with customers. In particular:

- If the performance obligation is fulfilled at a certain time ("point in time"), the related income is recognized in the profit and loss account when the service is completed;

- If the performance obligation is fulfilled in time, the related income is recognized in the profit and loss account to reflect the progress of fulfilling such an obligation.

Income from fees and commissions mainly refers to means of payment (checks, cards, promissory notes, etc.), interbank transactions (commissions on account transactions), receipts and payments (current accounts, business banking, safe deposit boxes, others), loan commitments and letters of guarantee issued.

Fees for managing accounts are charged to the client's account on a monthly basis. Commissions based on transactions (foreign exchange, foreign exchange transactions and account overdrafts) are collected in the client's account at the time the transaction takes place. Service fees are charged monthly and are based on fixed rates periodically reviewed by the Bank. Revenues from services attached to accounts and related fees are recognized in time as the services are provided. Income from transactions is recognized at the time the transaction takes place.

If the time of collection is not aligned with the way in which the performance obligation is fulfilled, the Bank accounts for a contractual asset or a contractual liability for the part of the income accumulated during the period or which is to be deferred in the following periods. The amount of income related to income from fees and commissions is measured based on contractual provisions. If the contractually stipulated amount is subject, in whole or in part, to variability, an income must be recorded based on the most probable amount that the Bank expects to receive.

"Accrued income" includes contractual assets recognized in accordance with IFRS 15. In this context, the accrued income represents the part of the performance obligation already fulfilled through the services provided by the Bank and which will be settled in future periods in accordance with the contractual provisions.

“Deferred income” includes contractual liabilities recognized in accordance with IFRS 15. Deferred income represents the part of the performance obligations that has not yet been fulfilled by the services provided by the Bank, but already settled in the period or in the previous periods. Most of this amount relates to performance obligations that are expected to be met until the reporting date at the end of the following year.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.12 Contracts of sale with repurchase clause

Securities sold under contracts of sale with repurchase clause ("repos") are classified in the financial statements as financial instruments at amortised cost and the counterparty obligation is included in amounts due to customers and banks.

The difference between the sale and repurchase price is considered as interest and recognized over the life of the contracts of sale with repurchase clause, using the effective yield method.

2.13 Impairment of financial assets

The Bank assesses expected credit losses („ECL") prospectively and recognises ECL impairment allowances for the following financial instruments measured at FVTPL:

- loans and advances to banks;
- loans and advances to customers;
- financial assets that are debt instruments;
- lease receivables;
- financial guarantee contracts issued and loan commitments issued.

No impairment losses are recognized on equity investments.

The ECL provision is based on expected credit losses to occur over the life of the asset (lifetime expected credit loss), unless there has been a significant increase in credit risk since origination, in which case, the provision is based on the 12-month ECL. The ECL is calculated from the time the loan is granted.

The 12-month ECL is the portion of the lifetime ECL that results from the default events of a financial instrument that are possible within 12 months of the reporting date. The financial instruments for which the 12-month ECL is recognized are called "Stage 1 Financial Instruments". Stage 1 financial instruments have not experienced a significant increase in credit risk since initial recognition and are not credit impaired.

Lifetime ECLs are ECLs that result from all possible default events over the expected life of the financial instrument or the maximum contractual exposure period. Financial instruments for which the ECL is recognized for life. but which are not credit impaired, are called "Stage 2 financial instruments". The financial instruments included in Stage 2 are instrument that have recorded a significant increase in credit risk since initial recognition but are not credit impaired.

Financial instruments for which ECLs are recognized for life and which are credit impaired are referred to as "Stage 3 financial instruments".

The expected credit loss may be calculated individually or collectively in accordance with IFRS 9. The Bank's model for calculating expected credit losses is:

- Individual evaluation for all Stage 3 customers

- Collective assessment for Stage 2 or Stage 1 customers

- Customers operating in the real estate market or are significantly exposed to the real estate market are analysed separately

The Group has established criteria for conducting a monthly assessment of the significant increase in credit risk since initial recognition, taking into account both relative and absolute thresholds (see note 3.1.1 a).

The recognition of the expected loss over the life of the collective financial assets takes into account comprehensive information on credit risk. Comprehensive credit risk information includes relevant historical and current data, including prospective macroeconomic information to estimate a result close to the recognition of the expected loss over the life of individual financial assets.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.13 Impairment of financial assets (continued)

In order to determine the significant increase in credit risk and the recognition of an expected credit loss on a collective basis, the Bank groups financial instruments on the basis of the common characteristics of credit risk, to facilitate the early identification of a significant increase in credit risk. Portfolio granularity analysis for segmentation purposes is the first step of collective analysis and is based on the analysis of default rates at sub-segments compared to higher segments.

Forborne financial assets

If the terms of a financial asset are renegotiated or changed or an existing financial asset is replaced with a new one due to the borrower's financial difficulties, then an assessment is made to determine whether the financial asset should be cancelled and the ECL is valued as it follows:

- If the planned restructuring does not lead to the cancellation of the existing asset, then the expected cash flows from the modified financial asset are included in the calculation of the cash deficit from the existing asset

- If the expected restructuring will lead to the derecognition of the existing asset, then the expected fair value of the new asset is treated as the final cash flow from the existing financial asset at the time of derecognition. This amount is included in the calculation of the cash deficit from the existing financial asset, which is revised from the expected date of derecognition to the reporting date, using the initial effective interest rate of the existing financial asset.

Credit-impaired financial assets

At each reporting date, the Bank assesses whether the financial assets recorded at amortized cost, the financial assets recorded at FVOCI and the finance lease receivables are credit-impaired (referred to as "Stage 3 financial assets"). A financial asset is "credit-impaired" when one or more events have occurred that have an adverse impact on the estimated future cash flows of the financial asset.

The Bank has implemented the definition of „default" in accordance with the criteria set by EBA. All curves of probability of default used as input data in the ECL calculation were calibrated by retroactively applying the EBA definition, to ensure consistency of default at the time of calibration.

Written-off loans

The Bank removes the financial assets from the balance sheet, in whole or in part, when it has exhausted all practical recovery efforts and has concluded that there is no reasonable chance of recovery. Indicators that there is no reasonable chance of recovery include (i) the cessation of enforcement and (ii) if the Bank's method of recovery is foreclosure and the value of the security is such that there is no reasonable chance of full recovery.

The Group may write off financial assets that are still subject to foreclosure. The Group continues the attempts to recover the amounts that are legally due to it in full, but which were written off from the balance sheet partially due to the lack of a reasonable chance of full recovery.

In terms of amounts, they are fully derecognised from off-balance sheet (both ECL and gross exposure). In almost all cases, these amounts are fully provisioned at the time of write-off of the balance sheet.

2.14 Guarantees recovered

Guarantees recovered represent non-financial assets recovered by the Bank from customers for overdue account. Assets are initially recognized at fair value at the time of recognition in the balance sheet and are included in property and equipment, other financial assets or stocks in other non-financial assets, depending on their nature and the Bank's intention regarding the use of these assets. These assets are subsequently revalued and accounted for in accordance with the accounting policies for these categories of assets.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.15 Intangible assets

Software licenses acquired are capitalized at acquisition costs and value of installing programs. These costs are amortized based on the estimated useful lives, which is normally three years. For client relations, the Bank has estimated a 15-year amortization period, using the straight-line method.

Costs associated with developing or maintaining computer applications are recognized as an expense as incurred. Costs that are directly attributable to the production of identifiable and unique software applications under the control of the Bank, and which will probably generate economic benefits over costs of production for more than one year, are recognized as intangible assets. Direct costs include costs with personnel dealing with the development of computer applications.

Computer software development expenditure recognized as assets are amortized using the straight-line method over their useful life which is generally three years.

2.16 Buildings and equipment

The cost of property, plant and equipment is recognized as a receivable when and only when: (a) it is probable that future economic benefits associated with the item will flow to the Bank; and (b) the cost of the item can be measured reliably. Construction and other property, plant and equipment are valued at cost less accumulated depreciation and any impairment loss.

Repairs and maintenance expenses are recorded when incurred. The cost of replacing major parts or components of property and equipment is capitalized and the replaced part is scrapped.

Gains and losses on disposals determined by comparing proceeds to the carrying amount are recognized in profit or loss.

Depreciation

Land is not impaired and assets in progress are not amortised until used. Amortization of other buildings and equipment is calculated using the straight-line method to allocate the cost of their residual value over their estimated period.

	Useful life in years	
	2023	**2022**
Buildings	50	50
Furniture	15	15
Means of transport	5	5
Measuring and control devices	4	4

The residual value of an asset is the estimated amount that the Bank will get at its disposal after priorly deducting the estimated costs of disposal if that asset already had the necessary life and was already in the estimated useful life end. The residual value of an asset is nil if the Bank expects to use the asset until the end of its physical period.

Assets' residual values and useful lives are reviewed and adjusted, where appropriate, at each balance sheet date.

The carrying amounts of property, plant and equipment are revised for impairment at each date in the statement of financial position or whenever events or changes in circumstances indicate that the carrying amount cannot be recovered.

If the carrying amount of an item of property, plant and equipment is greater than the estimated recoverable amount, then the former is reduced to the recoverable amount.

Property, plant and equipment are derecognised on disposal or when no future economic benefits are expected from use or disposal. Any gain or loss on the derecognition of the asset (calculated as the difference between the net proceeds from the disposal and the carrying amount of the asset) is included in the income statement in the year in which the asset is derecognised.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.17 Impairment of non-financial assets

Assets that have an indefinite useful life are not amortized and are tested annually for impairment. Assets that are subject to amortization are reviewed for impairment losses whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

The impairment loss is the difference between the carrying amount and the recoverable amount of the asset. Recoverable amount is the greater of the asset's fair value minus costs to sell and value in use. In calculating this impairment, assets are grouped at the lowest levels for which there are identifiable cash inflows independent (cash generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

2.18 Leases

Regarding the accounting treatment applied by the lessee, IFRS 16 provides, for all types of leasing, the recognition of an asset, representing the right to use the underlying asset, at the same time as the recognition of a liability for future payments resulting from the lease.

Upon initial recognition, the asset is measured at the amount of the lease liability plus payments made prior to the commencement of the lease, plus initial direct costs, less rental incentives received and, possibly, plus the costs of bringing the asset to its original condition. After initial recognition, the right of use will be measured based on the rules on assets governed by IAS 16, or IAS 40 and therefore, applying the cost-based model, less accumulated impairment and any accumulated impairment losses. The right to use the assets is depreciated during the lease.

The lease liability is initially measured at the present value of the lease payments payable during the lease, discounted at the default rate in the lease, if this can be easily determined. If this rate cannot be easily determined, the lessee will use the incremental loan rate.

The Bank has decided, as permitted by the standard, not to apply the provisions of IFRS 16 for leases related to intangible assets, for short-term leases, with a term of less than 1 year and those with a low asset value (less than 5,000 EUR).

As a result, the standard will apply to leases of tangible assets, other than short-term and / or for which the underlying asset has low value, such as property / office space, machinery, office equipment and other assets.

For short-term leases or for leases for which the underlying asset has a low value, lease payments are recognized as straight-line expenses during the lease.

Right-of-use assets

The Bank recognizes right-of-use assets on the date of commencement of the lease (i.e. the date on which the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses and adjusted for any revaluation of lease liabilities. The cost of the right-of-use asset includes the amount of recognized rental liabilities, the initial direct costs incurred and lease payments made on or before the commencement date. Right-of-use assets are depreciated on a straight-line basis over the term of the lease. The right-of-use assets are presented in Note 18, but also in a separate line in the balance sheet, called *Right-of-use assets*.

The Bank has recognised right-of-use assets resulting from leases for cars and the lease of commercial spaces.

Lease liabilities

At the beginning of the lease, the Bank recognizes the lease liabilities measured at the current value of the lease payments to be made during the lease. Liabilities related to lease operations are presented in Note 28 and in a separate line in the balance sheet, called *Lease liabilities*.

In accordance with IFRS 16, a contract is considered a lease if it transfers control rights to use an identified asset for a given period in exchange for consideration. Control is considered to exist if the customer has:

- the right to obtain substantially all the economic benefits generated using an identified asset; and
- the right to direct the use of such asset.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.18 Leases (continued)

The definition of the lease and the related instructions set out in IFRS 16 apply to all leases entered or amended on or after January 1, 2019.

The Bank recognizes the amortization of the right-of-use assets and the interests related to the lease liabilities in the profit and loss account.

The amounts paid are composed of principal (presented in cash flows as financing activities) and interest (presented in cash flows as operating activities).

The main methodological aspects applied by the Bank:

- cash guarantees concluded for some leases are not included in the right-to-use.
- the right-to-use is calculated in local currency, while the lease liability is in the contractual currency.
- the discount factor used for foreign currency contracts consists in the quotations of the Romanian government bonds issued whenever new contracts are concluded (the maturities of the Romanian government bonds will be in line with the maturities of the leases).
- the exchange rate initially used for the conversion of the right-to-use is the exchange rate issued by the NBR whenever new contracts are concluded
- the depreciation of the right-to-use is straight line
- all leases with a term of less than 1 year or with low values are recorded separately directly in rental costs
- addressing the economic content compared to the legal one in case of clauses regarding the term of the lease contracts (contractual clause - "unilateral termination by one of the parties, with six months' notice")

Each contract has an article on the termination of the lease, which stipulates the following: the lease may be terminated in the following cases:

- expiration of the lease
- mutual agreement of the parties
- non-compliance by a party with the obligations assumed
- termination by either party, subject to six months' notice

The Bank closely examines the termination clauses and potential penalties, as appropriate, in determining the contractual period considered for each lease. Based on the history of all leases for branches and the fact that there were no cases of early termination of contracts and also based on the Bank's current strategy on leased premises and the Bank's operations, the Bank takes into account the current contractual period of the leases, even in cases where the above clauses are set out in the contracts, as the Group is reasonably confident that the terms will be met.

The Bank operates as a lessee in leases for cars and the renting of spaces.

As of December 31, 2023, Vista has a number of 38 leases for rental spaces, of which: 34 are concluded for renting the spaces necessary for the activity of the Bank branches and 1 for the headquarters, 1 for the use of the Bank's CEO, 2 for the alternative disaster recovery headquarters, as well as 58 contracts related to cars used by department managers, branch managers and Bank management.

Of the 38 contracts for the rented spaces, two had a lease period of less than 12 months, for which reason it was excluded from the calculation of the right-to-use. Most leases are in EUR and only 3 are in RON and are usually drawn up for a maximum period of 10 years. The lease liability is registered in the contractual currency.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.19 Cash and cash equivalents

For preparation of a cash flow statement using the indirect method, cash and cash equivalents include balances with a maturity of less than three months from the date of purchase i.e. cash; to unrestricted balances at central banks, including minimum reserve requirements; treasury and other eligible certificates; loans and advances to banks as well as short-term bonds.

2.20 Provisions

Provisions are recognized when the Bank has a legal or constructive obligation arising from past events, when the settlement of the obligation is required an outflow of resources embodying economic benefits and when a reliable estimate can be made regarding the value of bonds. Where there are several similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the whole category of obligations. Provisions are recognized even if the likelihood related to any item included in the same class of obligations may be small. Provisions are measured at the current value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation.

2.21 Financial collateral contracts

Financial guarantee contracts are contracts that require the issuer to make specific payments to reimburse the beneficiary a loss suffered by it due to the fact that a particular borrower has not made payments on the due date in accordance with the terms of the debt instrument.

These financial guarantees are granted to banks, financial institutions and other bodies on behalf of customers to guarantee loans, overdrafts and other banking facilities.

Financial guarantees are initially recognized in the financial statements at fair value on the date granted. After the initial recognition, the Bank's obligations under such guarantees are measured at the higher of the initial measurement, less amortization calculated recognized in the income statement and the expected credit loss provision.

The Bank, in the normal course of business, enters into other commitments, including credit commitments and letters of credit. Unpaid loan commitments and letters of credit are commitments based on which, during the engagement, the Bank is obliged to grant a loan on pre-arranged terms to the client. Similar to the financial guarantee contracts, these contracts fall within the scope of the requirements on expected credit losses. The nominal contractual value of financial guarantees, letters of credit and unpaid loan commitments, where the loan agreed to be granted complies with market conditions, is not recorded in the statement of financial position. The nominal values of these instruments together with the corresponding expected credit loss are presented in note 35.

2.22 Employee benefits

Short-term employee benefits include salaries, compensation and social security contributions. Short-term employee benefits are recognized as an expense when the services are provided.

The Bank, in the normal course of business, makes payments to the Romanian state pension funds for its employees in Romania, for pension, health and unemployment. All employees of the Bank are included in the state pension system. The legally required contributions paid by the Bank cease if the employees terminate their employment contracts with the Bank, as the Bank's obligation to pay the benefits obtained by these employees in previous years no longer exists.

The Bank does not operate any other pension scheme and, therefore, has no further obligations regarding pensions. The Bank has no other obligation to provide funds to current or former employees for their services.

2.23 Income tax

a) Current income tax

The Bank records its net income tax expense on financial statements in accordance with accounting regulations and tax legislation in Romania. Romanian tax legislation is based on a financial year ended December 31. For recording both current tax and deferred tax for the year ended, the Bank calculated the annual tax expense based on Romanian tax legislation in force at the balance sheet date.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.23 Income tax (continued)

b) Deferred income tax

Differences between financial reporting under International Financial Reporting Standards and the Romanian tax regulations lead to differences between the carrying amount of certain assets and liabilities and debt.

Deferred tax asset item is recognized to the extent that it is probable that future taxable profit will be available so that the temporary differences could be utilized.

Deferred tax is provided using the balance sheet liability method on temporary differences arising between the tax bases of assets and liabilities and calculating their carrying amounts in the financial statements. Deferred income tax is determined using tax rates (and laws) that have been implemented or substantially implemented at the balance sheet date and are expected to be applied when the deferred tax recovered is realized or the deferred tax obligation is settled.

2.24 Repossessed assets (inventories)

Repossessed assets are items recorded in the balance sheet in accordance with IAS 2: Inventories.

IAS 2 requires that assets that are considered inventories be recorded and measured in the accounts at the lower of cost and net realizable value. In order to determine the NRV, the Bank evaluates the assets repossessed annually on the basis of a report prepared by an authorized valuer.

The gain or loss on derecognition of a repossessed asset is determined as the difference between the net proceeds from the disposal, if any, and the carrying amount of the item. The consideration included in such a gain or loss is determined in accordance with the requirements for determining the transaction price, in accordance with IFRS 15.

Taking into account the specific nature of the financial institution, the gain or loss on the derecognition of a repossessed asset is presented in other operating income or other operating expenses.

2.25 Investment property

If a property currently recognized as an asset with an accounting treatment in accordance with IAS 2 (Inventories) is subject to a lease that will generate cash flows (future rewards), then it will be reclassified as investment property with a different accounting treatment, in accordance with IAS 40 (Investment Property).

These investments are properties owned to obtain rental income. Real estate investments are initially valued at cost, including transaction costs. After initial recognition, investment property is measured at fair value. Gains or losses on changes in the fair value of investment property are included in the income statement for the period in which they arise. Such properties will be recorded, according to the management's decision, at fair value, determined at the balance sheet date by an authorized independent valuer, based on a valuation report that considers the latest prices obtained for similar properties located in the same area, in arm’s length transactions.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an arm’s length transaction between market participants at the valuation date.

By applying the fair value model, investment properties will be valued annually or whenever necessary, in accordance with the regulations in force, based on a valuation report prepared by an authorized independent valuer.

The market present value may lead to the calculation of adjustments that will affect the profit and loss account.

The administrative costs related to the reclassified property are the same: local taxes, valuation costs, repair costs, etc.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.26 Business combinations

A business combination is accounted for using the acquisition method at the date of obtaining control, except in cases where the combination involves entities or affiliates under joint control.

At the date of acquisition, the identifiable assets and liabilities acquired are measured at fair value, in accordance with the IFRS 3- "Business Combinations". Minority interests in the acquiree entitle the holder to a proportional share of the entity's identifiable net assets in the event of liquidation and are valued either at fair value or pro rata with the ownership in the entity's identifiable net assets.

On the date of the acquisition of its subsidiary Credit Agricole Bank Romania S.A., the Bank assessed the non-controlling interests, in the 2021 consolidated financial statements, as a proportional share of the fair value of the net assets of its subsidiary Credit Agricole Bank Romania S.A., held by the minority shareholders.

Goodwill and negative goodwill arise upon the acquisition of a subsidiary in a business combination. The goodwill is valued by deducting the identifiable net assets obtained from the total consideration transferred, any minority interests in the acquired entity and the fair value at the date of acquisition of ownership in the acquiree previously owned by the acquirer. If the acquirer obtains a gain from an acquisition, this gain will be recognized in profit or loss, after management reassesses whether all assets have been acquired and all liabilities and contingent liabilities have been assumed through an appropriate valuation.

Upon the acquisition of its subsidiary Credit Agricole Bank Romania SA on January 4, 2021, the fair value of the consideration transferred (acquisition price paid) was EUR 0.99 (RON 4.8998) and was paid entirely upon completion of the acquisition and takeover of control, i.e. 16 September 2021. Upon the takeover of control, all the amounts related to the acquisition of Credit Agricole Bank Romania SA had been paid and there is no contingent consideration to be paid. The gain on the acquisition of Credit Agricole Bank SA was in amount of RON 250,007,844.

Therefore, the number of shares to be issued by Vista Bank SA to Barniveld Entreprises Limited was obtained by multiplying the determined exchange ratio (3,848.26), by the number of shares held in the share capital of Credit Agricole Bank Romania SA, namely 400 shares.

Vista Bank Romania SA issued 1,539,304 shares, with a nominal value of RON 0.1, to Barniveld Entreprises Limited, thus generating an increase of RON 153,930.40 in the share capital of Vista Bank SA at the merger date.

2.27 Comparatives

Where necessary, the comparative amounts were adjusted and reclassified to reflect the presentation changes from the current period in accordance with NBR Order no. 27/2010 approving the Accounting regulations compliant with International Financial Reporting Standards applicable to credit institutions as revised (“Order 27/2010”) and with International Financial Reporting Standards as they were adopted by the European Union (“IFRS”) and with the interpretations adopted by the International Accounting Standards Board (“IASB”), base on which the separate financial statements at December 31, 2023 were adopted. For the year ended December 31, 2023, this was not the case.

3. FINANCIAL RISK MANAGEMENT
3.1 Credit risk
3.1.1 Credit risk assessment

a) Loans and advances

The Bank evaluates the creditworthiness of its borrowers through the application of appropriate models for classification of loans through special features. These models have been developed internally and meet financial and statistical analysis specialist advice given by those responsible. Whenever possible, these models are tested through a comparative analysis based on external information available.

According to the Bank's policy, each borrower is evaluated when the credit limit is determined initially and thereafter, they are revaluated at least once a year. Assessments are also updated where updated information that can have a significant impact on the level of credit risk is available. The Bank regularly tests the predictive ability of creditworthiness evolution and valuation models used for both corporate and for retail loans, thus ensuring the potential to accurately describe any credit risk and enabling timely implementation of measures address the problems that arise.

Corporate loans

Regarding corporate loans, the loan classification model applied depends on the financial standing of the Client, payment delays and existence of judicial proceedings. The system applied is a classification system developed internally.

The debtors of corporate clients are classified into 5 categories, which correspond to different levels of credit risk and are related to different classifications with regard to the probability of default, allowing the determination of expected loss.

Retail loans (retail banking)

Regarding loans to individuals (retail), the Bank focuses on the application of modern methods of assessing credit risk and fraud prevention, using also the scoring models customized for the retail loan portfolio profile. Thus, the approval is only possible if the score calculated for the applicant exceeds a certain threshold, to ensure compliance of the retail loan portfolio with the risk strategy and the bank's profile. Specific score is calculated based on a set of features. The final classification into 5 categories is given by the financial standing of the Client.

1. Monitoring Bank current exposure to credit risk

The Bank monitors credit risk exposure for its loans and advances to customers based on their notional amount.

2. Possible recovery based on existing collateral, securities and associated guarantees

During the establishment/revision of credit limits, the Group considers the type of collateral for exposure.

The Bank assesses loss for the financial instrument at an amount equal to 12-month expected credit loss (Stage 1) if, as at the reporting date, the credit risk of a financial instrument has not increased significantly as of initial recognition.

If, on the reporting date, the credit risk of a financial instrument has increased significantly since initial recognition, then the Bank will assess the loss for such financial instrument at an equal value to TTC expected credit losses (stage 2).

For exposures to non-financial individual and legal entity clients, the Bank uses for classification in the following stages indicators that reveal a significant increase in credit risk:

Quantitative indicators:
- payment delays – more than 30 days overdue from reporting date;
- risk class – downgrading by at least one risk class as at the reporting date compared to origination, with the exception of individual debtors for whom financial performance is determined on the basis of the behavioural calculation algorithm; and
- downgrading of risk class from A to B will not indicate a significant increase in credit risk (SICR), which is triggered starting with category C financial performance.

3. FINANCIAL RISK MANAGEMENT (continued)

3.1 Credit risk (continued)

3.1.1 Credit risk assessment (continued)

a) Loans and advances (continued)

Qualitative indicators:
- restructured exposure during the trial period (forborne);
- the worsening of the prospects for the sector or industries where the debtor operates;
- the depreciation of future cash flows without affecting the payment capacity for the upcoming period (without a restructuring as immediate measure);
- the decision of the Bank's management to enhance the monitoring of a debtor or a group of debtors;
- increase of the interest margin as a measure for the increase of credit risk associated with the debtor.

For exposures to banks and public administrations, the Group uses for staging the following indicators that show a significant increase of credit risk.

- ➢ Payment delays – more than 2 business days at the reporting date; and/or
- ➢ ECAI ratings - reduction by at least two levels in ECAI ratings, recorded at the reporting date compared to the origination date, for ratings that were initially above BB + / Ba1 and reduction by at least one level in ECAI ratings, recorded at the reporting date compared to the origination date, for ratings that were initially below BB + / Ba1. If several ECAI ratings are available for the same counterparty, the lowest rating of the two highest ratings is considered.

For classification in Stage 3, reference is made to Guide EBA / GL / 2016/07 on the application of the definition of default under Article 178 of Regulation (EU) no. 575/2013.

The Bank applies the definition of default at debtor level, both for non-retail customers and for retail customers. The same definition of default is used for all types of exposures.

Default exposures are exposures that meet at least one of the following criteria:

a. overdue payments upon establishment of default
b. indicators of payment improbability.

The criterion of overdue payments upon establishment of default takes into account:

a) the overdue loan obligation and the materiality threshold;
b) counting the overdue days;
c) suspension of the counting of overdue days;
d) technical overdue;

The Bank considers that the debtor is in a state of default when at least one of the following indications of the improbability of payment is identified:

a) cessation of accounting;
b) specific adjustments for credit risk (expected losses from stage 3 loans);
c) sale of the credit obligation;
d) emergency restructuring;
e) bankruptcy;
f) other indications of default:

    i) customers in forced execution;
    ii) customers with at least one non-performing facility (categories 2, 3 and 4 in the DATABANK classification for forborne exposures);
    iii) customers who sent the Bank a request for *datio in solutum*.
    iv) customers for which the Bank found from internal sources negative information on its payment capacity, such as:
        - ➢ the debtor's recurrent sources of income are no longer available for payment in instalments;
        - ➢ existence of justified concern regarding the debtor's future capacity to generate stable and sufficient cash flows;

3. FINANCIAL RISK MANAGEMENT (continued)

3.1 Credit risk (continued)

3.1.1 Credit risk assessment (continued)

a) Loans and advances (continued)

v) customers for which the Bank found from external sources negative information on its payment capacity, such as a crisis of the sector in which the counterparty operates along with the counterparty's weal position in such sector.

Also, for the stage 3 allocation, the Bank analyses the significant individual exposures for which default events have occurred.

In the event of default of a debtor that is part of a group of related customers, the Bank assesses the potential default of all other entities within that group. Following this assessment, the Bank decides whether to also include other entities in that group of related customers to a default state.

The Bank has defined the following events that determine non-performance:

- The debtor operates in the real estate sector;
- The debtor invokes significant financial difficulties;
- Overdue payments longer than 60 days for corporate clients and greater than 30 days for retail clients;
- At least one of the facilities granted to the Debtor has been the subject of a replacement operation in the last 12 months;
- The financial performance of the debtor is E, except for the clients classified in this category due to the non-presentation of the last financial statements, but which were previously classified in a better category;
- Existence of indications regarding the probability of bankruptcy or other form of reorganization of the borrower, in the case of legal entities.

Even if at least one of the triggers of default mentioned above occurs, the Bank assesses separately the exposure of each debtor as to whether there is objective evidence of non-performance.

ECLs are calculated using the EADs obtained based on the exposure schedule. Therefore, the highest available frequency must be applied in the computation, such as monthly PD. We assume that the default occurs at the beginning of the period: for each intra-year cash flows the formula considers the exposures at the beginning of the period and the EIR discount rate EIR must be used as of the second period.

As regards the portfolio purchased from Credit Agricole, Stage 3 exposures at acquisition date were classified as POCI, and the rest were included in Stage 1. At December 31, 2023, the Bank revaluated the portfolio acquired and initially classified as Stage 1 and reclassified exposures in Stages 1, 2 and 3 according to the parameters used by Vista.

At acquisition date, the value of the exposure at consolidated level for loans acquired from Credit Agricole was presented net of ECL calculated by Credit Agricole at acquisition date and the value adjustments determined using the PPA ("Purchase Price Allocation") analysis. At December 31, 2023, the value of the portfolio acquired was updated by the then contractual value, net of ECL calculated by Credit Agricole at acquisition date and the value adjustments determined using the PPA ("Purchase Price Allocation") analysis, the latter being amortised since the acquisition until December 31, 2023.

To determine the ECL for the portfolio acquired, the Vista methodology was applied, except for the LGD related to the unsecured AGRI portfolio, for which an LGD of 78.32 was used compared to the LGD of 77.76 applied to unsecured corporate loans, as per the Vista methodology.

As regards the probability of default (PD), for exposures to banks and public administrations (sovereign), the Group uses a simplified approach based on foreign credit ratings. For exposures to banks and public administrations, the Group uses the fitted PD associated to the rating of the 10-year sovereign/corporate migration matrix. For exposures to banks and public administrations, the PD is calculated using an exponential function based on the rating awarded by the three agencies, separately for the sovereign PD and the corporate PD. Also, a maximum PD between sovereign and corporate is considered when determining the corporate PD.

