

STATEMENT

As per provisions the article 30 and article 31 of the Accounting Law no. 82/1991

The condensed interim consolidated and separate financial information were prepared as at 30.06.2024 for:

Legal entity: CEC BANK SA

County: 40 - THE MUNICIPALITY OF BUCHAREST

Address: Bucharest city, str. CALEA VICTORIEI, no. 13, tel. 0213143985 Trade Registry number: J40/155/1997

Form of ownership: 12 - Commercial companies with full state capital

Main activity (CAEN code and class name): 6419 - Other monetary intermediation activities

Fiscal identification code: 361897

The General Manager - President of Executive Committee, Bogdan Constantin Neacsu takes full responsibility for preparing the annual financial statements as at June 30, 2024 and confirms that:

- a) The accounting policies used to prepare the annual financial statements are in accordance with the applicable accounting regulations.
- b) The annual financial statements present a true image of the financial position, financial performance and other information relating to the activity carried out.
- c) The legal entity carries its business on an ongoing basis.

Bogdan Constantin Neacsu
General Manager / President of Executive Committee



CEC Bank SA

**CONDENSED INTERIM CONSOLIDATED AND
SEPARATE FINANCIAL INFORMATION
AS AT 30 JUNE 2024**

**Prepared in accordance with the International
Accounting Standard 34 "Interim Financial
Reporting" adopted by the European Union**

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

CEC BANK SA

**CONDENSED INTERIM CONSOLIDATED AND SEPARATE FINANCIAL
INFORMATION**

AS AT 30 JUNE 2024

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CEC BANK SA

**CONDENSED INTERIM CONSOLIDATED AND SEPARATE STATEMENT OF
COMPREHENSIVE INCOME**

**CONDENSED INTERIM CONSOLIDATED AND SEPARATE FINANCIAL
INFORMATION AS AT 30 JUNE 2024**

(All amounts in RON thousand, unless otherwise specified)

	Note	Group		Bank	
		Six months ended on 30 June 2024	Six months ended on 30 June 2023	Six months ended on 30 June 2024	Six months ended on 30 June 2023
Interest income calculated using the effective interest method		2,581,319	1,906,731	2,579,645	1,906,731
Interest expenses		(1,589,894)	(1,127,452)	(1,589,894)	(1,127,452)
Net interest income	6	<u>991,425</u>	<u>779,279</u>	<u>989,751</u>	<u>779,279</u>
Commission income		219,765	181,039	201,909	181,039
Commission expenses		(63,075)	(47,612)	(63,032)	(47,612)
Net commission income	7	<u>156,690</u>	<u>133,427</u>	<u>138,877</u>	<u>133,427</u>
Net gain from trading		40,841	41,015	40,841	41,015
(Net loss) from financial derivatives		(19,780)	(47,777)	(19,780)	(47,777)
Net gain from financial assets mandatorily measured at fair value through profit or loss		1,015	2,021	1,015	2,021
Net gain from the sale of financial assets measured at fair value through other comprehensive income		26,391	2,493	26,391	2,493
(Net loss) /net gain from foreign exchange differences		(9,785)	41,935	(9,784)	41,935
Other operating income		6,595	6,776	6,301	6,776
Operating income		<u>1,193,392</u>	<u>959,169</u>	<u>1,173,612</u>	<u>959,169</u>
Impairment loss on loans and advances to customers, provisions for loan commitments and financial guarantees given	8	(217,372)	(87,382)	(217,323)	(87,382)
Losses from changes in financial assets		(22,865)	(49)	(22,865)	(49)
(Net loss) from impairment of debt instruments		(3,484)	(3,436)	(3,483)	(3,436)
Staff costs		(288,462)	(267,166)	(282,098)	(267,166)
Depreciation and amortisation expenses		(72,119)	(62,493)	(71,726)	(62,493)
Other operating expenses	9	(245,207)	(188,891)	(243,581)	(188,891)
Operating expenses		<u>(849,509)</u>	<u>(609,417)</u>	<u>(841,076)</u>	<u>(609,417)</u>
Profit before tax		<u>343,883</u>	<u>349,752</u>	<u>332,536</u>	<u>349,752</u>
Income tax expense	19	(64,072)	(53,528)	(62,993)	(53,528)
Net Profit for the period		<u>279,811</u>	<u>296,224</u>	<u>269,543</u>	<u>296,224</u>
Other comprehensive income					

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**CONDENSED INTERIM CONSOLIDATED AND SEPARATE STATEMENT OF
COMPREHENSIVE INCOME**

**CONDENSED INTERIM CONSOLIDATED AND SEPARATE FINANCIAL
INFORMATION AS AT 30 JUNE 2024**

(All amounts in RON thousand, unless otherwise specified)

*Items that may be reclassified
subsequently to profit
or loss:*

Net gain/loss from transactions with financial assets measured through other items of comprehensive income, net of tax	15,588	257,996	15,588	257,996
Net gain from transactions with financial assets measured through other items of comprehensive income, transferred to profit or loss upon disposal, net of tax	(22,168)	(2,094)	(22,168)	(2,094)

*Items that will not be reclassified
to profit or loss:*

Net gain from the revaluation of land and buildings	-	-	-	-
Net gain from equity investments	-	-	-	-
Corrections of the previous year	371	1,663	371	1,663

Other comprehensive income for the period	<u>(6,209)</u>	<u>257,565</u>	<u>(6,209)</u>	<u>257,565</u>
Total comprehensive income for the period	<u>273,602</u>	<u>553,789</u>	<u>263,334</u>	<u>553,789</u>
Attributable to:				
The parent	<u>273,601</u>	=		
Non-controlling interests	<u>1</u>	=		

Bogdan Constantin Neacșu
General Manager / President of Executive Committee



Ștefan Silviu Fota
Director, Accounting Department

SUMMARY INTERIM CONSOLIDATED AND SEPARATE STATEMENT OF THE FINANCIAL POSITION

SUMMARY INTERIM CONSOLIDATED AND SEPARATE FINANCIAL INFORMATION AS AT 30 JUNE 2024

(All amounts in RON thousand, unless otherwise specified)

	Notes	Group		Bank	
		30 June 2024	31 December 2023	30 June 2024	31 December 2023
Assets					
Cash and balances at Central Bank		18,358,055	11,971,822	18,358,047	11,971,816
Financial assets at fair value through profit or loss:		188,175	92,598	188,175	92,598
Loans and advances to banks and public institutions		3,781,322	8,339,662	3,741,926	8,305,674
Loans and advances to customers	10	31,812,901	31,624,550	31,812,901	31,624,550
Financial assets measured at fair value through other comprehensive income of which pledged securities (repo agreements)	11	27,312,054	20,779,895	27,312,054	20,779,895
Financial assets measured at amortized cost of which pledged securities (repo agreements)	12	2,793,973	-	2,793,973	-
Financial assets measured at amortized cost of which pledged securities (repo agreements)	12	10,309,680	9,589,902	10,284,810	9,576,147
Investment in subsidiary		-	-	5,000	5,000
Subordinated loans		200,493	-	200,493	-
Property and equipment		785,694	786,441	780,495	780,998
Intangible assets		144,641	138,129	143,458	136,877
Investment property		52,927	54,159	52,927	54,159
Right-of-use assets		111,538	95,702	111,538	95,702
Deferred tax assets	19	5	-	-	-
Current tax asset		-	20,257	-	20,695
Other financial assets		217,301	86,671	197,743	79,840
Other assets		37,662	29,703	37,423	29,638
Total assets		93,312,448	83,609,491	93,226,990	83,553,589
Liabilities					
Derivative financial liabilities		2,610	3,872	2,610	3,872
Deposits from banks	13	5,246,176	1,663,105	5,246,176	1,663,105
Deposits from customers	14	78,455,328	72,744,078	78,465,229	72,744,806
Borrowings from banks and other financial institutions	15	165,758	179,055	165,758	179,055
Debt securities issued	16	2,112,536	2,137,255	2,112,536	2,137,255
Subordinated liabilities	17	1,432,546	1,434,229	1,432,546	1,434,229
Current income tax liability		41,721	-	41,048	-
Deferred tax liabilities		-	2,287	304	2,099

SUMMARY INTERIM CONSOLIDATED AND SEPARATE STATEMENT OF THE FINANCIAL POSITION

SUMMARY INTERIM CONSOLIDATED AND SEPARATE FINANCIAL INFORMATION AS AT 30 JUNE 2024

(All amounts in RON thousand, unless otherwise specified)

Lease liabilities		114,158	98,723	114,158	98,723
Provisions		60,694	49,731	60,694	49,731
Other financial liabilities		439,134	358,391	373,039	329,985
Other liabilities		<u>122,693</u>	<u>85,755</u>	<u>121,116</u>	<u>82,287</u>
Total liabilities		<u>88,193,354</u>	<u>78,756,481</u>	<u>88,135,214</u>	<u>78,725,147</u>
Equity					
Share capital	18	2,499,746	2,499,746	2,499,746	2,499,746
Revaluation reserve for property and equipment		558,673	558,675	558,444	558,446
Reserves for financial asse at fair value measured through other items of comprehensive income		(227,287)	(221,078)	(227,287)	(221,078)
Other reserves		325,088	325,088	325,088	325,088
Retained earnings		<u>1,962,871</u>	<u>1,690,577</u>	<u>1,935,785</u>	<u>1,666,240</u>
Total equity, excluding non-controlling interests		<u>5,119,091</u>	<u>4,853,008</u>	<u>5,091,776</u>	<u>4,828,442</u>
Non-controlling interests		3	2	=	=
Total equity		<u>5,119,094</u>	<u>4,853,010</u>	<u>5,091,776</u>	<u>4,828,442</u>
Total liabilities and equity		<u>93,312,448</u>	<u>83,609,491</u>	<u>93,226,990</u>	<u>83,553,589</u>

Bogdan Constantin Nemesu
General Manager - President of Executive Committee



Ștefan Silviu Fota
Director, Accounting Department

CEC BANK SA

CONDENSED INTERIM CONSOLIDATED AND SEPARATE STATEMENT OF CHANGES IN EQUITY

CONDENSED INTERIM CONSOLIDATED AND SEPARATE FINANCIAL INFORMATION AS AT 30 JUNE 2024

(All amounts in RON thousand, unless otherwise specified)

	Note	Group		Revaluation reserve for		Other reserves	Retained earnings	Total attributable to the parent	Non-controlling interests	Total
		Share capital	evaluation reserve	Re- nancial assets at fair value measured through other comprehensive income	measured through other comprehensive income					
Balance as at 1 January 2024		<u>2,499,746</u>	<u>558,675</u>	<u>(221,078)</u>	<u>325,088</u>	<u>1,690,577</u>	<u>4,853,008</u>	<u>2</u>	<u>4,853,010</u>	
Comprehensive income:										
Net Profit for the period		-	-	-	-	279,810	279,810	1	279,811	
Other comprehensive income:										
Gain from change in the fair value of financial assets measured through other comprehensive income, net of deferred tax		-	-	15,588	-	-	15,588	-	15,588	
Net gain from transactions with financial assets measured through other items of comprehensive income, transferred to profit or loss upon disposal, net of tax		-	-	(22,168)	-	-	(22,168)	-	(22,168)	
Net gain from equity investments		-	-	371	-	-	371	-	371	
Total comprehensive income		-	-	(6,209)	-	-	(6,209)	-	(6,209)	
Other contributions and distributions:										
Revaluation reserve representing realised surplus, net of deferred tax		-	(2)	-	-	2	-	-	-	
Other changes		-	-	-	-	(7,518)	(7,518)	-	(7,518)	
Total other contributions and distributions		-	(2)	-	-	(7,516)	(7,518)	-	(7,518)	
Balance as at 30 June 2024		<u>2,499,746</u>	<u>558,673</u>	<u>(227,287)</u>	<u>325,088</u>	<u>1,962,871</u>	<u>5,119,091</u>	<u>3</u>	<u>5,119,094</u>	

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CONDENSED INTERIM CONSOLIDATED AND SEPARATE STATEMENT OF CHANGES IN EQUITY

CONDENSED INTERIM CONSOLIDATED AND SEPARATE FINANCIAL INFORMATION AS AT 30 JUNE 2024

(All amounts in RON thousand, unless otherwise specified)

	Note	Share capital	Revaluation reserve	Bank Revaluation reserve for financial assets at fair value measured through other comprehensive income	Other reserves	Retained earnings	Total
Balance as at 1 January 2024		<u>2,499,746</u>	<u>558,446</u>	<u>(221,078)</u>	<u>325,088</u>	<u>1,666,240</u>	<u>4,828,442</u>
Comprehensive income:							
Net Profit for the period		-	-	-	-	269,543	269,543
Other comprehensive income:							
Gain from change in the fair value of financial assets measured through other comprehensive income, net of deferred tax		-	-	15,588	-	-	15,588
Net gain from transactions with financial assets measured through other items of comprehensive income, transferred to profit or loss upon disposal, net of tax		-	-	(22,168)	-	-	(22,168)
Net gain from equity investments		=	=	371	=	=	371
Total comprehensive income		<u>=</u>	<u>=</u>	<u>(6,209)</u>	<u>=</u>	<u>269,543</u>	<u>263,334</u>
Other contributions and distributions:							
Revaluation reserve representing realised surplus, net of deferred tax		-	(2)	-	-	2	-
Total other contributions and distributions		<u>-</u>	<u>(2)</u>	<u>-</u>	<u>=</u>	<u>2</u>	<u>-</u>
Balance as at 30 June 2024		<u>2,499,746</u>	<u>558,444</u>	<u>(227,287)</u>	<u>325,088</u>	<u>1,935,785</u>	<u>5,091,776</u>

CEC BANK SA

CONDENSED INTERIM CONSOLIDATED AND SEPARATE STATEMENT OF CHANGES IN EQUITY

CONDENSED INTERIM CONSOLIDATED AND SEPARATE FINANCIAL INFORMATION AS AT 30 JUNE 2024

(All amounts in RON thousand, unless otherwise specified)

	<u>Group</u>						
	<u>Note</u>	<u>Share capital</u>	<u>Revaluation reserve</u>	<u>Reserves for financial assets measured at fair value through other comprehensive income</u>	<u>Other reserves</u>	<u>Retained earnings</u>	<u>Total</u>
Balance as at 1 January 2023		<u>2,499,746</u>	<u>559,956</u>	<u>(639,567)</u>	<u>295,517</u>	<u>1,177,691</u>	<u>3,893,343</u>
Comprehensive income:							
Net profit of the period		-	-	-	-	296,224	296,224
Other comprehensive income:							
Changes in the fair value of financial assets measured at fair value through other comprehensive income, net of deferred tax		-	-	257,996	-	-	257,996
Net gain from transactions with financial assets measured through other items of comprehensive income, transferred to profit or loss upon disposal, net of tax		-	-	(2,094)	-	-	(2,094)
Net gain from equity investments		-	-	1,663	-	-	1,663
Total comprehensive income		<u>-</u>	<u>-</u>	<u>257,565</u>	<u>-</u>	<u>296,224</u>	<u>553,789</u>
Revaluation reserve representing realized surplus, net of deferred tax		-	(928)	-	-	928	-
Decrease other land-sale reserves		-	-	-	(2)	-	(2)
Total other contributions and distributions		<u>-</u>	<u>(928)</u>	<u>-</u>	<u>(2)</u>	<u>928</u>	<u>(2)</u>
Balance as at 30 June 2023		<u>2,499,746</u>	<u>559,028</u>	<u>(382,002)</u>	<u>295,515</u>	<u>1,474,843</u>	<u>4,447,130</u>

CEC BANK SA

CONDENSED INTERIM CONSOLIDATED AND SEPARATE STATEMENT OF CHANGES IN EQUITY

CONDENSED INTERIM CONSOLIDATED AND SEPARATE FINANCIAL INFORMATION AS AT 30 JUNE 2024

(All amounts in RON thousand, unless otherwise specified)

	<u>Bank</u>		<u>Reserve for financial assets measured at fair value through other comprehensive income</u>	<u>Other reserves</u>	<u>Retained earnings</u>	<u>Total</u>	
	<u>Note</u>	<u>Share capital</u>	<u>Revaluation reserve</u>				
Balance as at 1 January 2023		<u>2,499,746</u>	<u>559,956</u>	<u>(639,567)</u>	<u>295,517</u>	<u>1,177,691</u>	<u>3,893,343</u>
Comprehensive income:							
Net profit of the period		-	-	-	-	296,224	296,224
Other comprehensive income:							
Changes in the fair value of financial assets measured at fair value through other comprehensive income, net of deferred tax		-	-	257,996	-	-	257,996
Net gain from transactions with financial assets measured through other items of comprehensive income, transferred to profit or loss upon disposal, net of tax		-	-	(2,094)	-	-	(2,094)
Net gain from equity investments		-	-	1,663	-	-	1,663
Total comprehensive income		-	-	257,565	-	296,224	553,789
Revaluation reserve representing realized surplus, net of deferred tax		-	(928)	-	-	928	-
Decrease other land-sale reserves		-	-	-	(2)	-	(2)
Total other contributions and distributions		-	<u>(928)</u>	-	<u>(2)</u>	<u>928</u>	<u>(2)</u>
Balance as at 30 June 2023		<u>2,499,746</u>	<u>559,028</u>	<u>(382,002)</u>	<u>295,515</u>	<u>1,474,843</u>	<u>4,447,130</u>

CEC BANK SA

CONDENSED INTERIM CONSOLIDATED AND SEPARATE STATEMENT OF CASH FLOW

CONDENSED INTERIM CONSOLIDATED AND SEPARATE FINANCIAL INFORMATION AS AT 30 JUNE 2024

(All amounts in RON thousand, unless otherwise specified)

	Notes	<u>Group</u>		<u>Bank</u>	
		Six months ended on 30 June 2024	Six months ended on 30 June 2023	Six months ended on 30 June 2024	Six months ended on 30 June 2023
Profit before tax		343,883	349,752	332,536	349,752
Adjustments for non-monetary items:					
Expected losses on financial instruments, provisions for loan commitments and financial guarantees given	8	217,274	87,382	217,225	87,382
Depreciation and amortisation expense		72,119	62,493	71,726	62,493
Net loss from financial derivatives		9,851	8,190	9,851	8,190
Gain on disposal of fixed assets		(185)	(2,682)	(185)	(2,682)
Net gain on financial assets measured at fair value through other comprehensive income		(26,391)	(2,493)	(26,391)	(2,493)
Net loss/ Net gain from financial assets mandatorily measured at fair value through profit or loss		(843)	(2,088)	(843)	(2,088)
Loss/ Gain from foreign exchange differences		(22,069)	(53,234)	(22,069)	(53,234)
Dividends income		(2,003)	(1,564)	(2,003)	(1,564)
Interest expense		1,589,894	1,127,452	1,589,894	1,127,452
Interest income		(2,581,319)	(1,906,682)	(2,579,645)	(1,906,682)
Other adjustments		(7,387)	1,257	304	1,257
		<u>(407,176)</u>	<u>(332,217)</u>	<u>(409,600)</u>	<u>(332,217)</u>
(Increase)/decrease in operating assets:					
Increase in loans and advances to customers		(236,820)	(1,472,934)	(237,848)	(1,472,934)
Increase in subordinated loans		(200,493)	-	(200,493)	-
Increase in financial assets held for trading and measured at fair value through profit or loss		(94,964)	(85,951)	(94,964)	(85,951)
Increase in other assets		(148,960)	(40,237)	(135,620)	(40,237)
Increase/decrease in operating liabilities:					
Increase/(Decrease) in deposits from banks		3,486,874	(2,020,464)	3,486,874	(2,020,464)

CONDENSED INTERIM CONSOLIDATED AND SEPARATE STATEMENT OF CASH FLOW

CONDENSED INTERIM CONSOLIDATED AND SEPARATE FINANCIAL INFORMATION AS AT 30 JUNE 2024

(All amounts in RON thousand, unless otherwise specified)

	<u>Notes</u>	<u>Group</u>		<u>Bank</u>	
		<u>Six months ended on 30 June 2024</u>	<u>Six months ended on 30 June 2023</u>	<u>Six months ended on 30 June 2024</u>	<u>Six months ended on 30 June 2023</u>
Increase in deposits from customers		5,700,556	7,815,975	5,709,729	7,815,975
Increase /(decrease) in other liabilities		127,383	2,328	91,584	2,328
Net cash used in operating activities before interest and tax		8,226,573	3,866,500	8,209,662	3,866,500
Interest received from loans and advances to customers		1,821,557	1,538,107	1,821,557	1,538,107
Interest paid for deposits from customers and banks		(1,416,710)	(664,133)	(1,416,710)	(664,133)
Payments for leases of low-value assets		(1,175)	(1,075)	(1,175)	(1,075)
Recoveries from sold loans and advances to customers and from previously written-off loans	8	40,625	48,778	40,606	48,778
Income tax paid		(3,294)	(46,439)	(2,390)	(46,439)
Net cash used in operating activities		8,667,576	4,741,738	8,651,550	4,741,738
Investment activities:					
Proceeds from financial assets measured at fair value through other comprehensive income		21,003,131	5,162,563	21,003,131	5,162,563
Payments for the acquisition of financial assets measured at fair value through other comprehensive income		(27,068,148)	(13,714,654)	(27,068,148)	(13,714,654)
Proceeds from debt securities measured at amortized cost		227,688	1,781	204,705	1,781
Payments for the purchase of debt securities measured at amortized cost		(882,823)	(2,600,599)	(848,724)	(2,600,599)
Payments for the purchase of equity instruments		(481)	66	(481)	66
Interest received from investing activities		351,165	169,604	350,588	169,604
Cash payments for acquisitions of tangible and intangible assets and investment properties		(59,581)	(83,223)	(59,504)	(83,223)
Proceeds from the sale of tangible and intangible assets and investment property		191	4,031	191	4,031

CONDENSED INTERIM CONSOLIDATED AND SEPARATE STATEMENT OF CASH FLOW

CONDENSED INTERIM CONSOLIDATED AND SEPARATE FINANCIAL INFORMATION AS AT 30 JUNE 2024

(All amounts in RON thousand, unless otherwise specified)

	<u>Notes</u>	<u>Group</u>		<u>Bank</u>	
		<u>Six months ended on 30 June 2024</u>	<u>Six months ended on 30 June 2023</u>	<u>Six months ended on 30 June 2024</u>	<u>Six months ended on 30 June 2023</u>
Additional payments for assets representing the right of use		1,176	-	1,176	-
Dividends proceeds		<u>2,003</u>	<u>1,564</u>	<u>2,003</u>	<u>1,564</u>
Net cash in investing activities		(6,425,679)	(11,058,868)	(6,415,063)	(11,058,868)
Financing activities					
Dividends paid to the sole shareholder Ministry of Finance		-	-	-	-
Interest payments on debt securities issued		(24,719)	630,542	(24,719)	630,542
Interest payments on subordinated loans		(67,437)	(77,255)	(67,437)	(77,255)
Payment of lease liability		(17,895)	(15,682)	(17,895)	(15,682)
Repayments of loans from banks and other financial institutions		(13,367)	(24,420)	(13,367)	(24,420)
Interest paid for loans from banks and other financial institutions		(43)	(104)	(43)	(104)
Net cash from financing activities		(123,461)	513,081	(123,461)	513,081
Net Increase/(decrease) in cash and cash equivalents		<u>2,118,436</u>	<u>(5,804,049)</u>	<u>2,113,026</u>	<u>(5,804,049)</u>
Cash and cash equivalents at the beginning of the period		<u>19,983,433</u>	<u>15,805,570</u>	<u>19,949,439</u>	<u>15,805,570</u>
Cash and cash equivalents at the end of the period (i)		<u>22,101,869</u>	<u>10,001,521</u>	<u>22,062,465</u>	<u>10,001,521</u>

CEC BANK SA

NOTES TO THE CONDENSED INTERIM CONSOLIDATED AND SEPARATE FINANCIAL INFORMATION

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1 REPORTING ENTITY

CEC Bank Group ("Group") consist of CEC Bank S.A. ("CEC", "CEC Bank" or "Bank") as parent company and its subsidiary Fondul de Garantare a Creditului Rural – IFN SA ("FGCR" or "Fund"). Condensed interim consolidated and separate financial information as at June, 2024 comprise the Bank and its subsidiary (hereinafter referred to as the "Group").

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

The Bank operates through its head office in Bucharest, as well as through the 48 county branches and similar units in the City of Bucharest (31 December 2023: 48 county branches and similar units in the City of Bucharest), 116 type A urban agencies (31 December 2023: 116), 386 type B urban agencies (31 December 2023: 386) and 460 type B rural agencies (31 December 2023: 462).

CEC Bank SA has 4,836 employees as at June 30, 2024, 72 employees less than on December 31, 2023.

The current registered office of CEC Bank SA is on Calea Victoriei nr. 13, Sector 3, Bucharest, Romania.

As at 30 June 2024, the Bank's Board of Directors includes the following people:

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

As at 30 June 2024, the Bank's Executive Committee includes the following people:

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

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

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

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

On July 27, 2023, CEC Bank acquired 99.993% of FGCR’s shares and MADR owns 0.007% of the shares.

On June, 2024, FGCR has 55 employees.

As at 30 June 2024, the Fund’s Board of Directors includes the following people:

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

As at 30 June 2024, the Fund’s Executive Committee includes the following people:

- 1) Alina Toma - General Manager;
- 2) Diana Lazăr - Director.

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2 BASIS OF PREPARATION

These condensed interim financial information for the six months ended 30 June 2024 have been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting", adopted by the European Union and should be read in conjunction with the Group's and the Bank's annual financial statements consolidated and separate as at and for the year ended on 31 December 2023.

This condensed interim financial information have been prepared based on the going concern principle.

a) Basis of measurement

The condensed interim financial information have been prepared on a fair value basis for derivative assets and liabilities at fair value through profit or loss, financial assets measured at fair value through other items of comprehensive income, financial assets held for trading and measured at fair value through profit or loss, financial assets mandatorily at fair value through profit or loss and investment property

Other financial assets and liabilities and non-financial assets and liabilities are carried at amortized cost or revaluated amount (for land and buildings).

b) Functional and presentation currency

The condensed interim financial information are prepared and stated in Romanian lei ("RON"), the Group's and the Bank's functional and presentation currency, in accordance with Romanian accounting legislation, as well as banking regulations issued by the National Bank of Romania.

c) Use of estimates and judgments

The preparation of condensed interim financial information in accordance with IAS 34 "Interim financial reporting", adopted by the European Union, requires management to use estimates, judgments and assumptions that affect the amounts recognized in the financial statements, as well as the reported value of assets, liabilities, in the following financial year. The estimates and judgments associated therewith are based on historical data and other factors considered to be relevant in the given circumstances, and the result of these factors forms the basis of the judgments used in determining the carrying amount of assets and liabilities for which no other valuation sources are available. Actual results may differ from the estimated values.

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

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2 BASIS OF PREPARATION (CONTINUED)

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

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

3 MATERIAL ACCOUNTING POLICIES

In preparing this set of condensed interim financial information, the Group and the Bank used the same accounting policies stated in the Group's and the Bank's last set of annual financial statements for the year ended on 31 December 2023.

a) New IFRS accounting standards and amendments to existing standards, which are in force current year

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

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

The amendments confirm the following:

- on initial recognition, the seller-lessee includes variable lease payments when it measures a lease liability arising from a sale-and-leaseback transaction;
- after initial recognition, the seller-lessee applies the general requirements for subsequent accounting of the lease liability such that it recognises no gain or loss relating to the right of use it retains.

A seller-lessee may adopt different approaches that satisfy the new requirements on subsequent measurement. These amendments do not change the accounting for leases other than those arising in a sale and leaseback transaction.

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

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

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3 MATERIAL ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

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

b) Income tax expense is recognized at an amount determined by multiplying the profit (loss) before tax for the interim reporting period by management's best estimate of the weighted-average annual income tax rate expected for the full financial year, adjusted for the tax effect of certain items recognized in full in the interim period. As such, the effective tax rate in the interim financial statements may differ from management's estimate of the effective tax rate for the annual financial statements. The Group's consolidated effective tax rate in respect of continuing operations for the six months ended 30 June 2024 was 16 % (six months ended 30 June 2023: 16 %).

c) The Bank and the Group did not adopt in 2024 the International Tax Reform - Model Rules of the second pillar (amendments to IAS 12) published on May 23, 2023. The Group was established in 2023 and for the year 2024 the provisions of Law 431/2023 are not applicable to it.

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4 MATERIAL ACCOUNTING ESTIMATES

The Group and the Bank makes estimates and assumptions that affect the reported value of assets and liabilities in the following reporting period. Estimates and judgments are continually reviewed and are based on past experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In addition to experience and historical information, described in the last set of annual financial statements, the Group and the Bank also considered the effects of current conditions in the -Romanian economy, detailed in Note 10, in reviewing these estimates.

5 FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

Fair value hierarchy analysis of financial instruments recorded at fair value

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

Level 2 - includes instruments whose fair value is determined using observable information for the asset or liability, either directly (such as prices) or indirectly (such as price derivatives); and

Level 3 - includes instruments whose fair value is determined using information that is not based on observable market data (unobservable inputs).

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

Assets and liabilities measured at fair value as at 30 June 2024 for the Group:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Financial assets				
Other financial assets				
<i>Financial assets held for trading and measured at fair value through profit or loss, of which:</i>				
Debt securities	166,421	-	-	166,421
Derivatives – Swap on exchange rate	-	1,064	-	1,064
<i>Financial assets measured at fair value through other comprehensive income, of which:</i>				
Securities	23,104,444	4,173,918	33,692	27,312,054
Equity investments	-	-	33,692	33,692
<i>Financial assets mandatorily at fair value through profit or loss, out of which:</i>				
Debt securities	-	-	20,690	20,690
Non-financial assets				
Land and buildings	-	-	578,382	578,382
Total assets carried at fair value	<u>23,270,865</u>	<u>4,174,982</u>	<u>632,764</u>	<u>28,078,611</u>
Financial liabilities				
Other financial liabilities				
Derivatives – Swap on exchange rate	-	2,610	-	2,610
Total financial liabilities carried at fair value	<u>-</u>	<u>2,610</u>	<u>-</u>	<u>2,610</u>

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5 FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

Assets and liabilities measured at fair value as at 30 June 2024 for the Bank:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Financial assets				
Other financial assets				
<i>Financial assets held for trading and measured at fair value through profit or loss, of which:</i>				
Debt securities	166,421	-	-	166,421
Derivatives – Swap on exchange rate	-	1,064	-	1,064
<i>Financial assets measured at fair value through other comprehensive income, of which:</i>				
Securities	23,104,444	4,173,918	-	27,278,362
Equity investments	-	-	33,692	33,692
<i>Financial assets mandatorily at fair value through profit or loss, out of which:</i>				
Debt securities	-	-	20,690	20,690
Non-financial assets				
Land and buildings	-	-	574,217	574,217
Total assets carried at fair value	<u>23,270,865</u>	<u>4,174,982</u>	<u>628,599</u>	<u>28,074,446</u>
Financial liabilities				
Other financial liabilities				
Derivatives – Swap on exchange rate	-	2,610	-	2,610
Total financial liabilities carried at fair value	<u>-</u>	<u>2,610</u>	<u>-</u>	<u>2,610</u>

Assets and liabilities measured at fair value as at 31 December 2023 for the Group:

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

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5 FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

Financial liabilities

Other financial liabilities

Derivatives – Swap on exchange rate	-	3,872	-	3,872
Total financial liabilities carried at fair value	<u>-</u>	<u>3,872</u>	<u>-</u>	<u>3,872</u>

Assets and liabilities measured at fair value as at 31 December 2023 for the Bank:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Financial assets				
<i>Other financial assets</i>				
<i>Financial assets held for trading and measured at fair value through profit or loss, of which:</i>				
Debt securities	66,038	5,419	-	71,457
Derivatives – Swap on exchange rate	-	1,294	-	1,294
<i>Financial assets measured at fair value through other comprehensive income, of which:</i>				
Securities	19,338,507	1,409,235	-	20,747,742
Equity investments	-	-	32,153	32,153
<i>Financial assets mandatorily at fair value through profit or loss, out of which:</i>				
Debt securities	-	-	19,847	19,847
Non-financial assets				
Land and buildings	-	-	585,519	585,519
Total assets carried at fair value	<u>19,409,964</u>	<u>1,410,529</u>	<u>637,519</u>	<u>21,458,012</u>
Financial liabilities				
<i>Other financial liabilities</i>				
Derivatives – Swap on exchange rate	-	3,872	-	3,872
Total financial liabilities carried at fair value	<u>-</u>	<u>3,872</u>	<u>-</u>	<u>3,872</u>

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

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

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5 FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

Assets and liabilities for which the fair value is disclosed as at 30 June 2024 for the Group:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total fair value</u>	<u>Total book value</u>
Financial assets					
Cash and cash equivalents at central banks	-	18,358,055	-	18,358,055	18,358,055
Loans and advances to banks	-	3,781,322	-	3,781,322	3,781,322
Loans and advances to customers	-	-	32,039,336	32,039,336	31,812,901
Subordinated loans	-	200,493	-	200,493	200,493
Investments in debt instruments at amortized cost	8,517,544	1,750,081	-	10,267,625	10,309,680
Investment property	-	-	96,364	96,364	52,927
Other financial assets	-	-	217,301	217,301	217,301
Total financial assets	<u>8,517,544</u>	<u>24,089,951</u>	<u>32,353,001</u>	<u>64,960,496</u>	<u>64,732,679</u>
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total fair value</u>	<u>Total book value</u>
Financial liabilities					
Deposits from banks	-	5,246,176	-	5,246,176	5,246,176
Deposits from customers	-	79,415,982	-	79,415,982	78,455,328
Borrowings from banks and other financial institutions	-	165,891	-	165,891	165,758
Debt securities issued	-	2,160,567	-	2,160,567	2,112,536
Subordinated liabilities	-	1,432,546	-	1,432,546	1,432,546
Other financial liabilities	-	-	439,134	439,134	439,134
Total financial liabilities	<u>-</u>	<u>88,421,162</u>	<u>439,134</u>	<u>88,860,296</u>	<u>87,851,478</u>

Assets and liabilities for which the fair value is disclosed as at 30 June 2024 for the

Bank:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total fair value</u>	<u>Total book value</u>
Financial assets					
Cash and cash equivalents at central banks	-	18,358,047	-	18,358,047	18,358,047
Loans and advances to banks	-	3,741,926	-	3,741,926	3,741,926
Loans and advances to customers	-	-	32,039,336	32,039,336	31,812,901
	-	200,493	-	200,493	200,493
Investments in debt instruments at amortized cost	8,492,674	1,750,081	-	10,242,755	10,284,810
Investment property	-	-	96,364	96,364	52,927
Other financial assets	-	-	197,743	197,743	197,743
Total financial assets	<u>8,492,674</u>	<u>24,050,547</u>	<u>32,333,443</u>	<u>64,876,664</u>	<u>64,648,847</u>

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5 FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total fair value</u>	<u>Total book value</u>
Financial liabilities					
Deposits from banks	-	5,246,176	-	5,246,176	5,246,176
Deposits from customers	-	79,425,883	-	79,425,883	78,465,229
Borrowings from banks and other financial institutions	-	165,891	-	165,891	165,758
Debt securities issued	-	2,160,567	-	2,160,567	2,112,536
Subordinated liabilities	-	1,432,546	-	1,432,546	1,432,546
Other financial liabilities	-	-	373,039	373,039	373,039
Total financial liabilities	=	<u>88,431,063</u>	<u>373,039</u>	<u>88,804,102</u>	<u>87,795,284</u>

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

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total fair value</u>	<u>Total book value</u>
Financial assets					
Cash and cash equivalents at central banks	-	11,971,822	-	11,971,822	11,971,822
Loans and advances to banks	-	2,832,542	5,513,225	8,345,767	8,339,661
Loans and advances to customers	-	-	31,860,575	31,860,575	31,624,550
Investments in debt instruments at amortized cost	8,010,429	1,627,014	-	9,637,443	9,589,903
Investment property	-	-	96,364	96,364	54,159
Other financial assets	-	-	86,671	86,671	86,671
Total financial assets	<u>8,010,429</u>	<u>16,431,378</u>	<u>37,556,835</u>	<u>61,998,642</u>	<u>61,666,766</u>
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total fair value</u>	<u>Total book value</u>
Financial liabilities					
Deposits from banks	-	1,663,105	-	1,663,105	1,663,105
Deposits from customers	-	73,787,856	-	73,787,856	72,744,078
Borrowings from banks and other financial institutions	-	179,145	-	179,145	179,055
Debt securities issued	-	2,171,859	-	2,171,859	2,137,255
Subordinated liabilities	-	1,434,229	-	1,434,229	1,434,229
Other financial liabilities	-	-	358,390	358,390	358,390
Total financial liabilities	=	<u>79,236,194</u>	<u>358,390</u>	<u>79,594,584</u>	<u>78,516,112</u>

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5 FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

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

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

a) Loans and advances to banks and cash at central banks

Loans and advances to banks include interbank placements and other items pending collection. Cash at central banks includes the mandatory minimum reserve and current accounts held with the National Bank of Romania.