For exposures towards the NBR an almost nil PD is considered. If there are more ECAI ratings available for the same counterparty, the lowest rating of the highest two ratings is used. If the issuer is not a rated entity, then the rating related to the country of incorporation (origin) is used. Also, no counterparty is assumed to have a higher rating than the rating of the country of incorporation (origin).

3. FINANCIAL RISK MANAGEMENT (continued)

3.1 Credit risk (continued)

3.1.1 Credit risk assessment (continued)

a) Loans and advances (continued)

For non-financial clients, the Bank uses the conditional probability of default (CPD). The CPD is a measure for the probability that a default occurs throughout a certain period of time, provided it survives up to such date: 12 months from the following reporting date for Stage 1 exposures and throughout the cycle for Stage 2 exposures.

CPDs have been estimated based on portfolios aggregated on client types and on product types.

The Bank has adopted the EBA / GL / 2017/16 approach in establishing independent defaults which provides that "in respect of recognized defaults in respect of a single transaction, where the period between the return of the exposure to a state other than the default and the subsequent classification as a default is less than nine months, institutions shall treat that exposure as if it had been permanently in default since the default occurred." Therefore, the Bank applied this approach to all exposures.

Currently, the Bank calculates monthly migration matrices using historical data for four segments (due to insufficient data). Using this approach, the transition matrix represents the monthly empirical transition frequencies. Usually, a transition matrix is estimated with data from several periods.

Therefore, all matrices are estimated at the debtor level, including the corporate portfolio for which there are insufficient relevant data for portfolio default rates. The matrices are calculated for a period equal to 36 months until the reporting date. To obtain a lifetime PD curve, the matrices are further multiplied until the desired maturity. We define marginal PD as the (unconditional) probability that a default will occur exactly in a given period (t), calculated as a marginal difference in the cumulative probability estimates.

When this approach was introduced, the monthly transition matrices were calculated annually from September 2019 to September 2022 for the corporate portfolio (aggregate) and for three retail portfolios for which sufficient relevant data were found.

In order to make an early adjustment of the lifetime repayment probabilities, historical default rates were estimated separately (one for retail and one for corporate) from one quarter to another (on an annual basis). The resulting time series had abnormal peaks unrelated to the macroeconomic environment. The equation is used to calculate the forecast PDs of the portfolio. The concept of macroeconomic scaling factors ("MEF") is introduced, which represents the expected increase in the PD in the forecast period compared to the average default rates achieved.

Using Cumulative PD and Marginal PD, conditional PD (CPD) corresponding to the non-ample probability in the period t was calculated, with no implicit value between t_0 and the beginning of t period.

In accordance with IFRS 9, in some circumstances, an entity does not have reasonable and sustainable information that is available without undue cost or effort to measure estimated lifetime loss on an individual basis. In this case, the expected loss on lifetime loans is recognized on a collective basis that considers comprehensive credit risk information. This comprehensive credit risk information should include not only past information but also all relevant credit information, including future macroeconomic information, to approximate the outcome of the recognition of expected lifetime Losses when a significant increase of credit risk from initial recognition at individual level.

In order to integrate future information into the probability of default, the most relevant variables are the unemployment rate and the inflation rate - quarterly estimates. Data from various public databases, private banks, and content aggregators, such as Bloomberg, were used. At September 2022, the following scenarios (with updated probabilities based on a professional judgment) were established.

(all amounts are expressed in RON, unless otherwise stated)

3 FINANCIAL RISK MANAGEMENT (continued)

3.1 Credit risk (continued)

The weights assigned to the scenarios are as follows: 40% the baseline scenario, 5% the optimistic scenario and 55% the pessimistic scenario and the projections used are those presented below:

Year/Scenario	Basis	Pessimistic	Optimistic	Baseline	Pessimistic	Optimistic
2023	5.67%	6.30%	5.30%	10.03%	12.00%	5.10%
2024	5.60%	6.80%	4.80%	4.92%	5.90%	2.70%
2025	4.90%	5.30%	4.50%	4.20%	6.60%	1.80%

Loss given default (LGD) is a factor that determines the gravity of a probability of default. Practically, LGD is the amount of the total exposure that the Bank expects not to recover in case of a loan impairment.

b) Securities

For measuring and assessing the credit risk arising from debt securities and other certificates, external evaluations from rating agencies like Moody's, Standard & Poor's or other similar organizations are used. The value of the Bank's credit risk exposure caused by debt instruments and other certificates is assessed based on the market value of exposures and/or balance sheet or off-balance sheet positions.

The Bank applies credit limits in order to manage and control its exposure to credit risk. Credit limits define the maximum acceptable risk for each counterparty, by product, by sector and by country. In addition, limits are set and applied to exposures regarding financial institutions. Total exposure of the Bank to credit risk of borrowers, including financial institutions, is controlled by applying sub-limits and off-balance sheet exposures, as well as daily positions of the portfolio of financial instruments such as foreign exchange forward contracts.

To determine client limits, the Bank considers any warranty that reduces risk. The Bank classifies credit risk based on the type of the associated collateral and the opportunity of their liquidation. Maximum credit limits which may be approved for each risk class are determined by the Bank. Within the Bank, a loan is not approved by a single person, as the procedure generally requires the approval of at least three authorized persons, except for the consumer loans and credit cards. The authorities responsible for the approval of loans are assigned based on the level of risk exposure and their role in contributing to the quality of the Bank's total loan portfolio is particularly significant.

Credit limits are established with an effective duration of up to twelve months and are subject to annual or even frequent reviews. The responsible authorities may, under special conditions, set a period shorter than twelve months. Outstanding balances and their corresponding limits are monitored daily and any excess limit is reported in a timely manner and resolved accordingly.

The following paragraphs describes the techniques applied by the Bank to control and reduce credit risk.

3 FINANCIAL RISK MANAGEMENT (continued)

3.1 Credit risk (continued)

c) Guarantees

The Bank obtains guarantees for loans to customers, thus minimizing the overall risk of credit and ensuring timely repayment of debts. To this end, the Bank has established categories of acceptable collaterals and incorporated them in its credit policy, the main types being:

- mortgage on cash deposits;
- bank guarantee letters;
- mortgage on financial instruments such as stocks or shares listed on the Stock Exchange;
- mortgages on real estate;
- mortgage on movable goods;
- guarantees issued by central administrations, under governmental programmes (National Credit Guarantee Fund for SMEs (FNGCIMM), Rural Credit Guarantee Fund (FGCR) etc.), or
- assignment of receivables resulting from promissory notes, checks and invoices.

Credit linked guarantees are initially measured during the credit approval process, based on their present value or fair value, and reassessed at regular intervals. Generally, a warranty for exposure to financial institutions is not required, except where it relates to sales contracts with repurchase clause (“repos”) or similar activities. The Bank generally does not require collateral for investments in debt instruments.

d) Derivatives

The Bank systematically monitors and controls the exposure and duration of its net position opened in derivatives markets. Credit exposures from derivatives markets positions are part of the overall credit limits set for any counterparty and are taken into account during the approval process.

Guarantees or other securities are not generally obtained for exposures to derivatives, unless the Bank requires the application of a safety margin from the counterparty.

Credit risk arises also from the settlement of transactions and derivative products. The Bank has established and systematically monitors daily limits of settlement for transactions with derivative products, which are included in the overall credit limit of any counterparties.

e) Loan commitments

The primary purpose of these instruments is to ensure that funds are available to customers on request. Guarantees and standby letters of credit - which represent irrevocable commitments that the Bank will make payments if the customer cannot meet its obligations to third parties - carry the same credit risk as loans. Commercial and documentary letters of credit - which are written undertakings by the Bank on behalf of a customer authorizing a third party to collect rates by the Bank to an amount specified according to specific terms and conditions - are guaranteed by the shipped goods to which they relate and, therefore, present less risk than a direct loan.

Commitments related to credit extension represent unused credit limits parties under form of loans, guarantees or letters of credit. Concerning the credit risk of extended credit commitments, the Bank is exposed to a potential loss in an amount equal to the total amount of unused commitments.

(all amounts are expressed in RON, unless otherwise stated)

3. FINANCIAL RISK MANAGEMENT (continued)

3.1 Credit risk (continued)

3.1.2 The maximum exposure to credit risk before considering collateral or other credit increases

The Bank's maximum exposure to credit risk is reflected in the carrying amount of financial assets as reported in the statement of the financial position. In respect to letters of guarantee issued by the Bank and the credit commitments, the maximum exposure to credit risk is represented by the value of these commitments (Note 35). Credit risk is mitigated by existing guarantees.

The table below shows the maximum exposure to credit risk of the Bank as of December 31, 2023 and December 31, 2022, loans to customers, as reported in the statement of financial position.

The Bank also monitors credit risk by fields of activity. The analysis of concentration of credit risk by fields of activity at the reporting date is presented below (net amounts of allowances for impairment):

	Gross exposure	Provision	Net exposure
	December 31, 2023	December 31, 2023	December 31, 2023
Total retail loans	**992,643,754**	**-14,181,593**	**978,462,162**
Credit cards	2,180,479	-110,493	2,069,986
Consumer loans / personal loans and overdrafts	127,325,791	-6,039,805	121,285,986
Mortgage / Real estate loans	863,137,485	-8,031,295	855,106,190
Total corporate loans	**3,539,154,886**	**-81,796,886**	**3,457,358,000**
Total SMEs	**2,993,152,797**	**-63,383,991**	**2,929,768,806**
Commerce	495,468,422	-8,932,949	486,535,473
Industry	458,086,230	-11,280,266	446,805,965
Construction and real estate	570,908,707	-13,133,243	557,775,464
Agriculture	997,954,811	-14,932,434	983,022,378
Lease	105,191,149	-1,695,231	103,495,918
Shipping	34,938,011	-583,186	34,354,825
Others	330,605,466	-12,826,683	317,778,784
Total corporate	**546,002,089**	**-18,412,895**	**527,589,194**
Commerce	150,879,743	-2,380,476	148,499,266
Industry	164,244,581	-2,681,431	161,563,150
Construction and real estate	116,468,137	-1,250,820	115,217,317
Agriculture	93,546,681	-11,706,977	81,839,705
Lease	436,106	-23,775	412,331
Shipping	56,496	-21,857	34,639
Others	20,370,345	-347,558	20,022,786
Total loans and advances to customers*	**4,531,798,641**	**-95,978,479**	**4,435,820,162**

(all amounts are expressed in RON, unless otherwise stated)

3. FINANCIAL RISK MANAGEMENT (continued)

3.1 Credit risk (continued)

3.1.2 The maximum exposure to credit risk before considering collateral or other credit increases (continued)

** The values of the loans purchased from Credit Agricole Bank Romania include the value adjustments determined through the PPA („Purchase Price Allocation") analysis, amortised at December 31, 2023. The value of amortisations performed between December 31, 2022 and December 31, 2023 is RON -4,517,758.*

	Gross exposure December 31, 2022	Provision December 31, 2022	Net exposure December 31, 2022
Total retail loans	**1,133,936,961**	**-10,088,085**	**1,123,848,876**
Credit cards	2,007,638	-28,512	1,979,126
Consumer loans / personal loans and overdrafts	144,304,636	-5,085,190	139,219,446
Mortgage / Real estate loans	987,624,687	-4,974,383	982,650,304
Total corporate loans	**3,418,615,711**	**-79,958,791**	**3,338,656,920**
Total SMEs	**2,997,920,468**	**-62,535,539**	**2,935,384,929**
Commerce	506,250,422	-14,868,944	491,381,478
Industry	395,381,252	-5,091,629	390,289,623
Construction and real estate	525,897,690	-15,797,658	510,100,032
Agriculture	951,977,681	-12,244,998	939,732,683
Lease	76,090,165	-1,218,953	74,871,212
Shipping	218,453,568	-6,073,169	212,380,399
Others	323,869,690	-7,240,188	316,629,502
Total corporate	**420,695,243**	**-17,423,252**	**403,271,991**
Commerce	129,717,704	-2,511,105	127,206,599
Industry	156,882,706	-2,088,016	154,794,690
Construction and real estate	26,564,421	-345,809	26,218,612
Agriculture	93,205,932	-11,249,063	81,956,869
Lease	1,029,646	-57,252	972,394
Shipping	66,993	-24,586	42,407
Others	13,227,841	-1,147,421	12,080,420
Total loans and advances to customers*	**4,552,552,672**	**-90,046,876**	**4,462,505,796**

** The values of loans acquired from Credit Agricole Bank Romania include the value adjustments determined using the PPA („Purchase Price Allocation") analysis, amortized at December 31, 2021. The value of amortizations between the acquisition date and December 31, 2022 is of RON -4,446,655.*

(all amounts are expressed in RON, unless otherwise stated)

3. FINANCIAL RISK MANAGEMENT (continued)

3.1 Credit risk (continued)

3.1.2 The maximum exposure to credit risk before considering collateral or other credit increases (continued)

Information about guarantees as at December 31, 2023

	Secured loans and advances	Unsecured loans and advances	Total loans and advances
Total retail loans	**854,698,525**	**137,945,229**	**992,643,754**
Credit cards	331,549	1,848,930	2,180,479
Consumer loans / personal loans and overdrafts	91,161,017	36,164,774	127,325,791
Mortgage / Real estate loans	763,205,960	99,931,525	863,137,485
Total corporate loans	**1,505,376,895**	**2,033,777,991**	**3,539,154,886**
Total SMEs	**1,408,194,155**	**1,584,958,642**	**2,993,152,797**
Commerce	206,957,773	288,510,649	495,468,422
Industry	201,125,739	256,960,491	458,086,230
Construction and real estate	467,156,071	103,752,635	570,908,707
Agriculture	444,678,523	553,276,289	997,954,811
Leasing	-	105,191,149	105,191,149
Shipping	4,630,036	30,307,976	34,938,011
Others	83,646,013	246,959,454	330,605,466
Total corporate	**97,182,741**	**448,819,349**	**546,002,089**
Commerce	33,683,732	117,196,010	150,879,743
Industry	35,587,973	128,656,608	164,244,581
Construction and real estate	22,020,758	94,447,380	116,468,137
Agriculture	5,533,808	88,012,873	93,546,681
Leasing	-	436,106	436,106
Shipping	56,496	-	56,496
Others	299,973	20,070,371	20,370,345
Total loans and advances to customers	**2,360,075,421**	**2,171,723,220**	**4,531,798,641**

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(all amounts are expressed in RON, unless otherwise stated)

3. FINANCIAL RISK MANAGEMENT (continued)

3.1 Credit risk (continued)

3.1.2 The maximum exposure to credit risk before considering collateral or other credit increases (continued)

Information about guarantees as at December 31, 2022

	Secured loans and advances	Unsecured loans and advances	Total loans and advances
Total retail loans	**985,829,260**	**148,107,701**	**1,133,936,961**
Credit cards	239,851	1,767,787	2,007,638
Consumer loans / personal loans and overdrafts	106,909,114	37,395,522	144,304,636
Mortgage / Real estate loans	878,680,295	108,944,392	987,624,687
Total corporate loans	**1,391,396,561**	**2,027,219,150**	**3,418,615,711**
Total SMEs	**1,319,934,806**	**1,677,985,662**	**2,997,920,468**
Commerce	227,492,078	278,758,344	506,250,422
Industry	232,095,602	163,285,650	395,381,252
Construction and real estate	403,579,867	122,317,823	525,897,690
Agriculture	360,006,903	591,970,778	951,977,681
Leasing	2,433,199	73,656,966	76,090,165
Shipping	12,281,690	206,171,878	218,453,568
Others	82,045,467	241,824,223	323,869,690
Total corporate	**71,461,755**	**349,233,488**	**420,695,243**
Commerce	20,837,236	108,880,468	129,717,704
Industry	35,917,709	120,964,997	156,882,706
Construction and real estate	8,379,202	18,185,219	26,564,421
Agriculture	5,961,990	87,243,942	93,205,932
Leasing	-	1,029,646	1,029,646
Shipping	66,993	-	66,993
Others	298,625	12,929,216	13,227,841
Total loans and advances to customers	**2,377,225,821**	**2,175,326,851**	**4,552,552,672**

The fair value of the security takes into account only real guarantees such as pledges over cash deposits, letters of bank guarantee, mortgages over real estates and pledge over movable assets. The above-mentioned information represents the minimum value between the net carrying amount of the loan balance and the value of the guarantee; the remaining uncovered part is presented in the column of unsecured loans and advances.

(all amounts are expressed in RON, unless otherwise stated)

3. FINANCIAL RISK MANAGEMENT (continued)

3.1 Credit risk (continued)

3.1.2 The maximum exposure to credit risk before considering collateral or other credit increases (continued)

Presentation of loans and advances to customers by class and category:

Loans and advances to customers performing and not past due are loans and advances to customers classified to Stages 1 and 2, which have no days past due and are not impaired.

Loans and advances to customers performing and past due are loans and advances to customers classified to Stages 1 and 2, which have days past due and are not impaired.

Performing loans and advances to customers are loans and advances to customers classified to Stage 3 and POCI, which have indicators of non-performance.

The employment of claims (principal, attached receivables and amounts amortized) on each position is performed at the level of credit facility for exposures classified to Stages 1 and 2 and in terms of total exposure per customer for customers classified to Stage 3 and POCI, both for borrowers` individuals and legal entities.

As at December 31, 2022:

	Loans and advances performing and not past due		Loans and advances performing and past due		Non-performing loans and advances		
	Stage 1	**Stage 2**	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**
Total retail loans	**862,978,835**	**29,374,895**	**22,840,660**	**38,203,401**	**33,311,984**	**5,933,980**	**992,643,754**
Credit cards	1,658,902	351,507	43,738	112,963	13,369	-	2,180,479
Consumer loans / personal loans and overdrafts	91,277,892	8,133,026	5,470,035	5,946,386		2,543,088	127,325,791
Mortgage / Real estate loans	770,042,040	20,890,361	17,326,888	32,144,053	19,343,252	3,390,891	863,137,485

(all amounts are expressed in RON, unless otherwise stated)

3. FINANCIAL RISK MANAGEMENT (continued)

3.1 Credit risk (continued)

3.1.2 The maximum exposure to credit risk before considering collateral or other credit increases (continued)

	Loans and advances performing and not past due		Loans and advances performing and past due		Non-performing loans and advances		Total
	Stage 1	Stage 2	Stage 1	Stage 2	Stage 3	POCI	
Total corporate loans	**3,196,543,327**	**197,093,714**	**57,706,103**	**25,347,135**	**45,491,235**	**16,973,373**	**3,539,154,886**
SMEs	**2,680,385,293**	**177,179,397**	**57,706,103**	**25,347,135**	**35,197,368**	**16,973,373**	**2,993,152,797**
Commerce	422,583,719	45,591,637	23,039,291	1,492,615	2,584,236	176,924	495,468,422
Industry	432,186,518	14,331,189	678,646	-	9,484,626	1,405,252	458,086,230
Construction and real estate	496,277,668	22,142,817	27,015,937	10,742,005	6,824,372	7,905,907	570,908,707
Agriculture	904,187,064	64,899,352	5,434,775	8,543,747	7,653,872	7,236,001	997,954,811
Leasing	105,191,149	-	-	-	-	-	105,191,149
Shipping	34,938,011	-	-	-	-	-	34,938,011
Others	285,385,293	30,214,402	1,537,454	4,568,768	8,650,262	249,289	330,605,466
Corporate	**515,793,905**	**19,914,317**	**-**	**-**	**10,293,867**	**-**	**546,002,089**
Commerce	139,099,781	11,779,962	-	-	-	-	150,879,743
Industry	163,313,378	931,202	-	-	-	-	164,244,581
Constructions and real estate	116,468,137	-	-	-	-	-	116,468,137
Agriculture	76,462,383	6,790,431	-	-	10,293,867	-	93,546,681
Leasing	23,384	412,722	-	-	-	-	436,106
Shipping	56,496	-	-	-	-	-	56,496
Others	20,370,345	-	-	-	-	-	20,370,345
Total loans and advances to customers	**4,059,522,161**	**226,468,609**	**80,546,763**	**63,550,536**	**78,803,219**	**22,907,352**	**4,531,798,641**
Expected loss	**-42,848,804**	**-10,200,746**	**-691,647**	**-2,691,832**	**-39,163,390**	**-382,060**	**-95,978,479**
Total loans and advances to customers	**4,016,673,358**	**216,267,863**	**79,855,116**	**60,858,704**	**39,639,829**	**22,525,292**	**4,435,820,162**

(all amounts are expressed in RON, unless otherwise stated)

3. FINANCIAL RISK MANAGEMENT (continued)

3.1 Credit risk (continued)

3.1.2 The maximum exposure to credit risk before considering collateral or other credit increases (continued)

Presentation of loans and advances to customers by class and category as at December 31, 2022:

	Loans and advances performing and not past due		Loans and advances performing and past due		Non-performing loans and advances		Total
	Stage 1	Stage 2	Stage 1	Stage 2	Stage 3	POCI	
Total retail loans	**1,024,094,378**	**7,879,799**	**55,686,707**	**14,370,636**	**24,614,635**	**7,290,806**	**1,133,936,961**
Credit cards	1,798,343	29,537	115,544	46,436	17,778	-	2,007,638
Consumer loans / personal loans and overdrafts	112,719,874	4,085,293	8,301,542	3,310,532	13,271,480	2,615,915	144,304,636
Mortgage / Real estate loans	958,937,777	2,586,610	29,262,690	6,869,287		4,223,421	1,007,202,356
Total corporate loans	909,576,161	3,764,969	47,269,621	11,013,668	11,325,377	4,674,891	987,624,687
SMEs	**2,913,861,827**	**214,928,205**	**203,510,692**	**33,969,055**	**34,124,162**	**18,221,770**	**3,418,615,711**
Commerce	**2,548,450,175**	**200,367,167**	**173,265,402**	**33,286,300**	**24,329,654**	**18,221,770**	**2,997,920,468**
Industry	390,462,502	67,409,130	36,591,129	1,946,839	9,673,057	167,765	506,250,422
Construction and real estate	350,862,724	22,917,034	14,093,180	685,214	4,362,377	2,460,723	395,381,252
Agriculture	357,390,432	34,335,636	107,290,868	12,224,676	7,458,288	7,197,790	525,897,690
Leasing	887,788,744	46,929,501	3,564,502	3,455,404	1,869,285	8,370,245	951,977,681
Shipping	76,090,165	-	-	-	-	-	76,090,165
Others	218,453,568	-	-	-	-	-	218,453,568
Corporate	**365,411,652**	**14,561,038**	**30,245,290**	**682,755**	**9,794,508**	**-**	**420,695,243**
Commerce	98,789,659	-	30,245,290	682,755	-	-	129,717,704
Industry	156,882,706	-	-	-	-	-	156,882,706
Constructions and real estate	26,564,421	-	-	-	-	-	26,564,421
Agriculture	76,479,451	6,931,973	-	-	9,794,508	-	93,205,932
Leasing	225,427	804,219	-	-	-	-	1,029,646
Shipping	66,993	-	-	-	-	-	66,993
Others	6,402,995	6,824,846	-	-	-	-	13,227,841
Total loans and advances to customers	**3,937,956,205**	**222,808,004**	**259,197,399**	**48,339,691**	**58,738,797**	**25,512,576**	**4,552,552,672**
Expected loss	-42,738,918	-10,402,922	-2,820,277	-1,367,697	-32,717,062	-	-90,046,876
Total loans and advances to customers	**3,895,217,287**	**212,405,082**	**256,377,122**	**46,971,994**	**26,021,735**	**25,512,576**	**4,462,505,796**

(all amounts are expressed in RON, unless otherwise stated)

3. FINANCIAL RISK MANAGEMENT (continued)

3.1 Credit risk (continued)

3.1.3 Loans and advances

a) Not past due performing loans and advances:

The loans and advances to customers are presented below in relation to the quality of the credit risk.

December 31, 2023

	Retail loans			Corporate loans		
	Credit cards	**Consumer/ Personal loans**	**Mortgage/ Real estate loans**	**Small/ medium-sized entities**	**Large corporate entities**	**Total loans/ advances to customers**
Stage 1						
Low risk	1,269,153	83,082,683	741,386,077	2,118,386,172	470,892,586	3,415,016,670
Medium risk	375,355	8,031,476	28,210,177	562,363,250	44,844,823	643,825,081
High risk	14,395	163,733	445,786	0	56,496	680,410
Total Stage 1	**1,658,902**	**91,277,892**	**770,042,040**	**2,680,749,422**	**515,793,905**	**4,059,522,161**
Expected loss Stage 1	-21,700	-801,577	-2,036,473	-32,670,070	-7,318,984	-42,848,804
Total net Stage 1	**1,637,203**	**90,476,316**	**768,005,566**	**2,648,079,352**	**508,474,921**	**4,016,673,358**
Stage 2						
Low risk	0	994,467	3,525,846	253,989	0	4,774,302
Medium risk	213,485	6,022,986	11,377,132	176,865,323	19,914,317	214,393,245
High risk	138,022	1,115,573	5,987,383	60,084	0	7,301,062
Total Stage 2	**351,507**	**8,133,026**	**20,890,361**	**177,179,397**	**19,914,317**	**226,468,609**
Expected loss Stage 2	-47,576	-403,937	-594,384	-8,354,804	-800,044	-10,200,746
Total net Stage 2	**303,931**	**7,729,089**	**20,295,977**	**168,824,593**	**19,114,274**	**216,267,863**
Total gross	**2,010,410**	**99,410,919**	**790,932,401**	**2,857,928,819**	**535,708,222**	**4,285,990,770**
Total expected loss	-69,276	-1,205,514	-2,630,858	-41,024,874	-8,119,028	-53,049,550
Total net	**1,941,134**	**98,205,405**	**788,301,543**	**2,816,903,945**	**527,589,194**	**4,232,941,221**

(all amounts are expressed in RON, unless otherwise stated)

3. FINANCIAL RISK MANAGEMENT (continued)

3.1 Credit risk (continued)

3.1.3 Loans and advances (continued)

a) Not past due performing loans and advances (continued)

December 31, 2022:

	Retail loans			Corporate loans		
	Credit cards	**Consumer/ Personal loans**	**Mortgage/ Real estate loans**	**Small/ medium-sized entities**	**Large Corporate entities**	**Total loans/ advances to customers**
Low risk	1,715,081	104,922,210	797,874,068	1,890,764,861	333,890,404	3,129,166,624
Medium risk	83,261	7,499,140	110,405,331	657,685,314	31,454,254	807,127,300
High risk	-	298,525	1,296,762	-	66,993	1,662,280
Total Stage 1	**1,798,343**	**112,719,874**	**909,576,161**	**2,548,450,175**	**365,411,652**	**3,937,956,205**
Expected loss Stage 1	-8,513	-599,716	-1,241,434	-35,523,043	-5,366,212	-42,738,918
Total net Stage 1	**1,789,830**	**112,120,158**	**908,334,727**	**2,512,927,132**	**360,045,440**	**3,895,217,287**
Stage 2						
Low risk	28,580	1,963,115	1,119,442	369,296	-	3,480,433
Medium risk	957	2,122,178	1,722,099	199,913,586	14,561,038	218,319,858
High risk	-	-	923,428	84,285	-	1,007,713
Total Stage 2	**29,537**	**4,085,293**	**3,764,969**	**200,367,167**	**14,561,038**	**222,808,004**
Expected loss Stage 2	-540	-47,359	-88,508	-8,928,804	-1,337,711	-10,402,922
Total net Stage 2	**28,997**	**4,037,934**	**3,676,461**	**191,438,363**	**13,223,327**	**212,405,082**
Total gross	**1,827,880**	**116,805,167**	**913,341,130**	**2,748,817,342**	**379,972,690**	**4,160,764,209**
Total expected loss	-9,053	-647,075	-1,329,942	-44,451,847	-6,703,923	-53,141,840
Total net	**1,818,827**	**116,158,092**	**912,011,188**	**2,704,365,495**	**373,268,767**	**4,107,622,369**

(all amounts are expressed in RON, unless otherwise stated)

3. FINANCIAL RISK MANAGEMENT (continued)

3.1 Credit risk (continued)

3.1.3 Loans and advances (continued)

The criteria used for the above grades are the following:

Low risk	Current loans classified as Risk Class 1 (Financial Performance A)
Medium risk	Current loans classified as Risk Class 2 and 3 (Financial Performance B and C)
High risk	Current loans classified as Risk Class 4 and 5 (Financial Performance D and E)

b) Past due performing loans and advances

December 31, 2023

	Stage 1			Stage 2							
Portfolio	**Outstanding up to 30 days**	**Total Stage 1**	**Expected loss Stage 1**	**Outstanding up to 30 days**	**Outstanding between 31-60 days**	**Outstanding between 61-90 days**	**Total Stage 2**	**Expected loss Stage 2**	**Total**	**Expected loss**	**Fair value of guarantee**
Total retail loans	**22,840,660**	**22,840,660**	**-136,283**	**30,743,925**	**5,262,485**	**2,196,991**	**38,203,401**	**-1,402,724**	**61,044,061**	**-1,539,007**	**51,065,172**
Credit cards	43,738	43,738	-1,682	68,162	5,132	39,669	112,963	-26,166	**156,700**	**-27,848**	43,971
Consumer loans / personal loans and overdrafts	5,470,035	5,470,035	-73,662	5,100,770	327,346	518,270	5,946,386	-329,797	**11,416,421**	**-403,459**	8,581,429
Mortgage / Real Estate loans	17,326,888	17,326,888	-60,939	25,574,993	4,930,007	1,639,052	32,144,053	-1,046,761	**49,470,940**	**-1,107,701**	42,439,772
Expected credit loss retail	**-136,283**	**-136,283**		**-1,082,025**	**-213,623**	**-107,076**	**-1,402,724**		**-1,539,007**		
Total retail loans, net	**22,704,377**	**22,704,377**		**29,661,900**	**5,048,863**	**2,089,914**	**36,800,677**		**59,505,054**		

(all amounts are expressed in RON, unless otherwise stated)

3. FINANCIAL RISK MANAGEMENT (continued)

3.1 Credit risk (continued)

3.1.3 Loans and advances (continued)

b) Past due performing loans and advances (continued)