The fair value of variable rate placements and overnight deposits is equal to their book value.

b) Loans and advances to customers

Loans and advances are net of adjustments for expected credit losses. The estimated fair value of loans and advances represents the present value of future cash flows to be received. Estimated cash flows are discounted at current market rates to determine their fair value. The estimated fair value of fixed rate loans is based on discounted cash flows using prevailing money market interest rates for debt with similar credit risk and remaining maturity.

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5 FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

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

Group	Market value	Valuation techniques	Significant unobservable inputs	Average interest	The sensitivity of the market value assessment in unobservable inputs
Corporate loans to customers in the agriculture industry, excluding loans granted on the basis of subsidies to be received	3,111,142	Discounted future cash flows	The probability of default and the loss in case of default as elements that reflect the credit risk in the discount rate of future flows.	7.02 % for EUR 8.75 % for RON	Individually increasing any unobservable input (probability of default, loss in case of default, discount rate) would generate a lower market value.
Loans to local public institutions	2,374,634	Discounted future cash flows	The probability of default and the loss in case of default as elements that reflect the credit risk in the discount rate of future flows.	7.75 % for RON	Individually increasing any unobservable input (probability of default, loss in case of default, discount rate) would generate a lower market value.
Corporate loans to customers in the retail industry	3,459,531	Discounted future cash flows	The probability of default and the loss in case of default as elements that reflect the credit risk in the discount rate of future flows.	6.85 % for EUR 8.87 % for RON	Individually increasing any unobservable input (probability of default, loss in case of default, discount rate) would generate a lower market value.
Corporate loans to customers in the construction industry	2,335,286	Discounted future cash flows	The probability of default and the loss in case of default as elements that reflect the credit risk in the discount rate of future flows.	6.84 % for EUR 8.65 % for RON	Individually increasing any unobservable input (probability of default, loss in case of default, discount rate) would generate a lower market value.
Corporate loans to customers in the industrial manufacturing industry	5,042,590	Discounted future cash flows	The probability of default and the loss in case of default as elements that reflect the credit risk in the discount rate of future flows.	6.50 % for EUR 8.63 % for RON 6.7 % for USD	Individually increasing any unobservable input (probability of default, loss in case of default, discount rate) would generate a lower market value.
Retail consumer loans	2,183,968	Discounted future cash flows	The probability of default and the loss in case of default as elements that reflect the credit risk in the discount rate of future flows.	7.38 % for EUR 9.82% for RON	Individually increasing any unobservable input (probability of default, loss in case of default, discount rate) would generate a lower market value.
Corporate loans to customers in the services industry	5,537,404	Discounted future cash flows	The probability of default and the loss in case of default as elements that reflect the credit risk in the discount rate of future flows.	6.88 % for EUR 9.03 % for RON	Individually increasing any unobservable input (probability of default, loss in case of default, discount rate) would generate a lower market value.
Loans granted on the basis of subsidies to be received	548,804	Discounted future cash flows	The probability of default and the loss in case of default as elements that reflect the credit risk in the discount rate of future flows.	8.26 % for RON	Individually increasing any unobservable input (probability of default, loss in case of default, discount rate) would generate a lower market value.
Retail mortgage loans	6,923,359	Discounted future cash flows	The probability of default, as element that reflects the credit risk in the discount rate of future flows.	7.52 % for EUR 7.53 % for RON 4.10 % for USD	Individually increasing any unobservable input (probability of default, loss in case of default, discount rate) would generate a lower market value.
Cards/ Overdraft	522,618	Discounted future cash flows	The probability of default, as element that reflects the credit risk in the discount rate of future flows.	16.38 % for RON	Individually increasing any unobservable input (probability of default, loss in case of default, discount rate) would generate a lower market value.
Total	32,039,336				

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5 FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

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

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

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

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

The 3 main measures for each ISIN are:

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

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

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

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

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

- e) Financial assets measured at fair value through other elements of comprehensive income - Participation interests

Financial assets measured at fair value through other comprehensive income include shares that are not traded on an active market (Mătășari Holding - Romanian Guarantee Fund for Private Entrepreneurs, Transfond SA - Funds Transfer and Settlement Company, Biroul de Credit S.A.) and shares that are valued on an active market (VISA Inc). In the case of shares that are not quoted on an active market, it is not possible to obtain the market value for these equity securities and, consequently, no recent values regarding their trading price are publicly accessible. Management does not intend to sell these shares in the near future. The Bank determined the fair value for them using the net asset method based on the published financial statements, in the case of Mătășari Holding- Fondul Român de Garantare a Creditelor pentru Întreprinzători Privati and SWIFT - Societatea de Telecomunicații Financiare Interbancare Globale and the dividend method, in the case of Transfond S.A. - Societatea

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5 FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

de Transfer de Fonduri și Decontări și Biroul de Credit S.A.

In the case of VISA Inc. shares, for which there is an active market, they are valued monthly using the NYSE quoted price.

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

Group	Market value	Valuation techniques	Significant unobservable inputs	The sensitivity of the market value assessment in unobservable inputs
Participation interests valued at fair value through other elements of comprehensive income	33,692	The market value for VISA shares is determined according to the conversion coefficient communicated by VISA and the NYSE stock market quote. For unlisted equity instruments, the market value is determined by using the net assets of the entities at the end of the last reporting period	Financial performance of the issuer	The increase or decrease in the financial performance of the issuer has an impact on the increase or decrease of the market value

f) Financial assets compulsorily measured at fair value through profit or loss - Debt securities
Debt instruments held by the Bank include shares that are traded on an active market (VISA Inc), which are valued monthly using the quoted price on the NYSE.

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

Group	Market value	Valuation techniques	Significant unobservable inputs	The sensitivity of the market value assessment in unobservable inputs
Debt securities must be measured at fair value through profit or loss	20,690	The market value is determined according to the conversion coefficient communicated by VISA and the stock exchange quote from the NYSE.	Financial performance of the issuer	The increase or decrease in the financial performance of the issuer has an impact on the increase or decrease of the market value

The following table presents a reconciliation from opening balances to closing balances for fair value measurement classified at level 1 in the fair value hierarchy

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5 FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

	Participation interests	Debt securities
Balance as at 1 January 2024	32,153	19,847
Total gains or losses:		
- in the profit or loss account	-	843
- in other elements of comprehensive income	540	-
Acquisitions	481	-
Issues	-	-
Settlements	-	-
Transfers to Level 3	-	-
Transfers from level 3	-	-
Exchange rate differences	518	-
Balance as at 30 June 2024	33,692	20,690

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

The fair value of investments in debt instruments such as government securities, corporate/municipal bonds is determined using BID quotations (expressed as yield) from Bloomberg, the BGN source or BVAL, if the BGN source is not available. If neither source is available, the price of the last trade in the last 30 days on the regulated market, if any, will be used. Otherwise, the yield used to determine fair value will be based on the following formula: the yield (BID) of the government/corporate/municipal bond with the nearest maturity plus the relevant credit spread for the risk category to which the issuer of the bonds being evaluated belongs, with the possibility to adjust the spread taking into account any material deterioration in the quality of the credit specific to the instrument, if applicable.

h) Derivative financial assets and liabilities

As at 30 June 2024, the value of derivative financial instruments (FX swap/forward) is determined using Robid/Robor/Euribor/USD Depo/SOFR/GBP Depo/CHF Depo/SONIA interest rates posted by Thomson Reuters or Bloomberg, as well as the exchange rates published by the NBR in determining the remaining forward rate.

i) Financial assets held for trading - Government securities

The fair value of government securities is determined on a daily basis using BID quotations (expressed as yield) from Bloomberg, the BGN source or BVAL, if the BGN source is not available.

j) Financial assets and liabilities

Management considered that the fair value is the same as the book value considering that these financial assets and liabilities are estimated to be settled within one month or have no fixed maturity, respectively are short-term and the book value is not significantly different from their fair value.

k) Bonds issued

The fair value of bonds issued is determined using BID quotations (expressed as yield) from Bloomberg, the BGN source or BVAL, if the BGN source is not available. If neither source is available, the price of the last trade in the last 30 days on the regulated market, if available, will be used. Otherwise, the yield used to determine the fair value will be based on the following formula: the yield (BID) of the government bond with the closest maturity plus the relevant credit spread for the risk category to which the issuer of the bond being valued belongs, with the possibility of adjusting the spread for any material deterioration in the quality of the credit specific to the instrument, if applicable.

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6 NET INTEREST INCOME

	Group		Bank	
	Six months ended on 30 June 2024	Six months ended on 30 June 2023	Six months ended on 30 June 2024	Six months ended on 30 June 2023
Interest income calculated using the effective interest method from:				
Current accounts, deposits loans and advances to banks	348,272	212,707	347,175	212,707
Treasury bills, bonds and other investment securities	841,169	346,881	841,169	346,881
Loans and advances to customers, out of which:	1,391,301	1,347,143	1,391,301	1,347,143
<i>Interest income on impaired loans</i>	64,086	68,456	64,086	68,456
<i>Income from interest related to subordinated loans</i>	591	-	591	-
FGCR interest income - Government programs	577	-	-	-
Total interest income	<u>2,581,319</u>	<u>1,906,731</u>	<u>2,579,645</u>	<u>1,906,731</u>
Interest expense related to financial liabilities measured at amortized cost arising from:				
Current accounts and term deposits from customers	1,347,920	974,138	1,347,920	974,138
Loans and deposits from banks	96,197	36,569	96,197	36,569
Interest expense on lease liabilities	419	379	419	379
Other borrowed funds	113	169	113	169
Subordinated loan	65,754	73,020	65,754	73,020
Debt securities issued	<u>79,491</u>	<u>43,177</u>	<u>79,491</u>	<u>43,177</u>
Total interest expense	<u>1,589,894</u>	<u>1,127,452</u>	<u>1,589,894</u>	<u>1,127,452</u>
Net interest income	<u>991,425</u>	<u>779,279</u>	<u>989,751</u>	<u>779,279</u>

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7

NET COMMISSION INCOME

	<u>Group</u>		<u>Bank</u>	
	<u>Six months ended on 30 June 2024</u>	<u>Six months ended on 30 June 2023</u>	<u>Six months ended on 30 June 2024</u>	<u>Six months ended on 30 June 2023</u>
Commission income				
Commissions from operations with cards	66,575	50,653	66,575	50,653
Commissions from cash transactions	28,179	29,840	28,179	29,840
Commissions from current accounts opening	62,538	59,780	62,570	59,780
Other commissions	<u>29,867</u>	<u>27,598</u>	<u>29,867</u>	<u>27,598</u>
Total commissions from contracts with customers	187,159	167,871	187,191	167,871
Commissions from financial guarantees and loan commitments given	32,606	13,168	14,718	13,168
Total commissions income	<u>219,765</u>	<u>181,039</u>	<u>201,909</u>	<u>181,039</u>
Commission expense				
Commissions for inter-bank transactions	28,864	21,518	28,821	21,518
Commissions for financial risk insurance	2,727	975	2,727	975
Commissions for financial services	<u>31,484</u>	<u>25,119</u>	<u>31,484</u>	<u>25,119</u>
Total commission expense	<u>63,075</u>	<u>47,612</u>	<u>63,032</u>	<u>47,612</u>
Net commission income	<u>156,690</u>	<u>133,427</u>	<u>138,877</u>	<u>133,427</u>

Commission income from contracts with customers are measured on the basis of consideration specified in a contract with a customer.

The Bank recognizes revenue when transferring control of a service to a customer.

The following table provides information on the nature and timing of performance obligations in customer contracts, including significant payment terms, as well as related revenue recognition policies.

Types of services	The nature and timing of performance obligations, including significant payment deadlines	Income recognition policies in accordance with IFRS 15
Retail and corporate banking	The Bank provides banking services to retail and corporate customers, including current account management, interbank transactions, cash operations, card operations, cash collection services, tax collection services due to the authorities, Letter of guarantees issuance/modification, online transaction services, insurance intermediation, other financial services. Commissions for interbank transactions, cash operations, card transactions, Letter of guarantees issuance/modification, are charged to the customer's account when the transaction takes place.	Income from banking services is recognized over time as the services are provided. Transaction-related income is recognized when the transaction occurs.

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7 NET COMMISSION INCOME (CONTINUED)

	Account management fees, cash collection services, tax collection services, insurance intermediation are levied on a monthly basis.	
Assets management service	The Bank provides securities custody services for which it charges a custody commission. The custody commission is calculated monthly and retained from the client's current account.	Revenue from banking services is recognized over time as services are provided.

8 NET IMPAIRMENT LOSS ON LOANS AND ADVANCES TO CUSTOMERS, PROVISIONS FOR LOAN COMMITMENTS AND FINANCIAL GUARANTEES GIVEN

	<u>Group</u>		<u>Bank</u>	
	<u>Six months ended on 30 June 2024</u>	<u>Six months ended on 30 June 2023</u>	<u>Six months ended on 30 June 2024</u>	<u>Six months ended on 30 June 2023</u>
Net charge with adjustments for expected credit loss related to loans and advances to customers and for expected credit loss adjustments due to current customer account fees	246,997	141,036	246,997	141,036
Net charge with adjustments for expected loss on current account and deposits with the NBR	1,152	(422)	1,152	(422)
Net charge with adjustments for expected losses on correspondent accounts, deposits and loans with credit institutions	(2,535)	2,048	(2,604)	2,048
Net charge with adjustments for expected losses on subordinated loans	98	-	98	-
Losses from non-recoverable receivables not covered by adjustments for expected loss of credit	342	2,177	342	2,177
Provisions for loan commitments and financial guarantees given	12,286	(6,502)	12,286	(6,502)
Net expenses from impairment losses on debt instruments	3,483	-	3,483	-
Recoveries from loans sold	(15,329)	(7,053)	(15,329)	(7,053)
Recoveries from loans previously written off	(25,619)	(43,902)	(25,619)	(43,902)
Income from debt recovery (Euro sources)	(19)	-	-	-
FGCR				
Total net charge with adjustments for expected credit losses	<u>220,856</u>	<u>87,382</u>	<u>220,806</u>	<u>87,382</u>

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9	OTHER OPERATING EXPENSES	Group		Bank	
		Six months ended on 30 June 2024	Six months ended on 30 June 2023	Six months ended on 30 June 2024	Six months ended on 30 June 2023
	Third parties expenses	19,222	15,501	18,724	15,501
	Advertising and publicity	3,047	1,430	2,933	1,430
	Materials and inventories	5,347	5,631	5,048	5,631
	Other taxes	31,464	28,449	31,429	28,449
	Provision for litigations and for internal or external fraud	(1,366)	1,419	(1,366)	1,419
	Other operating expenses	1,796	5,385	1,674	5,385
	Rent expenses	1,249	1,126	1,223	1,126
	Travel and transportation expenses	8,587	7,703	8,587	7,703
	Expenses with deposits' guarantee fund	34,168	39,925	34,168	39,925
	Repairs and maintenance of property and equipment	67,951	67,616	67,550	67,616
	Expenses with post and telecommunications	16,930	17,382	16,808	17,382
	(Gain) on sale of fixed assets and investment property	(185)	(2,682)	(185)	(2,682)
	Net charge for impairment of other financial and non-financial assets	311	6	311	6
	Expenses with additional turnover tax (*)	56,686	-	56,677	-
	Total	245,207	188,891	243,581	188,891

(*) According to law 296/2023, the Bank calculates, registers, declares and pays quarterly the minimum turnover tax.

The balance of the account "Expenses with the additional turnover tax" on 30.06.2024 represents the amount of the minimum turnover tax related to the 1st half.

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10 FINANCIAL RISK MANAGEMENT

a) Credit risk

Credit risk is the risk of a financial loss for the Bank if a customer or counterparty of a financial instrument cannot meet the contractual terms.

Credit risk associated with placement and investment activities is managed through market risk management procedures. This risk is controlled both by selecting partners with good risk ratings, by monitoring their activities and ratings, and by monitoring exposure limits and, where appropriate, by obtaining collaterals.

The Bank is exposed to credit risk mainly as a result of the lending activity as well as other transactions from which the Bank recognizes financial assets. The value that represents the maximum exposure to this credit risk is given by the book value of the assets recognized in the balance sheet.

The Bank is exposed to credit risk from many other financial assets, including derivative instruments and securities, with the maximum risk exposure being equal to the book value of these instruments. In addition, the Bank is exposed to off-balance sheet credit risk through lending commitments for which the maximum exposure is the value of the commitment.

To minimize this risk, the Bank has established exposure limits and procedures for the careful evaluation of loan applicants and for monitoring the ability of customers to repay the loan and the related interest during the loan period.

The credit risk is reduced by the value of the collaterals received. The amount of the adjustment of impaired loans is based on the analyses carried out by the management as at the balance sheet date, after taking into account the potential cash flows from the enforcement of collaterals, net of the costs of obtaining and selling them.

Management closely monitors the evolution of the portfolio and forecasted cash flows to ensure that they reflect revised estimates of forecasted cash flows in impairment assessments.

Credit risk management

The Bank's Board of Directors has delegated, through the Steering Committee, the responsibility of credit risk management to the Credit Committee (including the Restructuring Committee). Separately, the Risk Management Department, which reports to the Management Committee, is responsible for overseeing the Bank's credit risk, including:

- *Formulating credit policies* in consultation with units, covering collateral requirements, credit assessment, risk classification and reporting, legal and documentation procedures, and compliance with statutory and regulatory requirements.

- *Establishment of the authorization structure* for the approval and renewal of credit facilities, approval of changes in the contractual terms (restructuring). Authorization limits are allocated by credit committee levels. Credit facilities of larger amounts require the approval of the highest level of the Credit Committee, the Steering Committee or the Board of Directors, as applicable.

- *Credit risk review and assessment.* The Credit Committee evaluates all credit exposures above the established limits, before the facilities are approved or submitted for approval to the Board of Directors and/or granted to customers. Renewal and revision of facilities are subject to the same evaluation process.

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10 FINANCIAL RISK MANAGEMENT (CONTINUED)

- *Limiting the concentration of exposure* by third parties, geographic areas and industries (for loans and advances to customers) and by issuer, credit rating category, market liquidity and country (for securities).

- *Verification of facility compliance* with established exposure limits, including those for specific industries and products.

- *Providing periodic reports* on the quality of the portfolio to the Board of Directors and taking appropriate rectification measures.

- *Providing advice, recommendations and expertise* to units to promote best practice in the Bank in terms of credit risk management.

The concentration of credit risk related to financial instruments exists for groups of customers or other third parties that have similar economic characteristics and whose ability to meet contractual obligations is similarly affected by changes in the economic environment or other conditions. The concentration of credit risk in respect of loans and advances granted by the Bank is shown below.

The presentation of exposures and adjustments for expected losses are grouped into portfolios with the following characteristics:

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

The table below presents the Group's/Bank's loans commitments and financial guarantees net of provision outstanding as at 30 June 2024, split by stages:

	Stage 1	Stage 2	Stage 3	Total
Crediting commitments				
Exposure	4,834,424	254,069	22,679	5,111,172
Provision	24,666	6,513	5,061	36,240
Net crediting commitments	4,809,758	247,556	17,618	5,074,932
Guarantee commitments				
Exposure	1,910,345	183,953	39,249	2,133,547
Provision	9,200	1,985	9,756	20,941
Net guarantee commitments	1,901,145	181,968	29,493	2,112,606

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

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10 FINANCIAL RISK MANAGEMENT (CONTINUED)

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

The Group/Bank monitors the concentration of credit risk by geographical region. An analysis of concentrations of credit risk exposures at the reporting date is presented below:

	Group/Bank		Net exposure 30 June 2024
	Gross exposure 30 June 2024	Adjustments for expected credit losses 30 June 2024	
Bucharest-Ilfov	11,728,409	936,366	10,792,043
Center	2,355,728	171,017	2,184,711
North-East	3,483,288	163,936	3,319,352
North-West	4,741,021	239,695	4,501,326
South East	4,658,274	268,351	4,389,923
South-Muntenia	2,721,373	137,457	2,583,916
South-West Oltenia	2,612,050	118,668	2,493,382
West	1,669,652	121,404	1,548,248
Total loans	33,969,795	2,156,894	31,812,901

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

The above analysis refers to the gross exposure of loans and advances to customers (balance sheet exposure only).

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10 FINANCIAL RISK MANAGEMENT (CONTINUED)

The split of the Group/Bank's gross loans and advances to customers by class and category, as at 30 June 2024 (gross amounts):

	Group/Bank				
	<u>Stage 1</u>	<u>Stage 2</u>	<u>Stage 3</u>	<u>POCI</u>	<u>Total</u>
Individuals – personal needs loans fully collateralised with real estate collaterals	148,480	25,301	37,416	-	211,197
Individuals – personal needs loans without real estate collaterals or not fully covered	1,927,747	39,562	149,014	-	2,116,323
Individuals – Mortgage loans	6,191,410	495,671	86,611	-	6,773,692
Cards/ Overdraft	515,360	5,671	19,620	-	540,651
Total loans for individuals	<u>8,782,997</u>	<u>566,205</u>	<u>292,661</u>	=	<u>9,641,863</u>
Legal entities Agriculture	2,585,244	469,187	193,887	-	3,248,318
Public local administrations	2,237,019	158,499	3,830	-	2,399,348
Legal entities Industry	4,009,294	940,286	483,166	122,642	5,555,388
Legal entities Commerce	2,966,209	453,677	271,008	-	3,690,894
Legal entities Construction	2,135,816	111,050	412,853	-	2,659,719
Legal entities Services	4,526,710	952,802	738,252	-	6,217,764
Bridge loans for subsidies	503,916	35,784	16,801	=	556,501
Total corporate loans and advances	<u>18,964,208</u>	<u>3,121,285</u>	<u>2,119,797</u>	<u>122,642</u>	<u>24,327,932</u>
Total gross loans and advances	<u>27,747,205</u>	<u>3,687,490</u>	<u>2,412,458</u>	<u>122,642</u>	<u>33,969,795</u>
Collaterals	<u>21,422,917</u>	<u>3,300,636</u>	<u>1,822,969</u>	<u>122,642</u>	<u>26,669,164</u>

The collaterals value, presented in the tables from pages 34-47 includes the value of collaterals accepted to be taken into account as a risk mitigator for the purpose of determining adjustments for expected losses; in the case of loans that have collaterals issued by the guarantee funds/Exim Banca Românească with clauses regarding the sharing of risk in the enforcement process of the other collaterals associated with the loan, the value of the collaterals is the one resulting from the application of the pari-passu principle.

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10 FINANCIAL RISK MANAGEMENT (CONTINUED)

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

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

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10 FINANCIAL RISK MANAGEMENT (CONTINUED)

The expected credit loss related to loans and advances provided to customers as at 30 June 2024:

	Group/Bank				
	<u>Stage 1</u>	<u>Stage 2</u>	<u>Stage 3</u>	<u>POCI</u>	<u>Total</u>
Individuals – personal needs loans fully collateralised with real estate collateral	898	370	22,954	-	24,222
Individuals – personal needs loans without real estate collateral or not fully covered	21,641	485	84,371	-	106,497
Individuals – Mortgage loans	8,543	3,188	34,320	-	46,051
Cards/ Overdraft	3,456	119	12,907	-	16,482
Total adjustments for expected credit loss for individuals	<u>34,538</u>	<u>4,162</u>	<u>154,552</u>	=	<u>193,252</u>
Legal entities Agriculture	27,587	18,855	113,245	-	159,687
Public local administrations	22,371	1,585	760	-	24,718
Legal entities Industry	77,998	91,963	287,889	65,897	523,747
Legal entities Commerce	53,632	27,559	151,100	-	232,291
Legal entities Construction	47,853	6,961	270,543	-	325,357
Legal entities Services	96,330	122,519	469,517	-	688,366
Bridge loans for subsidies	233	21	9,224	-	9,478
Total adjustments for expected credit loss for companies	<u>326,004</u>	<u>269,463</u>	<u>1,302,278</u>	<u>65,897</u>	<u>1,963,642</u>
Total adjustments for expected credit loss	<u>360,542</u>	<u>273,625</u>	<u>1,456,830</u>	<u>65,897</u>	<u>2,156,894</u>
Gross loans and advances to customers	<u>27,747,205</u>	<u>3,687,490</u>	<u>2,412,458</u>	<u>122,642</u>	<u>33,969,795</u>
Net loans and advances to customers	<u>27,386,663</u>	<u>3,413,865</u>	<u>955,628</u>	<u>56,745</u>	<u>31,812,901</u>

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10 FINANCIAL RISK MANAGEMENT (CONTINUED)

The expected credit loss related to loans and advances provided to customers as at 31 December 2023:

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

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10 FINANCIAL RISK MANAGEMENT (CONTINUED)

Presentation of loan commitments given as at 30 June 2024:

	Group/Bank		
30 June 2024	<u>Low risk</u>	<u>Moderate risk</u>	<u>Total</u>
Individuals – personal needs loans without real estate collaterals or not fully covered	144,866	174	145,040
Individuals – Mortgage loans	58,068	10	58,078
Cards/ Overdraft	628,929	10,322	639,251
Gross total for individuals	831,863	10,506	842,369
Provision	877	230	1,107
Net total individuals	830,986	10,276	841,262
Legal entities Agriculture	1,247,043	85,540	1,332,583
Public local administrations	119,512	22,012	141,524
Legal entities Industry	726,051	68,771	794,822
Legal entities Commerce	438,919	38,754	477,673
Legal entities Construction	569,707	24,943	594,650
Legal entities Services	885,676	25,860	911,536
Bridge loans for subsidies	15,654	361	16,015
Gross total corporate	4,002,562	266,241	4,268,803
Provision	23,789	11,344	35,133
Net total corporate	3,978,773	254,897	4,233,670
Gross total	<u>4,834,425</u>	<u>276,747</u>	<u>5,111,172</u>
Provision	<u>24,666</u>	<u>11,574</u>	<u>36,240</u>
Net total	<u>4,809,759</u>	<u>265,173</u>	<u>5,074,932</u>

Presentation of financial guarantees given as at 30 June 2024:

	Group/Bank		
30 June 2024	<u>Low risk</u>	<u>Moderate risk</u>	<u>Total</u>
Financial guarantees given	1,910,345	223,202	2,133,547
Provision	9,200	11,741	20,941
Net total	<u>1,901,145</u>	<u>211,461</u>	<u>2,112,606</u>

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10 FINANCIAL RISK MANAGEMENT (CONTINUED)

Presentation of loan commitments given as at 31 December 2023:

<u>31 December 2023</u>	<u>Low risk</u>	<u>Moderate risk</u>	<u>Total</u>
Individuals – personal needs loans without real estate collaterals or not fully covered	76,492	110	76,603
Individuals – personal needs loans fully collateralised with real estate collaterals	34	-	34
Individuals – Mortgage loans	35,267	51	35,318
Cards/Overdraft	549,340	8,216	557,556
Gross total for individuals	661,133	8,378	669,511
Provision	720	111	831
Net total individuals	660,413	8,267	668,680
Legal entities Agriculture	848,923	61,784	910,707
Public local administrations	156,960	27,206	184,167
Legal entities Industry	573,698	66,842	640,540
Legal entities Commerce	477,740	58,539	536,280
Legal entities Construction	684,824	18,171	702,995
Legal entities Services	651,003	22,734	673,737
Bridge loans for subsidies	28,778	327	29,106
Gross total corporate	3,421,927	255,605	3,677,531
Provision	20,360	8,010	28,370
Net total corporate	3,401,567	247,594	3,649,161
Gross total	4,083,060	263,983	4,347,042
Provision	21,080	8,120	29,201
Net total	4,061,980	255,861	4,317,842

Presentation of financial guarantees given as at 31 December 2023:

<u>31 December 2023</u>	<u>Low risk</u>	<u>Moderate risk</u>	<u>Total</u>
Financial guarantees given	1,792,627	335,233	2,127,860
Provision	7,949	7,701	15,650
Net total	1,784,678	327,532	2,112,210

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10 FINANCIAL RISK MANAGEMENT (CONTINUED)

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

Internal rating

30 June 2024	Group/ Bank		Total	Of which within 1-30 days
	Low risk	Moderate risk		
Individuals – personal needs loans fully collateralised with real estate collaterals	141,143	7,281	148,480	7,093
Individuals – personal needs loans without real estate collaterals or not fully covered	1,644,775	283,028	1,927,803	71,144
Individuals – Mortgage loans	5,820,596	370,814	6,191,410	22,249
Cards/Overdraft	<u>449,086</u>	<u>66,275</u>	<u>515,361</u>	<u>15,272</u>
Total gross loans to individuals	<u>8,055,600</u>	<u>727,398</u>	<u>8,782,998</u>	<u>115,758</u>
Adjustment for expected credit loss for individuals	<u>30,368</u>	<u>4,169</u>	<u>34,537</u>	<u>704</u>
Total net loans to individuals	8,025,232	723,229	8,748,461	115,054
Legal entities Agriculture	2,241,219	344,025	2,585,244	167,703
Public local administrations	2,237,018	-	2,237,018	17,077
Legal entities Industry	3,844,166	165,128	4,009,294	26,632
Legal entities Commerce	2,503,757	462,452	2,966,209	73,676
Legal entities Construction	2,071,323	64,493	2,135,816	36,487
Legal entities Services	3,426,839	1,099,871	4,526,710	104,158
Bridge loans for subsidies	406,665	97,251	503,916	76,087
Total loans to corporate	16,730,987	2,233,220	18,964,207	501,820
Adjustment for expected credit loss for companies	<u>285,317</u>	<u>40,686</u>	<u>326,003</u>	<u>6,501</u>
Total net loans to corporate	16,445,670	2,192,534	18,638,204	495,319
Total gross	<u>24,786,587</u>	<u>2,960,618</u>	<u>27,747,205</u>	<u>617,578</u>
Total adjustments for expected credit loss	<u>315,685</u>	<u>44,855</u>	<u>360,540</u>	<u>7,205</u>
Total net loans	24,470,902	2,915,763	27,386,665	610,373
Collaterals	<u>18,849,759</u>	<u>2,573,158</u>	<u>21,422,917</u>	<u>468,211</u>

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10 FINANCIAL RISK MANAGEMENT (CONTINUED)

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

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10 FINANCIAL RISK MANAGEMENT (CONTINUED)

In the analysis, both qualitative (shareholder quality, assessment of the qualification level and continuity within the company for the management team, customer focus, the borrower's experience in managing borrowed funds) and quantitative (current liquidity, solvency, profitability of the figure of business, the general indebtedness level, the level of currency risk coverage).

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

The financial performance of corporate customers is updated every 6 months based on up-to-date financial statements and qualitative factors.

In the case of individuals, the financial performance is established on the basis of the scoring from the granting of the loan and is re-valuated during the performance of the loan agreement, according to the information obtained regarding the fluctuation of incomes.

Loans classified in stage 1 granted to customers classified in the two best financial performance classes (A and B) are considered low-risk loans, other loans classified in stage I are considered moderate-risk loans.

- (ii) The Group/Bank's loans and advances for which credit risk has increased significantly since initial recognition but which are not impaired (Stage 2)

Based on past experience, outstanding loans with contractual debt service greater than 30 days, or for which the debt service according to the new definition of default has exceeded 30 days, loans placed on the watch list, performing restructured loans, exposure related to a customer for which changes have been identified in the credit/customer situation compared to the situation at loan origination (changes that are not events of default, i.e. leading to unlikely full recovery without collateral realization), are classified as loans for which the credit risk has increased significantly since initial recognition, if no impairment indicators have been identified leading to their classification in the category of impaired loans.

Based on the internal collective assessment methodology, the Bank determines adjustments for expected losses over the entire lifetime of loans for which the credit risk has increased significantly since initial recognition.

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10 FINANCIAL RISK MANAGEMENT (CONTINUED)

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

30 June 2024	Group/Bank				Total
	0 days	- 30 days	31- 60 days	61- 90 days	
Individuals – personal needs loans fully collateralised with real estate collaterals	17,425	5,634	1,569	673	25,301
Individuals – personal needs loans without real estate collaterals or not fully covered	11,829	7,306	11,405	9,022	39,562
Individuals – Mortgage loans	449,307	33,467	7,199	5,698	495,671
Cards/ Overdraft	2,252	1,717	1,106	596	5,671
Total loans to individuals	480,813	48,124	21,279	15,989	566,205
Expected credit loss to individuals	3,332	447	220	163	4,162
Total net loans for individuals	477,481	47,677	21,059	15,826	562,043
Legal entities Agriculture	412,624	47,713	8,427	423	469,187
Public local administrations	157,678	-	821	-	158,499
Legal entities Industry	622,454	39,580	14,232	264,020	940,286
Legal entities Commerce	440,949	3,775	6,448	2,505	453,677
Legal entities Construction	86,738	3,616	12,694	8,002	111,050
Legal entities Services	806,636	118,260	5,850	22,056	952,802
Bridge loans for subsidies	26,685	9,002	97	-	35,784
Total corporate loans	2,553,764	221,946	48,569	297,006	3,121,285
Expected credit loss to corporate	220,359	17,081	3,406	28,617	269,463
Total net loans for corporate	2,333,405	204,865	45,163	268,389	2,851,822
Total gross	3,034,577	270,070	69,848	312,995	3,687,490
Total adjustments for expected credit loss	223,691	17,528	3,626	28,780	273,625
Total net loans	2,810,886	252,542	66,222	284,215	3,413,865
Collaterals	2,613,331	335,360	54,130	297,836	3,300,636

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10 FINANCIAL RISK MANAGEMENT (CONTINUED)

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

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10 FINANCIAL RISK MANAGEMENT (CONTINUED)

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

30 June 2024	<u>0 days</u>	<u>1-30 days</u>	<u>31-60 days</u>	<u>61-90 days</u>	<u>91-180 days</u>	<u>181-360 days</u>	<u>More than 360 days</u>	<u>Total</u>
Individuals – personal needs loans fully collateralised with real estate collateral	10,160	1,680	644	801	1,028	3,646	19,457	37,416
Individuals – personal needs loans without real estate collateral or not fully covered	40,787	1,079	221	189	16,319	35,523	54,896	149,014
Individuals – Mortgage loans	20,584	1,436	176	466	5,039	8,748	50,162	86,611
Cards/ Overdraft	<u>10,992</u>	<u>293</u>	<u>77</u>	<u>129</u>	<u>1,506</u>	<u>2,471</u>	<u>4,152</u>	<u>19,620</u>
Total gross loans to individuals	<u>82,523</u>	<u>4,488</u>	<u>1,118</u>	<u>1,585</u>	<u>23,892</u>	<u>50,388</u>	<u>128,667</u>	<u>292,661</u>
Expected credit loss to individuals	<u>28,597</u>	<u>1,970</u>	<u>561</u>	<u>1,041</u>	<u>7,132</u>	<u>32,038</u>	<u>83,223</u>	<u>154,552</u>
Total net loans for individuals	53,936	2,518	557	544	16,760	18,350	45,444	138,109
Legal entities Agriculture	64,122	6,306	380	554	4,316	25,668	92,541	193,887
Public local administrations	3,055	-	-	-	-	-	775	3,830
Legal entities Industry	105,484	7,342	20,821	3,136	66,789	226,204	176,032	605,808
Legal entities Commerce	28,551	4,920	605	29,284	61,984	37,000	108,664	271,008
Legal entities Construction	148,863	25,920	2,674	14,281	39,399	54,399	127,317	412,853
Legal entities Services	109,089	177,822	12,136	825	62,203	152,454	223,723	738,252
Bridge loans for subsidies	<u>7,519</u>	<u>3,447</u>	-	-	<u>682</u>	<u>470</u>	<u>4,683</u>	<u>16,801</u>
Total gross loans to corporate entities	<u>466,683</u>	<u>225,757</u>	<u>36,616</u>	<u>48,080</u>	<u>235,373</u>	<u>496,195</u>	<u>733,735</u>	<u>2,242,439</u>
Expected credit loss to corporate	<u>222,554</u>	<u>142,240</u>	<u>15,580</u>	<u>36,092</u>	<u>126,784</u>	<u>281,612</u>	<u>543,315</u>	<u>1,368,177</u>
Total net loans for corporate	244,129	83,517	21,036	11,988	108,589	214,583	190,420	874,262
Total gross	<u>549,206</u>	<u>230,245</u>	<u>37,734</u>	<u>49,665</u>	<u>259,265</u>	<u>546,583</u>	<u>862,402</u>	<u>2,535,100</u>
Total adjustments for expected credit loss	<u>251,141</u>	<u>144,210</u>	<u>16,141</u>	<u>37,133</u>	<u>133,916</u>	<u>313,650</u>	<u>626,538</u>	<u>1,522,729</u>
Total net loans	298,065	86,035	21,593	12,532	125,349	232,933	235,864	1,012,371
Collaterals	<u>431,393</u>	<u>97,251</u>	<u>33,941</u>	<u>44,874</u>	<u>178,723</u>	<u>461,615</u>	<u>697,814</u>	<u>1,945,611</u>

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10 FINANCIAL RISK MANAGEMENT (CONTINUED)

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

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10 FINANCIAL RISK MANAGEMENT (CONTINUED)

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

Fair value of real estate and other type (inventory or equipment) collaterals at the end of the reporting period was estimated by indexing the value determined by the Bank's evaluation department, by adjustment coefficients depending on the type of collateral, the date of the last evaluation of the collateral, the legal standing of the customers, the location of the collateral, the costs of enforcement, and the duration of capitalization.