Portfolio	Stage 1			Stage 2							
	Outstanding up to 30 days	Total Stage 1	Expected loss Stage 1	Outstanding up to 30 days	Outstanding between 31-60 days	Outstanding between 61-90 days	Total Stage 2	Expected loss Stage 2	Total	Expected loss	Fair value of guarantee
Total corporate loans	**57,706,103**	**57,706,103**	**-555,364**	**16,980,954**	**3,718,020**	**4,648,161**	**25,347,135**	**-1,289,108**	**83,053,237**	**-1,844,471**	**53,287,661**
SMEs	**57,706,103**	**57,706,103**	**-555,364**	**16,980,954**	**3,718,020**	**4,648,161**	**25,347,135**	**-1,289,108**	**83,053,237**	**-1,844,471**	**53,287,661**
Commerce	23,039,291	23,039,291	-279,142	589,866	902,749	-	1,492,615	-68,702	**24,531,906**	-347,844	11,839,141
Industry	678,646	678,646	-6,611	-	-	-	-	-	**678,646**	-6,611	632,037
Construction and real estate	27,015,937	27,015,937	-208,958	10,742,005	-	-	10,742,005	-139,362	**37,757,943**	-348,320	27,406,832
Agriculture	5,434,775	5,434,775	-37,400	1,080,315	2,815,271	4,648,161	8,543,747	-661,021	**13,978,522**	-698,421	10,337,524
Leasing	-	-	-	-	-	-	-	-	-	-	-
Shipping	-	-	-	-	-	-	-	-	-	-	-
Others	1,537,454	1,537,454	-23,252	4,568,768	-	-	4,568,768	-420,023	**6,106,221**	-443,275	3,072,128
Corporate	**-**	**-**	**-**	**-**	-	-	**-**	**-**	**-**	**-**	**-**
Commerce	-	-	-	-	-	-	-	-	-	-	-
Industry	-	-	-	-	-	-	-	-	-	-	-
Construction and real estate	-	-	-	-	-	-	-	-	-	-	-
Agriculture	-	-	-	-	-	-	-	-	-	-	-
Shipping	-	-	-	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	-	-	-	-

(all amounts are expressed in RON, unless otherwise stated)

3. FINANCIAL RISK MANAGEMENT (continued)

3.1 Credit risk (continued)

3.1.3 Loans and advances (continued)

b) Past due performing loans and advances (continued)

December 31, 2023

	Stage 1			Stage 2							
Portfolio	Outstanding up to 30 days	Total Stage 1	Expected loss Stage 1	Outstanding up to 30 days	Outstanding between 31-60 days	Outstanding between 61-90 days	Total Stage 2	Expected loss Stage 2	Total	Expected loss	Fair value of guarantee
Expected loss on corporate loans	-555,364	-555,364		-739,636	-95,914	-453,558	-1,289,108		-1,844,471		
Total net corporate loans	57,150,739	57,150,739		16,241,318	3,622,106	4,194,603	24,058,027		81,208,766		
Total loans and advances to customers	80,546,763	80,546,763	-691,647	47,724,879	8,980,505	6,845,152	63,550,536	-2,691,832	144,097,299	-3,383,479	104,352,833
Expected loss for loans and advances to customers	-691,647	-691,647		-1,821,661	-309,536	-560,635	-2,691,832		-3,383,479		
Total net loans and advances to customers	79,855,116	79,855,116		45,903,218	8,670,969	6,284,517	60,858,704		140,713,820		

(all amounts are expressed in RON, unless otherwise stated)

3. FINANCIAL RISK MANAGEMENT (continued)

3.1 Credit risk (continued)

3.1.3 Loans and advances (continued)

b) Past due performing loans and advances (continued)

December 31, 2022

	Stage 1			Stage 2							
Portfolio	Outstanding up to 30 days	Total Stage 1	Expected loss Stage 1	Outstanding up to 30 days	Outstanding between 31-60 days	Outstanding between 61-90 days	Total Stage 2	Expected loss Stage 2	Total	Expected loss	Fair value of guarantee
Total retail loans	**55,686,707**	**55,686,707**	**-141,536**	**2,193,979**	**9,963,419**	**2,213,238**	**14,370,636**	**-206,748**	**70,057,343**	**-348,284**	**59,097,704**
Credit cards	115,544	115,544	-565	1,020	44,392	1,024	46,436	-1,117	161,980	-1,682	38
Consumer loans / personal loans and overdrafts	8,301,542	8,301,542	-39,032	878,010	2,239,399	193,123	3,310,532	-58,932	11,612,074	-97,964	8,899,838
Mortgage / Real Estate loans	47,269,621	47,269,621	-101,939	1,314,949	7,679,629	2,019,090	11,013,668	-146,699	58,283,289	-248,638	50,197,828
Expected credit loss retail	-141,536	-141,536	-	-44,322	-134,777	-27,649	-206,748	-	-348,284	-	-
Total retail loans, net	**55,545,171**	**55,545,171**	**-**	**2,149,657**	**9,828,642**	**2,185,588**	**14,163,888**	**-**	**69,709,059**	**-**	**-**

(all amounts are expressed in RON, unless otherwise stated)

3. FINANCIAL RISK MANAGEMENT (continued)

3.1 Credit risk (continued)

3.1.3 Loans and advances (continued)

b) Past due performing loans and advances (continued)

Portfolio	Stage 1 Outstanding up to 30 days	Stage 1 Total Stage 1	Stage 1 Expected loss Stage 1	Stage 2 Outstanding up to 30 days	Stage 2 Outstanding between 31-60 days	Stage 2 Outstanding between 61-90 days	Stage 2 Total Stage 2	Stage 2 Expected loss Stage 2	Total	Expected loss	Fair value of guarantee
Total corporate loans	**203,510,692**	**203,510,692**	**-2,678,741**	**17,175,204**	**16,793,851**	**-**	**33,969,055**	**-1,160,950**	**237,479,747**	**-3,839,691**	**124,458,921**
SMEs	**173,265,402**	**173,265,402**	**-1,798,588**	**16,492,450**	**16,793,851**	**-**	**33,286,300**	**-1,116,280**	**206,551,702**	**-2,914,868**	**122,135,504**
Commerce	36,591,129	36,591,129	-429,191	1,946,839	-	-	1,946,839	-150,564	38,537,968	-579,755	13,810,122
Industry	14,093,180	14,093,180	-119,070	685,214	-	-	685,214	-15,898	14,778,394	-134,968	8,903,637
Construction and real estate	107,290,868	107,290,868	-943,364	12,224,676	-	-	12,224,676	-420,369	119,515,544	-1,363,733	78,315,017
Agriculture	3,564,502	3,564,502	-54,600	-	3,455,404	-	3,455,404	-162,139	7,019,906	-216,739	3,382,939
Leasing	-	-	-	-	-	-	-	-	-	-	-
Shipping	-	-	-	-	-	-	-	-	-	-	-
Others	11,725,723	11,725,723	-252,363	1,635,720	13,338,447	-	14,974,167	-367,310	26,699,890	-619,673	17,723,789
Corporate	**30,245,290**	**30,245,290**	**-880,153**	**682,755**	**-**	**-**	**682,755**	**-44,670**	**30,928,045**	**-924,823**	**2,323,417**
Commerce	30,245,290	30,245,290	-880,153	682,755	-	-	682,755	-44,670	30,928,045	-924,823	2,323,417
Industry	-	-	-	-	-	-	-	-	-	-	-
Construction and real estate	-	-	-	-	-	-	-	-	-	-	-
Agriculture	-	-	-	-	-	-	-	-	-	-	-
Shipping	-	-	-	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	-	-	-	-

(all amounts are expressed in RON, unless otherwise stated)

3. FINANCIAL RISK MANAGEMENT (continued)

3.1 Credit risk (continued)

3.1.3 Loans and advances (continued)

b) Past due performing loans and advances (continued)

	Stage 1			Stage 2							
Portfolio	Outstanding up to 30 days	Total Stage 1	Expected loss Stage 1	Outstanding up to 30 days	Outstanding between 31-60 days	Outstanding between 61-90 days	Total Stage 2	Expected loss Stage 2	Total	Expected loss	Fair value of guarantee
Expected loss on corporate loans	-2,678,741	-2,678,741	-	-738,381	-422,569	-	-1,160,950	-	-3,839,691	-	-
Total net corporate loans	**200,831,951**	**200,831,951**	**-**	**16,436,824**	**16,371,281**	**-**	**32,808,105**	**-**	**233,640,056**	**-**	**-**
Total loans and advances to customers	**259,197,399**	**259,197,399**	**-2,820,277**	**19,369,184**	**26,757,270**	**2,213,237**	**48,339,691**	**-1,367,698**	**307,537,090**	**-4,187,974**	**183,556,625**
Expected loss for loans and advances to customers	-2,820,277	-2,820,277	-	-728,703	-557,346	-27,649	-1,367,698	-	-4,187,975	-	-
Total net loans and advances to customers	**256,377,122**	**256,377,122**	**-**	**18,586,481**	**26,199,925**	**2,185,588**	**46,971,994**	**-**	**303,349,116**	**-**	**-**

3. FINANCIAL RISK MANAGEMENT (continued)

3.1 Credit risk (continued)

3.1.3 Loans and advances (continued)

c) Non-performing loans and advances

The non-performing loans category includes all the exposures classified to Stage 3. For classification in Stage 3, reference is made to Guide EBA / GL / 2016/07 on the application of the definition of default under Article 178 of Regulation (EU) no. 575/2013.

The Bank applies the definition of default at debtor level, both for non-retail customers and for retail customers. The same definition of default is used for all types of exposures.

Default exposures are exposures that meet at least one of the following criteria:

a) overdue payments upon establishment of default
b) indicators of payment improbability.

The criterion of overdue payments upon establishment of default takes into account:

a) the overdue loan obligation and the materiality threshold;
b) counting the overdue days;
c) suspension of the counting of overdue days;
a) technical overdue;

As regards the criterion of overdue, set as of December 31, 2020, the Bank takes into consideration the following materiality levels of the liabilities from overdue loans set by the NBR:

- For retail exposures:

a) the level of the relative component of materiality is 1%;

b) the level of the absolute component of materiality is RON 150

- For exposures other than retail:

a) the level of the relative component of materiality is 1%;

b) the level of the absolute component of materiality is RON 1,000.

The debtor is considered to be in default when both the limit expressed as an absolute component of materiality and the limit expressed as a relative component of materiality are exceeded for more than 90 consecutive days.

When the criterion of materiality is no longer met, the debtor remains in check status for a period of 3 months (90 days);

If during the check period, the materiality levels are not exceeded for more than 30 consecutive days, after the expiration of this period, the debtor will leave the state of default / non-performance. If during the check period the materiality levels are exceeded for more than 30 consecutive days, it is expected to return below these levels to start a new check period of 3 months (90 days). If the materiality levels continue to be exceeded for a period longer than 90 consecutive days, the client remains in a state of default / non-performance.

(all amounts are expressed in RON, unless otherwise stated)

3. FINANCIAL RISK MANAGEMENT (Continued)

3.1 Credit risk (continued)

3.1.3 Loans and advances (continued)

c) Non-performing loans and advances (continued)

December 31, 2023

Portfolio	Not overdue	Outstanding up to 30 days	Outstanding between 31-60 days	Outstanding between 61-90 days	Outstanding between 91-180 days	Outstanding between 181-360 days	Outstanding after 360 days	POCI	Total	Expected loss	Fair value of guarantee
Total retail loans	**4,373,047**	**7,974,077**	**6,939,056**	**7,989,361**	**3,410,279**	**510,688**	**2,115,475**	**5,933,980**	**39,245,964**	**-8,736,938**	**24,814,965**
Credit cards	-	13,369	-	-	-	-	-	-	13,369	-13,369	-
Consumer loans / personal loans and overdrafts	1,515,967	4,208,918	3,033,282	2,659,892	1,011,176	88,553	1,437,574	2,543,088	16,498,451	-4,430,832	9,615,798
Mortgage / Real estate loans	2,857,080	3,751,790	3,905,774	5,329,469	2,399,103	422,135	677,901	3,390,891	22,734,143	-4,292,736	15,199,166
Expected loss for retail loans	**-766,746**	**-1,013,751**	**-1,513,324**	**-2,912,053**	**-793,998**	**-407,350**	**-1,329,715**	**-**	**-8,736,938**	-	-
Total net retail loans	**3,606,301**	**6,960,326**	**5,425,732**	**5,077,308**	**2,616,281**	**103,338**	**785,760**	**5,933,980**	**30,509,026**	**-**	**-**

(all amounts are expressed in RON, unless otherwise stated)

3. FINANCIAL RISK MANAGEMENT (Continued)

3.1 Credit risk (continued)

3.1.3 Loans and advances (continued)

c) Impaired loans and advances (continued)

Portfolio	Not overdue	Outstanding up to 30 days	Outstanding between 31-60 days	Outstanding between 61-90 days	Outstanding between 91-180 days	Outstanding between 181-360 days	Outstanding after 360 days	POCI	Total	Expected loss	Fair value of guarantee
Total corporate loans	**958,144**	**547,659**	**1,304,355**	**1,324,534**	**9,047,594**	**18,217,096**	**14,091,853**	**16,973,373**	**62,464,608**	**-30,808,512**	**15,110,487**
SMEs	**958,144**	**547,659**	**1,304,355**	**1,324,534**	**9,047,594**	**15,280,291**	**6,734,791**	**16,973,373**	**52,170,741**	**-20,514,645**	**15,110,487**
Commerce	565,167	-	-	-	1,572,160	-	446,909	176,924	2,761,160	-1,361,697	1,299,356
Industry	-	547,659	-	-	2,041,109	5,822,812	1,073,046	1,405,252	10,889,878	-4,903,771	4,897,270
Construction and real estate	305,180	-	1,304,355	-	-	-	5,214,837	7,905,907	14,730,279	-5,083,505	1,773,702
Agriculture	83,230	-	-	1,324,534	5,434,324	811,784	-	7,236,001	14,889,873	-3,084,416	4,571,154
Other	-	-	-	-	-	-	-	-	-	-	-
Corporate	**-**	**-**	**-**	**-**	**-**	**2,936,805**	**7,357,062**	**-**	**10,293,867**	**-10,293,867**	**-**
Commerce	-	-	-	-	-	-	-	-	-	-	-
Industry	-	-	-	-	-	-	-	-	-	-	-
Construction and real estate	-	-	-	-	-	-	-	-	-	-	-
Agriculture	-	-	-	-	-	2,936,805	7,357,062	0	10,293,867	-10,293,867	-
Other	-	-	-	-	-	-	-	-	-	-	-

(all amounts are expressed in RON, unless otherwise stated)

3. FINANCIAL RISK MANAGEMENT (Continued)

3.1 Credit risk (continued)

3.1.3 Loans and advances (continued)

c) Non-performing loans and advances (continued)

Portfolio	Not overdue	Outstanding up to 30 days	Outstanding between 31-60 days	Outstanding between 61-90 days	Outstanding between 91-180 days	Outstanding between 181-360 days	Outstanding after 360 days	POCI	Total	Expected loss	Fair value of guarantee
Expected loss for corporate loans	-426,193	-11,172	-26,609	-924,534	-3,344,878	-12,306,395	-13,386,671	-382,060	-30,808,512		
Total net corporate loans	**531,951**	**536,486**	**1,277,746**	**400,000**	**5,702,716**	**5,910,701**	**705,182**	**16,591,313**	**31,656,095**		
Total loans and advances to customers	**5,331,191**	**8,521,736**	**8,243,411**	**9,313,895**	**12,457,873**	**18,727,784**	**16,207,329**	**22,907,352**	**101,710,571**	**-39,545,450**	**39,925,452**
Expected loss for loans and advances to costumers	-1,192,940	-1,024,923	-1,539,933	-3,836,587	-4,138,877	-12,713,745	-14,716,386	-382,060	-39,545,450	-	-
Total net loans and advances to customers	**4,138,251**	**7,496,813**	**6,703,478**	**5,477,308**	**8,318,997**	**6,014,039**	**1,490,943**	**22,525,293**	**62,165,121**	-	-

(all amounts are expressed in RON, unless otherwise stated)

3. FINANCIAL RISK MANAGEMENT (Continued)

3.1 Credit risk (continued)

3.1.3 Loans and advances (continued)

c) Non-performing loans and advances (continued)

December 31, 2022

Portfolio	Not overdue	Outstanding up to 30 days	Outstanding between 31-60 days	Outstanding between 61-90 days	Outstanding between 91-180 days	Outstanding between 181-360 days	Outstanding after 360 days	POCI	Total	Expected loss	Fair value of guarantee
Total retail loans	**2,408,779**	**5,098,776**	**6,315,282**	**5,854,105**	**2,011,558**	**1,703,395**	**1,222,740**	**7,290,806**	**31,905,441**	**-7,753,731**	**22,557,956**
Credit cards	-	-	-	-	-	9,592	8,186	-	17,778	-17,778	-
Consumer loans / personal loans and overdrafts	1,084,896	3,197,882	3,369,933	2,141,805	1,559,671	1,327,289	590,004	2,615,915	15,887,395	-4,340,151	10,786,474
Mortgage / Real estate loans	1,323,883	1900,894	2,945,349	3,712,300	451,887	366,514	624,550	4,674,891	16,000,268	-3,395,802	11,771,482
Expected loss for retail loans	**-274,364**	**-1,502,643**	**-2,143,796**	**-2,007,444**	**-309,237**	**-756,845**	**-759,402**	**-**	**-7,753,731**	**-**	**-**
Total net retail loans	**2,134,415**	**3,596,133**	**4,171,486**	**3,846,661**	**1,702,321**	**946,550**	**463,338**	**7,290,806**	**24,151,710**	**-**	**-**

(all amounts are expressed in RON, unless otherwise stated)

3. FINANCIAL RISK MANAGEMENT (Continued)

3.1 Credit risk (continued)

3.1.3 Loans and advances (continued)

c) Non-performing loans and advances (continued)

December 31, 2022

Portfolio	Not overdue	Outstanding up to 30 days	Outstanding between 31-60 days	Outstanding between 61-90 days	Outstanding between 91-180 days	Outstanding between 181-360 days	Outstanding after 360 days	POCI	Total	Expected loss	Fair value of guarantee
Total corporate loans	**5,869,413**	**4,874,299**	**6,815,562**	**41,633**	**830,005**	**8,091,289**	**7,601,962**	**18,221,770**	**52,345,933**	**-24,963,331**	**27,150,428**
SMEs	**2,700,783**	**4,874,299**	**189,684**	**41,633**	**830,005**	**8,091,289**	**7,601,962**	**18,221,770**	**42,551,425**	**-15,168,823**	**27,150,428**
Commerce	684,841	-	-	-	-	8,091,289	896,928	167,765	9,840,823	-6,539,876	3,304,614
Industry	737,354	3,614,456	5,204	5,363	-	-	-	2,460,723	6,823,100	-595,085	6,239,149
Construction and real estate	-	568,774	184,480	-	-	-	6,705,034	7,197,790	14,656,078	-6,310,742	8,110,869
Agriculture	1,274,348	594,937	-	-	-	-	-	8,370,245	10,239,530	-888,327	9,361,986
Other	4,240	96,132	-	36,270	830,005	-	-	25,247	991,894	-834,793	133,810
Corporate	**3,168,630**	**-**	**6,625,878**	**-**	**-**	**-**	**-**	**-**	**9,794,508**	**-9,794,508**	**-**
Commerce	-	-	-	-	-	-	-	-	-	-	-
Industry	-	-	-	-	-	-	-	-	-	-	-
Construction and real estate	-	-	-	-	-	-	-	-	-	-	-
Agriculture	3,168,630	-	6,625,878	-	-	-	-	-	9,794,508	-9,794,508	-
Other	-	-	-	-	-	-	-	-	-	-	-

(all amounts are expressed in RON, unless otherwise stated)

3. FINANCIAL RISK MANAGEMENT (Continued)

3.1 Credit risk (continued)

3.1.3 Loans and advances (continued)

c) Non-performing loans and advances (continued)

December 31, 2022

Portfolio	Not overdue	Outstanding up to 30 days	Outstanding between 31-60 days	Outstanding between 61-90 days	Outstanding between 91-180 days	Outstanding between 181-360 days	Outstanding after 360 days	POCI	Total	Expected loss	Fair value of guarantee
Expected loss for corporate loans	-4,585,051	-590,957	-6,633,868	-5,910	-830,005	-5,614,128	-6,703,412	-	-24,963,331	-	-
Total net corporate loans	**1,284,362**	**4,283,342**	**181,694**	**35,723**	**-**	**2,477,161**	**898,550**	**18,221,770**	**27,382,602**	-	-
Total loans and advances to customers	**8,278,192**	**9,973,075**	**13,130,844**	**5,895,738**	**2,841,563**	**9,794,684**	**8,824,702**	**25,512,576**	**84,251,374**	**-32,717,062**	**49,708,384**
Expected loss for loans and advances to costumers	-4,859,415	-2,093,600	-8,777,664	-2,013,354	-1,139,242	-6,370,973	-7,462,814	-	-32,717,062	-	-
Total net loans and advances to customers	**3,418,777**	**7,879,475**	**4,353,180**	**3,882,384**	**1,702,321**	**3,423,711**	**1,361,888**	**25,512,576**	**51,534,312**	-	-

(all amounts are expressed in RON, unless otherwise stated)

3. FINANCIAL RISK MANAGEMENT (continued)

3.1 Credit risk (continued)

3.1.3 Loans and advances (continued)

c) Non-performing loans and advances (continued)

The effect of the guarantees on December 31, 2023 is as follows:

The financial effect of the guarantees is highlighted by the presentation of the guarantees values separately for (i) those assets for which the guaranties overcome or have the same value with the gross accounting asset (collateral loans) and (ii) those assets for which the guarantees have a value lower than the net accounting asset value (Under-secured loans).

	Under-secured loans		Collateral loans	
	Gross balance sheet exposure	Fair value guarantees	Gross balance sheet exposure	Fair value guarantees
Total retail loans	**512,152,712**	**374,207,483**	**480,491,042**	**912,082,937**
Credit cards	1,868,930	20,000	311,549	1,149,724
Consumer loans / personal loans and overdrafts	66,102,376	29,937,602	61,223,415	132,198,305
Mortgage / Real estate loans	444,181,406	344,249,881	418,956,078	778,734,909
Total corporate loans	**3,015,731,302**	**981,953,311**	**523,423,584**	**889,492,124**
Total SMEs	**2,482,868,701**	**897,910,059**	**510,284,096**	**868,617,152**
Commerce	430,145,684	141,635,035	65,322,738	128,649,192
Industry	383,194,388	126,233,897	74,891,842	127,816,158
Construction and real estate	313,369,245	209,616,609	257,539,462	411,213,247
Agriculture	921,112,580	367,836,291	76,842,232	135,979,161
Leasing	105,191,149	-	-	-
Shipping	33,679,826	3,371,850	1,258,186	2,023,110
Other	296,175,830	49,216,377	34,429,636	62,936,284

(all amounts are expressed in RON, unless otherwise stated)

3. FINANCIAL RISK MANAGEMENT (continued)

3.1 Credit risk (continued)

3.1.3 Loans and advances (continued)

c) Non-performing loans and advances (continued)

December 31, 2023	Under-secured loans		Collateral loans	
	Gross balance sheet exposure	Fair value guarantees	Gross balance sheet exposure	Fair value guarantees
Total corporate	**532,862,601**	**84,043,252**	**13,139,488**	**20,874,972**
Commerce	139,821,164	22,625,154	11,058,578	17,860,398
Industry	164,078,232	35,421,624	166,349	404,204
Construction and real estate	116,468,137	22,020,758	-	-
Agriculture	91,988,590	3,975,717	1,558,092	1,681,260
Leasing	436,106	-	-	-
Shipping	-	-	56,496	502,186
Other	20,070,371	-	299,973	426,923
Total loans and advances to customers	**3,527,884,014**	**1,356,160,794**	**1,003,914,626**	**1,801,575,061**

(all amounts are expressed in RON, unless otherwise stated)

3. FINANCIAL RISK MANAGEMENT (continued)

3.1 Credit risk (continued)

3.1.3 Loans and advances (continued)

c) Non-performing loans and advances (continued)

The effect of the guarantees on December 31, 2022 is as follows:

	Under-secured loans		Collateral loans	
	Gross balance sheet exposure	Fair value guarantees	Gross balance sheet exposure	Fair value guarantees
Total retail loans	**564,258,920**	**416,151,219**	**569,678,041**	**1,046,645,527**
Credit cards	1,767,787	-	239,851	1,107,402
Consumer loans / personal loans and overdrafts	69,963,404	32,567,882	74,341,232	158,475,295
Mortgage / Real estate loans	492,527,729	383,583,337	495,096,958	887,062,830
Total corporate loans	**2,775,418,578**	**748,199,430**	**643,197,133**	**1,130,655,814**
Total SMEs	**2,372,422,402**	**694,436,740**	**625,498,066**	**1,094,849,474**
Commerce	431,442,950	152,684,605	74,807,472	150,728,916
Industry	244,293,253	81,007,603	151,087,999	209,097,773
Construction and real estate	240,685,221	118,367,398	285,212,469	487,772,213
Agriculture	866,953,980	274,983,203	85,023,701	183,788,552
Leasing	76,090,165	2,433,199	-	-
Shipping	218,453,568	12,281,690	-	-
Other	**294,503,265**	**52,679,042**	**29,366,425**	**63,462,020**

(all amounts are expressed in RON, unless otherwise stated)

3. FINANCIAL RISK MANAGEMENT (continued)

3.1 Credit risk (continued)

3.1.3 Loans and advances (continued)

c) Non-performing loans and advances (continued)

December 31, 2022	Under-secured loans		Collateral loans	
	Gross balance sheet exposure	Fair value guarantees	Gross balance sheet exposure	Fair value guarantees
Total corporate	**402,996,176**	**53,762,690**	**17,699,067**	**35,806,340**
Commerce	123,423,288	14,542,821	6,294,416	19,041,538
Industry	147,529,165	26,564,168	9,353,541	13,920,000
Construction and real estate	26,564,421	8,379,202	-	-
Agriculture	91,520,440	4,276,499	1,685,492	1,916,990
Leasing	1,029,646	-	-	-
Shipping	-	-	66,993	499,440
Other	12,929,216	-	298,625	428,372
Total loans and advances to customers	**3,339,677,498**	**1,164,350,649**	**1,212,875,174**	**2,177,301,341**

The fair value of the real estate and collateral securities (equipment or stocks) at the end of the reporting period was estimated by increasing the amount determined by the evaluation department of the Bank, with adjustment elements depending on the security type, date of the last security evaluation, the legal condition of the customers, the place of the security, execution costs and the appraisal duration.

Starting May 2014, the Bank offsets loans to customers by directly reducing non-recoverable loans fully covered by depreciation adjustments, for which the Bank no longer has reasonable expectations regarding the generation of future cash flows from the respective loans, including the flows that could be obtained in the legal execution procedures. The Bank's management does not consider that these receivables meet the criteria for derecognition in the Bank's accounts.

At 31 December 2023, the amount of off-balance-sheet loans at gross value is RON 488,298,879 (2022: RON 575,712,700).

(all amounts are expressed in RON, unless otherwise stated)

3. FINANCIAL RISK MANAGEMENT (continued)

3.1 Credit risk (continued)

3.1.3 Loans and advances (continued)

c) Non-performing loans and advances (continued)

The material changes in the value of financial assets that affected the value of expected loss during the period under review are presented in the table below:

December 31, 2023

Expected loss for loans and advances to customers	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL		Total
Expected loss as at January 1, 2023	**45,559,193**	**11,770,619**	**32,717,062**	**-**	**90,046,875**
Changes in expected loss					
- Transfer to Stage 1	6,315,969	-6,248,733	-67,236		-
- Transfer to Stage 2	-2,288,978	2,912,307	-623,329		-
- Transfer to Stage 3	-219,435	-410,443	629,877		-
- Increases due to changes in credit risk*	21,774,994	20,749,644	35,646,837	1,186,902	79,358,378
- Decreases due to changes in credit risk**	-39,264,146	-17,219,429	-25,571,520		-82,055,095
- Write-offs	0	0	-4,444,359	-804,843	-5,249,202
Expected loss for new financial assets	11,699,161	1,297,315	1,627,200		14,623,676
Expected loss for derecognised financial assets***	0	-958	-832,108		-833,066
Foreign exchange differences	-36,309	42,255	80,966		86,913
Expected loss as at December 31, 2023	**43,540,450**	**12,892,578**	**39,163,390**	**382,060**	**95,978,479**
of which, unwinding	-	-	**2,307,573**	**-**	**2,307,573**
Expected loss as at December 31, 2023 net of unwinding	**43,540,450**	**12,892,578**	**36,855,818**	**382,060**	**93,670,906**

*including increases for loans repaid during the year
**including repayments of loans closed during the year
***Loans fully written-off of the Bank's balance sheet related to non-recoverable claims which the Bank considers that they meet the criteria to be derecognised.