The types of collaterals accepted by the Group/Bank as at 30.06.2024 are presented in the table below:

<u>Type of collateral</u>	<u>Collateral value</u>	<u>(%)</u>	<u>Collaterals for balance sheet exposures</u>	<u>Collaterals for off balance sheet exposures</u>
Guarantees received from public administration and related entities	8,909,752	30.50	8,909,752	-
Guarantees received from other financial Institutions	446,313	1.53	440,168	6,145
Real estate	15,657,077	53.60	14,533,592	1,123,485
Pledge over (movable assets, inventory, cash collateral)	3,337,371	11.42	2,785,652	551,719
Other (assignment of receivables)	<u>861,504</u>	<u>2.95</u>	<u>621,452</u>	<u>240,052</u>
Total	<u>29,212,018</u>	<u>100</u>	<u>27,290,616</u>	<u>1,921,401</u>

The types of collaterals accepted by the Bank as at 31.12.2023 are presented in the table below:

<u>Type of collateral</u>	<u>Collateral value</u>	<u>(%)</u>	<u>Collaterals for balance sheet exposures</u>	<u>Collaterals for off balance sheet exposures</u>
Guarantees received from public administration and related entities	7,580,466	27.46	7,580,466	-
Guarantees received from other financial Institutions	204,377	0.74	203,084	1,293
Real estate	15,751,279	57.05	14,587,352	1,163,927
Pledge over (movable assets, inventory, cash collateral)	3,181,521	11.52	2,711,694	469,827
Other (assignment of receivables)	<u>892,015</u>	<u>3.23</u>	<u>554,015</u>	<u>338,000</u>
Total	<u>27,609,658</u>	<u>100.00</u>	<u>25,636,611</u>	<u>1,973,047</u>

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10 FINANCIAL RISK MANAGEMENT (CONTINUED)

The effect of changing expected loss for loans and advances to customers can be analyzed as at 30 June 2024 as follows:

	<u>Stage 1</u>	<u>Stage 2</u>	<u>Stage 3</u>	<u>Total</u>
Opening balance at 1 January	334,489	299,661	1,253,157	1,887,307
Transfers to stage 1	70,136	(67,016)	(3,120)	-
Transfers to stage 2	(17,252)	70,709	(53,457)	-
Transfers to stage 3	(6,687)	(30,658)	37,345	-
Increases due to new loans granted during the year	30,855	22,507	4,378	57,740
Decreases due to closed loans in year	(14,875)	(26,675)	(102,273)	(143,823)
Net remeasurement during the year	(36,061)	5,414	363,727	333,080
Assignment of receivables	-	-	(910)	(910)
Interest adjustments	-	-	26,300	26,300
Other adjustments	(65)	(317)	(2,418)	(2,800)
Closing balance at 30 June	<u>360,540</u>	<u>273,625</u>	<u>1,522,729</u>	<u>2,156,894</u>

Transfers between stages capture the net movement of financial assets that are in a different stage at the end of the period than at the beginning of the year. Transfers between each stage are based on opening balances and impairment adjustments at the beginning of the period.

During the first half of 2024, the Bank concluded debt assignment contracts with third party entities. Assignments were made by selling individual receivables.

The amount of the receivables that was collected was RON 15,328.63 thousand (there were no assignments of portfolios in the first semester of 2024).

This amount is found on the credit position of "Net impairment loss on loans and advances to customers" in the statement of profit or loss and other comprehensive income. The sale agreement is without recourse.

The effect of changing expected loss for loans and advances to RETAIL customers in the first six months of year 2024 was as follows:

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10 FINANCIAL RISK MANAGEMENT (CONTINUED)

	<u>Stage 1</u>	<u>Stage 2</u>	<u>Stage 3</u>	<u>Total</u>
Opening balance at 1 January	29,705	4,495	123,188	157,388
Transfer to Stage 1	1,623	(259)	(1,364)	-
Transfer to Stage 2	(264)	3,948	(3,684)	-
Transfer to Stage 3	(214)	(272)	486	-
Increase due to new loans granted in the year	8,636	1	101	8,738
Decreases due to closed loans in year	(2,606)	(301)	(2,152)	(5,059)
Net remeasurement during the year	(2,344)	(3,450)	43,421	37,627
Assignment of receivables	-	-	(33)	(33)
Interest adjustments	-	-	-	-
Other adjustments	-	-	-	-
Closing balance at 30 June	34,536	4,162	159,963	198,661

The effect of changing expected loss for loans and advances to legal entities customers in the first six months of year 2024 was as follows:

	<u>Stage 1</u>	<u>Stage 2</u>	<u>Stage 3</u>	<u>Total</u>
Opening balance at 1 January	304,784	295,166	1,129,969	1,729,919
Transfer to Stage 1	68,513	(66,757)	(1,756)	-
Transfer to Stage 2	(16,988)	66,761	(49,773)	-
Transfer to Stage 3	(6,473)	(30,386)	36,859	-
Increase due to new loans granted in the year	22,219	22,506	4,277	49,002
Decreases due to closed loans in year	(12,269)	(26,374)	(100,121)	(138,764)
Net remeasurement during the year	(33,715)	8,864)	320,304	295,453
Assignment of receivables	-	-	(877)	(877)
Interest adjustments	-	-	26,300	26,300
Other adjustments	(65)	(317)	(2,418)	(2,800)
Closing balance at 30 June	326,006	269,463	1,362,764	1,958,233

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10 FINANCIAL RISK MANAGEMENT (CONTINUED)

The effect of changing expected loss for loans and advances to customers can be analyzed as at 30 June 2023 as follows:

	<u>Stage 1</u>	<u>Stage 2</u>	<u>Stage 3</u>	<u>Total</u>
Opening balance at 1 January	264,605	269,151	1,114,991	1,648,747
Transfers to stage 1	29,230	(24,179)	(5,051)	-
Transfers to stage 2	(10,676)	102,903	(92,227)	-
Transfers to stage 3	(2,218)	(13,737)	15,955	-
Increases due to new loans granted during the year	33,179	17,500	4,086	54,764
Decreases due to closed loans in year	(12,127)	(17,587)	(17,128)	(46,842)
Net remeasurements during the year	(26,522)	(13,349)	201,328	161,457
Write-off	-	-	(19,998)	(19,998)
Interest adjustments	-	-	19,428	19,428
Other adjustments	(299)	(725)	(180)	(1,204)
Closing balance at 30 June	<u>275,172</u>	<u>319,977</u>	<u>1,221,204</u>	<u>1,816,353</u>

Transfers between stages capture the net movement of financial assets that are in a different stage at the end of the period than at the beginning of the year. Transfers between each stage are based on opening balances and impairment adjustments at the beginning of the period.

During the first half of 2023, the Bank concluded debt assignment contracts with third party entities. Assignments were made by selling individual receivables.

The amount of the receivables that was collected was RON 5,669 thousand. This amount is found on the credit position of "Net impairment loss on loans and advances to customers" in the statement of profit or loss and other comprehensive income. The sale agreement is without recourse.

The effect of changing expected loss for loans and advances to RETAIL customers in the first six months of year 2023 was as follows:

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10 FINANCIAL RISK MANAGEMENT (CONTINUED)

	<u>Stage 1</u>	<u>Stage 2</u>	<u>Stage 3</u>	<u>Total</u>
Opening balance at 1 January	25,077	5,830	126,630	157,538
Transfer to Stage 1	2,055	(383)	(1,672)	-
Transfer to Stage 2	(257)	3,364	(3,107)	-
Transfer to Stage 3	(259)	(397)	656	-
Increase due to new loans granted in the year	4,452	4	181	4,637
Decreases due to closed loans in year	(1,405)	(110)	(2,716)	(4,231)
Net remeasurement during the year	(4,495)	(2,936)	46,114	38,683
Write-off	-	-	-	-
Interest adjustments	-	-	-	-
Other adjustments	(25)	(14)	(20)	(59)
Closing balance at 30 June	24,143	5,358	166,066	196,567

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

	<u>Stage 1</u>	<u>Stage 2</u>	<u>Stage 3</u>	<u>Total</u>
Opening balance at 1 January	239,528	263,321	988,361	1,491,210
Transfer to Stage 1	27,175	(23,796)	(3,379)	-
Transfer to Stage 2	(10,419)	99,539	(89,120)	-
Transfer to Stage 3	(1,959)	(13,340)	15,299	-
Increase due to new loans granted in the year	28,727	17,496	3,905	50,128
Decreases due to closed loans in year	(10,722)	(17,477)	(14,412)	(42,611)
Net remeasurement during the year	(22,027)	(10,413)	155,214	122,774
Write-off	-	-	(19,998)	(19,998)
Interest adjustments	-	-	19,428	19,428
Other adjustments	(274)	(711)	(160)	(1,145)
Closing balance at 30 June	250,029	314,619	1,055,138	1,619,786

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10 FINANCIAL RISK MANAGEMENT (CONTINUED)

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

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

- The ongoing Russian-Ukrainian war has a lasting impact on the future economic growth in the region and has prompted the European Union institutions to actively change the strategic development plans in the energy sector with consequences on the EU funds size which have been complemented by the new EU funds package (Next Generation EU). However, the new strategy comes with new rules that are still currently under discussion, but which are expected to affect in the short term the economic growth dynamics in the region, mainly because of the conditioning to reduce the energy consumption in EU in the very short term. Considering pre-existing supply chain problems and high inflation which drives up costs, the macroeconomic context is expected to translate into reduced credit demand, savings' pace and altogether slower business activity of the banking sector. Therefore, the ability of some customers to repay their loans is also being affected and the current trend of lower non-performing loans ("NPL") rate in the Romanian banking sector could be reversed.
- Faster-than-expected global interest rate cuts amid slower economic growth and subdued inflation may lead to lower costs of mortgages, auto loans and other debt, with potential risk upside of credit, but with negative effects on the profitability of bank investments. Also, lower interest rates can make savings/deposit accounts less attractive with a negative impact on bank liquidity.
- In terms of general trends regarding the financial services industry, the sector is mainly impacted by the uncertainty of the future macroeconomic environment development, in the context of the ongoing war and adverse effects brought by the geopolitical context – the continuation of inflationary pressures and the pedological drought phenomenon recorded at national level on extensive agricultural areas with impact on ensuring the necessary human consumption and animal feed. The activity in the financial services sector is affected by the instability and volatility on the financial markets, and by the potential general economic downturn, for which the probability has risen in the past months, based on the high frequency indicators in the Eurozone.

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

The average probability of default over 12 months estimated for the loan portfolio and used for determining adjustments for expected credit loss (before applying the post model adjustment coefficients presented on page 45) is:

	Group	12-month average at 30.06. 2024	12-month average at 31.12.2023
CAG (Legal entities Agriculture)	CAG	3.11%	2.96%
CAP (Public local administrations)	CAP	1.39%	1.40%
CCM (Legal entities Commerce)	CCM	4.85%	4.61%
CCO (Legal entities Construction)	CCO	6.48%	6.14%
CIN (Legal entities Industry)	CIN	5.33%	5.60%
CSA (Individuals – fully collateralized personal needs loans)	CSA	2.64%	2.79%

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FINANCIAL RISK MANAGEMENT (CONTINUED)

CSN (Individuals – personal needs loans without collateral or not fully covered)	CSN	3.26%	3.12%
CSS (Legal entities Services)	CSS	5.55%	5.74%
CTS (Bridge loans for subsidiaries)	CTS	0.54%	0.55%
IP (Individuals – Mortgage loans)	IP	0.38%	0.36%
OW (Cards/Overdraft)	OW	2.62%	2.92%

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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10 FINANCIAL RISK MANAGEMENT (CONTINUED)

Expected evolution of GDP

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

Expected evolution of ROBOR 3M

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

Expected evolution of inflation

Scenariu	31/12/2023	31/03/2024	30/06/2024	30/09/2024	31/12/2024	31/03/2025	30/06/2025	30/09/2025	31/12/2025
Scenariu 1	8.00%	8.70%	8.20%	7.70%	7.00%	5.90%	6.00%	5.70%	5.70%
Scenariu 2	7.50%	7.70%	6.80%	5.70%	4.80%	3.60%	3.60%	3.30%	3.30%
Scenariu 3	7.00%	6.80%	5.30%	3.80%	2.60%	1.30%	1.20%	0.90%	0.90%

Expected evolution of the average net salary

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

Expected evolution of the average net salary adjusted with inflation

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

In addition to the inherent estimation uncertainty, the economic effects of the Russian-Ukrainian war have caused increased uncertainties, in particular regarding macroeconomic forecasts and their probabilities of occurrence, and therefore actual results may differ materially from the estimated ones. The Bank believes that these forecasts represent the best estimate of possible results. Sensitivity analysis of adjustments for expected losses determined by changes in macroeconomic factors as at 30.06.2024 (RON thousand):

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10 FINANCIAL RISK MANAGEMENT (CONTINUED)

Balance sheet exposure	Actual	Base scenario 100%	Upside scenario 100%	Downside scenario 100%
Individuals	9,641,863	9,641,863	9,641,863	9,641,863
Corporate entities	24,327,930	24,327,930	24,327,930	24,327,930
Total	33,969,793	33,969,793	33,969,793	33,969,793
Adjustments for expected credit losses	Actual	Base scenario 100%	Upside scenario 100%	Downside scenario 100%
Individuals	198,661	197,525	195,474	201,997
Legal entities	1,958,231	1,945,244	1,918,493	1,993,506
Total	2,156,892	2,142,769	2,113,967	2,195,502

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

Considering the perspective of the economic situation in the context of the increase in energy/ gas prices, difficulties in the supply/ distribution chain, the Russian-Ukrainian war, the increase in inflation and the pedological drought phenomenon recorded at national level, on extensive agricultural, areas with impact on ensuring the necessary human consumption and animal feed, the Bank made some adjustments to the post-model expected credit loss ratios for loans classified in S1 and S2.

The overlay coefficients for S2 loans have been validated based on updated information at the end of 2023.

The level of the coefficients has been similar to the one estimated for 31.12.2023.

For the loans classified as S1, there were introduced overlay coefficients for the portfolios for which, during 2023, the default observed rates were significantly above the probability of default estimated in December 2022; the value of 1.5 was determined as an average level of exceeding the probabilities estimated by the realized rates (exceeding in the range 1.2-1.7).

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10 FINANCIAL RISK MANAGEMENT (CONTINUED)

The bank used the following post model adjustment coefficients of expected credit losses for exposures classified as S1 and S2:

<u>Homogenous portfolio</u>	Coefficient ajustare ECL S1	ECL adjustment coefficient S2
CSS (Legal entities Services)		2.52
CIN (Legal entities Industry)		2.25
CCO (Legal entities Construction)	1,5	2.25
CCM (Legal entities Commerce)	1,5	2.25
CAG (Legal entities Agriculture)	1,5	2.25
CAP (Public local administrations)		2.25
CSN (credite PF consum fara garantii reale)	1,5	
IP (credite PF ipotecare)	1,5	

The quantitative effect of the post model adjustment coefficients was an increase in expected loss adjustments by approx. RON 207.73 million (RON 200.96 million as at 31.12.2023).

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

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

Based on these criteria, a total exposure of RON 544.69 million was classified in Stage 2 during 2022, with an increase in adjustments for expected losses of approx. RON 3.72 million.

As at 30.06.2024 the total exposure decreased to RON 398.82 million, of which RON 2.91 million migrated to Stage 3.

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

Sensitivity analysis of adjustments for expected losses determined by changes in macroeconomic factors as at 31.12.2023(RON thousand):

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10 FINANCIAL RISK MANAGEMENT (CONTINUED)

Balance sheet exposure	Actual	Base scenario 100%	Upside scenario 100%	Downside scenario 100%
Individuals	9,388,441	9,388,441	9,388,441	9,388,441
Corporate entities	24,123,416	24,123,416	24,123,416	24,123,416
Total	33,511,857	33,511,857	33,511,857	33,511,857
Adjustments for expected credit losses	Actual	Base scenario 100%	Upside scenario 100%	Downside scenario 100%
Individuals	157,389	156,845	155,874	159,490
Legal entities	1,729,919	1,722,811	1,708,260	1,752,184
Total	1,887,307	1,879,656	1,864,133	1,911,674

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

Considering the difficult-to-estimate negative effect of the perspective of the economic situation in the context of the increase in energy/ gas prices, difficulties in the supply/ distribution chain, the Russian-Ukrainian war, the increase in inflation and interest rates, the Bank made some adjustments to the post-model expected credit loss ratios for loans classified in S1 and S2.