(all amounts are expressed in RON, unless otherwise stated)

3. FINANCIAL RISK MANAGEMENT (continued)

3.1 Credit risk (continued)

3.1.3 Loans and advances (continued)

c) Non-performing loans and advances (continued)

December 31, 2022

Expected loss for loans and advances to customers	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Expected loss as at January 1, 2022	**43,132,237**	**8,651,577**	**41,458,081**	**93,241,895**
Changes in expected loss				
- Transfer to Stage 1	1,393,340	-1,110,239	-283,101	-
- Transfer to Stage 2	-1,977,838	2,105,786	-127,948	-
- Transfer to Stage 3	-299,218	-69,985	369,203	-
- Increases due to changes in credit risk*	43,682,210	20,692,332	21,180,654	85,555,196
- Decreases due to changes in credit risk**	-55,991,474	-20,898,600	-21,279,839	-98,169,913
- Write-offs	-	-	-11,244,126	-11,244,126
Expected loss for new financial assets	15,368,724	2,346,804	4,962,473	22,678,001
Expected loss for derecognised financial assets***	-	-56	-2,959,642	-2,959,698
Expected loss for newly-acquired financial assets****	251,214	53,000	641,307	945,521
Foreign exchange differences	**45,559,195**	**11,770,619**	**32,717,062**	**90,046,876**
			974,325	**974,325**
Expected losses at December 31, 2022	-	-		
of which, unwinding	**45,559,195**	**11,770,619**	**31,742,737**	**89,072,551**
Expected loss as at December 31, 2022 net of unwinding	**43,132,237**	**8,651,577**	**41,458,081**	**93,241,895**

*including increases for loans repaid during the year
**including repayments of loans closed during the year
***Loans fully written-off of the Bank's balance sheet related to non-recoverable claims which the Bank considers that they meet the criteria to be derecognised.
***The values presented were determined using the Vista Bank Romania methodology for the acquired portfolio

(all amounts are expressed in RON, unless otherwise stated)

3. FINANCIAL RISK MANAGEMENT (continued)

3.1 Credit risk (continued)

3.1.3 Loans and advances (continued)

c) Non-performing loans and advances (continued)

December 31, 2023

Expected loss for off-balance sheet loans and advances to customers	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Expected loss as at January 1, 2023	**4,595,694**	**1,426,881**	**103,867**	**8,877,826**
Changes in expected loss				
- Transfer to Stage 1	891,764	-886,384	-5,380	-
- Transfer to Stage 2	-83,396	83,396	-	-
- Transfer to Stage 3	-1,416	-798	2,214	-
- Increases due to changes in credit risk*	6,231,343	1,029,672	629,907	7,890,921
- Decreases due to changes in credit risk**	-10,220,852	-995,062,86	-378,233,98	-11,594,148
Expected loss for new financial assets	3,297,034	25,015	-	3,322,049
Foreign exchange differences	5,684	-905	2,779	7,559
Expected loss as at December 31, 2023	**4,715,856**	**681,814**	**355,153**	**5,752,823**

*including increases for existing exposures
**including off-balance sheet exposures turned to balance sheet exposures or closed/matured exposures

(all amounts are expressed in RON, unless otherwise stated)

3. FINANCIAL RISK MANAGEMENT (continued)

3.1 Credit risk (continued)

3.1.3 Loans and advances (continued)

c) Non-performing loans and advances (continued)

December 31, 2022

Expected loss for off-balance sheet loans and advances to customers	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Expected loss as at January 1, 2022	**7,686,432**	**1,105,877**	**85,517**	**8,877,826**
Changes in expected loss				
- Transfer to Stage 1	386,050	-326,295	-59,755	-
- Transfer to Stage 2	-56,425	56,425	-	-
- Transfer to Stage 3	-70	-	70	-
- Increases due to changes in credit risk*	6,209,710	1,052,287	27,071	7,289,068
- Decreases due to changes in credit risk**	-12,278,839	- 1,254,617	- 29,694	-13,563,150
Expected loss for new financial assets	2,596,378	783,494	80,047	3,459,919
Foreign exchange differences	52,458	9,710	611	62,779
Expected loss as at December 31, 2022	**4,595,694**	**1,426,881**	**103,867**	**6,126,442**

*including increases for existing exposures
**including off-balance sheet exposures turned to balance sheet exposures or closed/matured exposures
*** The values presented were determined using the Vista Bank Romania methodology for the acquired portfolio

(all amounts are expressed in RON, unless otherwise stated)

3. FINANCIAL RISK MANAGEMENT (continued)

3.1 Credit risk (continued)

3.1.3 Loans and advances (continued)

c) Non-performing loans and advances (continued)

December 31, 2022

Expected loss for off-balance sheet loans and advances to banks	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Expected loss as at January 1, 2023	**166,722**	**-**	**-**	**166,722**
Changes in expected loss				
- Transfer to Stage 1	-	-	-	-
- Transfer to Stage 2	-	-	-	-
- Transfer to Stage 3	-	-	-	-
- Increases due to changes in credit risk*	81,834	-	-	81,834
- Decreases due to changes in credit risk**	-112,105	-	-	-112,105
- Write-offs	-	-	-	-
Expected loss for new financial assets	699,944	-	-	699,944
Foreign exchange differences***	-721,613	-	-	-721,613
Expected loss as at December 31, 2023	**114,782**	**-**	**-**	**114,782**

*including increases for existing exposures
**including decreases for existing exposures
***including closed/matured exposures

(all amounts are expressed in RON, unless otherwise stated)

3. FINANCIAL RISK MANAGEMENT (continued)

3.1 Credit risk (continued)

3.1.4 Loans and advances (continued)

c) Non-performing loans and advances (continued)

December 31, 2022

Expected loss for off-balance sheet loans and advances to banks	Stage 1	Stage 2	Stage 3	Total
Expected loss as at January 1, 2022	**148,346**	**-**	**-**	**148,346**
Changes in expected loss				
- Transfer to Stage 1	-	-	-	-
- Transfer to Stage 2	-	-	-	-
- Transfer to Stage 3	-	-	-	-
- Increases due to changes in credit risk*	130,218	-	-	130,218
- Decreases due to changes in credit risk**	-1,095,004	-	-	-1,095,004
- Write-offs	-	-	-	-
Expected loss for new financial assets	1,913,841	-	-	1,913,841
Foreign exchange differences***	-930,679	-	-	-930,679
Expected loss as at December 31, 2022	**166,722**	**-**	**-**	**166,722**

*including increases for existing exposures
**including decreases for existing exposures
***including closed/matured exposures

(all amounts are expressed in RON, unless otherwise stated)

3. FINANCIAL RISK MANAGEMENT (continued)

3.1. Credit risk (continued)

3.1.3 Loans and advances (continued)

c) Non-performing loans and advances (continued)

Expected loss for investments held to amortized cost	Stage 1	Stage 2	Stage 3	Total
Expected loss as at January 1, 2023	**1,699,177**	**-**	**-**	**1,699,177**
Changes in expected loss				
- Transfer to Stage 1	-	-	-	-
- Transfer to Stage 2	-	-	-	-
- Transfer to Stage 3	-	-	-	-
- Increases due to changes in credit risk*	983,814	-	-	983,814
- Decreases due to changes in credit risk**	-1,010,999	-	-	-1,010,999
- Write-offs	-	-	-	-
- Changes not leading to derecognition	-	-	-	-
Expected loss for new financial assets	813,011	-	-	813,011
Foreign exchange differences and other changes***	-144,944	-	-	-144,944
Expected loss at December 31, 2023	**2,340,059**	**-**	**-**	**2,340,059**

*including increases for existing exposures
**including decreases for existing exposures
***including closed/matured exposures

(all amounts are expressed in RON, unless otherwise stated)

3. FINANCIAL RISK MANAGEMENT (continued)

3.1. Credit risk (continued)

3.1.3 Loans and advances (continued)

c) Non-performing loans and advances (continued)

December 31, 2022

Expected loss for investments held to amortized cost	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Expected loss as at January 1, 2022	**899,841**	**-**	**-**	**899,841**
Changes in expected loss				
- Transfer to Stage 1	-	-	-	-
- Transfer to Stage 2	-	-	-	-
- Transfer to Stage 3	-	-	-	-
- Increases due to changes in credit risk*	664,734	-	-	664,734
- Decreases due to changes in credit risk**	-1,086,672	-	-	-1,086,672
- Write-offs	-	-	-	-
- Changes not leading to derecognition	-	-	-	-
Expected loss for new financial assets	1,652,359	-	-	1,652,359
Foreign exchange differences and other changes***	-431,085	-	-	-431,085
Expected loss at December 31, 2022	**1,699,177**	**-**	**-**	**1,699,177**

*including increases for existing exposures
**including decreases for existing exposures
***including closed/matured exposures

(all amounts are expressed in RON, unless otherwise stated)

3. FINANCIAL RISK MANAGEMENT (continued)

3.1. Credit risk (continued)

3.1.3 Loans and advances (continued)

c) Non-performing loans and advances (continued)

December 31, 2023

Expected loss for financial assets at fair value through other comprehensive income	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Expected loss as at January 1, 2023	**71,359**	**-**	**-**	**71,359**
Changes in expected loss				
- Transfer to Stage 1	-	-	-	-
- Transfer to Stage 2	-	-	-	-
- Transfer to Stage 3	-	-	-	-
- Increases due to changes in credit risk*	1,971	-	-	1,971
- Decreases due to changes in credit risk**	-56,018	-	-	-56,018
- Write-offs	-	-	-	-
- Changes not leading to derecognition	-	-	-	-
Expected loss for new financial assets	-	-	-	-
Foreign exchange differences and other changes***	-5,176	-	-	-5,176
Expected loss at December 31, 2023	**12,136**	**-**	**-**	**12,136**

*including increases for existing exposures
**including decreases for existing exposures
***including closed/matured exposures

(all amounts are expressed in RON, unless otherwise stated)

3. FINANCIAL RISK MANAGEMENT (continued)

3.1. Credit risk (continued)

3.1.3 Loans and advances (continued)

c) Non-performing loans and advances (continued)

December 31, 2022

Expected loss for financial assets at fair value through other comprehensive income	Stage 1	Stage 2	Stage 3	Total
Expected loss as at January 1, 2022	**225,972**	**-**	**-**	**225,972**
Changes in expected loss				
- Transfer to Stage 1	-	-	-	-
- Transfer to Stage 2	-	-	-	-
- Transfer to Stage 3	-	-	-	-
- Increases due to changes in credit risk*	3,764	-	-	3,764
- Decreases due to changes in credit risk**	-142,011	-	-	-142,011
- Write-offs	-	-	-	-
- Changes not leading to derecognition	-	-	-	-
Expected loss for new financial assets	179,673	-	-	179,673
Foreign exchange differences and other changes***	-196,039	-	-	-196,039
Expected loss at December 31, 2022	**71,359**	**-**	**-**	**71,359**

*including increases for existing exposures
**including decreases for existing exposures
***including closed/matured exposures

(all amounts are expressed in RON, unless otherwise stated)

3. FINANCIAL RISK MANAGEMENT (continued)

3.1 Credit risk (continued)

3.1.3 Loans and advances (continued)

c) Non-performing loans and advances (continued)

December 31, 2023

Total loans and advances to customers	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**
Gross value as at January 1, 2023	**4,197,153,602**	**271,147,696**	**58,738,796**	**25,512,576**	**4,552,552,671**
Changes in gross value					
- Transfer to Stage 1	124,946,822	-122,861,429	-2,085,392		-
- Transfer to Stage 2	-201,583,629	205,236,212	-3,652,583		-
- Transfer to Stage 3	-24,756,282	-12,818,016	37,574,298		-
- Transfer to POCI	-	-	-	-	-
- Changes that do not result in derecognition*	-1,244,718,295	-85,756,471	-19,302,843	1,854,689	-1,347,922,920
New financial assets	960,612,515	24,377,147	2,229,258		987,218,919
Derecognised financial assets**	-	-958	-834,988		-835,946
Write-offs	-	-	-4,444,757	-2,415,591	-6,860,348
Other changes**	328,414,191	10,694,963	10,581,431	-2,044,322	347,646,263
Total loans and advances to customers as at December 31, 2023	**4,140,068,924**	**290,019,145**	**78,803,219**	**22,907,352**	**4,531,798,641**
Expected loss as at December 31, 2023	**-43,540,450**	**-12,892,578**	**-39,163,390**	**-382,060**	**-95,596,419**

* includes repayments to existing clients and fully repaid loans during the year
** includes balance increases for existing clients (including due to FX differences)
*** loans fully written-off of the Bank's balance sheet related to non-recoverable claims which the Bank considers that they meet the criteria to be derecognised.

(all amounts are expressed in RON, unless otherwise stated)

3. FINANCIAL RISK MANAGEMENT (continued)

3.1 Credit risk (continued)

3.1.3 Loans and advances (continued)

c) Non-performing loans and advances (continued)

December 31, 2022

Total loans and advances to customers	Stage 1	Stage 2	Stage 3	POCI	Total
Gross value as at January 1, 2022	**3,656,411,000**	**261,382,613**	**79,659,194**	**31,239,465**	**4,028,692,272**
Changes in gross value					
- Transfer to Stage 1	38,672,962	-37,556,794	-1,116,168		-
- Transfer to Stage 2	-139,811,401	140,798,683	-987,282	-	-
- Transfer to Stage 3	-20,185,063	-4,156,057	24,341,120	-	-
- Transfer to POCI	-1,059,043	-	-	1,059,043	-
- Changes that do not result in derecognition*	-1,052,310,920	-142,828,335	-35,263,433	-4,872,315	-1,235,275,003
New financial assets	1,435,102,087	44,179,549	7,692,353	-	1,486,973,989
Derecognised financial assets**	-	-2,478	-4,389,175	-	-4,391,653
Write-offs	-	-	-11,628,857	-2,163,334	-13,792,191
Other changes**	280,333,982	9,330,514	431,045	249,717	290,345,258
Total loans and advances to customers as at December 31, 2022*****	**4,197,153,604**	**271,147,695**	**58,738,797**	**25,512,576**	**4,552,552,672**
Expected loss as at December 31, 2022	**-45,559,195**	**-11,770,619**	**-32,717,062**	**-**	**-90,046,876**

* includes repayments to existing clients and fully repaid loans during the year
** includes balance increases for existing clients (including due to FX differences)
*** loans fully written-off of the Bank's balance sheet related to non-recoverable claims which the Bank considers that they meet the criteria to be derecognised
****The amounts are net of credit expected losses registered by Credit Agricole Bank Romania at August 31, 2021 and the value adjustments determined using the PPA evaluation.
***** The values of loans acquired from Credit Agricole Romania include the value adjustments determined using the PPA („Purchase Price Allocation") analysis, amortized at December 31, 2021. The value of amortizations between the acquisition date and December 31, 2021 is of RON -2,865,739.

(all amounts are expressed in RON, unless otherwise stated)

3. FINANCIAL RISK MANAGEMENT (continued)

3.1. Credit risk (continued)

3.1.3 Loans and advances (continued)

c) Non-performing loans and advances (continued)

December 31, 2023

Total off-balance sheet loans and advances to customers	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Gross value as at January 1, 2023	**438,066,327**	**42,108,641**	**448,071**	**480,623,040**
Changes in gross amount				
- Transfer to Stage 1	26,876,203	-26,865,443	-10,760	-
- Transfer to Stage 2	-5,492,145	5,492,145	-	-
- Transfer to Stage 3	-466,440	-12,947	479,387	-
New financial assets	404,373,941	308,732	-	404,682,673
Net movement in the year	-268,629,299	-6,959,198	-528,626	-276,117,124
Total off-balance sheet loans and advances to customers as at December 31, 2022	**594,728,587**	**14,071,930**	**388,072**	**609,188,589**
Expected loss as at December 31, 2023	**-4,715,856**	**-681,814**	**-355,153**	**-5,752,823**

(all amounts are expressed in RON, unless otherwise stated)

3. FINANCIAL RISK MANAGEMENT (continued)

3.1. Credit risk (continued)

3.1.3 Loans and advances (continued)

c) Non-performing loans and advances (continued)

December 31, 2022

Total off-balance sheet loans and advances to customers	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Gross value as at January 1, 2022	**356,386,566**	**15,554,515**	**171,034**	**372,112,115**
Changes in gross amount				
- Transfer to Stage 1	6,389,965	-6,270,454	-119,511	-
- Transfer to Stage 2	-12,064,604	12,064,604	-	-
- Transfer to Stage 3	-2,299	-	2,299	-
New financial assets	284,471,843	26,541,359	400,561	311,413,763
Net movement in the year	-197,115,144	-5,781,383	-6,311	-202,902,838
Total off-balance sheet loans and advances to customers as at December 31, 2022	**438,066,327**	**42,108,641**	**448,072**	**480,623,040**
Expected loss as at December 31, 2022	**-4,595,694**	**-1,426,881**	**-103,867**	**-6,126,442**

(all amounts are expressed in RON, unless otherwise stated)

3. FINANCIAL RISK MANAGEMENT (continued)

3.1 Credit risk (continued)

3.1.3 Loans and advances (continued)

c) Non-performing loans and advances (continued)

December 31, 2023

Total loans and advances to banks	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Gross value as at January 1, 2023	**1,956,424,184**	**-**	**-**	**1,956,424,184**
Changes in gross value	-	-	-	-
- Transfer between stages	-	-	-	-
Net movement in loans and advances to banks during 2023	710,753,239	-	-	710,753,239
Total loans and advances to banks as at December 31, 2023	**2,667,177,423**	**-**	**-**	**2,667,177,423**
Expected loss as at December 31, 2022	**-114,782**	**-**	**-**	**-114,782**

December 31, 2022

Total loans and advances to banks	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Gross value as at January 1, 2022	**1,645,324,541**	**-**	**-**	**1,645,324,541**
Changes in gross value	-	-	-	-
- Transfer between stages	-	-	-	-
Net movement in loans and advances to banks during 2022	311,099,643	-	-	311,099,643
Total loans and advances to banks as at December 31, 2022	**1,956,424,184**	**-**	**-**	**1,956,424,184**
Expected loss as at December 31, 2022	**-166,722**	**-**	**-**	**-166,722**

(all amounts are expressed in RON, unless otherwise stated)

3. FINANCIAL RISK MANAGEMENT (continued)

3.1 Credit risk (continued)

3.1.3 Loans and advances (continued)

c) Non-performing loans and advances (continued)

December 31, 2023

Total investments held at amortised cost	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Gross value as at January 1, 2023	**1,274,349,290**	**-**	**-**	**1,274,349,290**
- Transfers between stages	-	-	-	-
Net movement in investments held to maturity during 2023	752,189,248	-	-	752,189,248
Total investments held to maturity as at December 31, 2023	**2,026,538,538**	**-**	**-**	**2,026,538,538**
Expected loss as at December 31, 2023	**-2,340,059**	**-**	**-**	**-2,340,059**

December 31, 2022

Total investments held at amortised cost	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Gross value as at January 1, 2022	**783,246,558**	**-**	**-**	**783,246,558**
- Transfers between stages	-	-	-	-
Net movement in investments held to maturity during 2022	491,102,732	-	-	491,102,732
Total investments held to maturity as at December 31, 2022	**1,274,349,290**	**-**	**-**	**1,274,349,290**
Expected loss as at December 31, 2022	**-1,699,177**	**-**	**-**	**-1,699,177**

(all amounts are expressed in RON, unless otherwise stated)

3. FINANCIAL RISK MANAGEMENT (continued)

3.1 Credit risk (continued)

3.1.3 Loans and advances (continued)

c) Non-performing loans and advances (continued)

December 31, 2023

Total financial assets measured at fair value through other comprehensive income	Stage 1	Stage 2	Stage 3	Total
Gross value as at January 1, 2023	**58,428,768**	**-**	**-**	**58,428,768**
- Transfers between stages				
Net movement in financial assets at fair value through other comprehensive income during 2023	-48,077,596	-	-	-48,077,596
Total financial assets measured at fair value through other comprehensive income as at December 31, 2023	**10,351,172**	**-**	**-**	**10,351,172**
Expected loss as at December 31, 2023	**-12,136**	**-**	**-**	**-12,136**

December 31, 2022

Total financial assets measured at fair value through other comprehensive income	Stage 1	Stage 2	Stage 3	Total
Gross value as at January 1, 2022	**261,803,078**	**-**	**-**	**261,803,078**
- Transfers between stages				
Net movement in financial assets at fair value through other comprehensive income during 2022	-203,374,310	-	-	-203,374,310
Total financial assets measured at fair value through other comprehensive income as at December 31, 2022	**58,428,768**	**-**	**-**	**58,428,768**
Expected loss as at December 31, 2022	**-71,359**	**-**	**-**	**-71,359**

(all amounts are expressed in RON, unless otherwise stated)

3. FINANCIAL RISK MANAGEMENT (continued)

3.1 Credit risk (continued)

3.1.3 Loans and advances (continued)

d) Forborne loans and advances

A change in a financial asset occurs when the contractual clauses governing the cash flows of a financial asset are renegotiated or otherwise altered between the initial recognition and the maturity of the financial asset. A change affects the value and / or timing of contractual cash flows either immediately or at a later date.

The Bank renegotiates loans to customers in financial distress to maximize collection and minimize the risk of default (restructuring). A postponement of payment is granted in cases where, although the borrower has made all reasonable efforts to pay under the initial contractual terms, there is a high risk of default and the borrower is expected to meet the revised conditions. The revised terms in most cases include an extension of the maturity of the loan, changes in the timing of the cash flows of the loan within the initial contractual maturity, refinancing outstanding principal and interest. The Bank has a restructuring policy that applies to its corporate and retail clients.

	31.12.2023		
Type of restructuring	**Gross exposure**	**Expected loss**	**Net book value**
Extension of maturity	20,028,035	3,780,095	16,247,940
Refinancing	6,857,095	1,770,796	5,086,299
Rescheduling within contractual maturity	3,514,513	538,308	2,976,205
Total restructuring operations	**30,399,643**	**6,089,199**	**24,310,444**

	31.12.2022		
Type of restructuring	**Gross exposure**	**Expected loss**	**Net book value**
Extension of maturity	24,491,296	-4,739,089	19,752,207
Refinancing	6,941,507	-1,674,900	5,266,607
Rescheduling within contractual maturity	3,457,410	- 334,618	3,122,792
Total restructuring operations	**34,890,213**	**-6,748,607**	**28,141,606**

(all amounts are expressed in RON, unless otherwise stated)

3. FINANCIAL RISK MANAGEMENT (continued)

3.1 Credit risk (continued)

3.1.4 Securities portfolio

The table below presents the analysis of the investments securities portfolio as at December 31, 2023 and December 31, 2022, based on the Standard & Poor's ratings or equivalent:

			Rating	
	December 31, 2023	December 31, 2022	December 31, 2023	December 31, 2022
Investments at amortised cost (i)	2,026,538,538	1,274,349,290	BBB-	BBB-
Financial assets at fair value through other comprehensive income (ii)	10,351,172	58,428,768	BBB-	BBB-
Financial assets mandatorily measured through profit or loss	1,771,990	2,792,777	AA-/ A-1+	AA-/ A-1+

(i) The investments at amortised cost are securities issued by the Romanian Government and have a low credit risk. As at December 31, 2023 and December 31, 2022 the credit rating for Romania was BBB- with stable perspective in 2022 and 2023.

(ii) The financial assets at fair value through other comprehensive income represent securities issued by the Government of Romania.

3.1.5 Placements with banks

The table below presents the analysis of the placements with banks by evaluations performed on December 31, 2023 and December 31, 2022, based on the Standard & Poor's ratings or equivalent:

			Rating	
	December 31, 2023	December 31, 2022	December 31, 2023	December 31, 2022
	Total balance	Total balance	Long/ short term	Long/ short term
Current accounts				
KBC Brussels	6,578,782	6,507,881	A+/A-1	A+/A-1
Optima Bank	1,045,633	212,716	-	-
ING Bank NV - RO	4,606,923	5,075,017	A+/A-1	A+/A-1
Bank of New York Mellon	3,880,162	7,066,932	A/A-1	A/A-1

(all amounts are expressed in RON, unless otherwise stated)

3. FINANCIAL RISK MANAGEMENT (continued)

3.1 Credit risk (continued)

3.1.5 Placements with banks (continued)

			Rating	
	December 31, 2023	December 31, 2022	December 31, 2023	December 31, 2022
	Total balance	Total balance	Long/ short term	Long/ short term
Placements with banks				
Credit Europe Bank (Romania) SA	44,984,975	49,479,772	-	-
BRD GROUPE SOCIETE GENERALE	49,761,546	-	BBB+/A-2	-
GARANTI BANK SA	23,637,030	-	BB-/B	-
PATRIA BANK	4,976,134	-	-	-
UBP SA	215,951,807	-	AA/	-
Banca Transilvania SA	-	190,060,694	BB+/B	BB+/B
Crédit Agricole CIB	-	4,947,400	-	-
Alpha Bank	-	197,933,518	BB+/	BB+/
Banca Română de Credite și Investiții	23,504,819	23,321,128	-	-
Idea Bank SA	-	49,485,819	-	-
Piraeus Bank Athens	-	27,983,503	BB-/B	B/B
Optima Bank S.A.	389,382,719	69,903,672	-	-
Banco Comercial Português SA	-	46,445,901	BBB-/A-3	BB+/B
Citibank Europe plc, Dublin – Romania branch	145,444,602	210,021,523	A+/A-1	A+/A-1
Amounts recoverable	24,110,979			
Total placements with banks	**937,866,111**	**887,732,251**	**-**	**-**

At December 31, 2023	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Current accounts	16,111,500	-	-	16,111,500
Demand deposits	223,819,311	-	-	223,819,311
Term deposits	673,824,320	-	-	673,824,320
Amounts recoverable	24,110,979	-	-	24,110,979
Total	**937,866,110**	**-**	**-**	**937,866,110**
Expected credit loss	-53,150	-	-	-53,150
Total placements with banks	**937,812,960**	**-**	**-**	**937,812,960**

At December 31, 2022	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Current accounts	18,862,547	-	-	18,862,547
Demand deposits	357,042,662	-	-	357,042,662
Term deposits	506,174,691	-	-	506,174,692
Amounts recoverable	5,784,967	-	-	5,784,967
Total	**887,864,868**	**-**	**-**	**887,864,868**
Expected credit loss	-132,617	-	-	-132,617
Total placements with banks	**887,732,251**	**-**	**-**	**887,732,251**

3. FINANCIAL RISK MANAGEMENT (continued)

3.2 Market risk

The market risk represents the possibility of some economic losses resulted out of the variations of the market prices and instalments, including equity and prices, as well as interest rates and of the exchange rate. The market risk may affect, in general, both the position of the financial instruments portfolio and the banking intermediations portfolio, as well as assets and liabilities elements of the balance sheet. The Bank applied generally accepted technics for the evaluation of the market risk, such as the incomes analysed depending on the risk and sensitivity indicators.

As mentioned within the Strategy regarding the management of the significant risks, the objective related to the risks of the interest rate and the exchange rate are to maintain these parameters at a medium risk level.

Earning at Risk (EaR) indicator expresses the sensitivity of the net income resulted from the interest rate at the alterations suffered for a pre-defined period of time, usually one year.

The decrease of the economic value of the Bank (long time discrepancy) measures the alteration of the value of the economic potential of the Bank due to the rate interest variations outside the financial instruments portfolio.

The global exposure of the interest rate risk from the activities outside the trading portfolio in all currencies and all due dates should not be over 20% of the equity regulated by the Bank after applying a parallel standard shock of 200 basis points.

The objective for the management of the interest rate risk is to obtain a maximum decrease of the impact over the economic value of the Bank, as a consequence of applying the standard stress shock, under 20% of the equity of the Bank. The Bank is considering maintaining a medium level regarding the interest rate risk.

3.3 Currency risk

The Bank is exposed to the effects of the exchange rates fluctuations in force over its financial positions and over cash flows. The Bank establishes limits regarding the exposure level according to the currency for the overnight and intra-day positions, which are monitored on a daily basis.

As far as the exchange rate risk is concerned, the Bank established maximum limits of the opened positions for each currency, the maximum being of EUR 15 mil., a maximum level of daily VaR of EUR 100 thousand.

The Bank shall maintain a level of 9-13 of the total currency position in comparison to the equity to be framed within the medium-low risk category. Under the level of 9%, there shall be considered medium-low risk profile, while over 13% there shall be a medium to high risk level, pointing out the need to decrease the currency position.

The tables below summarize the exposure of the Bank at the exchange rate risk on December 31, 2023 and December 31, 2022. The table also includes the financial assets and liabilities of the Bank at their carrying amount, classified according to the currency.

(all amounts are expressed in RON, unless otherwise stated)

3. FINANCIAL RISK MANAGEMENT (continued)

3.3 Currency risk (continued)

December 31, 2023	RON	EUR	USD	Other currencies	Total
Financial assets					
Cash and balances with central banks	1,281,052,871	528,602,947	5,407,539	2,559,135	1,817,622,492
Loans and advances to banks	-	328,572,257	508,239,569	101,001,134	937,812,960
Loans and advances to customers	2,395,112,292	1,986,658,494	34,709,022	19,340,354	4,435,820,162
Financial assets at amortised cost	1,580,427,078	280,355,458	163,415,943	-	2,024,198,479
Financial assets at fair value through other comprehensive income	2,127,790	8,223,382	-	-	10,351,172
Financial assets mandatorily at fair value through profit or loss	-	-	1,771,990	-	1,771,990
Financial derivatives	3,065,690	-	-	-	3,065,690
Other financial assets	7,066,041	4,879,112	19,219	1,425	11,965,797
Total financial assets (A)	**5,268,851,762**	**3,137,291,650**	**713,563,282**	**122,902,048**	**9,242,608,742**
Financial liabilities					
Bank deposits	138,722,422	-	-	-	138,722,422
Customers deposits	5,100,263,663	2,587,416,830	660,860,521	122,233,837	8,470,774,851
Loans from banks	-	-	-	-	-
Subordinated loans	-	45,188,865	50,508,785	-	95,697,650
Financial derivatives	-	-	-	-	-
Lease liabilities	4,066,259	49,162,744	-	-	53,229,003
Other financial liabilities	67,455,300	8,638,470	1,974,936	5,763	78,074,469
Total financial liabilities (B)	**5,310,507,644**	**2,690,406,909**	**713,344,242**	**122,239,600**	**8,836,498,395**
Net financial assets/ liabilities (A-B)	**-41,655,882**	**446,884,741**	**219,040**	**662,448**	**406,110,347**

The category other currencies includes, mainly, the Swiss franc and British pound.

(all amounts are expressed in RON, unless otherwise stated)

3. FINANCIAL RISK MANAGEMENT (continued)

3.3 Currency risk (continued)

December 31, 2022	RON	EUR	USD	Other currencies	Total
Financial assets					
Cash and balances with central banks	832,325,910	298,760,397	4,699,141	4,337,089	1,140,122,537
Loans and advances to banks	190,047,375	328,213,821	336,858,828	32,612,227	887,732,251
Loans and advances to customers	2,385,204,538	1,786,262,822	244,270,796	46,767,640	4,462,505,796
Financial assets at amortised cost	958,831,229	249,458,878	64,360,006	-	1,272,650,113
Financial assets at fair value through other comprehensive income	51,199,428	7,229,340	-	-	58,428,768
Financial assets mandatorily at fair value through profit or loss	-	-	2,792,777	-	2,792,777
Financial derivatives	39,300	-	-	-	39,300
Other financial assets	7,400,066	4,662,081	16,081	1,122	12,079,350
Total financial assets (A)	**4,425,047,846**	**2,674,587,339**	**652,997,629**	**83,718,078**	**7,836,350,893**
Financial liabilities					
Bank deposits	23,740,672	24,771,323	-	-	48,511,995
Customers deposits	4,055,518,405	2,529,155,619	626,140,545	83,453,641	7,294,268,210
Loans from banks	21,222,572	-	-	-	21,222,572
Subordinated loans	-	44,846,814	23,177,340	-	68,024,154
Financial derivatives	-	-	-	-	-
Lease liabilities	4,548,614	46,588,363	-	-	51,136,977
Other financial liabilities	29,102,637	6,946,916	2,654,889	22,711	38,727,153
Total financial liabilities (B)	**4,134,132,900**	**2,652,309,035**	**651,972,774**	**83,476,352**	**7,521,891,061**
Net financial assets/ liabilities (A-B)	**290,914,946**	**22,278,304**	**1,024,855**	**241,726**	**314,459,832**

The category other currencies includes, mainly, the Swiss franc and British pound.