Residential mortgages

In the tables below, exposures from mortgage/real estate loans and advances to retail customers are divided according to the weight of the exposure in the corresponding eligible collaterals (loan to value -LTV). LTV is calculated as the ratio between the gross value of the exposure, or the amount committed in the case of lending commitments, and the value of the related collateral. The value of the exposures does not take into account the calculated expected loss adjustments. The market value of the collateral does not take into account any adjustment for enforcement costs. The market value of the real estate/mortgage collateral taken into account is reviewed at least once every three years on the basis of valuation reports.

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10 FINANCIAL RISK MANAGEMENT (CONTINUED)

The ratio between loans and related real estate collaterals (LTV) as at 30.06.2024:

LTV	Balance sheet exposure	Off balance sheet exposure
< 60%	2,656,208	2,767
61-80%	2,760,733	2,575
81-100%	1,325,903	2,147
101-120%	28,930	231
121-140%	3,909	63
>140%	<u>22,172</u>	<u>1,236</u>
Total	<u>6,797,856</u>	<u>9,019</u>

The ratio between loans and related real estate collaterals (LTV) as at 31.12.2023:

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

The bank holds collateral for loans and advances to customers in the form of deposits, mortgages on property, guarantees and other pledges on equipment or future cashflows. Fair value estimates take into account the value of collateral valued at the origination date and are reviewed in accordance with the bank's internal policy. In the case of assessing the collective adjustment for expected losses, the model justifies recovery rates, which are estimated based on historical recovery information. Generally, no collateral is taken for loans and advances to banks.

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10 FINANCIAL RISK MANAGEMENT (CONTINUED)

Loans with renegotiated terms

Restructuring activities include payment deferral arrangements based on business plans approved by management. The decision regarding the restructuring of credit facilities is based on the economic-financial analysis of corporate clients (based on the latest financial information held) and on the estimation of future payments or on the analysis of the repayment capacity of individuals (based on documents reflecting the actual net income).

Restructuring policies and practices are based on indicators or criteria that, in the opinion of the Bank's management, indicate the likelihood that payments will continue in the future. These policies are continually reviewed. The specialized departments analyze and approve, according to internal regulations, the restructuring proposals submitted by the Bank's units and forward them for approval to the Credit Restructuring Committee / Central Credit Committee depending on the Bank's exposure to the client/group of related clients. After restructuring, the Bank regularly monitors the restructured loans on a case-by-case basis.

As at 30 June 2024, the gross accounting value of exposures with restructuring measures is RON 1.708.997 thousand (31 December 2023: RON 1.987.506 thousand), of which RON 829.325 thousand are performing exposures with restructuring measures (31 December 2023: RON 1.215.113 thousand).

Repossessed collaterals

Within other assets, the Bank recognized, as at 30 June 2024, in the amount of RON 4,745 thousand (31 December 2023: RON 3,275 thousand) assets taken over in the patrimony or from the enforcement of collaterals for loans to customers. In the first half of 2024, the Bank did not take over assets based on Law no. 77/2016 on the *datio in solutum* of real estate property in order to settle the obligations assumed through loans.

Investment securities

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

Romania's rating for the year 2024 confirmed by Fitch for long term debt in foreign and local currency is 'BBB -', with a negative outlook, also confirming the F3 qualification for short term debt, as well as the country ceiling 'BBB+'.

Romania's rating for the year 2023 confirmed by Fitch for long term debt in foreign and local currency is 'BBB -', with a negative outlook, also confirming the F3 qualification for short term debt, as well as the country ceiling 'BBB+'.

Each of the rating firms uses distinct rating scales; the 'BBB -' rating with a negative outlook is assigned by Fitch, the 'BBB -' rating with a stable outlook is assigned by S&P and the 'Baa3' rating with a stable outlook is assigned by Moody's. In accordance with the provisions of the internal regulations, the short-term and long-term ratings assigned by the 3 mentioned rating firms are used in the sense that based on them, the analyzed foreign credit institutions are placed in their own risk classes assigned by the Bank.

Loans and advances to banks

The exposure related to loans and advances to banks is neither past due, nor impaired. The Bank is making short term deposits with banks in the course of day-to-day business to manage surplus cash.

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10 FINANCIAL RISK MANAGEMENT (CONTINUED)

The quality of counterparties is continuously evaluated to reduce credit risk and the Bank's management approves exposure limits for each individual credit institution.

In order to determine the exposure limits to credit institutions, their financial information is used (in the case of Romanian legal entity banks) and ratings granted by international rating agencies, combined with financial information (in the case of foreign legal entity credit institutions and in the case of Romanian legal entities where the parent bank is a foreign entity), resulting in the inclusion in risk classes. Credit institutions (with related ratings) with which the Group has current accounts, deposits accounts and loans and advances accounts are the following:

Loans and advances to banks and public institutions – neither past due nor impaired		30 June	31 December	Rating	Rating
		2024	2023	30 June 2024	31 December 2023
		<u>Total balance</u>	<u>Total balance</u>	<u>Short/Long term</u>	<u>Short/Long term</u>
Current account due from other banks	ING Bank	6,855	7,788	A-1/A+	A-1/A+
	Barclays Bank	12,741	16,677	F1/A+	F1/A+
	Commerzbank	516,653	16,095	P-1/A1	P-1/A1
	Societe Generale, Paris	596,154	480,136	P-1/A1	P-1/A1
	State Treasury	2,433	1,541	BBB-/A-3	BBB-/A-3
	PKO Bank Polski, Varsovia	768	568	P-1/A2	P-1/A2
	OTP Bank Budapesta	858	898	P-2/Baa1	P-2/Baa1
	ING Bank-Olanda	270,680	57,363	F1+/AA-	F1+/AA-
	CITIBANK NY	21,560	41,406	F1/A+	F1/A+
	J.P Morgan SE Frankfurt	359,040	-	F1+/AA	-
	J.P Morgan CHASE BANK,N.A.NY	4,696	-	F1+/AA	-
	Other	13,961	15,956	without rating	without rating
	Deposits due from other banks	ING BANK	9,408	-	A-1/A+
DEUTSCHE BANK AG		248,885	248,937	F2/A-	F2/A-
Barclays Bank		50,155	48,839	F1/A+	F1/A+
TECHVENTURES BANK SA		-	9,953	without rating	without rating
Credit Europe Bank NV		-	272,817	B / BB-	B / BB-
State Treasury		-	5,506,366	BBB-/A-3	BBB-/A-3
SMBC BANK EU AG, FRANKFURT		672,764	647,087	F1/A-	F1/A-
PATRIA BANK		84,888	79,619	without rating	without rating
BCR		6,685	54,629	F2/BBB+	F2/BBB+
BRD		20,662	201,207	F2/BBB+	F2/BBB+
Banca Transilvania SA		11,333	254,197	B/BB+	B/BB+
GARANTI BANK		-	49,530	B/BB-	B/BB-
CITIBANK Europe Dublin ROMANIA		497,685	-	F1/A+	-
Exim Banca Romaneasca		300,003	-	without rating	without rating
Banca Centrala Cooperatista Creditcoop		34,948	-	without rating	without rating
Collateral deposits due from other banks	HSBC Bank London	641	612	F1+/AA-	F1+/AA-
	COMMERZBANK	100	-	P-1/A1	P-1/A1
	JP Morgan Securities	2,861	2,811	F1+/AA	F1+/AA
	JP Morgan FRANKFURT	-	3,391	F1/AA	F1/AA
	CITI BANK	-	97	F1/A+	F1/A+
	ING Bank	101	-	F1+/AA-	F1+/AA-
Loans and advances to banks	EXIM BANCA ROMANEASCA	33,804	321,141	without rating	without rating
	Total loans and advances to banks and public institutions	3,781,322	8,339,661		

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10 FINANCIAL RISK MANAGEMENT (CONTINUED)

Credit institutions (with related ratings) with which the Bank has current accounts, deposits accounts and loans and advances accounts are the following:

Loans and advances to banks and public institutions – neither past due nor impaired		30 June	31 December	Rating	Rating
		2024	2023	30 June 2024	31 December 2023
		Total balance	Total balance	Short/Long term	Short/Long term
Current account due from other banks	ING Bank	6,855	7,788	A-1/A+	A-1/A+
	Barclays Bank	12,741	16,677	F1/A+	F1/A+
	Commerzbank	516,653	16,095	P-1/A1	P-1/A1
	Societe Generale, Paris	596,154	480,136	P-1/A1	P-1/A1
	State Treasury	2,433	1,541	BBB-/A-3	BBB-/A-3
	PKO Bank Polski, Varsovia	768	568	P-1/A2	P-1/A2
	OTP Bank Budapesta	858	898	P-2/Baa1	P-2/Baa1
	ING Bank-Olanda	270,680	57,363	F1+/AA-	F1+/AA-
	CITIBANK NY	21,560	41,406	F1/A+	F1/A+
	J.P Morgan SE Frankfurt	359,040	-	F1+/AA	
	J.P Morgan CHASE BANK,N.A.NY	4,696	-	F1+/AA	
	Other	13,245	15,696	without rating	without rating
Deposits due from other banks	ING BANK	9,408	-	A-1/A+	
	DEUTSCHE BANK AG	248,885	248,937	F2/A-	F2/A-
	Barclays Bank	50,155	48,839	F1/A+	F1/A+
	TECHVENTURES BANK SA	-	9,953	without rating	without rating
	Credit Europe Bank NV	-	272,817	B / BB-	B / BB-
	State Treasury	-	5,506,366	BBB-/A-3	BBB-/A-3
	SMBC BANK EU AG, FRANKFURT	672,764	647,087	F1/A-	F1/A-
	PATRIA BANK	84,888	79,619	without rating	without rating
	BCR	-	54,629	F2/BBB+	F2/BBB+
	BRD	-	173,819	F2/BBB+	F2/BBB+
	Banca Transilvania SA	-	247,858	B/BB+	B/BB+
	GARANTI BANK	-	49,530	B/BB-	B/BB-
	CITIBANK Europe Dublin ROMANIA	497,685	-	F1/A+	
	Exim Banca Romaneasca	300,003	-	without rating	
	Banca Centrala Cooperatista Creditcoop	34,948	-	without rating	
	Collateral deposits due from other banks	HSBC Bank London	641	612	F1+/AA-
COMMERZBANK		100	-	P-1/A1	P-1/A1
JP Morgan Securities		2,861	2,811	F1+/AA	F1+/AA
JP Morgan FRANKFURT		-	3,391	F1/AA	F1/AA
CITI BANK		-	97	F1/A+	F1/A+
ING Bank		101	-	F1+/AA-	F1+/AA-
Loans and advances to banks	EXIM BANCA ROMANEASCA	33,804	321,141	without rating	without rating
Total loans and advances to banks and public institutions		3,741,926	8,305,674		

As at June 30, 2024, the amounts presented in the financial position loans and advances to banks net of provisions amount to RON 3,741,926 thousand (31.12.2023: RON 8,305,674 thousand).

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10 FINANCIAL RISK MANAGEMENT (CONTINUED)

During June 2024, the Bank granted financing in the form of a subordinated loan to Exim Banca Românească SA in the amount of 200 million lei, with a maturity of 6 years and variable interest, ROBOR 6M +4.75%.

The Subordinated Loan Agreement includes specific clauses, in accordance with the legal regulatory framework (Regulation (EU) no. 575/2013 of the European Parliament and of the Council of June 26, 2013, revised).

	Group/Bank		
	Gross exposure	Adjustments for	Net exposure
	30 June 2024	expected credit losses	30 June 2024
	30 June 2024	30 June 2024	30 June 2024
Subordinated loans	200,591	98	200,493

b) Market risk

Market risk is the current or future risk of incurring losses in on - and off-balance sheet positions due to adverse market fluctuations in prices (such as equity prices), interest rates and foreign exchange rates.

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

Price risk represents the risk of recording significant losses from the sale of the government bonds portfolio (FVTOCI), and currency risk is represented by the risk of recording losses because of changes in exchange rates.

The Bank evaluates the market risk through elements that define it, respectively: the share in total assets of government bonds, the volume of loans granted to non-bank customers, the volume of operations in foreign currencies, the important position that the Bank holds on the market of attracting cash from the population, corroborated with the analysis of exogenous and endogenous factors.

In order to assess the market risk, starting from April 2022, the Bank holds and monitors daily/real-time positions on Romanian government bonds within a small trading portfolio (the total maximum position limit for the management of the trading portfolio is RON 200 million equivalent, of which maximum RON 25 million equivalent for maturities greater than 10 years, maximum RON 60 million equivalent for maturities of [5-10] years, maximum RON 75 million equivalent for maturities between [2-5] years and maximum RON 40 million equivalent for maturities less than 2 years.

Positions held with the intention of trading are short-term resale positions and/or with the intention of benefiting from actual or expected short-term differences between buying and selling prices, or from other price or rate movements interest.

The market risk management policy aims to achieve a portfolio with low sensitivity to the variation in the prices of government securities, the variation in VaR and the exchange rate and the achievement of the objectives established by the risk profile. These are mainly achieved by monitoring the price of government bonds on the market as an indicator for price risk, as well as by determining and monitoring the VaR indicator and the Bank's currency position, as indicators of currency risk.

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10 FINANCIAL RISK MANAGEMENT (CONTINUED)

The Bank assesses monthly the observance of the market risk profile in compliance with the assumed market risk appetite. The level of risk is quantified based on a scoring system of the key indicators related to the market risk according to the levels recorded by them and the weights assigned according to the importance of the indicators.

The implementation of the policy and the achievement of the objectives regarding the management of market risk is achieved through the permanent monitoring and follow-up of:

- The key indicators underlying the determination of the risk profile, respectively "The level of the hypothetical loss that would result from the immediate sale of the portfolio of government bonds included in the category of financial assets valued at Fair Value Through Other Comprehensive Income - FVTOCI", for the price risk and the "Total net foreign exchange position" indicator, for foreign exchange risk.
- Level II indicators, monitored daily, respectively the trading book position of government bonds for price risk and the indicators of currency risk represented by the net foreign exchange position at individual currency level and the indicator for measuring the risk related to the currency portfolio - the Value at Risk (VaR) indicator.

The level of risk limits accepted by the Bank for the key indicators, as well as the ranges considered for their evaluation, were established taking into account the Bank's policy regarding market risk, assessed as significant risk, correlated with the limits regulated by the NBR/UE regulations, with the historical evolution of the values of these indicators, the size and structure of the assets and liabilities taken into account when determining them, the results obtained following the various forecasts made, budget provisions, etc.

By monitoring the price risk, the Bank aims to reduce the loss that it would record in the event of a hypothetical immediate sale of the portfolio of government securities included in the category "financial assets valued at fair value through other elements of comprehensive income", so that the impact the loss should be minimal in what regards performance of other obligations.

By monitoring the foreign exchange risk, the Bank seeks to achieve an optimal portfolio correlated between the value of assets and liabilities expressed in foreign currency, as well as the setting off of trading operations on the foreign exchange market, and, respectively, maintaining a balance between long and short net open positions so that both the impact exchange rate volatility, as well as the maximum loss likely to be recorded to be minimal.

Further that, to measure the risk related to the foreign currency portfolio, the Bank has the methodology for measuring the VaR (Value at Risk) indicator, by which it follows the observance of the maximum probable loss to be recorded on the total foreign currency portfolio, over a certain period and with a certain confidence level.

Internal regulations related to market risk are submitted for approval to the Risk Management Committee.