3. FINANCIAL RISK MANAGEMENT (continued)

3.4 Interest rate risk

The interest rate risk regarding the cash flow is the risk that the future cash flows of a financial instrument fluctuate due to changes of the interest rate on the market. The interest rate risk regarding the fair value is the risk that the value of a financial instrument to fluctuate due to changes of the interest rate on the market. The Bank is exposed to risks regarding the effects of the fluctuation of the interest rate on the market, both as far as the fair value is concerned and the cash flow. The interest margins may be increased as a consequence of such changes, but they may decrease or create losses if there is any unforeseen movement.

The objectives established by the risk profile are performed, mainly, by constant monitoring of the indicators for the interest rate risk (relative GAP, the level of the return in conjunction with the average interest level, the difference between the medium active interest of the foreign currency credit and the costs of the sources cumulatively attracted with the risk margin, etc.).

The Bank determines and monitors on a quarterly/monthly basis the indicator “potential change of the economic value” as a consequence of the change of the interest rates levels, by applying some sudden and unexpected changes of the interest rates – standard shock/shocks of 200 basis points in both directions, regardless the currency.

Also, for the prevention of inconsistencies regarding risk tolerance and the risk-taking profile, the Bank monitors the dynamic evolution of the assets and liabilities of the Bank sensitive at the variation of the interest rate, makes assumptions, scenarios and “stress testing” simulations.

The internal regulations regarding the market risk are presented for approval towards the Board of Directors.

(all amounts are expressed in RON, unless otherwise stated)

3. FINANCIAL RISK MANAGEMENT (continued)

3.4 Interest rate risk (continued)

The table below presents the Bank's exposure to the interest rate risk at December 31, 2022 and at December 31, 2021. There are included within the table, the financial assets and liabilities of the Bank at the carrying amounts, classified according to the most recent date between the interest rate alteration date and the maturity date.

December 31, 2023	Less than 1 month	1 – 3 months	3 months – 1 year	1 year – 5 years	Over 5 years	Non-bearing interest	Total
Financial assets							
Cash and balances with central banks	1,811,196,309	-	-	-	-	6,426,183	1,817,622,492
Loans and advances to banks	897,677,334	15,411,886	-	-	-	24,723,740	937,812,960
Loans and advances to customers	3,673,506,363	408,621,983	237,351,161	66,845,017	338,351	49,157,287	4,435,820,162
Financial assets at amortised cost	89,863,309	148,277,477	436,609,077	1,152,556,241	163,451,348	33,441,027	2,024,198,479
Financial assets at fair value through other comprehensive income	-	-	-	-	8,212,169	2,139,003	10,351,172
Financial assets mandatorily at fair value through profit or loss	-	-	-	-	-	1,771,990	1,771,990
Financial derivatives	445,005	1,383,130	1,237,555	-	-	-	3,065,690
Other financial assets	-	-	-	-	-	11,965,797	11,965,797
Total financial assets	**6,472,688,320**	**573,694,476**	**675,197,793**	**1,219,401,258**	**172,001,868**	**129,625,027**	**9,242,608,742**
Financial liabilities							
Bank deposits	123,044,089	15,500,000	-	-	-	178,333	138,722,422
Customers deposits	3,836,191,186	1,724,725,542	2,748,364,768	67,964,180	19,135,206	74,393,969	8,470,774,851
Subordinated loans	49,453,800	44,885,316	-	-	-	1,358,534	95,697,650
Loans from banks	-	-	-	-	-	-	-
Financial derivatives	-	-	-	-	-	-	-
Lease liabilities	-	-	-	-	-	53,229,003	53,229,003
Other financial liabilities	-	-	-	-	-	78,074,469	78,074,469
Total financial liabilities	**4,008,689,075**	**1,785,110,858**	**2,748,364,768**	**67,964,180**	**19,135,206**	**207,234,308**	**8,836,498,395**
Total sensitivity at the interest rate (GAP)	**2,463,999,245**	**-1,211,416,382**	**-2,073,166,975**	**1,151,437,078**	**152,866,662**	**-77,609,281**	**406,110,347**

Line Loans and advances to customers for less than 1 month includes loans in amount of RON 3,353,189,317 with an interest rate discount period of 3M for which the following date for an interest rate change is less than one month.

(all amounts are expressed in RON, unless otherwise stated)

3. FINANCIAL RISK MANAGEMENT (continued)

3.4 Interest rate risk (continued)

December 31, 2022

	Less than 1 month	1 – 3 months	3 months – 1 year	1 year – 5 years	Over 5 years	Non-bearing interest	Total
Financial assets							
Cash and balances with central banks	1,074,310,178	-	-	-	-	65,812,359	1,140,122,537
Loans and advances to banks	865,833,883	15,328,498	-	-	-	6,569,870	887,732,251
Loans and advances to customers	3,469,752,491	676,148,417	222,150,015	57,982,690	2,067,947	34,404,236	4,462,505,796
Financial assets at amortised cost	-	-	473,498,179	720,967,181	56,683,490	21,501,263	1,272,650,113
Financial assets at fair value through other comprehensive income	-	-	48,929,000	-	7,218,158	2,281,610	58,428,768
Financial assets mandatorily at fair value through profit or loss	-	-	-	-	-	2,792,777	2,792,777
Financial derivatives	-	39,300	-	-	-	-	39,300
Other financial assets	-	-	-	-	-	12,079,350	12,079,350
Total financial assets	**5,409,896,552**	**691,516,215**	**744,577,194**	**778,949,871**	**65,969,595**	**145,441,465**	**7,836,350,892**
Financial liabilities							
Bank deposits	32,781,089	15,500,000	-	-	-	230,906	48,511,995
Customers deposits	3,477,856,221	1,129,751,256	2,540,452,142	56,898,013	41,320,394	47,990,184	7,294,268,210
Subordinated loans	-	67,812,892	-	-	-	211,261	68,024,153
Loans from banks	-	21,022,223	-	-	-	200,349	21,222,572
Financial derivatives	-	-	-	-	-	-	-
Lease liabilities	-	-	-	-	-	51,136,977	51,136,977
Other financial liabilities	-	-	-	-	-	38,727,153	38,727,153
Total financial liabilities	**3,510,637,310**	**1,234,086,371**	**2,540,452,142**	**56,898,013**	**41,320,394**	**138,496,830**	**7,521,891,060**
Total sensitivity at the interest rate (GAP)	**1,899,259,242**	**-542,570,156**	**-1,795,874,948**	**722,051,858**	**24,649,201**	**6,944,635**	**314,459,831**

Line Loans and advances to customers for less than 1 month includes loans in amount of RON 3,046,028,805 with an interest rate discount period of 3M for which the following date for an interest rate change is less than one month.

(all amounts are expressed in RON, unless otherwise stated)

3. FINANCIAL RISK MANAGEMENT (continued)

3.4 Interest rate risk (continued)

The Bank did not trade interest rate derivatives, it only undertook cross-currency swaps for liquidity hedging purposes.

Sensitivity analysis

All amounts are in RON

	Effect on profit or loss	
	December 31, 2023	**December 31, 2022**
RON	+8,215,184/-8,215,184	+6,811,853/-6,811,853
EUR	-577,130/+577,130	+595,066/-595,066
USD	+4,665,830/-4,665,830	+6,050,667/-6,050,667
TOTAL Interest rate (± 200 b.p.)	**+12,303,884/-12,303,884**	**+13,457,586/-13,457,586**

Volatility interval	**Stressed currency profile**	**Currency position % own funds 2023**	**Currency position % own funds 2022**	**Effect on profit or loss 2023**	**Effect on profit or loss 2022**
5 business days	current level	0,74%	1,37%	-178,042	-518,704
	average	11%	11%	-3,064,072	-3,200,870
	average-high	15%	15%	-4,178,280	-4,364,822
	high	22%	22%	-6,128,144	-6,401,739
10 business days	current level	0,74%	1,37%	-218,089	-692,843
	average	11%	11%	-3,890,230	-4,251,069
	average-high	15%	15%	-5,304,860	-5,796,912
	high	22%	22%	-7,780,461	-8,502,137

Highest changes in the foreign exchange rates in the last 10 years.

interval	**EUR**	**USD**	**GBP**	**CHF**
5 business days	1.91%	5.04%	7.97%	20.42%
10 business days	2.42%	8.03%	10.22%	22.68%

As at December 31, 2023, if the interest rate on the market had been 200 bp higher and the other variables had been maintained at a constant level, the net profit of the following year would have been RON 12,303 thousand higher (2022: RON 13,458 thousand higher).

On December 31, 2023, if the exchange rates had negatively fluctuated at a value equal to the maximum registered in any 10 consecutive business days in the last 10 years (the other variables being maintained at a constant level) the net profit of the year would have been RON 218 thousand lower (2022: RON 693 thousand lower).

Parameters for calculating sensitivity

The sensitivity towards the interest rate: calculation based on the measures equivalent to the duration presented within the IR Gap report. Taking into consideration the fluctuations of the interest rated from the previous year, as well as the analysis and assumptions of the Treasury Department, it is considered that 200 basis points represent a reasonable estimate of the interest rate movement.

3. FINANCIAL RISK MANAGEMENT (continued)

3.4 Interest rate risk (continued)

The sensitivity towards the exchange rate: calculation based on the open positions in foreign currency, at the reporting date and stressed position corresponding to high-risk profiles. The exchange rate fluctuations are determined by calculating the maximum variation of foreign exchange rates in any 5 / 10 consecutive business days in the last 10 years. It its estimated that an extremely high open position may be closed in 1-2 days' time, but extreme intervals of 5-10 days are used in which it is estimated that the currency position will be dropped at the level assumed in the risk profile. The effects on profit or loss, the additional capital requirement and the change of solvency ratio are calculated.

3.5 Liquidity risk

Liquidity risk indicates the current or future risk of adverse outcome of the profits and share capital, determined by the Bank's incapacity to fulfil its liabilities on due date, taking into consideration the volatility of the deposits which ensure, mainly, the funding, because certain creditors are more sensitive to the market events than others.

The Bank is exposed to daily requirements regarding settlement in cash deposits with one day maturity date, current accounts, drawdowns of loans and guarantees. The Bank does not keep monetary excessive resources to honour all these liabilities, the experience indicating that a minimum level of reinvestment of the due founds may be provided with a high level of certitude. The Bank establishes limits regarding the minimum level of the necessary funds for honouring such requirements, which must be available to cover withdrawals at unforeseen request levels.

a) Cash flows related to non-derivative financial instruments

The table below presents the cash flows which must be paid by the Bank in accordance with the financial liabilities until the contractual due dates at the balance sheet date and the expected payment date. The financial liabilities presented within the table represent non-updated contractual cash flows. The financial assets presented within the table represent non-updated contractual cash flows corresponding to receivables registered as at the balance sheet date. The Bank manages the liquidity risk based on the estimated undiscounted cash flows.

(all amounts are expressed in RON, unless otherwise stated)

3. FINANCIAL RISK MANAGEMENT (continued)

3.5 Liquidity risk (continued)

a) Cash flows related to non-derivative financial instruments (continued)

As at December 31, 2023

	Less than 1 month	1 – 3 months	3 months - 1 year	1 - 5 years	Over 5 years	Total
Financial assets						
Cash and cash equivalents with central banks	1,817,622,492	-	-	-	-	1,817,622,492
Loans and advances to banks	898,230,897	39,582,063	-	-	-	937,812,960
Loans and advances to customers	157,685,321	250,142,976	1,584,185,031	1,349,789,549	1,094,017,285	4,435,820,162
Investments at amortised cost	92,571,148	151,351,762	460,924,502	1,155,899,719	163,451,348	2,024,198,479
Financial assets at fair value through other comprehensive income	-	-	11,213	-	10,339,959	10,351,172
Financial assets mandatorily at fair value through profit or loss	-	-	-	-	1,771,990	1,771,990
Financial derivatives	445,005	1,383,130	1,237,555	-	-	3,065,690
Other financial assets	5,642,814	6,195,515	127,468	-	-	11,965,797
Total financial assets (contractual maturities)	**2,972,197,677**	**448,655,446**	**2,046,485,769**	**2,505,689,268**	**1,269,580,582**	**9,242,608,742**
Financial liabilities						
Bank deposits	123,137,422	15,585,000	-	-	-	138,722,422
Customers deposits	3,793,785,606	1,758,784,368	2,793,427,418	101,538,809	23,238,650	8,470,774,851
Subordinated loans	1,054,985	303,549	-	-	94,339,116	95,697,650
Loans from banks	-	-	-	-	-	-
Financial derivatives	-	-	-	-	-	-
Lease liabilities	950,885	1,900,910	8,355,388	35,655,277	6,366,543	53,229,003
Other financial liabilities	78,074,469	-	-	-	-	78,074,469
Loans and other liabilities regarding lending	2,126,700	5,905,293	103,608,233	51,716,639	758,482	164,115,347
Guarantee letters issued	40,469,410	70,019,409	106,523,551	178,364,094	49,696,778	445,073,242
Total financial liabilities (contractual maturities)	**4,039,599,477**	**1,852,498,529**	**3,011,914,590**	**367,274,819**	**174,399,569**	**9,445,686,984**
Net position	**-1,067,401,800**	**-1,403,843,083**	**-965,428,821**	**2,138,414,449**	**1,095,181,013**	**-203,078,242**

The liquidity risk is represented by the difficulty of an entity to fulfil its contractual liabilities. The Bank has a net position of less than 1 year because of the short maturity of the customers' deposits, but also of the credit institutions. The Bank does not keep monetary resources to honour all these liabilities, the experience indicating that a minimum level of reinvestment of the due founds may be provided with a high level of certitude; based on the history related to the prolongations of the deposits by the customers, the Bank reasonably considers these financing resources as being stable.

(all amounts are expressed in RON, unless otherwise stated)

3. FINANCIAL RISK MANAGEMENT (continued)

3.5 Liquidity risk (continued)

a) Cash flows related to non-derivative financial instruments (continued)

As at December 31, 2022

	Less than 1 month	1 – 3 months	3 months - 1 year	1 - 5 years	Over 5 years	Total
Financial assets						
Cash and cash equivalents with central banks	1,140,122,537	-	-	-	-	1,140,122,537
Loans and advances to banks	866,552,583	21,179,668	-	-	-	887,732,251
Loans and advances to customers	196,626,658	208,402,493	1,337,037,953	1,528,999,742	1,191,438,950	4,462,505,796
Investments at amortised cost	-	3,109,345	491,890,097	720,967,181	56,683,490	1,272,650,113
Financial assets at fair value through other comprehensive income	-	-	49,312,784	-	9,115,984	58,428,768
Financial assets mandatorily at fair value through profit or loss	-	-	-	-	2,792,777	2,792,777
Financial derivatives	-	39,300	-	-	-	
Other financial assets	5,708,041	6,095,430	275,879	-	-	12,079,350
Total financial assets (contractual maturities)	**2,209,009,819**	**238,826,236**	**1,878,516,713**	**2,249,966,923**	**1,260,031,201**	**7,836,311,592**
Financial liabilities						
Bank deposits	32,894,745	15,617,250	-	-	-	48,511,995
Customers deposits	3,395,671,051	1,140,331,717	2,586,304,692	125,639,936	46,320,814	7,294,268,210
Subordinated loans	-	-	21,222,572	-	-	21,222,572
Loans from banks	-	211,261	-	-	67,812,893	68,024,154
Financial derivatives	-	-	-	-	-	-
Lease liabilities	942,928	1,862,898	7,475,459	31,055,939	9,799,753	51,136,977
Other financial liabilities	38,727,153	-	-	-	-	38,727,153
Loans and other liabilities regarding lending	5,065,124	6,230,461	120,492,433	111,516,268	3,088,005	246,392,291
Guarantee letters issued	15,129,005	32,752,865	100,563,561	85,585,856	615,484	234,646,771
Total financial liabilities (contractual maturities)	**3,488,430,006**	**1,197,006,452**	**2,836,058,717**	**353,797,999**	**127,636,949**	**8,002,930,123**
Net position	**-1,279,420,187**	**-958,180,216**	**-957,542,004**	**1,896,168,924**	**1,132,394,252**	**-166,618,531**

(all amounts are expressed in RON, unless otherwise stated)

3. FINANCIAL RISK MANAGEMENT (continued)

3.6 The fair values of the financial assets and liabilities

The analysis of the fair value scale of the financial instruments measured at the fair value.

Level 1 - includes instruments listed on the active markets for identical assets or liabilities;

Level 2 - includes instruments whose fair value is determined using observable information for assets or liabilities, directly (such as prices) or indirectly (such as prices derivatives); and

Level 3 - includes instruments whose fair value is determined using information which are not relied on observable market data (unobservable entries).

Assets and liabilities measured at fair value as at December 31, 2023

	Level 1	Level 2	Level 3	Total
Financial assets				
Other financial assets				
Financial assets at fair value, of which				
- Financial assets at fair value through other comprehensive income	8,223,382	-	2,127,790	10,351,172
- Financial derivatives	-	-	3,065,690	3,065,690
Financial assets mandatorily at fair value through profit or loss	-	-	1,771,990	1,771,990
Total assets stated at fair value	**8,223,382**	**-**	**6,965,470**	**15,188,852**
Financial liabilities				
Financial derivatives	-	-	-	-
Total liabilities at fair value	-	-	**-**	**-**

Assets and liabilities measured at fair value as at December 31, 2022:

	Level 1	Level 2	Level 3	Total
Financial assets				
Other financial assets				
Financial assets at fair value, of which				
- Financial assets at fair value through other comprehensive income	56,530,943	-	1,897,825	58,428,768
- Financial derivatives	-	-	39,300	39,300
Financial assets mandatorily at fair value through profit or loss	-	-	2,792,777	2,792,777
Total assets stated at fair value	**56,530,943**	-	**4,729,902**	**61,260,845**
Financial liabilities				
Financial derivatives	-	-	-	-
Total liabilities at fair value	-	-	**-**	**-**

(all amounts are expressed in RON, unless otherwise stated)

3. FINANCIAL RISK MANAGEMENT (continued)

3.6 The fair values of the financial assets and liabilities (continued)

Financial instruments which were not presented at fair value within the balance sheet

The table below summarizes the fair values of the financial assets and liabilities which are not presented at the fair value within the Bank's balance sheet. The purchase prices are used at the appraisal of the fair values of the assets and the sale prices are applied for liabilities.

Assets and liabilities whose fair value is presented as at December 31, 2023:

	Level 1	Level 2	Level 3	Fair value	Book value
Financial assets					
Cash and balances with central banks	1,817,622,492	-	-	1,817,622,492	1,817,622,492
Placements with banks	-	937,812,960	-	937,812,960	937,812,960
Loans and advances to customers	-	-	4,427,327,249	4,427,327,249	4,435,820,162
Financial assets at amortised cost	2,024,198,479	-	-	2,024,198,479	2,024,198,479
Other financial assets			11,965,797	11,965,797	11,965,797
Total financial assets	**3,841,820,971**	**937,812,960**	**4,439,293,046**	**9,218,926,977**	**9,227,419,890**

	Level 1	Level 2	Level 3	Fair value	Book value
Financial liabilities					
Bank deposits	-	138,722,422	-	138,722,422	138,722,422
Loans from banks	-	-		-	-
Customers deposits	-	8,470,774,851	-	8,470,774,851	8,470,774,851
Subordinated loans	-	95,697,650		95,697,650	95,697,650
Other financial liabilities	-	-	78,074,469	78,074,469	78,074,469
Total financial liabilities	**-**	**8,705,194,923**	**78,074,469**	**8,783,269,392**	**8,783,269,392**

Assets and liabilities whose fair value is presented as at December 31, 2022:

	Level 1	Level 2	Level 3	Fair value	Book value
Financial assets					
Cash and balances with central banks	1,140,122,537	-	-	1,140,122,537	1,140,122,537
Placements with banks	-	887,732,251	-	887,732,251	887,732,251
Loans and advances to customers	-	-	4,461,624,950	4,461,624,950	4,462,505,796
Financial assets at amortised cost	1,272,650,113	-	-	1,272,650,113	1,272,650,113
Other financial assets	-	-	12,079,350	12,079,350	12,079,350
Total financial assets	**2,412,772,650**	**887,732,251**	**4,473,704,300**	**7,774,209,201**	**7,775,090,047**

	Level 1	Level 2	Level 3	Fair value	Book value
Financial liabilities					
Bank deposits	-	48,511,995	-	48,511,995	48,511,995
Loans from banks	-	21,222,572	-	21,222,572	21,222,572
Customers deposits	-	7,294,268,210	-	7,294,268,210	7,294,268,210
Subordinated loans	-	68,024,154	-	68,024,154	68,024,154
Other financial liabilities	-	-	38,727,153	38,727,153	38,727,153
Total financial liabilities	**-**	**7,432,026,931**	**38,727,153**	**7,470,754,084**	**7,470,754,084**

3. FINANCIAL RISK MANAGEMENT (continued)

3.6 The fair values of the financial assets and liabilities (continued)

a. Receivables from credit institutions

The receivables from credit institutions include inter-bank placements and amounts pending settlement.

The fair value of the placements with variable interest and overnight deposits is represented by their carrying amount. The estimated fair value of the fixed interest deposits is based on the updated cash flows, using the interest rate on the monetary market for liabilities with a similar credit risk and maturity.

Taking into consideration that the products' prices are based on variable interest rates, there are no significant differences between the fair value and the carrying amount.

b. Receivables from customers

The loans and advances to customers are calculated net of the impairment provisions. The estimated fair value of the loans and advances represent the updated value of the future cash flows estimated to be received. The estimated cash flows are updated at the market rate in order to establish the fair value.

Taking into consideration that the products' prices are based on variable interest rates, there are no significant differences between the fair value and the carrying amount.

c. Deposits and contracted loans

The estimated fair values of the deposits which do not have a specified maturity, which include deposits with no interest, are represented by amount reimbursed on request. The estimated fair value of the deposits with fixed interest and of other loans without a market price is based on the updated cash flows using the interest rate for the new liabilities with similar maturity.

Taking into consideration that the products' prices are based on variable interest rates, there are no significant differences between the fair value and the carrying amount.

d. Financial assets at amortised cost

The fair value of investments at amortised cost is determined by using the price mentioned in bid-ask margin, the most representative being the fair value under the related circumstances, the price taken into consideration by the management being the last price of trading at the reporting date.

e. Financial assets measured at fair value through other comprehensive income

The equities held for sale include investments which are not traded on an active market. Due to the nature of the local capital markets, the market value for these securities cannot be obtained.

The shares are not rated and recent values regarding their trade price are not accessible for the public. The management does not intend to sell these assets within the near future. The Bank has determined the fair value for them using the net asset method based on the published financial statements.

The fair value of investments at fair value through other comprehensive income (investment securities) is determined using the price maintained in the bid-ask margin, being the most representative fair value in the given circumstances, the price that the management takes into consideration being the last transaction price on the reporting date.

f. Financial assets and liabilities

The Bank's management considered that the fair value is the same with the carrying amount, taking into consideration that these financial assets and liabilities are estimated to be settled within a month or are without a fixed maturity, respectively they are on short term and the carrying amount is not significantly different from the fair value.

(all amounts are expressed in RON, unless otherwise stated)

3. FINANCIAL RISK MANAGEMENT (continued)

3.7 Capital management

The Bank calculates its own funds according to Regulation No. 575/2013 of the European Parliament and of the Council of June 26, 2013 on prudential requirements for credit institutions and investment firms and NBR Regulation no. 5 / 20.12.2013 on prudential requirements for credit institutions.

The National Bank of Romania, as regulation and supervisory authority of the banking system at national level, monitors the equity requirements of the Group within the limits imposed by EU Regulation no. 575/2013 on prudential requirements for credit institutions and investment firms which provide:

- an equity ratio Tier 1 of 4.5 %;
- an equity ratio Tier 1 of 6%;
- an equity ratio of 8%.

As at December 31, 2023, the request for equity was as follows:

- a basic capital adequacy ratio Tier 1 of 6.8%;
- a capital adequacy ratio Tier 1 of 9.06%;
- a total capital adequacy ratio of 12.08%.

In terms of capital management, the Bank assesses capital adequacy for risks in accordance with the "Policy on the Internal Capital Adequacy Assessment" packages, the NBR regulations and the CRD IV regulations respectively.

The table below summarizes the capacity of the regulation capital and the indicators for the financial year ended on December 31, 2023 and December 31, 2022.

	December 31, 2023	**December 31, 2022**
Capital level 1		
Total capital level 1	585,931,570	525,914,907
Capital level 2		
Total capital level 2	94,339,116	67,812,893
Total capital	**680,270,686**	**593,727,800**
Total credit risk exposure	3,964,561,883	3,588,882,452
Total risk weighted exposure	3,586,284,398	3,288,695,869
Equity ratio level 1	**14,78%**	**14,65%**
Total equity ratio	**17,16%**	**16,54%**

The Bank holds subordinated loans classifiable as Tier 2 equity as follows:

- In August 2022, the National Bank of Romania approved maintaining the inclusion of USD 5 million as Level 2 equity of Vista Bank SA, which represents two subordinated loans granted for a period of 5 years by Mr. Goulandris Nicholas John (USD 2 million), and by EDEN SHIPHOLDING LTD (USD 3 million), whose initial maturity was extended after December 31, 2022 by 2 years (from June 3, 2026 to June 3,2028), and on June 28, 2023, the initial maturity was extended again by 2 years (from June 3, 2026 to June 3, 2030).
- In March 2023, the National Bank of Romania approved maintaining the inclusion of USD 6 million as level 2 of Vista Bank SA, which represents two newly-granted subordinated loans for a period of 6 years by Mr. Goulandris Nicholas John (USD 3 million), and by EDEN SHIPHOLDING LTD (USD 3 million), granted from March 7, 2023 to March 7, 2029.

- Credit Agricole SA granted Credit Agricole Bank Romania SA a subordinated loan in amount of EUR 9,022,899 in 2011, at EURIBOR 3M plus 1.80% margin floating rate. Further to sale of the Bank of September 16, 2021, the loan was transferred to Optima Bank Greece, and the interest margin was increased through an addendum, from 3% to 2.17% as of November 27, 2021, still the same at December 31, 2023.

At December 31, 2023, the Bank registered a Tier 1 equity ratio of 14.78%, and a total equity ratio of 17.16%, above the minimum level imposed by the National Bank of Romania, namely 13.46% and 16.58%.

(all amounts are expressed in RON, unless otherwise stated)

4 BASIC ACCOUNTING ESTIMATES AND ASSUMPTIONS FOR ACCOUNTING POLICIES APPLICATION

The Bank makes certain estimates and adopts certain theories affecting the amounts where the assets and liabilities are registered during the next financial year. The estimates and assumptions are assessed constantly and are based on the historical experience and on other factors, including the expectations regarding the future events considered reasonably under the given circumstances.

a) Impairment losses on loans and advances

The Bank reviews its loans portfolio on a monthly basis in order to evaluate the impairment. The impairment revision shall be done according to the policy regarding the evaluation of the risk exposures approved by the management. In order to establish whether an impairment loss must be registered within the profit or loss account, the Bank makes assumptions regarding the existence of some obvious information to indicate a calculable decrease of the future cash flows estimated from a loan portfolio before the time when the decrease could be associated to a certain loan from the respective portfolio. These evidences may include obvious information indicating an unfavourable change in the statute of the debtors within a group or economic conditions at economic national or local level to be connected with the impairment of the assets of the Bank.

In planning future cash flows the management uses estimates based on historical loss experience for assets related to similar credit risk characteristics and objective evidences of the impairment similar to the portfolio. The methodology and the assumptions used in the appraisal of both the value and the calendar of the future cash flows are reviewed constantly in order to reduce the differences between the estimates regarding the losses and the real losses registered.

b) Future tax losses

According to the Romanian tax legislation, tax losses may be carried forward for a period of 7 years generating deferred tax when the related tax benefits, by future taxable profit, is probable. The deferred income tax assets related to the tax losses reported are recognised if the fiscal benefit by future taxable profits is possible. The future taxable profits and the benefits of the deferred tax credit probable in the future are based on a business plan prepared by the management. The business plan takes into consideration a positive and steady evolution of the income through an organic increase and assumption of medium risks, strict control of the costs and increased efficiency, as well as the maintenance of an adequate level of capitalisation and a firm position of the liquidity level.

The management of the Bank estimates that the Bank will register sufficient profit in the future period of time in order to benefit from the reported tax losses, and considers that the deferred tax assets recognised in this respect at December 31, 2023 and December 31, 2022 will be absorbed in the following financial years. For further details, please see Note 9.

c) Financial assets at amortised cost

The fair value of investments at amortised cost is determined using the price maintained in the bid-ask margin, as it is the most representative fair value given the circumstances, and the price considered by management is the latest trading price at the reporting date.

5 NET INTEREST INCOME RECOGNISED USING THE EFFECTIVE INTEREST RATE METHOD

	2023	2022
Interest income		
Current accounts and deposits with banks	83,196,785	38,597,577
Loans to banks	-	728,000
Loans and advances to customers*	385,074,606	270,541,868
Financial assets at amortised cost	99,315,022	38,272,499
Financial assets at fair value through other comprehensive income	1,420,955	2,845,026
Total	**569,007,368**	**350,984,970**

(all amounts are expressed in RON, unless otherwise stated)

5 NET INTEREST INCOME (continued)

	2023	2022
Interest expenses		
Current account and deposits with banks	-3,702,006	-9,517,341
Customers deposits	-349,626,711	-176,245,060
Subordinated loans	-6,451,638	-2,627,428
Lease liabilities	-1,863,832	-1,291,615
Other interest expenses	-	-13,330
Total	**-361,644,187**	**-189,694,774**

** Interest income for the year ended December 31, 2023 include interest adjustments corresponding to impaired financial assets: RON – 1,670,393 (December 31, 2022: RON – 2,564,801).*

The interest expenses and income for assets and liabilities other than those carried at fair value through profit or loss are calculated using the effective interest rate method.