The Group's financial assets and liabilities in RON and foreign currencies as at 30 June 2024 can be analyzed as follows:

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10 FINANCIAL RISK MANAGEMENT (CONTINUED)

	<u>RON</u>	<u>EUR</u>	<u>Other</u>	<u>Total</u>
Balance sheet financial assets				
Cash and cash equivalents at central bank	14,202,424	4,011,780	143,851	18,358,055
Derivatives	988	-	76	1,064
Financial assets held for trading and measured at fair value through profit and loss	166,421	-	-	166,421
Loans and advances to banks	541,175	3,106,165	133,981	3,781,322
Financial assets mandatorily at fair value through profit or loss	-	-	20,690	20,690
Financial assets measured at fair value through other comprehensive income	13,655,133	13,246,918	410,003	27,312,054
Investments in debt instruments at amortized cost	8,272,887	1,975,407	61,386	10,309,680
Loans and advances to customers	24,386,608	7,303,496	122,797	31,812,901
Subordinated loans	200,493	-	-	200,493
Other financial assets	<u>123,767</u>	<u>89,274</u>	<u>4,260</u>	<u>217,301</u>
Total financial assets	<u>61,549,897</u>	<u>29,733,040</u>	<u>897,044</u>	<u>92,179,981</u>
	<u>RON</u>	<u>EUR</u>	<u>Other</u>	<u>Total</u>
Derivative financial assets				
Notional amount of derivatives				
– SWAP per exchange rate	40,608	4,927,329	393,136	5,361,073
Total derivative assets	<u>40,608</u>	<u>4,927,329</u>	<u>393,136</u>	<u>5,361,073</u>
	<u>RON</u>	<u>EUR</u>	<u>Other</u>	<u>Total</u>
Balance sheet financial liabilities				
Derivatives	2,603	-	7	2,610
Deposits from banks	4,778,104	455,515	12,557	5,246,176
Deposits from customers	46,095,198	31,091,240	1,268,890	78,455,328
Other borrowed funds	42,183	123,575	-	165,758
Debt securities issued	182,570	1,929,966	-	2,112,536
Subordinated liabilities	1,432,546	-	-	1,432,546
Other financial liabilities	<u>423,341</u>	<u>2,170</u>	<u>13,623</u>	<u>439,134</u>
Total financial liabilities	<u>52,956,545</u>	<u>33,602,466</u>	<u>1,295,077</u>	<u>87,854,088</u>

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10 FINANCIAL RISK MANAGEMENT (CONTINUED)

	<u>RON</u>	<u>EUR</u>	<u>Other</u>	<u>Total</u>
Derivative financial liabilities				
Notional amount of derivatives				
– SWAP per exchange rate	4,933,528	433,008	-	<u>5,366,536</u>
Total derivative liabilities	<u>4,933,528</u>	<u>433,008</u>	<u>-</u>	<u>5,366,536</u>
On balance sheet net financial assets/(liabilities)	<u>8,593,352</u>	<u>(3,869,426)</u>	<u>(398,033)</u>	<u>4,325,893</u>
Derivative financial assets/ (liabilities)	<u>(4,892,920)</u>	<u>4,494,321</u>	<u>393,136</u>	<u>(5,463)</u>
	<u>RON</u>	<u>EUR</u>	<u>Other</u>	<u>Total</u>
Letters of guarantee issued for customers	1,859,247	269,795	4,505	2,133,547
Undrawn loan commitments	4,076,016	970,131	65,025	5,111,172

The Bank's financial assets and liabilities in RON and foreign currencies as at 30 June 2024 can be analyzed as follows:

	<u>RON</u>	<u>EUR</u>	<u>Other</u>	<u>Total</u>
Balance sheet financial assets				
Cash and cash equivalents at central bank	14,202,416	4,011,780	143,851	18,358,047
Derivatives	988	-	76	1,064
Financial assets held for trading and measured at fair value through profit and loss	166,421	-	-	166,421
Loans and advances to banks	501,830	3,106,115	133,981	3,741,926
Financial assets mandatorily at fair value through profit or loss	-	-	20,690	20,690
Financial assets measured at fair value through other comprehensive income	13,655,133	13,246,918	410,003	27,312,054
Investments in debt instruments at amortized cost	8,248,017	1,975,407	61,386	10,284,810
Loans and advances to customers	24,386,608	7,303,496	122,797	31,812,901
Subordinated loans	200,493	-	-	200,493
Other financial assets	<u>104,209</u>	<u>89,274</u>	<u>4,260</u>	<u>197,743</u>
Total financial assets	<u>61,471,115</u>	<u>29,732,990</u>	<u>897,044</u>	<u>92,101,149</u>

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(All amounts in RON thousand, unless otherwise specified)

10 FINANCIAL RISK MANAGEMENT (CONTINUED)

	<u>RON</u>	<u>EUR</u>	<u>Other</u>	<u>Total</u>
Derivative financial assets				
Notional amount of derivatives				
– SWAP per exchange rate	40,608	4,927,329	393,136	5,361,073
Total derivative assets	<u>40,608</u>	<u>4,927,329</u>	<u>393,136</u>	<u>5,361,073</u>
	<u>RON</u>	<u>EUR</u>	<u>Other</u>	<u>Total</u>
Balance sheet financial liabilities				
Derivatives	2,603	-	7	2,610
Deposits from banks	4,778,104	455,515	12,557	5,246,176
Deposits from customers	46,103,868	31,092,471	1,268,890	78,465,229
Other borrowed funds	42,183	123,575	-	165,758
Debt securities issued	182,570	1,929,966	-	2,112,536
Subordinated liabilities	1,432,546	-	-	1,432,546
Other financial liabilities	<u>357,246</u>	<u>2,170</u>	<u>13,623</u>	<u>373,039</u>
Total financial liabilities	<u>52,899,120</u>	<u>33,603,697</u>	<u>1,295,077</u>	<u>87,797,894</u>
	<u>RON</u>	<u>EUR</u>	<u>Other</u>	<u>Total</u>
Derivative financial liabilities				
Notional amount of derivatives				
– SWAP per exchange rate	4,933,528	433,008	-	5,366,536
Total derivative liabilities	<u>4,933,528</u>	<u>433,008</u>	<u>-</u>	<u>5,366,536</u>
On balance sheet net financial assets/(liabilities)	<u>8,571,995</u>	<u>(3,870,707)</u>	<u>(398,033)</u>	<u>4,303,255</u>
Derivative financial assets/ (liabilities)	<u>(4,892,920)</u>	<u>4,494,321</u>	<u>393,136</u>	<u>(5,463)</u>
	<u>RON</u>	<u>EUR</u>	<u>Other</u>	<u>Total</u>
Letters of guarantee issued for customers	1,859,247	269,795	4,505	2,133,547
Undrawn loan commitments	4,076,016	970,131	65,025	5,111,172

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

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(All amounts in RON thousand, unless otherwise specified)

10 FINANCIAL RISK MANAGEMENT (CONTINUED)

	<u>Group</u>			
	<u>RON</u>	<u>EUR</u>	<u>Others</u>	<u>Total</u>
Balance sheet financial assets				
Cash and balance at Central Bank	9,752,143	2,092,671	127,007	11,971,822
Financial assets at fair value through profit or loss	71,457	-	21,141	92,598
Loans and advances to banks and public institutions	5,948,090	2,258,239	133,333	8,339,662
Financial assets measured at fair value through other comprehensive income	7,788,552	12,658,725	332,618	20,779,895
Investments in debt instruments at amortized cost	7,469,494	2,061,057	59,351	9,589,902
Loans and advances to customers	23,816,958	7,675,355	132,237	31,624,550
Other financial assets	<u>75,776</u>	<u>9,747</u>	<u>1,148</u>	<u>86,671</u>
Total financial assets	<u>54,922,471</u>	<u>26,755,795</u>	<u>806,834</u>	<u>82,485,100</u>
	<u>RON</u>	<u>EUR</u>	<u>Others</u>	<u>Total</u>
Derivative financial assets				
Notional amount of derivatives – SWAP per exchange rate	<u>215,494</u>	<u>1,293,396</u>	<u>308,815</u>	<u>1,817,705</u>
Total derivative assets	<u>215,494</u>	<u>1,293,396</u>	<u>308,815</u>	<u>1,817,705</u>
	<u>RON</u>	<u>EUR</u>	<u>Others</u>	<u>Total</u>
Balance sheet financial liabilities				
Derivatives	-	-	3,872	3,872
Deposits from banks	1,498,031	164,203	871	1,663,105
Deposits from customers	46,133,337	25,469,034	1,141,706	72,744,078
Other borrowed funds	43,680	135,375	-	179,055
Debt securities issued	174,729	1,962,527	-	2,137,255
Subordinated liabilities	1,434,229	-	-	1,434,229
Other financial liabilities	<u>343,423</u>	<u>11,214</u>	<u>3,753</u>	<u>358,391</u>
Total financial liabilities	<u>49,627,429</u>	<u>27,742,354</u>	<u>1,150,203</u>	<u>79,519,986</u>
	<u>RON</u>	<u>EUR</u>	<u>Others</u>	<u>Total</u>
Derivative financial liabilities				
Notional amount of derivatives – SWAP per exchange rate	1,294,616	525,815	-	1,820,431
Total derivative liabilities	<u>1,294,616</u>	<u>525,815</u>	<u>-</u>	<u>1,820,431</u>
On balance sheet net financial assets/ (liabilities)	<u>5,295,041</u>	<u>(986,559)</u>	<u>(343,369)</u>	<u>3,965,113</u>
Derivative financial assets/ (liabilities)	<u>(1,079,122)</u>	<u>767,581</u>	<u>308,815</u>	<u>(2,726)</u>

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	<u>RON</u>	<u>EUR</u>	<u>Others</u>	<u>Total</u>
Letters of guarantee issued for customers	<u>1,895,744</u>	<u>228,318</u>	<u>3,798</u>	<u>2,127,860</u>
Undrawn loan commitments	<u>3,486,278</u>	<u>898,042</u>	<u>59,427</u>	<u>4,347,042</u>
	Bank			
	<u>RON</u>	<u>EUR</u>	<u>Others</u>	<u>Total</u>
Balance sheet financial assets				
Cash and balance at Central Bank	9,752,138	2,092,671	127,007	11,971,816
Financial assets at fair value through profit or loss	71,457	-	21,141	92,598
Loans and advances to banks and public institutions	5,914,102	2,258,239	133,333	8,305,674
Financial assets held at historical cost	5,000	-	-	5,000
Financial assets measured at fair value through other comprehensive income	7,788,552	12,658,725	332,618	20,779,895
Investments in debt instruments at amortized cost	7,455,739	2,061,057	59,351	9,576,147
Loans and advances to customers	23,816,958	7,675,355	132,237	31,624,550
Other financial assets	<u>68,945</u>	<u>9,747</u>	<u>1,148</u>	<u>79,840</u>
Total financial assets	<u>54,872,891</u>	<u>26,755,794</u>	<u>806,835</u>	<u>82,435,520</u>
	<u>RON</u>	<u>EUR</u>	<u>Others</u>	<u>Total</u>
Derivative financial assets				
Notional amount of derivatives				
– SWAP per exchange rate	215,494	1,293,396	308,815	1,817,705
Total derivative assets	<u>215,494</u>	<u>1,293,396</u>	<u>308,815</u>	<u>1,817,705</u>
	<u>RON</u>	<u>EUR</u>	<u>Others</u>	<u>Total</u>
Balance sheet financial liabilities				
Derivatives	-	-	3,872	3,872
Deposits from banks	1,498,031	164,203	871	1,663,105
Deposits from customers	46,134,000	25,469,100	1,141,706	72,744,806
Other borrowed funds	43,680	135,375	-	179,055
Debt securities issued	174,728	1,962,527	-	2,137,255
Subordinated liabilities	1,434,229	-	-	1,434,229
Other financial liabilities	<u>315,018</u>	<u>11,214</u>	<u>3,753</u>	<u>329,985</u>
Total financial liabilities	<u>49,599,686</u>	<u>27,742,419</u>	<u>1,150,202</u>	<u>78,492,307</u>

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10 FINANCIAL RISK MANAGEMENT (CONTINUED)	<u>RON</u>	<u>EUR</u>	<u>Others</u>	<u>Total</u>
Derivative financial liabilities				
Notional amount of derivatives – SWAP per exchange rate	1,294,616	525,815	-	1,820,431
Total derivative liabilities	<u>1,294,616</u>	<u>525,815</u>	<u>-</u>	<u>1,820,431</u>
On balance sheet net financial assets/ (liabilities)	<u>5,273,205</u>	<u>(986,625)</u>	<u>(343,367)</u>	<u>3,943,213</u>
Derivative financial assets/ (liabilities)	<u>(1,079,122)</u>	<u>767,581</u>	<u>308,815</u>	<u>(2,726)</u>
	<u>RON</u>	<u>EUR</u>	<u>Others</u>	<u>Total</u>
Letters of guarantee issued for customers	1,895,744	228,318	3,798	2,127,860
Undrawn loan commitments	3,486,278	898,042	59,427	4,347,042

The main currency held by the Bank is EURO. Open foreign exchange positions are a source of foreign exchange risk.

c) Interest rate risk outside the trading portfolio

Interest rate risk arising from non-trading book activities is the current and prospective risk of a negative impact to the institution's economic value of equity, or to the institution's net interest income, taking market value changes into account as appropriate, which arise from adverse movements in interest rates affecting interest rate sensitive instruments, including gap risk, basis risk, option risk and credit spread risk arising from non-trading book activities and so on.

The interest rate risk is identified, quantified, monitored, managed, and reported in all the bank's activities that involve potential variations in interest rates at banking book level (in accordance with the provisions of Regulation no. 575/2013 of the European Parliament and of the Council, as amended, capital requirements are not calculated for activities related to the small trading book portfolio).

Also, starting from May 2022, the Bank regained the quality of primary dealer of government bonds and follows the strategy of actively participating in the Primary Market auctions of government securities issues of the Ministry of Finance, which contain a wide spectrum of maturities, for maintaining a minimum duration of the securities portfolio and a balanced contribution to the Bank's income.

The main source of interest rate risk is represented by the correlation between the structure of the Bank's portfolio of assets and liabilities and the type of interest rate related to this portfolio, taking into account the maturity date - in the case of fixed interest financial instruments, the bullet maturity and/or the principal and interest cash flows, according to the due date, related to performance loans with a fixed interest rate (within the appropriate ranges) and the repricing date - in the case of financial instruments with floating interest.

Through the interest rate risk management policy, the Bank aims to optimize the gap between assets and liabilities sensitive to interest rate variations, both in total and over time horizons, so that the impact of interest rate variations on net interest income to be the minimum possible. The bank proposes an adequate management of combined interest on assets and liabilities with actions to promote asset and liability products to create a portfolio with low sensitivity to interest rate variations and to achieve the targets set by the risk profile.

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10 FINANCIAL RISK MANAGEMENT (CONTINUED)

Compliance with the assumed risk profile for the interest rate risk is managed through the limits established for the key indicators based on the risk appetite that the Bank assumed.

The key indicators established by the Bank, permanently monitored and which are the basis for determining the interest rate risk profile are:

- Potential change in economic value as a result of changes in interest rate levels - IRRBB, based on the standardized method;
- The relative GAP on the interest rate (calculated in RON equivalent on maturity bands as a percentage – between the absolute interest rate GAP and total interest-bearing assets – principal amounts);
- The difference between the average interest on assets related to foreign currency retail and corporate loans and the cost of sources attracted in foreign currency plus the cost of risk related to foreign currency loans.

The level of risk limits accepted by the Bank for the key indicators, as well as the ranges considered for their evaluation, were established taking into account the Bank's strategy regarding interest rate risk, assessed as significant risk, correlated with the limits regulated by the NBR/UE regulations, with the historical evolution of the values of these indicators, the size and structure of the assets and liabilities taken into account when determining them, the results obtained following the various forecasts made, budget provisions and so on.

The Bank assesses monthly the observance of the assumed interest rate risk profile according to interest rate risk appetite. The level of risk is quantified based on a scoring system of the key indicators related to the interest rate risk (specified above) according to the levels recorded by them and the weights assigned according to the importance of the indicators based on historical analysis and professional expertise.

To prevent cases of non-compliance with internal limits, the Bank monitors the dynamic evolution of assets and liabilities sensitive to interest rate variations and performs simulations, forecasts, "stress testing" scenarios and so on.

Through the risk management policy, to carry out a prudential activity, characterized by the permanent monitoring and control of the level of key indicators for interest rate risk in relation to risk appetite, the Bank seeks to comply with a medium interest rate risk profile as the maximum level allowed, the profile observed during the first semester of the current year.

For interest rate risk management, in addition to the key indicators that determine the interest rate risk profile, to control this risk, the Bank monitors on a monthly/quarterly basis, as appropriate, the following level II indicators, namely:

- EVE (Economic Value of Equity) according to six standardized shock scenarios for detecting extreme values, according to EBA/GL/2022/14 Guidelines and EU Regulation 2024/857;
- The level of the profitability threshold corroborated with that of the average interest spread;
- The negative result obtained from forecasts to capture the effect of the potential change in interest rates on net interest income.

Internal regulations related to interest rate risk outside the trading book portfolio are submitted for approval to the Risk Management Committee. The following table illustrates the annual interest rates obtained or offered by the Bank for interest-bearing assets and liabilities during the first half of 2024:

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10 FINANCIAL RISK MANAGEMENT (CONTINUED)

	RON		EUR	
	Range		Range	
<u>Assets</u>	<u>Min</u>	<u>Max</u>	<u>Min</u>	<u>Max</u>
Cash and cash equivalents at central bank	0.74	0.83	0.08	0.19
Investments with National Bank of Romania	6.00	6.00	-	-
Investments with other banks	6.00	6.75	1.70	4.10
Treasury certificates	5.99	6.94	2.75	3.84
Loans and advances to customers (*)	5.35	24.6	6.85	11.78
Subordinated loans	-	10.79	-	-
Investment securities	5.95	8.90	3.65	7.63
<u>Liabilities</u>				
Deposits from banks	5.75	6.90	1.60	3.910
Deposits from customers	-	13.50	-	4.00
Borrowings from banks and other financial institutions	7.64	7.68	0.099	0.349
Subordinated liabilities	9.31	9.35	-	-

(*) During 2024, the Bank granted a grace period of up to 59 calendar days on credit cards, exclusively for the amounts paid to merchants using the credit card, from credit (non installment transactions and/or due installments posted on the account), provided that the Credit Limit used for the specific transaction cycle is paid in full. The following table illustrates the annual interest rates obtained or offered by the Bank for interest-bearing assets and liabilities during 2023:

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

(*) During 2023, the Bank granted a grace period of up to 59 calendar days on credit cards, exclusively for the amounts paid to merchants using the credit card, from credit (non installment transactions and/or due installments posted on the account), provided that the Credit Limit used for the specific transaction cycle is paid in full.

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10 FINANCIAL RISK MANAGEMENT (CONTINUED)

The following table presents the Group's and the Bank's analysis of the interest rate change as at 30 June 2024, with financial assets and liabilities classified by the earlier of the interest rate change date or the contractual maturity date.