6 NET FEE INCOME

	2022	2021
Fees and commission income		
Inter-bank transactions fees	31,380	136,749
Customer proceeds and payments fees	4,290,036	4,178,053
Customer credit fees	1,265,829	6,250,922
Assistance and consultancy fees	215,670	179,308
Means of payment fees	6,833,218	6,968,157
Other fees	112,353	358,867
Total income from contracts with customers	**12,748,486**	**18,072,056**
Fees from loan commitments and issued guarantee letters	3,180,595	2,548,423
Total	**15,929,081**	**20,620,479**

Fee income is income from contracts with customers and is accounted for in accordance with IFRS 15. Income from contracts with customers comes from the following categories:

- Payment method fees:

These fees are charged when the transaction takes place. This category includes all fees related to direct debit agreements, payment orders and other payment methods.

In the case of transaction-based fees (e.g. cash withdrawal / payment fee, merchants' fee, exchange fee, etc.), the fees will be paid immediately after the transaction or monthly. The fee is usually determined as percentage of the transaction with a fixed minimum amount.

- Customers' receipts and payment fees:

Applies to a wide range of standard banking services, related fees (SMS alert, internet banking, monthly administration fee, opening current accounts, escrow accounts, significant collateral account and closing accounts, etc.)

These fees are considered as single fees related to a specific service that is provided by the Bank and are therefore accounted for when the service is provided, however it may also be charged monthly for services provided in the previous month.

- Credit analysis fees and agent fees from the granting of syndicated loans

(all amounts are expressed in RON, unless otherwise stated)

6 NET FEE INCOME (continued)

This category includes fees related to loan analysis that are not included in the calculation of the effective interest rate due to their nature, as follows: credit analysis fee (for analyses for which no loans are granted), early repayment fee, non-withdrawal fee (for off-balance sheet exposures), agent's fee, etc.

- Loan commitment fees and letters of guarantee issued

Fees for financial and credit guarantees are amortized on a straight-line basis over the life of the instruments.

	2023	2022
Fees and commission expenses		
Inter-bank transactions fees	-1,394,169	-1,578,694
Customer operation fees	-385,594	-965,123
Means of payment fees	-1,011,569	-3,368,711
Lending commitments and guarantees	-91,538	-308,108
Other fees	-62,803	-175,689
Total	**-2,945,673**	**-6,396,325**

7 OTHER OPERATING INCOME

	2023	2022
Operating income from:		
Dividends and similar income	1,086,479	910,492
Sale of financial assets	179,425	13,227
Gains on measurement of financial assets	444,429	2,971,737
Safe deposit boxes	67,078	65,175
Sale of repossessed assets (ii)	875,962	1,352,397
Net income from impairment allowances of repossessed assets	-	-
Net income from impairment allowances for receivables from sundry operations	20,854	645,953
Sale of investment property (iii)	1,157,404	1,142,500
Revaluation of investment property	-	606,329
Lease of investment property	1,097,397	919,828
Revaluation of property, plant and equipment	-	-
Net income from other provisions	1,056,751	7,554,851
Other income	1,702,136	1,484,731
Total	**7,687,915**	**17,667,220**

i. In 2023, Vista Bank sold bonds issued by the Government of Romania from its portfolio of financial assets measured at fair value through other comprehensive income, at a market price higher than their acquisition price.

ii. In 2023, Vista Bank sold properties held further to the execution of non-performing loans, at a total price of RON 10,969,563 (2022: RON 14,177,442), which were registered at a net carrying amount of RON 10,093,601 (2022: RON 12,825,045), registering a profit of RON 875,962 (2022: profit of RON 1,352,397).

iii. In 2023, Vista Bank sold properties held further to the execution of non-performing loans classified as investment properties at a total price of RON 10,757,356 (2022: RON 9,188,575) which were registered at a net carrying amount of RON 9,599,952 (2022: RON 8,046,075), registering a profit of RON 1,157,404 (2022: RON 1,142,500).

(all amounts are expressed in RON, unless otherwise stated)

7. 1. NET GAINS ON FOREIGN EXCHANGE DIFFERENCES

	2023	**2022**
Net gain on transactions	15,086,938	15,260,117
Net gain/(loss) on revaluation	4,594,703	883,143
Total	**19,681,641**	**16,143,260**

8 OTHER OPERATING EXPENSES

	2023	**2022**
Operating expenses, of which:		
Rents	-448,526	-439,026
Employees' benefits	-75,329,597	-77,716,551
Social contributions	-2,293,528	-2,650,686
Deposit Guarantee Fund Contributions	-7,544,748	-9,825,821
Other fees and taxes	-2,187,620	-1,795,240
Supplies	-2,409,490	-2,255,259
Maintenance and repairs	-12,515,243	-17,130,960
Utilities	-3,445,824	-3,163,419
Post office and telecommunications	-7,266,226	-6,377,750
Collaborators and brokerage	-600,041	-675,269
Dislocations, secondments, transfers	-383,236	-396,763
Other services performed by third parties (i)	-19,425,555	-18,638,954
Protocol	-3,139,195	-1,371,751
Publicity and advertising	-1,304,000	-727,663
Sale of financial assets (ii)	-	-
Amortization/depreciation of tangible and intangible assets	-16,810,912	-12,278,775
Amortisation of right-of-use assets	-11,316,546	-12,810,928
Net expenses with other provisions	-368,919	-714,801
Expenses with revaluation of investment property	-26,782	-
Net loss on the scrapping and sale of tangible and intangible assets*	-351,770	-8,894,762
Other operating expenses	-554,023	-204,591
Total	**-167,721,782**	**-178,068,969**

**Net loss on the scrapping and sale of tangible and intangible assets at December 2023 consists of RON - 351,770, the net loss from the scrapping and sale of tangible and intangible assets at the net accounting value of RON 625,140 and the income obtained from the sale and scrapping of tangible and intangible assets of RON 273,730.*

The average number of employees at the end of 2023 is 442 (2022: 538 employees).

(all amounts are expressed in RON, unless otherwise stated)

8 OTHER OPERATING EXPENSES (CONTINUED)

i. Break-down of line *Other services performed by third parties* is presented herein below.

	Other third-party services (lei)	%
Insurance premiums	3,172,918	16%
Non-deductible expenses	626,948	3%
Audit	1,613,825	8%
Security and security of repossessed assets	168,684	1%
Consultancy	4,539,620	23%
Staff training	1,315,763	7%
Bank security	1,652,011	9%
Transport of valuable assets	636,692	3%
Cleaning	1,407,102	7%
Labour protection	197,855	1%
Card processing	1,754,128	9%
Other sundry expenses	2,340,008	12%
	19,425,555	**100%**

Line “Other third-party services” also includes the taxes paid by the Bank to the statutory auditor for the audit of the statutory financial statements for 2023 as follows:

The fees paid by the Bank for 2023 to Deloitte are as follows:

- Statutory audit and audit and non-audit services: RON 1,613,825 (December 31, 2022: RON 1,234,382)

The fees paid to the statutory auditor also include the audit services for the information presented in the FINREP separate financial statements – F18 as at June 30, 2023 and the audit of the financial information presented in FINREP at December 31, 2023 and the review of interim separate profit at September 30, 2023 and additional non-audit services permitted, provided by the audit firm.

The amounts mentioned do not include VAT.

ii. In 2023, bonds matured issued by the Romanian government included in the portfolio of financial assets carried at fair value through other comprehensive income without with negative effect (in 2022, with no negative effect).

(all amounts are expressed in RON, unless otherwise stated)

9 INCOME TAX EXPENSE

The Bank's income tax expense is presented hereinafter.

The income tax registered by the Bank differs from the theoretical value which would result as a consequence of the use of the basic tax rate, as shown below.

	2023	2022
Gross profit before tax	**75,609,893**	**23,859,896**
Theoretical income tax, expense calculated at 16% regulated rate	-12,097,583	-3,817,583
Tax effect of:		
Non-deductible expenses	-9,655,910	-22,088,274
Non-taxable income	3,844,658	23,707,402
Derecognition of deferred tax recognised priorly from tax loss caried forward	-	-
Utilisation of deferred tax recognised priorly from tax loss caried forward	14,049,247	2,683,683
Recognition/Derecognition of temporary deductible differences not priorly recognised	-8,879,330	-509,278
Income tax expenses	**-12,738,917**	**-24,050**

The current tax is calculated by applying a 16% rate (2022: 16%). The deferred income tax is calculated for all the temporary differences based on the accrual principle, using a tax income rate of 16% (2022: 16%).

The accounting profit registered by the Bank in 2023 in amount of RON 75,609,893 was adjusted for the calculation of the tax result by RON 3,844,658, resulting from non-taxable income, and with RON 9,655,910 resulting from non-deductible expenses.

The tax profit generated by the Bank in 2023 in amount of RON 81,337,969 and it decreased the remaining tax losses carried forward from previous periods in amount of RON 99,790,144.

At December 31, 2023, the Bank has a tax loss carried forward from previous years in amount of RON 12,233,599, which according to the tax legislation, may be used within 7 years since the time of its realisation.

The Bank's tax losses carried forward at December 31, 2023 will expire as follows:

EXPIRY	**TAX LOSSES 2023**
	Total
2023	-
2024	-
2025	-
2026	-
2027	-
2028	3,481,071
2029	8,752,528
TOTAL	**12,233,599**

The Bank recognised deferred tax assets for all the tax losses carried forward at December 31, 2023 in amount of RON 1,957,376.

(all amounts are expressed in RON, unless otherwise stated)

9 INCOME TAX EXPENSE (CONTINUED)

At December 31, 2021 the Bank's tax losses were as follows:

EXPIRY	TAX LOSSES 2022
	Total
2022	-
2023	18,123,142
2024	25,534,405
2025	6,164,320
2026	33,646,441
2027	7,569,308
2028	8,752,528
TOTAL	**99,790,144**

The movement of deferred tax assets is attributable to the following items:

	December 31, 2022	Tax recognised in profit or loss	Tax recognised in other comprehensive income	December 31, 2023
Tax loss carried forward	**15,966,423**	**-**	**-**	**15,966,423**
Tax effect of the differences caused by the change of the fair value of the financial assets at fair value through other comprehensive income	-	-	40,200	40,200
Derecognition of deferred tax previously recognised from tax losses carried forward	-	-14,049,247	-	-14,049,247
Tax effect of the temporary non-deductible/ (taxable) differences (including tax losses carried forward)	**15,966,423**	**-14,049,247**	**40,200**	**1,957,376**

Deferred tax assets are recognised for the tax loss carried forward if it is probable to realise the related tax benefit.

The movement of deferred tax liabilities is attributable to the following items:

	December 31, 2023	December 31, 2022
Opening balance	**7,420,725**	**9,677,915**
Tax effect of the acquisition	-	-
Increases	81,229	214,435
Reductions	-1,769,905	-2,471,625
Closing balance	**5,732,050**	**7,420,725**

Tax recognised to profit or loss

	December 31, 2023	December 31, 2022
Opening balance	-	-
Derecognition of deferred tax assets for Vista Bank	-14,049,247	-2,683,683
Derecognition of fair value adjustments of deferred tax from acquisition	1,310,330	2,471,625
Other adjustments	-	188,008
Income tax expense/income	**-12,738,917**	**-24,050**

(all amounts are expressed in RON, unless otherwise stated)

10 IMPAIRMENT ALLOWANCES REGARDING FINANCIAL ASSETS

	2023	2022
Specific adjustments for expected losses on inter-banking operations	50,880	-21,307
Specific adjustments for expected losses on operations with securities	- 1,767,896	-640,146
Specific adjustments for expected losses on operations with customers	-9,074,968	-12,441,619
Losses on receivables not covered by impairment	-64,988	-1,464,113
Income from receivables recovered	6,472,502	7,171,220
Total net expenses with impairment	**-4,384,470**	**-7,395,965**

11 CASH AND BALANCES WITH CENTRAL BANKS

	2023	2022
Petty cash	64,261,832	65,812,359
Current accounts with NBR	1,753,360,660	1,074,310,178
- in RON	1,252,880,870	802,305,800
- in EUR	500,479,790	272,004,378
Total	**1,817,622,492**	**1,140,122,537**

The current accounts must fulfil the mandatory requirements regarding the minimum reserves imposed by the National Bank of Romania. This reserve represents a medium minimum deposit on a month period, based on the resources raised in the previous month. The balances with the Central Bank at the reporting date fulfil these requirements.

In 2023, the interest rates varied between 0.69% and 0.82% (2022: 0.13% and 0.69%) for reserves held in RON, and remained at 0.02% - 0.11% for reserves held in EUR (2022: 0.02% - 0.09%).

All these balances have been included in cash and cash equivalents (Note 33).

12 PLACEMENTS WITH BANKS AT AMORTISED COST

	2023	2022
Correspondent accounts (Nostro)	16,111,500	18,862,547
Sight deposits	223,819,311	357,042,662
Term deposits	673,824,320	506,174,692
Expected loss	-53,150	-132,617
Total	**913,701,981**	**881,947,284**
Other amounts recoverable	24,110,979	5,784,967
Total loans and advances to banks	**937,812,960**	**887,732,251**

During 2023, the interest rates with the USD placements varied between 4.05% and 5.6% (2022: 0.15% and 4.15% and the ones with the EUR placements between 1.95% and 4.2% (2022: -0.45% and 2.45%). The interest rates with the RON placements varied between 6.00% and 6.065% (2022: 2.00% and 5.75%).

The outstanding sight and term investments were included in Cash and cash equivalents (Note 33) as they have a contractual maturity under 3 months.

Other amounts recoverable at December 31, 2023 represent collateral deposits in amount of EUR 4,846,818 for swap transactions undertaken with Citi Bank which cannot be used for other purposes than the ones for which they were created.

(all amounts are expressed in RON, unless otherwise stated)

12 PLACEMENTS WITH BANKS AT AMORTISED COST (CONTINUED)

Other cash and cash equivalents to recover at December 31, 2022 consist of a collateral in amount of EUR 1,000,000 relating to swap transactions effected with CITIBANK, which is restricted not to be used for other purposes than the intended one.

Other amounts recoverable at December 31, 2022 represent collateral deposits in amount of EUR 1,000,000 for swap transactions undertaken with Credit Agricole Corporate and Investment Bank (CACIB) which cannot be used for other purposes than the ones for which they were created.

13 FINANCIAL ASSETS AT AMORTISED COST

	2023	2022
Bonds issued by the Romanian Government		
- in RON	1,580,427,078	958,831,229
- in EUR	280,355,458	249,458,878
- in USD	163,415,943	64,360,006
Total	**2,024,198,479**	**1,272,650,113**
Bonds issued by the Government of Romania - gross	2,026,538,538	1,274,349,290
Expected loss	-2,340,059	-1,699,177
Total	**2,024,198,479**	**1,272,650,113**

The coupon rates for the securities in the bond portfolio issued by the Romanian Government in 2023 in RON ranged between 0.0% and 8.75% (2022: 3.25% and 5.85%), for the EUR bond portfolio between 1.0% and 6.625% (2022: 1.0% and 6.625%) and for those in USD they ranged between 3.0% and 6.625% (2022: 3.0% and 4.375%).

The movements in the financial assets at amortised cost are presented below:

	Total
Balance on January 1, 2023	**1,272,650,113**
Inputs (purchases)	1,342,114,389
Outputs (matured)	-606,055,014
Collected interest	-81,946,822
Amortisation discount / premium	99,315,022
Exchange rate differences	460,850
Total	**2,026,538,538**
Provisions	-2,340,059
Balance on December 31, 2023	**2,024,198,479**
Balance on January 1, 2022	**782,346,718**
Inputs (purchases)	923,155,014
Outputs (sold or matured)	-432,776,140
Collected interest	-34,727,527
Amortisation discount / premium	38,272,499
Exchange rate differences	-1,921,274
Total	**1,274,349,290**
Provisions	-1,699,177
Balance on December 31, 2022	**1,272,650,113**

(all amounts are expressed in RON, unless otherwise stated)

13. FINANCIAL ASSETS AT AMORTISED COST (CONTINUED)

Movement of the provision related to financial assets at amortized cost:

	Total
Balance on January 1, 2023	**-1,699,177**
Inputs	1,312,268
Outputs	-671,985
FX differences	599
Balance at December 31, 2023	**- 2,340,059**
Balance on January 1, 2022	**-899,841**
Inputs	988,445
Outputs	-193,860
FX differences	4,751
	-
Balance on December 31, 2022	**1,699,177**

14 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2023	2022
Bonds issued by the Government of Romania		
- in RON	-	49,301,603
- in EUR	8,223,382	7,229,340
- in USD	-	-
Total bonds	**8,223,382**	**56,530,943**
Participations in Vista Bank (Credit Office)	2,127,790	1,897,825
Participations in Credit Agricole (Transfond and Credit Office)	-	-
Total	**10,351,172**	**58,428,768**

Movement in bonds:	Total
Balance on January 1, 2023	**56,530,943**
Inputs (purchases)	-
Outputs (matured)	-50,000,000
Collected interest	-1,420,955
Interest	2,136,802
Loss on sale	79,504
Adjustment of market value	-
Exchange rate differences	-1,684,679
Other adjustments generated by the acquisition	2,581,768
Total	**8,223,382**
Provision	-12,136
Balance on December 31, 2023	**8,223,382**

(all amounts are expressed in RON, unless otherwise stated)

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

	Total
Balance on January 1, 2022	**260,197,413**
Inputs (purchases)	101,310,379
Outputs (matured)	-300,730,598
Collected interest	-2,845,026
Interest	3,140,775
Loss on sale	13,227
Adjustment of market value	-
Exchange rate differences	-4,049,338
Other adjustments generated by the acquisition	-505,889
Total	**56,530,943**
Provision	-71,359
Balance on December 31, 2022	**56,530,943**

Movements in investments in Transfond and the Credit Office:

	Total
Balance on January 1, 2023	**1,897,825**
Gains from changes in fair value	229,964
Balance on December 31, 2023	**2,127,790**

	Total
Balance on January 1, 2022	**1,605,665**
Gains on changes in fair value	292,160
Balance on December 31, 2022	**1,897,825**

Name	Nature of activity	Investment held in 2023
Transfond SA	Interbank transfers and set-off	2.043.352
Biroul de Credite SA	Retail credit rating	84,438
Total		**2,127,790**

(all amounts are expressed in RON, unless otherwise stated)

15 FINANCIAL ASSETS MANDATORILY AT FAIR VALUE THROUGH PROFIT OR LOSS

	2023	2022
Visa shares - USD	1,771,990	2,792,777
Total	**1,771,990**	**2,792,777**

As Visa Europe Limited ("Visa Europe") and Visa Inc. announced on November 2nd, 2015, Visa Inc agreed to purchase Visa Europe, under the condition of receiving the approval within the regulation framework. Taking into account that the Bank is a principal member of Visa Europe, the Bank is part of this transaction. In 2016, the amount of EUR 1,367,592.75 was confirmed and paid in cash, representing the completion of the cash transaction, including the sale of the EUR 10 share of Visa Europe.

In addition, the bank received 496 preferential shares Series C in Visa Inc. and cash pro rata with the 0.0105373816% holding to receive after the third anniversary valued at EUR 117,070 and received on June 21, 2019.

In 2021, the Bank sold all its shares held for USD 733,725 registering a profit of USD 107,720.

In 2022, the Bank held 496 preference shares in VISA Inc., types C and A, which are registered as financial asets at fair value through profit or loss, whose fair value is based on the closing price of the ordinary shares in VISA Inc. listed at the New York Stock Exchange.

Of the initial 496 series C preference shares received from Visa Inc., a number of 15 series C preference shares were converted in 2022 into series A preference shares, so that the Bank had in its portfolio at the end of 2022, a number of 481 series C preference shares and 15 series A preference shares.

In January 2023, the Bank sold its 15 Series A preference shares, thus obtaining a revenue from the assignment thereof of RON 154,443.

At December 31, 2023, the Bank held 481 preference shares in VISA Inc., types C, which are registered as financial asets at fair value through profit or loss, whose fair value is based on the closing price of the ordinary shares in VISA Inc. listed at the New York Stock Exchange.

VISA Inc. related preference shares are classified in the Bank's portfolio as "Equity securities - Financial assets mandatorily carried at fair value through profit or loss".

Income from dividends related to Visa series C shares are classified as operating income.

16 INTANGIBLE ASSETS

December 31, 2022	2023	2022
Cost	42,821,661	42,642,169
Accumulated amortisation	-19,859,422	-13,962,867
Net book value	**22,962,239**	**28,679,302**

	IT software	Customer relations*	Total
Net carrying amount at January 1, 2023	**20,887,636**	**7,791,666**	**28,679,302**
Inputs	4,973,052	-	4,973,052
Transfers	7,562	-	7,562
Outputs	-4,801,122	-	-4,801,122
Amortization expense	-9,475,192	-571,937	-10,047,130
Accumulated amortization for outputs	4,150,573	-	4,150,573
Net carrying amount at December 31, 2023	**15,742,510**	**7,219,729**	**22,962,239**

(all amounts are expressed in RON, unless otherwise stated)

16 INTANGIBLE ASSETS (CONTINUED)

	IT software	Customer relations*	Total
Net carrying amount at January 1, 2022	**27,203,421**	**8,358,333**	**35,561,754**
Inputs	6,619,847	-	6,619,847
Transfers	-	-	-
Outputs	-11,289,210	-	-11,289,210
Amortization expense	-6,685,662	-566,667	-7,252,329
Accumulated amortization for outputs	5,039,240	-	5,039,240
Net carrying amount at December 31, 2022	**20,887,636**	**7,791,666**	**28,679,302**

**For details, see Note 36.*

December 31, 2023	
Cost	42,821,661
Accumulated amortization	-19,859,422
Net carrying amount	**22,962,239**
December 31, 2022	
Cost	42,642,169
Accumulated amortization	-13,962,867
Net carrying amount	**28,679,302**

(all amounts are expressed in RON, unless otherwise stated)

17 TANGIBLE ASSETS

December 31, 2022	Lands and buildings	Design	Furniture and equipment	Assets in progress	Total
Net carrying amount on January 1, 2023	**2,352,590**	**3,634,152**	**13,956,733**	**6,895,942**	**26,839,417**
Inputs	-	591,354	4,116,341	12,158,977	16,866,672
Reclassifications from Repossessed assets category	-	-	-	-	-
Transfers	1,538,784	7,477,618	7,322,609	-16,346,573	-7,562
Outputs	-	-2,915,317	-4,736,952	-321,588	-7,973,857
Amortization expense	-56,137	-1,776,373	-4,931,271	-	-6,763,782
Other acquisition adjustments	-	-	-	-	-
Revaluation	-	-	-	-	-
Accumulated amortization for outputs	-	2,889,494	4,427,467	-	7,316,961
Net carrying amount as at December 31, 2023	**3,835,236**	**9,900,928**	**20,154,927**	**2,386,759**	**36,227,850**
Cost	3,968,451	13,610,196	39,971,900	2,386,759	59,937,305
Accumulated amortization	-133,214	-3,709,268	-19,816,973	-	-23,659,455
Net carrying amount as at December 31, 2023	**3,835,236**	**9,900,928**	**20,154,927**	**2,386,759**	**36,227,850**

December 31, 2022	Lands and buildings	Design	Furniture and equipment	Assets in progress	Total
Net carrying amount on January 1, 2022	**3,758,890**	**3,605,172**	**15,228,325**	**846,748**	**23,439,135**
Inputs	-	-	4,022,326	8,850,916	12,873,242
Reclassifications from Repossessed assets category	-	-	-	-	-
Transfers	-	948,833	2,045,916	-2,994,749	-
Outputs	-1,610,701	-1,128,920	-8,650,362	193,027	-11,196,954
Amortization expense	-56,137	-1,293,462	-3,676,846	-	-5,026,445
Other acquisition adjustments	-	-	-224,841	-	-224,841
Revaluation	-	-	-	-	-
Accumulated amortization for outputs	260,538	1,502,529	5,212,216	-	6,975,283
Net carrying amount as at December 31, 2022	**2,352,590**	**3,634,152**	**13,956,733**	**6,895,942**	**26,839,417**
Cost	2,429,667	8,456,541	33,269,901	6,895,942	51,052,051
Accumulated amortization	-77,077	-4,822,389	-19,313,168	-	-24,212,634
Net carrying amount as at December 31, 2022	**2,352,590**	**3,634,152**	**13,956,733**	**6,895,942**	**26,839,417**

(all amounts are expressed in RON, unless otherwise stated)

18 RIGHT-OF-USE ASSETS

Right-of-use assets	**2023**	**2022**
Right-of-use assets	82,036,953	81,303,606
Amortization/depreciation of right-of-use assets	-32,174,293	-33,378,923
Total	**49,862,659**	**47,924,683**

Most leases are in EUR and only three in RON and are concluded for a contractual period of maximum 10 years.

The Bank operates as lessee in vehicle leases and leases for rental of office spaces for the Bank's branches. Expenses with short-term leases and low value assets are expensed directly to profit or loss. In 2023, expenses with such items was RON 448,526.

Right-of-use assets	**2023**	**2022**
Right-of-use assets – vehicles	5,604,993	660,363
Right-of-use assets - rentals	44,257,666	47,264,320
Total	**49,862,659**	**47,924,683**

Movement of right-of-use assets in 2023

	Vehicles	**Land and buildings**	**Total**
Balance at January 1, 2023	**660,363**	**47,264,320**	**47,924,683**
New leases	4,176,818	2,893,063	7,069,881
Amended leases	16,231	1,955,966	1,972,197
Cancelation / Closing	1,969,044	2,243,400	4,212,444
Amortization during the year (-)	-1,217,463	-10,099,083	-11,316,546
Balance at December 31, 2023	**5,604,993**	**44,257,666**	**49,862,659**

(all amounts are expressed in RON, unless otherwise stated)

18 RIGHT-OF-USE ASSETS (continued)

Movement of right-of-use assets in 2022

	Vehicles	Land and buildings	Total
Balance at January 1, 2022	**1,728,801**	**47,950,413**	**49,679,214**
New leases	-	6,933,102	6,933,102
Amended leases	37,927	5,481,387	5,519,314
Cancelation / Closing	-4,941	-1,391,078	-1,396,019
Amortization during the year (-)	-1,101,424	-11,709,504	-12,810,928
Balance at December 31, 2022	**660,363**	**47,264,320**	**47,924,683**

Amounts recognised to profit or loss for IFRS 16 lines

RON	**Vehicles**	**Land and buildings**	**Total**
Expenses with impairment of right-of-use assets	1,217,463	10,099,083	11,316,546
Expenses with interest of leasing liabilities	51,441	1,812,391	1,863,832
Total	**1,268,904**	**11,911,474**	**13,180,378**

19 INVESTMENT PROPERTY

Investment property	**2023**	**2022**
Investment property		
- land	56,594,190	61,693,781
- buildings	20,549,303	24,880,992
Total	**77,143,493**	**86,574,773**

In 2023, there were no repossessed assets reclassified as investment property – land in accordance with IAS 40 (fair value model) worth RON 195,453 (2022: not the case). Investment properties are valued annually at market value, based on a report prepared by an ANEVAR accredited valuer. In addition, the revalued amount is verified by an independent valuer indicated by the NBR. In 2023, the Bank registered income from leasing investment properties in amount of RON 1,097,397 (2022: RON 919,828) included in line Other income, presented in Note 7.

According to the analysis of the fair value hierarchy, investment properties are classified as Tier 3.

The movements in the investment property portfolio were as follows:

	December 31, 2023	December 31, 2022
Opening balance	86,574,773	94,014,518
Reclassification from repossessed assets	195,453	-
Inflows	-26,781	606,330
Outflows	-9,599,952	-8,046,075
Closing balance	77,143,493	86,574,773
Price received for assets sold	10,757,356	9,188,575

(all amounts are expressed in RON, unless otherwise stated)

20 REPOSSESSED ASSETS

	2023	2022
Repossessed assets		
Repossessed assets – gross amount	44,724,829	56,843,852
Impairment allowance for repossessed assets	-5,175,074	-7,186,342
Net value	**39,549,755**	**49,657,510**

The movement in the portfolio of repossessed assets was as follows:

	December 31, 2023	December 31, 2022
Opening balance (gross value)	56,843,852	75,817,074
Inflows (gross value)	122,243	2,005,865
Outflows (gross value)	-12,045,208	-20,979,087
Reclassification to investment property	-196,059	-
Reclassification to fixed assets	-	-
Closing balance	**44,724,829**	**56,843,852**
Price received for assets sold	**10,969,563**	**14,177,442**

The movement of the provision for repossessed assets impairment representing assets achieved as a consequence of foreclosure of receivables is as follows:

	December 31, 2023	December 31, 2022
Opening balance	7,186,342	14,915,705
Increases	368,919	714,801
Decreases	-427,974	-290,122
Reversal of sold repossessed assets	-1,951,607	-8,154,042
Restatement to investment property	-606	-
Closing balance	**5,175,074**	**7,186,342**

21 OTHER ASSETS

	2023	2022
Other financial assets		
Cash and cash equivalents to be recovered*	5,642,814	5,708,041
Various debtors - net	6,195,515	6,095,430
Incomes to be received - net	127,468	275,879
Total	**11,965,797**	**12,079,350**
Other non-financial assets		
Inter-bank settlements	907,045	4,107,238
Advances to personnel	29,669	11,250
Deductible/recoverable VAT	2,649	137,869
Other receivables regarding the state budget	593,301	1,823,875
Prepaid expenses	7,539,664	5,685,636
Other settlement accounts	3,286,931	1,463,971
Materials and other consumables	-	-
Total	**12,359,259**	**13,229,839**
Total other assets	**24,325,056**	**25,309,189**

**Line Cash and cash equivalents to be recovered also includes the amounts recoverable from EURONET in amount of RON 4,808,810 (December 31, 2022: RON 5,184,092).*

21. OTHER ASSETS (continued)

Nature of the assets	December 31, 2023	December 31, 2022
Sundry debtors - gross	6,472,058	6,385,135
Provision	-276,543	-289,705
Net carrying amount	**6,195,515**	**6,095,430**
Gross incomes to be received	606,220	762,288
Provision	-478,752	-486,409
Net carrying amount	**127,468**	**275,879**

The movement of the provision for sundry debtors is as follows:

	December 31, 2023	December 31, 2022
Opening balance	289,705	4,522,409
Increases	-	243,008
Decreases	-13,162	-1,284,784
Write-down of provision		-3,201,760
FX differences	-	10,832
Closing balance	**276,543**	**289,705**

The movement of the provision for income to be received is as follows:

	December 31, 2023	December 31, 2022
Opening balance	486,409	101,632
Increases	-	685,328
Decreases	-7,691	-336,551
FX differences	34	36,000
Closing balance	**478,752**	**486,409**

22 DEPOSITS FROM BANKS

	2023	2022
Correspondent accounts (Loro)	115,044,089	44,089
Maturity deposits	23,678,333	48,467,906
Total	**138,722,422**	**48,511,995**

In 2023, for inter-banking deposits drawn, expressed in RON, interest rates ranged between 6.00% and 7.00% (2022: 5.0% and 7.0%). There were no inter-bank deposits denominated in EUR and USD (for2022: the interest rate for EUR was 1.85% and for USD it was 0.32%.

23 CUSTOMERS' DEPOSITS

	2023	2022
Current accounts	1,803,009,060	1,607,723,093
Savings accounts	9,261,781	19,589,036
Sight deposits	382,509,653	418,294,561
Maturity deposits	6,121,941,292	5,086,599,582
Collateral deposits	154,053,065	162,061,938
Total	**8,470,774,851**	**7,294,268,210**

The interest rates regarding customers deposits in 2023 varied between 0% and 9.65% (2022: between 0.00% and 12.5%) on deposits denominated in RON and between 0.00% and 4.28% (2022: between 0.00% and 7.00%) on deposits denominated in EUR.

24 LOANS FROM BANKS

	2023	2022
Loans from banks	-	21,222,572
Total	**-**	**21,222,572**

On September 10, 2019, Credit Agricole Bank Romania SA entered into a loan agreement with the European Bank for Reconstruction and Development ("EBRD") to stimulate the lending of micro-enterprises and small and medium-sized enterprises that meet certain eligibility criteria stipulated by the EBRD Financing Policy, in amount of RON 94,600,000. The loan was granted in 2 equal tranches with a repayment term of 5 years and a variable interest rate consisting of ROBOR 6M plus a 0.26% margin annually (at the date of first draw).

In 2023, the Bank repaid all outstanding tranches of the EBRD loan, namely on 10 February, 2023 (total remainder RON 21,593,840). The amount repaid also includes the interest rate of RON 571,618.

(all amounts are expressed in RON, unless otherwise stated)

25 SUBORDINATED LOANS

	2023	2022
Subordinated loans on undefined term	95,697,650	68,024,154
Total	**95,697,650**	**68,024,154**

Subordinated loans have the following structure within the Bank:

- subordinated loan the equivalent of USD 11 million, relating to two subordinated loans granted by Mr. Goulandris Nicholas John (USD 5 million, of which USD 2 million due on June 3, 2030 and USD 3 million due on March 7, 2029), and by EDEN SHIPHOLDING LTD (USD 6 million, of which USD 3 million due on June 3, 2030 and USD 3 million due on March 7, 2029). The 3M LIBOR interest rate plus margin applicable to subordinated loans due on March 7, 2029 is 5.36% and for the loans due on June 3, 2030, the 3M LIBOR interest rate plus margin is 5.26%.

- subordinated loan taken over from the Bank Credit Agricole SA, worth EUR 9,022,899 granted in 2011, with a variable interest rate consisting of EURIBOR 3M plus a 1.80% margin. Further to sale of Bank Credit Agricole Romania SA of September 16, 2021, the loan was transferred to Optima Bank Greece, and through an addendum concluded at such date the interest margin was set at a fixed 3%, which is maintained in 2023.

In 2023, the Bank did not operate any drawdowns or repayments of its subordinated loans. The increase of the year is due to the impact of exchange rates.

Subordinated liabilities are treated as part of the Bank's own funds.

26 FINANCE ASSETS AND LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

	2023	2022
Finance liabilities at fair value through profit or loss		
Foreign exchange swaps	3,065,690	39,300
Finance liabilities at fair value through profit or loss		
Foreign exchange swaps	-	-
Total	**3,065,690**	**39,300**

The amount represents unrealised gain on a foreign exchange swap. The swaps are made for liquidity purposes for foreign exchange management.

At December 31, 2023	**within 1 month**	**1-3 months**	**3 – 12 months**
Finance liabilities at fair value through profit or loss (swap)			
Unrealised gain (asset)	3.065,690	-	-
Unrealised loss (liability)	-	-	-

At December 31, 2022	**within 1 month**	**1-3 months**	**3 – 12 months**
Finance liabilities at fair value through profit or loss (swap)			
Unrealised gain (asset)	39,300	-	-
Unrealised loss (liability)	-	-	-

(all amounts are expressed in RON, unless otherwise stated)

26 FINANCE ASSETS AND LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS (CONTINUED)

Off-balance sheet foreign exchange positions for swaps are as follows:

Off-balance sheet foreign exchange positions	2023		2022	
	Assets	Liabilities	Assets	Liabilities
RON	-	500,525,690	-	14,881,500
USD	-	-	-	-
GBP	-	-	-	-
EUR	497,460,000	-	14,842,200	-
Total	**497,460,000**	**500,525,690**	**14,842,200**	**14,881,500**

27 CURRENT FISCAL ASSETS/LIABILITIES AND DEFERRED TAX FISCAL ASSETS/LIABILITIES

Current income tax

	2023	2022
Current tax assets	7,632,149	4,224,590
Total	**7,632,149**	**4,224,590**

Deferred tax

	2023	2022
Deferred tax receivables	1,957,376	15,966,423
Deferred tax liabilities	-5,732,050	-7,420,725
Total	**-3,774,674**	**8,545,698**

The movement of deferred tax assets and liabilities is presented in Note 9.

28 LEASE LIABILITIES

Lease liabilities	2023	2022
Lease liabilities – vehicles	5,621,371	719,588
Lease liabilities – rentals	47,607,632	50,417,068
Associated liabilities	-	321
Total	**53,229,003**	**51,136,977**

(all amounts are expressed in RON, unless otherwise stated)

28 LEASE LIABILITIES (CONTINUED)

Maturities of lease liabilities at December 31, 2023

RON	Vehicles	Land and buildings	Total
Within 1 year	1,409,465	9,797,718	11,207,182
1 - 5 years	4,211,906	31,443,371	35,655,277
Over 5 years	-	6,366,543	6,366,543
Total	**5,621,371**	**47,607,632**	**53,229,003**

Maturities of lease liabilities at December 31, 2022

RON	Vehicles	Land and buildings	Total
Within 1 year	610,607	9,670,678	10,281,285
1 - 5 years	108,981	30,946,958	31,055,939
Over 5 years	-	9,799,753	9,799,753
Total	**719,588**	**50,417,389**	**51,136,977**

Changes in lease liabilities in 2023

	Vehicles	Land and buildings	Total
Balance at January 1, 2023	**719,588**	**50,417,389**	**51,136,977**
Interest expenses	51,441	1,812,391	1,863,832
Lease payments (principal + interest)	-1,330,458	-11,719,295	-13,049,753
New leases	6,193,473	7,593,702	13,787,175
Amended leases	16,315	1,864,120	1,880,435
FX impact	4,372	198,839	203,212
Cancelation / Closing	- 33,359	-2,559,514	- 2,592,874
Balance at December 31, 2023	**5,621,371**	**47,607,632**	**53,229,003**

Changes in lease liabilities in 2022

	Vehicles	Land and buildings	Total
Balance at January 1, 2022	**1,822,178**	**54,293,808**	**56,115,986**
Interest expenses	10,177	1,281,438	1,291,615
Lease payments (principal + interest)	-722,643	-9,634,026	-10,356,669
New leases	-	5,914,397	5,914,397
Amended leases	37,927	4,462,681	4,500,608
FX impact	233	-107,617	-107,384
Cancelation / Closing	- 428,284	-5,793,292	-6,221,576
Balance at December 31, 2022	**719,588**	**50,417,389**	**51,136,977**

(all amounts are expressed in RON, unless otherwise stated)

29 OTHER LIABILITIES

	2023	2022
Other financial liabilities		
Other due amounts	66,654,051	28,920,113
Sundry creditors	6,763,530	5,767,813
Expenses payable	763,089	97,761
Deferred income	3,893,799	3,941,466
Total	**78,074,469**	**38,727,153**
Other liabilities		
Collected/payable VAT	38,846	107,792
Other taxes and social benefits payable	4,575,477	3,347,813
Other regulatory accounts and differences	1,992,715	90,755
Deferred income	268,136	118,099
Total	**6,875,174**	**3,664,459**

Other financial and non-financial liabilities presented above are estimated to be paid in the following 12 months.

30 OTHER PROVISIONS

	2023	2022
Provisions for loan commitments, financial guarantees and other given commitments	5,752,822	6,126,442
Litigation provisions	948,876	1,055,174
Provisions for employees' benefits	733,000	1,297,763
Other provisions	37,492	41,014
Total	**7,472,190**	**8,520,393**

The risk provision value is based on the best estimate of the necessary amount for the settlement of the obligation, taking into consideration the associated risks.

Once the Company adopted IFRS 9 as of January 1, 2018, it calculated additional provisions according to the methodology in force, for crediting commitments and financial guarantees.

Litigation provisions refer to risks of legal disputes related to abusive clauses (risks of increases of interest rates and the collection of application, administration and restructuring fees).

The litigation provisions are recognised for all the situations where the following conditions are met: there is a legal or constructive obligation as a consequence of a past event, the possibility that an outflow incorporating economic benefits necessary for the settlement of the obligation is more likely than the possibility of not being necessary and a reliable estimate may be done regarding the value of the obligation.

The provisions for employees' benefits refer mainly to provisions registered for employees' legal holidays, untaken at reporting date.

(all amounts are expressed in RON, unless otherwise stated)

30 OTHER PROVISIONS (CONTINUED)

The changes in **total provisions for risks and charges** are presented below:

	2023	2022
Balance at the beginning of the year	**8,520,393**	**16,012,427**
Increases	12,922,886	12,241,103
Decreases	-13,979,634	-19,795,955
FX differences	8,545	62,818
Balance at the end of the year	**7,472,190**	**8,520,393**

The changes in the **provisions for loan commitments, financial guarantees and other given commitments** are presented below:

	2023	2022
Balance at the beginning of the year	**6,126,442**	**9,141,849**
Increases	12,097,681	8,590,187
Decreases	-12,478,846	-11,668,373
FX differences	7,545	62,779
Balance at the end of the year	**5,752,822**	**6,126,442**

The changes in the **litigation provisions** are presented below:

	2023	2022
Balance at the beginning of the year	**1,055,174**	**1,121,296**
Increases	92,205	155,428
Decreases	-199,350	-221,573
FX differences	847	23
Balance at the end of the year	**948,876**	**1,055,174**

(all amounts are expressed in RON, unless otherwise stated)

30 OTHER PROVISIONS (continued)

The changes in the **provisions for employees' benefits** are presented below:

	2023	2022
Balance at the beginning of the year	**1,297,763**	**5,524,928**
Increases	733,000	3,462,249
Decreases	-1,297,763	-7,689,414
FX differences	-	-
Balance at the end of the year	**733,000**	**1,297,763**

Changes in the provision for Other provisions are presented below:

	2023	2022
Balance at the beginning of the year	**41,014**	**224,354**
Increases	-	33,239
Decreases	-3,675	-216,595
FX differences	153	16
Balance at the end of the year	**37,492**	**41,014**

31 SHARE CAPITAL

	2023	2022
Shared capital registered with the Trade Registry	468,736,524	468,582,594
Increase of share capital during the year	-	153,930
Adjusting the share capital with inflation (IAS 29)	36,171,458	36,171,458
Share capital according IFRS	**504,907,982**	**504,907,982**

Shareholder	**2023**	**2022**
	(%)	***(%)***
Barniveld Enterprises Limited	99.72	99.72
Shareholders – legal entities	0.17	0.17
Shareholders - natural persons	0.11	0.11
Total	**100.00**	**100.00**

The Bank's share capital consists of 4,687,365,244 (2022: 6,687,365,244) ordinary shares allocated and paid in full in the amount of RON 0.1 each share (2021: RON 0.1 each). Every share represents a vote.

In 2022, the share capital increased by RON 153,930 as a result of combinations of activities, effect of the merger of Credit Agricole Bank Romania SA with Vista Bank Romania SA.

(all amounts are expressed in RON, unless otherwise stated)

32 RESERVES

	2023	2022
Legal reserve	12,685,072	8,904,578
General reserve for banking risks	7,568,063	7,568,063
Differences from changes in the fair value of financial assets at fair value through other comprehensive income – Credit Office	251,251	21,285
Differences from the alterations of the fair value of equity instruments at fair value through other comprehensive income – securities	-1,901,892	-4,625,872
Total	**18,602,494**	**11,868,054**

The changes in reserves are detailed as follows for each reserve category:

Legal reserve	2023	2022
Balance at the beginning of the year	**8,904,578**	**7,711,584**
Transfer as profit allocation	3,780,495	1,192,994
Balance at the end of the year	**12,685,073**	**8,904,578**

Differences from changes in the fair value of equity instruments at fair value through other comprehensive income:

	2023	2022
Balance at the beginning of the year	**21,285**	**20,162**
Registering the differences regarding the fair value	229,965	1,123
Balance at the end of the year	**251,250**	**21,285**

According to the Romanian legislation regarding the banking institutions and operations, the Bank must distribute the profit as dividends or to perform a transfer in the reported result (reserves) based on the financial statements concluded in accordance with Order 27/2010. The transferred amounts in the reserve accounts must be used for the purposes defined at the time of the transfer.

According to the Romanian bank legislation, the Bank has the obligation to create a legal reserve of 5% of the gross income, until the total reserve reaches 20% out of the issued and fully paid share capital.

According to the legislation issued by the National Bank of Romania, in the past the Bank had the obligation to create a general reserve for banking risk, out of the gross income. This reserve may be used to cover losses from loans. At present, the reserve is not used until a clarification is issued regarding this regulation by the National Bank of Romania.

The amounts transferred in reserves must be used for the purpose defined at the time of the transfer. According to the national legislation, these reserves cannot be used for other purposes.

After reducing taxes and eliminating statutory and general reserves as previously presented, the remaining balance out of the net income may be distributed to the shareholders. Only the dividends from the current statutory income may be declared.

The legal reserves may be distributed with the approval of the Annual General Meeting of Shareholders, but they shall be subject to 16% taxation at the distribution time.

(all amounts are expressed in RON, unless otherwise stated)

33 CASH AND CASH EQUIVALENTS

Cash and cash equivalents at the end of the reporting period, as presented in the statement of cash flows, may be reconciled with the related items in the reporting position, as follows:

	2023	2022
Cash and balances with the central banks at amortised cost (Note 11)	1,817,622,492	1,140,122,537
Cash at ATM-EURONET (Note 21)	4,808,810	5,184,092
Loans and advances to banks at amortised cost (Note 12)	913,701,981	881,947,284
Total	**2,736,133,283**	**2,027,253,913**

Cash and cash equivalents include:

	2023	2022
Cash (Note 11)	64,261,832	65,812,359
Cash at Central Bank (Note 11)	1,753,360,660	1,074,310,178
Cash at ATM -EURONET (Note 21)	4,808,810	5,184,092
Correspondent account (Note 12)	16,111,500	18,862,547
Deposits with banks (Note 12)	897,590,481	863,084,737
Total	**2,736,133,283**	**2,027,253,913**

34 RELATED PARTY TRANSACTIONS

The nature of the relationship with related parties for those related parties with which the Bank concluded significant transactions or registered significant balances as at December 31, 2023 is herein presented.

Barniveld Enterprises Limited is the parent company of Vista Bank Romania SA.

The main related parties of the Bank are as follows:

- Mr. Ioannis Vardinogiannis – Greek citizen, ultimate beneficial owner of 100% of the share capital of Gem Force Investments Limited.

- Gem Force Investments Limited owns 100% of the share capital of Barniveld Enterprises Limited

- Barniveld Enterprises Limited, owns 99.72% of the share capital of Vista Bank Romania SA

(all amounts are expressed in RON, unless otherwise stated)

34. RELATED PARTIES TRANSACTIONS (CONTINUED)

2023	**Management***	**Key positions***	**Parent bank**	**Other related parties**
Assets				
Current accounts with banks	-	-	-	390,428,026
Placements with banks	-	-	-	-
Customers' loans	299,936	2,441,035	-	138,971,859
Banks' loans	-	-	-	-
Total assets	**299,936**	**2,441,035**	**-**	**529,399,886**
Liabilities				
Current accounts with banks	-	-	-	115,044,089
Deposits of banks	-	-	-	-
Customers' deposits	2,120,155	1,767,527	61,359	1,196,359,236
Subordinated loans	-	-	-	95,697,650
Total liabilities	**2,120,155**	**1,767,527**	**61,359**	**1,407,100,975**

2022	**Management***	**Key positions***	**Parent bank**	**Other related parties**
Assets				
Current accounts with banks	-	-	-	70,084,646
Placements with banks	-	-	-	-
Customers' loans	950,705	2,788,763	-	115,766,280
Banks' loans	-	-	-	-
Total assets	**950,705**	**2,788,763**	**-**	**185,850,926**
Liabilities				
Current accounts with banks	-	-	-	44,089
Deposits of banks	-	-	-	24,737,000
Customers' deposits	2,328,174	1,628,302	135,628	1,006,387,636
Subordinated loans	-	-	-	68,024,154
Total liabilities	**2,328,174**	**1,628,302**	**135,628**	**1,099,192,879**

(all amounts are expressed in RON, unless otherwise stated)

34. RELATED PARTIES TRANSACTIONS (CONTINUED)

In 2018, the majority shareholder of the Bank became Barniveld Enterprises Limited with 58 Arch. Makarios III, Iris Tower, 8th floor, 1075, Nicosia, Cyprus.

On May 20, 2019, the Bank changed its name from Marfin Bank (Romania) SA to Vista Bank (Romania) SA.

On September 16, 2021, the Bank acquired 99.95% in the share capital of Credit Agricole Bank Romania SA, at which date it also obtained control.

At October 1, 2022, Vista Bank (Romania) SA merged with Credit Agricole Bank Romania SA, which is the effective date of the merger, when it produces legal and operational effects and when the physical and universal transfer of the patrimony (the totality of assets and liabilities taken over from the absorbed bank, Credit Agricole Bank Romania SA, to the absorbing bank, VISTA Bank Romania SA) took place.

				2023				**2021**
	Management*	**Key positions***	**Parent bank**	**Other related parties**	**Management***	**Key positions***	**Parent bank**	**Other related parties**
Income								
Bank placement interest	-	-	-	11,428,161	-	-	-	897,866
Customers' loans interest	26,692	126,049	-	7,580,151	23,874	86,182	-	3,856,887
Banks' loans interest	-	-	-	-	-	-	-	-
Total income	**26,692**	**126,049**	**-**	**19,008,312**	**23,874**	**86,182**	**-**	**4,754,753**
Expenses								
Bank deposit interest	-	-	-	2,542	-	-	-	528,185
Customer deposit interest	60,061	46,253	-	35,274,062	25,420	21,571	-	3,543,284
Interest on subordinated loans	-	-	-	6,451,638	-	-	-	2,627,428
Salary expenses	3,116,050	4,138,135	-	-	3,746,958	5,394,748	-	-
Total expenses	**3,176,111**	**4,184,388**	**-**	**41,728,243**	**3,772,378**	**5,416,319**	**-**	**6,698,897**

In 2023, the Bank paid salaries to management in amount of RON 7,254,185 (December 31, 2022: RON 9,141,706).

**Management comprises all members of the Executive Board.*
***Key positions are held by the managers of the following departments: Financial Controlling, Risk, Internal Audit, Treasury, Compliance, Legal, Sales, IT, Operations and Human Resources*

35 COMMITMENTS AND CONTINGENT LIABILITIES

Taxation

The Romanian tax system suffered multiple alterations over the last years and now is in the phase of adjusting to the European Union jurisdiction. Therefore, there are still different interpretations of the tax legislation. In certain situations, the tax authorities may treat differently certain aspects, performing the calculation of some additional fees and taxes and of the related interest and delay penalties (at the present time the penalties established according to the delay period, plus 0.01% per day default interest). In Romania, the fiscal year remains opened for tax verification for 5 years. The Bank's management considers that the tax liabilities included in these financial statements are adequate.

Transfer pricing

The Romanian tax legislation includes the "market value" principle, according to which the trades between the related partied must be performed at the market value. The local contributors performing transactions with the related parties must draw up and to put at the disposal of the Romanian tax authorities, at their written request, the documentation file of the transfer prices. Failure to present the documentation file or the incomplete presentation of such may cause penalties for noncompliance; additional to the content of the documentation file of the transfer prices, the tax authorities may interpret the transactions and circumstances different from the management's interpretation, therefore, they may impose additional tax liabilities resulted out of the adjustment of the transfer prices. The Bank's management considers that the Group will not have any losses if a tax control should occur for the assessment of the transfer prices. Nevertheless, the impact of the different interpretations of the tax authorities may not be reliably appraised. It can be significant for the Bank's financial position and/or operations.

Tax risk

The Romanian tax system is in the phase of consolidation and adjustment with the European Union legislation. However, there are still different interpretations of the tax legislation. In certain situations, the tax authorities may treat differently certain aspects, performing the calculation of some additional fees and taxes and of the related interest and delay penalties. In Romania, the fiscal year remains opened for tax verification for 5 years. The Bank's management considers that the tax liabilities included in these financial statements are adequate and they are not aware of any circumstances which may cause significant liability in this respect.

Loan commitments

The main purpose of these instruments is to ensure the availability of the funds to respond to the customers' requirements.

The guarantees and standby letters of credit, which constitute an irrevocable assurance that the Bank will make the payments if a customer is not able to fulfil its liabilities towards a third party, are exposed to the same loan risk as the loans.

The commercial and documentary letters of credit representing written commitments of the Bank for the benefit of a customer and authorising a third party to draw instalments on Group within the limit of a stipulated amount and within specific terms and conditions are guaranteed by the related assets delivery presenting accordingly a considerably lower risk than the direct loans.

The loan extension commitments represent unused segments loan extension authorisations under the form of loans, guarantee letters or letters of credit. Regarding the credit risk related to the expansion commitments of the loan, the Bank is potentially exposed to a loss equal with the total unused commitments.

Nevertheless, probable volume of the loss, although difficult to be quantified, is significantly lower than the total unused commitments since most of the expansion commitments of the loan are conditioned by the observance by the customers of certain specific credit standards. The Bank monitors the credit maturities because, in general, the long-term commitments present a higher degree of credit risk than the short-term credit commitments.

(all amounts are expressed in RON, unless otherwise stated)

35 COMMITMENTS AND CONTINGENT LIABILITIES (continued)

Loan commitments (continued)

The outstanding amounts are as follows:

	2023	2022
Commitments in favour of the customers (irrevocable unused credit facilities)	164,115,347	245,976,269
Guarantees for customers	445,073,242	234,646,771
Total	**609,188,589**	**480,623,040**

Performance guarantees

Details regarding the letters of guarantee on December 31, 2023 and December 31, 2022 are presented below:

	2023	2022
Letters of financial guarantee	289,051,082	124,445,244
Performance bond letters	156,022,159	110,201,527
Total	**445,073,242**	**234,646,771**

In 2023 and 2022, the Bank had no pledged securities.

36 SUBSEQUENT EVENTS

1. Evolution of the economy in 2023 and macroeconomic forecast for 2024

In 2023, compared to 2022, the Gross Domestic Product (GDP) slowed down to 1.8%, less by 2.7% due to strong gross fixed capital formation and private consumption, which was supported by a strong labor market and salary growth, in combination with government support measures to mitigate the impact of high energy prices.

Indicators	2023	2024	2025
GDP growth (%, per annum)	1.8	2.9	3.2
Inflation (%, per year)	9.7	5.8	3.6

High inflation and anemic private credit growth constrained domestic demand in 2023, while external demand was weak. Strong growth in gross fixed capital formation, boosted by EU-funded investment in public infrastructure, offset the slowdown in private consumption and reduced credit, while the negative contribution of net exports to growth declined. A resilient labour market and two increases in the minimum wage prevented the slowdown in real disposable income. Indicators suggest that the economy regained some momentum in the final months of 2023 on the back of robust retail sales, services, and construction.

This growth and slight improvements in some indicators in late 2023 give a head start to economic activity in the outlook for 2024. Supported by stronger private credit growth and continued growth in real disposable income, amid receding inflationary pressures, lower interest rates and an improved external outlook, Romania's real GDP will increase, a 2.9% pick-up in economic growth is forecast for 2024. Although private consumption is expected to accelerate, analysts expect investment to remain the main contributor to GDP growth in 2024. Monetary policy will remain tight in 2024 and ease only gradually as inflationary pressures ease. This loosening of monetary and financial conditions, accompanied by stronger external demand, is expected to lead to real GDP growth of 3.2% in 2025.

Average annual inflation is forecast at 5.8% for 2024 before slowing to 3.6% in 2025 due to the extension of the energy price cap to 2025, lower commodity prices and base effects.

In the macroeconomic context of 2023, characterized by improving inflation, attributed to a significant slowdown in private credit growth under tight monetary conditions, as well as decreasing energy and food prices, the prospect of a slowdown in the economy as a whole, the energy crisis and the sharp rise in prices and bank rates, could facilitate an increase in insolvencies and layoffs, with an impact on the rising default rate in the future.

The average rate of non-performing loans (NPL - non-performing loans) could return to growth in 2024, so the pressure of non-performing loans cannot be excluded in 2024.

For the Bank, alerts may appear if some debtors (individuals or companies), affected by the negative economic impact of inflation, the increase in prices and bank rates, will not succeed in resuming the payment of loans.

The bank finances customer segments that are less affected by price increases, operate in areas with above-average margins, as a result, NPL rates in the first months of 2024 do not register significant increases.

Likewise, the low lending in 2023, given that interest rates increased, was helped by the continuation of the IMM Invest government programs for Corporate and New Home lending for mortgages or other programs.

The impact on the market value of the securities held by the Bank, in order to ensure liquidity, compared to the value at amortized cost, in the context of the increase in interest rates, is marginal according to the calculation in February 2024 (below 0.04% of Equity).

As a result of the new purchases of securities, the portfolio increased significantly in 2024, representing over 22% of total assets, significantly above the 15% limit recommended by the NBR.

37 SUBSEQUENT EVENTS (continued)

2. Ukraine crisis

On February 24, 2022, the Russian Federation engaged in military actions on the territory of Ukraine. However, the Bank does not have direct exposure to entities from the Russian Federation, Ukraine or Belarus.

However, the current political and economic environment in Ukraine can lead to increasing global uncertainty, a shortage of energy supply and a potential decline in economic growth, and the pressures on the economic environment will continue, the implications of the war will be felt for many years, if not decades, and the economic environment needs to adapt and make changes to survive and grow in this uncertain and risky context, looking at potential opportunities, such as the transition to new energy sources planning investments in new alternative energy sources, which will also increase companies' ability to respond to climate challenges.

The Bank closely monitors developments that may affect financial markets, including sanctions, government action and developments in Ukraine. The Bank will continue to assess the impact of the crisis in Ukraine and will take any potential action needed, as the facts and circumstances may change.

At the date of preparation and approval for publication of the financial statements, the Bank’s management assessed the current political and economic framework and the measures already taken or planned by the Government of Romania, the National Bank of Romania and the European Council, which could have a negative impact on the Bank. Based on this assessment and the publicly available information currently available, management does not expect the economic impact of current developments to significantly affect the company's going concern ability. Given the uncertain nature of current developments, it is still premature to quantify the potential impact on the company's financial results for 2024 and beyond. Any economic impact on the company and its customers that have economic links with this geographical area at risk will depend primarily on the duration of the war and the intensity of the political and economic measures taken, as well as the restrictions implemented.

A potential negative impact on the Bank’s medium-term financial position and performance cannot be ruled out given the economic environment in which the company operates. Management closely monitors any developments and is prepared to take appropriate action. These possible future measures, taken by the company, could cover the areas of accounting estimates and calculation methods for adjustments for expected losses and provisions for credit risk. However, at the date of preparation of the financial statements, the Bank continues to meet its obligations when due and, based on the assessment of current events and potential developments, the Bank applies the going concern principle.

Based on the above and considering that, although the prolonged duration, as well as the form that the conflict between Russia and Ukraine could take, may negatively affect the macroeconomic environment, the Bank has a limited indirect exposure derived from the exposure of the Bank's clients to the Russian and Ukrainian economy, therefore the Board of Directors of the Bank estimates that at least for the next 12 months from the date of approval of the financial statements, the conditions for applying the going concern principle in the preparation of the financial statements are met.

3. Increases of own funds in 2024

In February 2024, the Bank received 2 new subordinated loans totalling USD 5 million, each for a 6 years’ term. The NBR issued the approval for their inclusion in the Bank’s own funds.

There are two major reasons for such increase of own funds, namely:

- The Bank continues to increase its activity in the first 3 months of 2024, and the total asset increased by approximately RON 14 million;

- The legislative changes in the field with future impact in capital ratios, namely:

  - Countercyclical buffer in October 2022 of 0.5%, became 1%;

  - Calculation of RWA related to operational risk, which is recalculated at year end;

As of January 2023, the Bank is applying a "risk weight" of 20% (from 0% in December 2022) for "sovereign" exposures in other currencies and as of January 2024 the Bank is applying a higher risk factor for sovereign exposures in other currencies, from 20% to 50%;

On March 24, 2024, two existing subordinated loans will enter the last 5 years of residual maturity and will begin to amortize, so for these, an extension of their maturity will be requested, for an additional two years.

(all amounts are expressed in RON, unless otherwise stated)

37 SUBSEQUENT EVENTS (continued)

3. Increases of own funds in 2024 (continued)

The increases in own funds allow the Bank to continue the development of its business lines, while maintaining the capital requirements.

From 2024, the banking sector will have to pay a new turnover tax, set at 2% and reduced to 1% from 2026.

For 2024, the Bank has estimated a turnover of approximately RON 610 million, so the 2% turnover tax applicable for next year becomes in absolute value approximately RON 12.2 million (2% x RON 610 million).

The Bank takes into account the impact of all currently known legislative changes that have an impact on the net result of the Bank and by reviewing the capital planning will ensure maintaining optimal levels of own funds and capital adequacy. In view of the Bank's commitment to continued growth, if an increase in own funds is required, the Bank has the following immediate measures in place to meet its capital requirements, which relate to increasing Tier 1 capital through direct additional capital and increasing Tier 2 capital through new subordinated loans and/or extending existing subordinated loans.

At the date of preparation and authorization of the financial statements, the Management of the Bank assessed the current economic situation and the current geopolitical context and does not expect that the economic impact of the current developments will significantly affect the Bank's ability to carry out its activity.

However, a potential negative impact on the economic environment in which the Bank operates, on its financial position and performance, cannot be excluded.

The Bank's management monitors the developments in the economic environment and will take the necessary measures, these could concern the accounting estimates and the methods for calculating expected credit losses according to IFRS 9.

The financial statements were approved in the General Shareholders Assembly of April 29, 2024 and signed by:

Georgios Athanasopoulos	**Theodor-Cornel Stanescu**
CEO	**First Deputy CEO**

CONSOLIDATED REPORT OF THE BOARD OF ADMINISTRATION ON THE ACTIVITY CARRIED OUT IN 2023

VISTA BANK (ROMANIA) S.A., Romanian legal entity, having the headquarters in 90-92 Emanoil Porumbaru Street, Bucharest, district 1, Romania, is registered with the Trade Registry under no. J40/4436/1998, having the unique registration code RO 10556861, share capital RON 468,736,524.4, and is registered at the National Bank of Romania Registry no. RB-P-JR-40-044 dated 18.02.1999.

Budget - 2023

In line with the revised Budget, the following levels of principal elements have been estimated for 2023:

- Total assets – RON 9,490 million (2022: RON 8.759 million);
- Customer loans – RON 4,436 million (2022: RON 4,872 million);
- Instruments – RON 2,032 million (2022: RON 1,517 million);
- Customer deposits – RON 8.471 million (2022: RON 7,875 million).

Profit & Loss account:

- Net interest income – RON 207 million (2021: RON 182 million);
- Net commission income – RON 13 million (2021: RON 14 million);
- Net FX earning – RON 20 million (2021: RON 16 million);
- Operational costs – RON 167 million (2021: RON 161 million).

The Bank focuses on the following objectives:

- the limitation of losses due to the depreciation of the debtor's quality by monitoring the loan portfolio, which is a permanent process that includes two stages: the first stage is for the prevention of the events which may cause risks and takes place before taking the decision of financing potential clients, being followed by the credit risk monitoring stage which takes place after the loan financing and until the full repayment.
- to speed up the selling of the repossessed assets;
- to increase the collections related to the non-performing portfolio.
- to detect and correct the occurred problems in due time.
- the improvement and amendment of the Procedures of the Bank according to the legislation in force.
- increase of the level of the professional qualification of our employees by participating at training programs.
- improving the IT System in order to minimize the risks of the Bank.
- acceptance of retailers' cards.

- focus on expanding the retail lending in local currency, as a strategy the Bank will focus on medium and high net individuals that are not so sensitive at current market fluctuation.
- moderate lending expansion to new corporate customers with focus on financing of the current activity of the companies; as a strategy the Bank will focus on medium & large corporate customers with solid financial statement that can sustain their business in the current market conditions.

To have a balanced loan portfolio the Bank will focus on sectors related to real economy such: food, services, trade with primary products, agriculture, energy, distribution, constructions, real estate etc.

- focus on expanding the corporate and especially SME lending in local currency and convert existing exposure from foreign currency into local currency.
- avoid investment loans in real estate project or in non-productive projects for corporate clients;
- focus in co-financing the projects with EU Structural funds option for corporate and SME clients;
- granting working capital credit lines addressed to SMEs with state guarantee;
- increasing the turnover of our customers through our account – better monitoring of quality of services;
- improving the capital base and the prudential ratios;
- attract new deposits from the customers that have funds availability;

Corporate Banking Division serves a wide range of clients, legal entities from all the sectors of the economy.

The products and services provided to clients support a mutually beneficial relation, with the purpose of contributing to the Bank's profitability and to cover clients' needs.

The main objectives of Corporate Banking for 2023 were the following:

- offering support to the network selling channels for enlarging the corporate portfolio by attracting new clients with acceptable risk and profitability;
- monitoring constantly the market evolution in order to adjust the corporate financing to the clients' needs and improve products offered to customers;
- Improving the structuring, negotiation, execution and performance of loan facilities and contributing to the minimization of losses from lending activity.

Retail Banking Division offers a variety of lending and savings products for individuals. Retail Banking has developed a range of savings products to improve the Bank's liquidity and attract financial resources from the population.

On the Retail segment, the Bank focuses on the following types of loans:

- Real estate investment loans
- Consumer loans
- Credit cards
- Overdrafts

The main objectives of Retail Banking for 2023 were the following:

- improving the efficiency of the loan approval process by improving the automation of related operations;
- continuous improvement of existing products, both loans and deposits, to adapt the offer to the new market requirements and consumers;
- developing of creative savings products to diversify resources and increase the customers' base;
- expanding client portfolio by attracting customers according to risk strategy;
- optimizing the cross-selling customer's portfolio.

Risk management

The risk management activity is a process focused on the analysis of the risk profile, to achieve a balance between the level of undertaken risks and the profitability related thereto, in the purpose of ensuring the development of the Bank's activity on solid grounds. In this way, the Bank's capital will be protected and the added value for shareholders will increase.

The main risks which the Bank is facing result from the performance of the banking activity on the Romanian territory, as well as with foreign counterparties.

The most important financial risks to which the Group is exposed are the credit risk, the operational risk, the liquidity risk, the market risk and the reputation risk. The market risk includes the currency risk, the interest risk and the price risk.

a) The credit risk

The Group is exposed to the credit risk, namely to the risk of undergoing losses or not realizing the estimated profits, as a consequence of the counterparty's default in fulfilling its contractual obligations. The credit risk source is not represented only by the classic credit activity, this occurring in any activity which involves a counterparty risk. In this sense, the identification, assessment, management and control of the credit risk are concerned both with the activities emphasized in the balance sheet and with those off-balance sheet, which are subject to this risk.

The credit risk is treated, managed and monitored differently, based on the nature of the counterparty to which it is exposed: non-banking clients, respectively private individuals and legal entities (classic credit risk) and credit institutions (the limitation of exposure towards other banks and the correspondent relations).

At Bank's overall level, the emphasis is placed on the degree of concentration of the portfolio function of various factors, such as: a) for legal entities: activity sector, facility duration, facility type, country of origin, company size, geographical area and b) for private individuals: product type and geographical area as well as the interdependencies between such, the final objective being that of holding a diversified credit portfolio, which allows the control and management of the undertaken risks and the avoidance of the deterioration of its quality, due to the similarities between the composing elements.

To limit the counterparty risk to the level of placements or correspondent banking account with other banks, the Bank establishes and monitors the compliance with the maximum limits of exposure for each bank on the money market and foreign exchange markets, in correlation with the risk of such counterparties, and also to the level of the Bank's own funds.

b) The operational risk

The operational risk - the risk of undertaking losses or of failing to realize the estimated profits, which may be determined by internal factors (the inadequate development of certain internal activities, the existence of an inadequate staff or systems, etc.) or of external factors (economic conditions, changes in the bank environment, technological processes, etc.).

To manage operational risk, the Bank monitors the operational risk events by establishing Key Risk Indicators and maintaining a Loss Database with the losses generated by these events.

At the same time, the management of the legal risk is considered component of the operational risk, which occurs as a consequence of the failure to apply or of the incorrect application of the legal or contractual obligations, which has a negative influence on the Bank's operations or situation.

To manage legal risk, the bank monitors the litigations in which it is involved as plaintiff, as defendant or as garnished third party.

c) Liquidity risk

The liquidity risk is the risk of undergoing losses or of not realizing the estimated profits, which results from the Bank's impossibility to honour at any time the short-term payment obligations, without these involving costs or losses which cannot be borne by the Bank.

The structure of assets and liabilities was analysed based on the period remaining until the contractual due date. The Bank wants to keep a balance between the maturity dates of placements and the due dates of the attracted sources. The essence of managing the liquidity risk means the certainty that the Bank holds or may access liquid funds to be able to satisfy the operational needs in regular activity conditions which needs additional sources of liquidities, but also in unpredictable situations.

d) Currency risk

The currency risk, the component of the market risk, is generated by miscorrelations between the Bank's receivables and commitments in a certain currency (represented in the Bank's balance sheet and in elements outside the balance sheet). The main currencies held by the Bank are EUR, USD and GBP.

e) Interest rate risk

The interest rate risk, component of the market risk, results from the GAP between the Bank's assets and liabilities which carry interest and the spread between them per band and cumulative.

The sources of the interest risk are the miscorrelation between the re-pricing date of assets and liabilities which carry interest, unfavourable evolutions in the shape and inclination level of the interest efficiency curves (non-parallel evolutions of the efficiencies of the Bank's interests payable and to be collected), the non-correlation of the evolutions between reference interests to which the Bank's payable interests and interests to be collected are added, as well as the options incorporated into the Bank's products, options which the clients may exert (the anticipated refunding of credits, the withdrawal before the due date of term deposits).

To limit the interest risk at the level of the credit activity, the Bank generally practices for loans variable interests, based on the Bank's policy and based on certain reference interests on the market (EURIBOR, LIBOR, and ROBOR). To limit the interest risk at the level of attracted sources, the Bank practices for deposits fixed interests. Based on the amount of the deposit as well as the market conditions, the Bank may negotiate the interest for such deposits.

f) Price risk

The price risk, component of the market risk, occurs from the market fluctuations of the price in the movable valuables, goods and derived financial instruments.

The Bank does not hold at the end of the financial year, a trading portfolio and consequently it is not subject to the price risk.

g) Reputation risk

The reputation risk, the risk of undergoing losses or of not realizing the estimated profits, as a consequence of lack of trust in the Bank's integrity.

The management of the reputation risk is concerned with the permanent insurance, based on reality, of a positive image on the market with the clients, the other financial institutions in the system, the shareholders, the State's institutions, the supervision control, and the media.

Actual figures at the end of 2023 are presented below, underlying the main items of assets and liabilities from the Balance sheet and Profit & Loss account:

Actual 2023 Balance sheet

Due from banks

The total due from banks amounted to RON 2,667 million representing 28.10% from the total assets and has the following structure:

- Balances with National Bank of Romania amounted to RON 1,753.3361 million, out of which the local currency reached the level of RON 1,252..88 million and the foreign currency reached EUR 100.61 million. Minimum mandatory reserves at December 31, 2023 were: RON 394.41 million and EUR 32.76 million;
- Funds in the correspondent accounts amounted to RON 16.11 million, of which ROM 4.61 million represents funds in domestic banks and RON 11.50 million represents funds at the banks abroad.
- Placements represented RON 897.64 million, with local banks.

Allowances for expected loss are set up in accordance with IFRS and amount to RON 0.11 million.

Customer loans

The loans granted to customers at a value net of provisions, including the related accruals, represent 46.74% from the total assets and amounted to RON 4,435.82 million. The gross value of granted loans is RON 4,531.80 million, out of which:

- RON 3,539.15 million legal entities (78.1%)
- RON 992.64 million private individuals (21.9%)

Specific risk provisions are constituted as per the IFRS regulations, amounting to RON 95.98 million.

Fixed assets

The fixed assets amounted to RON 59.24 million, representing 0.62% from the total assets.

The Board of Administration of Vista Bank SA decided on using the straight-line amortization method, during the life spans specified in the legislation in force per each category.

Constructions are represented by works carried out at the Bank's headquarters and at the leasehold improvements for the spaces rented for the activity of branches, an office building (for Deva Branch), as well as a villa purchased for the Bank's representatives. These expenses are capitalized and are amortized over a period of 50 years for the purchased real estate and respectively, over the number of years for the duration of rental contracts.

Due to banks

- deposits from banks are in amount of RON 138.72 million.

Customer deposits

- liabilities to customers amount to RON 8,470.77 million represent 96% of the total funds attracted, out of which:
    - RON 5,741.63 million – granted to legal entities (68%)
    - RON 2,729.15 million – granted to individuals (32%)

Subordinated loan

- The subordinated loans are in EUR and USD, for a defined period of time of 6 – 10 years and amount to RON 95.70 million

SHARE CAPITAL

The Vista Group share capital registered at Trade Registry, amounting to RON 468.74 million and consists of 4,687,365,244 shares, with a face value amounting to RON 0.1 each, which grant legal rights to their holders.

The adjustment for inflation in accordance with IAS 29 amounts to RON 36.17 million and the Bank's share capital presented in the Financial Statements amounting to RON 504.91 million.

Actual 2023 Income statement

The total income for 2023 amounting to RON 612.31 million, out of which:

- RON 569.01 million - interest income received;
- RON 15.93 million - income from commissions;
- RON 19.68 million - net profit from exchange operations;
- RON 7.69 million - other income.

The total expenses related to the income realized in 2023 amounted to 536.70 million, are as follows:

- RON 361.64 million - interest expenses paid;
- RON 2.95 million – commissions expenses;
- RON 4.38 million – net expenses with impairment of financial assets.
- RON 167.72 million – other operating expenses.

The net interest income is RON 207.36 million, and net commission income is RON 12.98 million.

Other operating costs amounting to RON 167.72 million have the following structure:

- RON 75.33 million expenses with the staff members;
- RON 64.26 million represent administrative expenses;
- RON 28.1347 million expenses with the depreciation and revaluation of fixed assets.

As at 31.12.2023, the Bank registered a profit of RON 62.87 million.

Other information

At December 31, 2023, the Bank operates in 35 branches and the headquarters, located in Romania, that employ a total of 486 people.

For the end of 2023, Vista Bank has registered the following financial performance indicators presented comparable with 2022:

Ratios/ Reporting data	Dec-23	Dec-22
	RON	RON
Own funds		
Own funds Tier 1	585,931,570	525,914,907
Own funds Tier 2	94,339,116	67,812,893
Total own funds	680,270,686	593,727,800
Capital adequacy ratios		
Capital adequacy ratio Tier 1	14.78%	14.65%
Total capital adequacy ratio	17.16%	16.54%
Debt-to-Equity ratio	5.90%	6.29%
Liquidity ratios		
Liquidity ratio	n/a	n/a
Quick ratio	53.82%	44.51%
Liquidity coverage ratio (LCR)	237.59%	179.62%
Profitability ratios		
Return on Assets (ROA)	0.66%	0.29%
Return on Equity (ROE)	9.92%	4.20%
Total expenses to total revenues	89.87%	97.80%
Ratios on the quality of the assets		
Non-performing loans ratio	0.76%	0.65%
Impaired receivables/Total credits	1.94%	1.66%
Coverage of non-performing loans and advances by provisions	38.88%	38.83%
Other ratios		
Granted loans/attracted deposits	52.37%	61.18%
Total debt/Total equity	13.97	13.28

The obligations to social insurances and to the State budget were paid entirely and within the terms established by the regulations in force.

The evaluation of assets and liabilities expressed in currency is made at the exchange rates on the currency market, communicated by the National Bank of Romania, on the last working day of the month.

The realization of the obligations stipulated by the law regarding the organizing and fair and to-date accountancy is in compliance with the accounting principles (prudence, permanence of methods, going concern, independence of the financial year, intangibility of the opening balance sheet, non-compensation).

The bookkeeping records are kept in Romanian and in the national currency. The accountancy of operations performed in currency is kept both in national currency and in foreign currency. The bookkeeping records are made based on documents prepared legally, chronologically and systematically. Any patrimonial operation is written down, when it is made, in a document which constitutes the base of bookkeeping records, thus acquiring the capacity of supporting document.

The internal control system is organized as a separate activity within the Bank being composed by the following: risk administration department, compliance department and internal control department, having as purpose the application of procedures and of internal norms, and the compliance with the legal banking norms in force.

The exchange rates as at 31.12.2023 were the following:

- RON/EUR – 4.9746
- RON/USD – 4.4958

Going concern

The financial statements of the Bank have been prepared in accordance with the going concern principle, which implies activity pursue on the part of the Bank in the foreseeable future.

External context

The banking sector in Central and Eastern Europe (CEE) has faced numerous challenges in recent years, amidst the worsening macroeconomic balance, including the international geopolitical tension, both economically and financially, marked by multiple uncertainties.

A slight improvement was seen in the first part of 2023, due to improved consumer sentiment, lower food and energy prices, and the recovery of economic activity in China after the COVID-19 pandemic wave. However, the series of turmoil in the international banking sector observed since March 2023 has led to a considerable increase in investor risk aversion.

In addition, there remains a high degree of uncertainty about the consequences of the continuing war in Ukraine, while the pace of monetary policy growth internationally has moderated.

Expectations for macroeconomic developments globally point to a slight improvement in 2023 compared to 2022, but there are significant downside risks to economic growth amid the continuing war in Ukraine, continued high, albeit declining, inflation and, last but not least, turbulence in several countries' banking sectors. According to the International Monetary Fund's latest assessment, the global economic growth rate for 2023 is estimated at 2.8% (down from 3.4% in 2022).

The energy crisis, as well as geopolitical tensions, has presented an opportunity for investment in clean energy, relocation of supply chains to reduce dependence on suppliers from other continents, accelerating the green transition or structural change to a higher value-added economy.

Although the capital adequacy of CEE banks declined slightly between 2022 and 2023, it remains robust against shocks. The solvency of the Romanian banking sector, according to the NBR, remained at an adequate level in 2022, with the total own funds ratio standing at 22.3% (September 2023), fuelled by the incorporation of profits for the financial year, a consequence of the NBR's recommendation to rationalise the dividend distribution policy. Although declining, the capital position remained robust at the end of March 2023, with the total own funds ratio remaining above the European average of 22.1% (September 2023).

The results of the latest solvency stress testing exercise according to NBR analysts, for the 2022- 2024 time horizon, indicate that banks have the capacity to absorb losses from the materialisation of the main regulated risks without significant capital impairment. In 2021. In addition, they could generate operating profit in an environment of persistently high interest rates.

This highlights the ability of the Romanian banking sector to face the challenges of an unfavourable macroeconomic environment. Solvency has been positively influenced over the last three years by the effects of the transitional adjustments of the CRR Quick Fix package adopted by regulators to mitigate the effects of the COVID-19 pandemic. However, the future remains uncertain and it is challenging to predict the long-term impact of the current inflationary environment and high interest rates on asset quality and NPL levels.

In Romania, during the pandemic period, the pace of growth of consumer prices slowed down, but in 2021, the economy started to recover. According to the National Institute of Statistics, the annual inflation rate was 6.6% in December 2023. Statistics express growth prospects for consumer prices by average annual rates decelerating from 12.0% in 2022 to 9.9% in 2023, 5.4% in 2024, a development influenced by a number of factors, including the deterioration of the private consumption climate and the incorporation of new agricultural crop.

Consumer price growth was also affected by the Russian-Ukrainian war, which caused energy prices to rise and, consequently, production costs to rise. The war in Ukraine has also strengthened Romania's goal of energy independence, which can produce almost enough gas domestically to meet its own needs and is projected to be self-sufficient in natural gas by 2026, mainly due to simplified regulations for the extraction of natural gas from the Black Sea. Romania also announced a plan to develop new nuclear reactors in the future.

In 2023, Romania was the only country in the EU with excessive deficit, and experts estimate that the country will not reduce the budget deficit to less than 3% of GDP by 2024. Romania closes 2023 with a deficit of almost 6% of the GDP, more above the assumed 4.4% target.

The growing budget deficit is heavily affected by financial assistance to war refugees and the introduced "cap and subsidy" scheme for household energy prices.

Romania's public debt continued to increase in 2023 compared to the end of 2022. Public debt at December 2023 represents 48.9% of GDP, which means that, for the time being, the debt level, calculated as a share of GDP, remains below 50%.

All throughout Europe, governments implemented substantial fiscal packages to support households and companies, coming with job retention programs. At the same time, central banks undertook to offer substantial monetary facilities both through conventional and unconventional means to support the credit flow and to prevent disturbances on the financial market. The macro-prudential measures taken have also facilitated the absorption of the impact of the crisis on banks and debtors alike.

The minimum reserve requirements for foreign exchange liabilities remained unchanged, at 5% and at 8% for liabilities in RON.

With the decrease of the last pandemic wave, and in the context of rising inflation, the NBR began to gradually increase the monetary policy interest rate. Thus, by the end of 2023, this was 7% (2022: 6.75%) with a corridor for the facility, extended to +/- 1%. At the same time, the NBR maintains the interest rate for the lending facility (Lombard) at 8% per year and the interest rate for the deposit facility at 6% per year.

During 2023, the RON / USD and RON / EUR exchange rates continued to fluctuate, in the face of uncertainty on the international financial markets, global economic developments and signals of prolonged central banks' tight monetary policy.

Thus, the RON / EUR exchange rate registered a constant increase during 2023, registering a value of 4.9746 at the end of 2023, compared to 4.9474 at the end of 2022.

Regarding the Romanian banking system, in 2023 the deposits of the retail sector consolidated their dominant position in the liabilities of credit institutions and represent approximately two thirds of the value of the aggregate balance sheet of the banking sector.

The liquidity related to the Romanian banking sector maintained its prudent position, the credit institutions having a consistent stock of liquid assets able to manage liquidity shocks and to contribute to the reduction of risks from the retail sector.

In terms of liquidity indicators, Romanian banks have managed to keep them well above the specific requirements in force throughout the period since the beginning of the COVID-19 epidemic.

The IRCC or the Consumer Credit Reference Index, which has replaced the ROBOR in calculating the interest rate for variable interest loans, decreased slightly in 2023, at 5.97 at the end of the third quarter of 2023 (5.98 at the end of the fourth quarter of 2022).

Internal context

Vista Bank is a universal bank, of low size and complexity, ranking the 14th bank at December 31, 2023 in terms of assets (1.18% of the total banking assets of the Romanian banking system).

In addition to the external context, one must also consider the internal factors related to the size and performance of Vista Bank: the total value of assets increased by 17% at December 31, 2023 compared to December 31, 2022, to RON 9,490.35 million from RON 8,109.45 million.

As regards the evolution of liabilities, they increased especially due to the increase of customer and bank deposits (by 17%, namely RON 1,266.72 million).

The final result for 2023 is a profit of RON 62.87 million, compared to RON 23.84 million in December 2022.

During December 2022 – December 2023, the own funds of the credit institution increased by 14.58%, while the rate of total own funds increased against the background of increasing assets, namely from 16.54% to 17.16%.

As regards the quality of assets, the rate of non-performing exposures (NPE) decreased significantly, below the average of the banking system at December 31, 2023 (0.76% vs. 1.94% in Q3 2023). At December 31, 2023, the provision coverage ratio registered values below the system average (38.88% vs. 65.08% in Q3 2023).

As regards processes and their quality, it is worth mentioning that they were not affected by telework, which did not have adverse effects on communication inside the organisation or on the quality of work.

Conclusion

The main conclusion of these evolutions of the external and internal business environment is that Vista Bank is a solid bank, which has the capacity to manage work processes and to adapt to market changes, because it holds a base of stable customers, with the opportunity to extend its business in the future, by diversifying the portfolio of clients and products.

Subsequent events and going concern

1. Evolution of the economy in 2023 and macroeconomic forecast for 2024

In 2023, compared to 2022, the Gross Domestic Product (GDP) slowed down to 1.8%, less by 2.7% due to strong gross fixed capital formation and private consumption, which was supported by a strong labor market and salary growth, in combination with government support measures to mitigate the impact of high energy prices.

Indicators	**2023**	**2024**	**2025**
GDP growth (%, per annum)	1.8	2.9	3.2
Inflation (%, per year)	9.7	5.8	3.6

High inflation and anemic private credit growth constrained domestic demand in 2023, while external demand was weak. Strong growth in gross fixed capital formation, boosted by EU-funded investment in public infrastructure, offset the slowdown in private consumption and reduced credit, while the negative contribution of net exports to growth declined. A resilient labour market and two increases in the minimum wage prevented the slowdown in real disposable income. Indicators suggest that the economy regained some momentum in the final months of 2023 on the back of robust retail sales, services, and construction.

This growth and slight improvements in some indicators in late 2023 give a head start to economic activity in the outlook for 2024. Supported by stronger private credit growth and continued growth in real disposable income, amid receding inflationary pressures, lower interest rates and an improved external outlook, Romania's real GDP will increase, a 2.9% pick-up in economic growth is forecast for 2024. Although private consumption is expected to accelerate, analysts expect investment to remain the main contributor to GDP growth in 2024. Monetary policy will remain tight in 2024 and ease only gradually as inflationary pressures ease. This loosening of monetary and financial conditions, accompanied by stronger external demand, is expected to lead to real GDP growth of 3.2% in 2025.

Average annual inflation is forecast at 5.8% for 2024 before slowing to 3.6% in 2025 due to the extension of the energy price cap to 2025, lower commodity prices and base effects.

In the macroeconomic context of 2023, characterized by improving inflation, attributed to a significant slowdown in private credit growth under tight monetary conditions, as well as decreasing energy and food prices, the prospect of a slowdown in the economy as a whole, the energy crisis and the sharp rise in prices and bank rates, could facilitate an increase in insolvencies and layoffs, with an impact on the rising default rate in the future.

The average rate of non-performing loans (NPL - non-performing loans) could return to growth in 2024, so the pressure of non-performing loans cannot be excluded in 2024.

For the Bank, alerts may appear if some debtors (individuals or companies), affected by the negative economic impact of inflation, the increase in prices and bank rates, will not succeed in resuming the payment of loans.

The bank finances customer segments that are less affected by price increases, operate in areas with above-average margins, as a result, NPL rates in the first months of 2024 do not register significant increases.

Likewise, the low lending in 2023, given that interest rates increased, was helped by the continuation of the IMM Invest government programs for Corporate and New Home lending for mortgages or other programs.

The impact on the market value of the securities held by the Bank, in order to ensure liquidity, compared to the value at amortized cost, in the context of the increase in interest rates, is marginal according to the calculation in February 2024 (below 0.04% of Equity).

As a result of the new purchases of securities, the portfolio increased significantly in 2024, representing over 22% of total assets, significantly above the 15% limit recommended by the NBR.

2. Ukraine crisis

On February 24, 2022, the Russian Federation engaged in military actions on the territory of Ukraine. However, the Bank does not have direct exposure to entities from the Russian Federation, Ukraine or Belarus.

However, the current political and economic environment in Ukraine can lead to increasing global uncertainty, a shortage of energy supply and a potential decline in economic growth, and the pressures on the economic environment will continue, the implications of the war will be felt for many years, if not decades, and the economic environment needs to adapt and make changes to survive and grow in this uncertain and risky context, looking at potential opportunities, such as the transition to new energy sources planning investments in new alternative energy sources, which will also increase companies' ability to respond to climate challenges.

The Bank closely monitors developments that may affect financial markets, including sanctions, government action and developments in Ukraine. The Bank will continue to assess the impact of the crisis in Ukraine and will take any potential action needed, as the facts and circumstances may change.

At the date of preparation and approval for publication of the financial statements, the Bank's management assessed the current political and economic framework and the measures already taken or planned by the Government of Romania, the National Bank of Romania and the European Council, which could have a negative impact on the Bank. Based on this assessment and the publicly available information currently available, management does not expect the economic impact of current developments to significantly affect the company's going concern ability. Given the uncertain nature of current developments, it is still premature to quantify the potential impact on the company's financial results for 2024 and beyond. Any economic impact on the company and its customers that have economic links with this geographical area at risk will depend primarily on the duration of the war and the intensity of the political and economic measures taken, as well as the restrictions implemented.

A potential negative impact on the Bank's medium-term financial position and performance cannot be ruled out given the economic environment in which the company operates. Management closely monitors any developments and is prepared to take appropriate action. These possible future measures, taken by the company, could cover the areas of accounting estimates and calculation methods for adjustments for expected losses and provisions for credit risk. However, at the date of preparation of the financial statements, the Bank continues to meet its obligations when due and, based on the assessment of current events and potential developments, the Bank applies the going concern principle.

Based on the above and considering that, although the prolonged duration, as well as the form that the conflict between Russia and Ukraine could take, may negatively affect the macroeconomic environment, the Bank has a limited indirect exposure derived from the exposure of the Bank's clients to the Russian and Ukrainian economy, therefore the Board of Directors of the Bank estimates that at least for the next 12 months from the date of approval of the financial statements, the conditions for applying the going concern principle in the preparation of the financial statements are met.

3. Increase of own funds in 2024

In February 2024, the Bank received 2 new subordinated loans totalling USD 5 million, each for a 6 years' term. The NBR issued the approval for their inclusion in the Bank's own funds.

There are two major reasons for such increase of own funds, namely:

- The Bank continues to increase its activity in the first 3 months of 2024, and the total asset increased by approximately RON 14 million;

- The legislative changes in the field with future impact in capital ratios, namely:

  - Countercyclical buffer in October 2022 of 0.5%, became 1%;

  - Calculation of RWA related to operational risk, which is recalculated at year end;

- As of January 2023, the Bank is applying a "risk weight" of 20% (from 0% in December 2022) for "sovereign" exposures in other currencies and as of January 2024 the Bank is applying a higher risk factor for sovereign exposures in other currencies, from 20% to 50%;

On March 24, 2024, two existing subordinated loans will enter the last 5 years of residual maturity and will begin to amortize, so for these, an extension of their maturity will be requested, for an additional two years.

The increases in own funds allow the Bank to continue the development of its business lines, while maintaining the capital requirements.

From 2024, the banking sector will have to pay a new turnover tax, set at 2% and reduced to 1% from 2026.

For 2024, the Bank has estimated a turnover of approximately RON 610 million, so the 2% turnover tax applicable for next year becomes in absolute value approximately RON 12.2 million (2% x RON 610 million).

The Bank takes into account the impact of all currently known legislative changes that have an impact on the net result of the Bank and by reviewing the capital planning will ensure maintaining optimal levels of own funds and capital adequacy. In view of the Bank's commitment to continued growth, if an increase in own funds is required, the Bank has the following immediate measures in place to meet its capital requirements, which relate to increasing Tier 1 capital through direct additional capital and increasing Tier 2 capital through new subordinated loans and/or extending existing subordinated loans.

At the date of preparation and authorization of the financial statements, the Management of the Bank assessed the current economic situation and the current geopolitical context and does not expect that the economic impact of the current developments will significantly affect the Bank's ability to carry out its activity.

However, a potential negative impact on the economic environment in which the Bank operates, on its financial position and performance, cannot be excluded.

The Bank's management monitors the developments in the economic environment and will take the necessary measures, these could concern the accounting estimates and the methods for calculating expected credit losses according to IFRS 9.

Proposals

As a result of activity performed during the financial year 2023, the Management of the Bank requests for approval to the General Shareholders' Meeting:

- Report of the Board of Administration regarding the development and activities of Vista Bank (Romania) SA and its financial position for the year ended December 31, 2023.

Stavros Lekkakos
Chairman of the Board of Directors

By proxy Georgios Athanasopoulos
in accordance with the decision of the Board of Directors of Vista Bank (Romania) SA of March 28, 2024