	<u>Group</u>					<u>Non interest bearing</u>	<u>Total</u>
	<u>< 1 month</u>	<u>1 month - 3 months</u>	<u>3 months - 1 year</u>	<u>1 year- 5 years</u>	<u>> 5 years</u>		
Financial assets							
Cash and balances with central bank	18,358,055	-	-	-	-	-	18,358,055
Financial derivatives	-	-	-	-	-	1,064	1,064
Loans and advances to banks	3,083,130	15,697	10,733	83,784	-	587,978(*)	3,781,322
Loans and advances to customers	9,098,832	564,153	14,618,090	5,958,843	1,140,247	432,736(**)	31,812,901
Subordinated loans	200,493	-	-	-	-	-	200,493
Financial assets held for trading and measured at fair value through profit and loss	-	-	5,541	65,191	95,689	-	166,421
Financial assets mandatorily at fair value through profit or loss	-	-	-	-	-	20,690	20,690
Financial assets measured at fair value through other comprehensive income	1,312,786	1,624,775	12,137,464	10,049,423	2,153,914	33,692	27,312,054
Investments in debt instruments at amortized cost	-	20,032	714,240	5,940,922	3,634,486	-	10,309,680
Other financial assets	-	-	-	-	-	217,301	217,301
Total financial assets	32,053,296	2,224,657	27,486,068	22,098,163	7,024,336	1,293,461	92,179,981
Financial liabilities							
Financial derivatives	-	-	-	-	-	2,610	2,610
Deposits from banks	5,246,151	-	-	-	-	25	5,246,176
Deposits from customers	31,161,771	11,815,152	19,482,127	3,197,207	5,608,550	7,190,521 (***)	78,455,328
Subordinated liabilities	1,432,546	-	-	-	-	-	1,432,546
Borrowings from banks and other financial institutions	34,221	2,736	66,842	61,959	-	-	165,758
Debt securities issued	-	-	-	2,112,536	-	-	2,112,536
Lease liabilities	2,972	5,802	24,405	67,997	12,982	-	114,158
Other financial liabilities	-	-	-	-	-	439,134	439,134
Total financial liabilities	37,877,661	11,823,690	19,573,374	5,439,699	5,621,532	7,632,290	87,968,246
Interest rate gap	(5,824,365)	(9,599,033)	7,912,694	16,658,464	1,402,804	(6,338,829)	4,211,735

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(All amounts in RON thousand, unless otherwise specified)

	<u>Bank</u>					<u>Non interest bearing</u>	<u>Total</u>
	<u>< 1 month</u>	<u>1 month - 3 months</u>	<u>3 months - 1 year</u>	<u>1 year- 5 years</u>	<u>> 5 years</u>		
Financial assets							
Cash and balances with central bank	18,358,047	-	-	-	-	-	- 18,358,047
Financial derivatives	-	-	-	-	-	1,064	1,064
Loans and advances to banks	3,070,164	-	-	83,784	-	587,978(*)	3,741,926
Loans and advances to customers	9,098,832	564,153	14,618,090	5,958,843	1,140,247	432,736(**)	31,812,901
Subordinated loans	200,493	-	-	-	-	-	200,493
Financial assets held for trading and measured at fair value through profit and loss	-	-	5,541	65,191	95,689	-	166,421
Financial assets mandatorily at fair value through profit or loss	-	-	-	-	-	20,690	20,690
Financial assets measured at fair value through other comprehensive income	1,312,786	1,624,775	12,137,464	10,049,423	2,153,914	33,692	27,312,054
Investments in debt instruments at amortized cost	-	9,319	700,083	5,940,922	3,634,486	-	10,284,810
Financial assets held at historical cost	-	-	-	-	-	5,000	5,000
Other financial assets	-	-	-	-	-	197,743	197,743
Total financial assets	<u>32,040,322</u>	<u>2,198,247</u>	<u>27,461,178</u>	<u>22,098,163</u>	<u>7,024,336</u>	<u>1,278,903</u>	<u>92,101,149</u>
Financial liabilities							
Financial derivatives	-	-	-	-	-	2,610	2,610
Deposits from banks	5,246,151	-	-	-	-	25	5,246,176
Deposits from customers	31,163,002	11,816,452	19,489,197	3,197,207	5,608,550	7,190,521 (***)	78,465,229
Subordinated liabilities	1,432,546	-	-	-	-	-	1,432,546
Borrowings from banks and other financial institutions	34,221	2,736	66,842	61,959	-	-	165,758
Debt securities issued	-	-	-	2,112,536	-	-	2,112,536
Lease liabilities	2,972	5,802	24,405	67,997	12,982	-	114,158
Other financial liabilities	-	-	-	-	-	373,039	373,039
Total financial liabilities	<u>37,878,892</u>	<u>11,825,290</u>	<u>19,580,444</u>	<u>5,439,699</u>	<u>5,621,532</u>	<u>7,566,195</u>	<u>87,912,052</u>
Interest rate gap	(5,838,570)	(9,627,043)	7,880,734	16,658,464	1,402,804	(6,287,292)	4,189,097

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

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

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

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10 FINANCIAL RISK MANAGEMENT (CONTINUED)

The following table presents the Group's and the Bank's analysis of the interest rate change as at 31 December 2023, with financial assets and liabilities classified by the earlier of the interest rate change date or the contractual maturity date.

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

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(All amounts in RON thousand, unless otherwise specified)

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

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

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

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

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10 FINANCIAL RISK MANAGEMENT (CONTINUED)

Sensitivity analysis

Interest rate sensitivity the following table summarizes the impact on the Bank's profit or loss account and comprehensive income statement of a reasonable change in the yield curve calculated on the basis of the interest rate gap model. Based on the interest rate fluctuation in the previous year and other analyses carried out by the Bank the potentially reasonable change is shown below.

Exchange rate sensitivity: the following table summarizes the impact of a potentially reasonable change in the value in lei compared to the foreign currency in the profit or loss account and the comprehensive income statement of the Bank calculated by applying the change in monetary financial instruments denominated in foreign currencies held by the Bank as at 30 June 2024 and as at 30 June 2023.

	Total sensitivity	Sensitivity profit or loss account	Sensitivity of other comprehensive income
30 June 2024			
Interest rate +/- 0.5%	-554,939/+536,968	+/-166,700	-388,239/+370,268
Exchange rate, appreciation/ depreciation by 5% of the functional currency	-/+212,824	-/+212,824	-
30 June 2023			
Interest rate +/- 0.5%	-267,534/ +148,565	+/-92,186	-175,348/+56,379
Exchange rate, appreciation/ depreciation by 5% of the functional currency	-/+74,968	-/+74,968	-

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10 FINANCIAL RISK MANAGEMENT (CONTINUED)

As at 30 June 2024 if market interest rates had been 50 basis points higher/lower for lei and 50 basis points higher/lower for EUR and 50 basis points higher/lower for USD in the reporting period, all other variables being kept constant, the profit for the period (which includes other comprehensive income) would have been RON 554,939 thousand (30 June 2023: RON 267,339 thousand) lower respectively by RON 536,968 thousand higher (30 June 2023: RON 148,370 thousand). The impact was calculated based on average monthly balances bearing variable interest.

The impact in the Other Comprehensive Income would have been RON 388,239 thousand lower respectively by RON 370,268 thousand higher. The calculation was based on the market value as at 30 June 2024 of debt instruments measured at fair value through other comprehensive income.

As at June 30, 2024, if the leu had appreciated/depreciated by 500 basis points compared to the relevant currencies (all other variables being kept constant), the profit for the period would have been RON 212,824 thousand (30 June 2023: RON 74,947 thousand) higher/lower. The impact was calculated by applying a +/-5% higher/lower rate than the closing rate to the net position in EUR and USD.

d) Liquidity risk

Liquidity risk is a significant risk, along with the other significant risks of the financial risk management system under the conditions in which the Bank operates on developed financial markets.

Liquidity risk expresses the current or future risk of negative impact on profits and capital, determined by the Bank's inability to fulfill its obligations when they are due, having as potential causes: insufficient liquid assets, the Bank's inability to liquidate assets, the inability to obtain adequate financing.

The Bank has an adequate liquidity when, in the hypothetical unforeseen/critical situation, it is able to obtain the necessary funds immediately and at a reasonable cost, which does not affect the Bank's profitability by attracting additional sources, selling available assets, participating to the Open Market Operations organized by the NBR and so on.

The liquidity risk management policy represents the implementation within the internal regulations of the ILAAP (Internal Liquidity Adequacy Assessment Process) requirements and considers all internal liquidity adequacy assessment processes, as an EBA requirement. The policy and profile are an integral part of the regulations related to liquidity risk management, being developed to show the solidity, effectiveness, and comprehensiveness of the ILAAP, respectively the treatment of liquidity risk depending on the scale and complexity of the Bank's activities.

The policy in the field of liquidity risk management includes a decision-making structure for risk management, a model for approaching financing and liquidity assurance operations, the accepted risk profile for exposure to liquidity risk, and planning procedures according to alternative scenarios of action, including for unforeseen situations.

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10 FINANCIAL RISK MANAGEMENT (CONTINUED)

The policy regarding the internal process of assessing the adequacy of liquidity to risks seeks to integrate into the general practice of liquidity management at least the following: the liquidity planning process, maintaining an adequate level of liquidity to cover certain risks to which the Bank is likely to be subject, monitoring specific liquidity risk indicators, identifying vulnerabilities and evaluating potential dangers in a timely manner, in conjunction with permanent actions to prevent to such situations, the process of obtaining conclusions and making decisions, including in crisis conditions.

Through the liquidity risk management policy, part of a solid and specific framework for liquidity risk management, including the process of identification, assessment, monitoring, mitigation and control, the Bank aims to achieve a balanced portfolio of the Bank's assets and liabilities, which ensure both optimal/sufficient liquidity, on maturity bands, adequate management of assets and liabilities, leading to the maintenance of sufficient liquidity, including the liquidity reserve, and ensuring compliance with the risk profile accepted by the Bank.

Internal regulations related to liquidity risk are submitted for approval to the Risk Management Committee.

The table below presents financial liabilities as at 30 June 2024 based on their remaining contractual maturity. The amounts presented in the table represent undiscounted contractual cash flows, gross lending commitments and financial guarantees. Undiscounted cash flows differ from balance sheet amounts because the balance sheet amount represents discounted flows. Derivatives are included at the contractual amount payable or receivable, unless the Bank expects to close the position before the contractual maturity, in which case the instruments are presented based on estimated flows.

The table below presents the maturity analysis of non-derivative financial assets based on contractual maturities. Impaired loans are presented at book value net of adjustments for expected credit losses and based on the repayment estimate. Derivatives are presented based on contractual maturity.

When the payment amount is not fixed, the amount presented is determined based on the conditions existing at the end of the reporting period. Foreign currency payments are revalued using the closing exchange rate at the end of the reporting period.

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10 FINANCIAL RISK MANAGEMENT (CONTINUED)

30 June 2024	Group							No fixed maturity
	Carrying amount	Gross Amount Inflow/ outflow	< 1 month	1- 3 months	3 months -1 year	1 year -5 years	> 5 years	
Assets								
Cash and balances with central bank	18,358,055	18,358,055	18,358,055	-	-	-	-	-
Loans and advances to banks and public institutions	3,781,322	3,783,513	1,613,091	314,701	46,558	-	-	1,809,163
Loans and advances to customers	31,812,901	44,358,369	959,891	1,094,242	5,133,260	17,233,971	19,936,097	908
Subordinated loans	200,493	200,493	-	-	-	-	200,493	-
Financial assets held for trading and measured at fair value through profit or loss	166,421	244,457	-	-	5,737	78,372	160,348	-
Financial assets mandatory at fair value through profit or loss	20,690	20,690	-	-	-	-	-	20,690
Financial assets measured at fair value through other comprehensive income	27,312,054	30,341,801	1,315,960	1,634,360	12,355,318	11,805,839	3,196,632	33,692
Investments in debt instruments at amortized cost	10,309,680	13,107,647	-	20,321	727,451	6,984,389	5,375,486	-
Financial derivatives, out of which:								
- receivable	1,064	962,632	962,632	-	-	-	-	-
- payable	-	961,568	961,568	-	-	-	-	-
Other financial assets	<u>217,301</u>	<u>217,301</u>	<u>217,301</u>	-	-	-	-	-
Total financial assets	<u>92,179,981</u>	<u>110,633,390</u>	<u>22,465,362</u>	<u>3,063,624</u>	<u>18,268,324</u>	<u>36,102,571</u>	<u>28,869,056</u>	<u>1,864,453</u>
Liabilities								
Deposits from banks	5,246,176	5,246,325	5,246,325	-	-	-	-	-
Deposits from customers	78,455,328	79,424,016	11,998,272	28,909,214	21,615,431	1,001,749	299,254	15,600,096
Subordinated liabilities	1,432,546	2,441,570	65,092	-	195,866	780,612	1,400,00	-
Borrowings from other banks and other financial institutions	165,758	165,893	34,220	2,736	66,877	62,060	-	-
Debt securities issued	2,112,536	4,225,072	49,870	-	-	4,175,202	-	-
Financial derivatives, out of which:								
- receivable	2,610	4,402,923	4,102,909	300,014	-	-	-	-
- payable	-	4,405,533	4,105,272	300,261	-	-	-	-
Lease liabilities	114,158	125,324	2,972	5,814	24,507	69,135	22,896	-
Other financial liabilities	<u>439,134</u>	<u>439,134</u>	<u>439,134</u>	-	-	-	-	-
Total financial liabilities	<u>87,968,246</u>	<u>92,069,944</u>	<u>17,838,248</u>	<u>28,918,011</u>	<u>21,902,681</u>	<u>6,088,758</u>	<u>1,722,150</u>	<u>15,600,096</u>
Net liquidity gap	<u>4,211,735</u>	<u>18,563,446</u>	<u>4,627,114</u>	<u>(25,854,387)</u>	<u>(3,634,357)</u>	<u>30,013,813</u>	<u>27,146,906</u>	<u>(13,735,643)</u>
Loan commitments	<u>5,074,933</u>	<u>5,074,933</u>	<u>5,074,933</u>	-	-	-	-	-
Guarantee letters issued by the Bank	<u>2,112,606</u>	<u>2,112,606</u>	<u>2,112,606</u>	-	-	-	-	-

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30 June 2024	Carrying amount	Bank						> 5 years	No fixed maturity
		Gross Amount Inflow/ outflow	< 1 month	1- 3 months	3 months -1 year	1 year -5 years			
Assets									
Cash and balances with central bank	18,358,047	18,358,047	18,358,047	-	-	-	-	-	
Loans and advances to banks and public institutions	3,741,926	3,743,724	1,600,094	298,865	35,602	-	-	1,809,163	
Loans and advances to customers	31,812,901	44,358,369	959,891	1,094,242	5,133,260	17,233,971	19,936,097	908	
Subordinated loans	200,493	200,493	-	-	-	-	200,493	-	
Financial assets held for trading and measured at fair value through profit or loss	166,421	244,457	-	-	5,737	78,372	160,348	-	
Financial assets mandatory at fair value through profit or loss	20,690	20,690	-	-	-	-	-	20,690	
Financial assets measured at fair value through other comprehensive income	27,312,054	30,341,801	1,315,960	1,634,360	12,355,318	11,805,839	3,196,632	33,692	
Financial assets held at historical cost	5,000	5,000	-	-	-	-	-	5,000	
Investments in debt instruments at amortized cost	10,284,810	13,081,841	-	9,455	712,511	6,984,389	5,375,486	-	
Financial derivatives, out of which:									
- receivable	1,064	962,632	962,632	-	-	-	-	-	
- payable	-	961,568	961,568	-	-	-	-	-	
Other financial assets	197,743	197,743	197,743	-	-	-	-	-	
Total financial assets	92,101,149	110,553,229	22,432,799	3,036,922	18,242,428	36,102,571	28,869,056	1,869,453	
Liabilities									
Deposits from banks	5,246,176	5,246,325	5,246,325	-	-	-	-	-	
Deposits from customers	78,465,229	79,434,111	11,998,503	28,909,214	21,615,431	1,001,749	299,254	15,600,096	
Subordinated liabilities	1,432,546	2,441,570	65,092	-	195,866	780,612	1,400,00	-	
Borrowings from other banks and other financial institutions	165,758	165,893	34,220	2,736	66,877	62,060	-	-	
Debt securities issued	2,112,536	4,225,072	49,870	-	-	4,175,202	-	-	
Financial derivatives, out of which:									
- receivable	2,610	4,402,923	4,102,909	300,014	-	-	-	-	
- payable	-	4,405,533	4,105,272	300,261	-	-	-	-	
Lease liabilities	114,158	125,324	2,972	5,814	24,507	69,135	22,896	-	
Other financial liabilities	373,039	373,039	373,039	-	-	-	-	-	
Total financial liabilities	87,912,052	92,013,944	17,773,384	28,919,627	21,909,929	6,088,758	1,722,150	15,600,096	
Net liquidity gap	4,189,097	18,539,285	4,659,415	(25,882,705)	(3,667,501)	30,013,813	27,146,906	(13,730,643)	
Loan commitments	5,074,933	5,074,933	5,074,933	-	-	-	-	-	
Guarantee letters issued by the Bank	2,112,606	2,112,606	2,112,606	-	-	-	-	-	

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10 FINANCIAL RISK MANAGEMENT (CONTINUED)

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

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NOTES TO THE CONDENSED INTERIM CONSOLIDATED AND SEPARATE FINANCIAL INFORMATION

CONDENSED INTERIM CONSOLIDATED AND SEPARATE FINANCIAL INFORMATION AS AT 30 JUNE 2024

(All amounts in RON thousand, unless otherwise specified)

10 FINANCIAL RISK MANAGEMENT (CONTINUED)

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

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10 FINANCIAL RISK MANAGEMENT (CONTINUED)

Lending commitments are not presented based on their contractual maturity as they can be used at any time.

The Bank's management believes that, although a substantial part of the deposits have a maturity of less than three months, the diversification of these deposits in number and types of deposits, as well as the Bank's previous experience, indicate that these deposits provide a stable long-term funding source.

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

The implementation of the policy and the achievement of the liquidity risk objectives are achieved, mainly and without limitation, through the monitoring and permanent follow-up of the risk limits of key indicators (liquidity and funding indicators) and level II indicators – early warning indicators.

The observance in the liquidity risk profile is managed through the assessment of key risk indicators based on the risk appetite that the Bank assumes, in order to continue the activity on prudential and sound principles, respectively: LCR – Liquidity Coverage Ratio (on all reporting currencies); NSFR - Net Stable Funding Ratio (RON equivalent); the quick liquidity indicator (RON equivalent); Asset encumbrance to total assets indicator (RON equivalent), total Liabilities/Total equity indicator (Ron equivalent) and the % of the unencumbered securities portfolio in total unadjusted balance sheet liabilities (Ron equivalent).

Through the risk management policy and the Bank's risk profile, to carry out a prudential activity characterized by the permanent monitoring and control of the level of risk limitations for the key indicators for liquidity risk in relation to risk appetite, the Bank aims to be placed in a moderate liquidity risk profile as the maximum level allowed.

The level of risk limits accepted by the Bank for the key indicators, as well as the intervals taken into account when evaluating the values recorded by them, were established taking into account the Bank's policy regarding liquidity risk management, assessed as a significant risk, correlated with the limits regulated by the NBR/EBA, with the historical evolution of the values of these indicators, the size and structure of the assets and liabilities taken into account when determining them, the results obtained following the various forecasts made, budget provisions and so on.

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10 FINANCIAL RISK MANAGEMENT (CONTINUED)

The main level II indicators (EWI- Early Warning Indicators), quantified/assessed/monitored/analyzed, considering the Bank's strategy and based on the size of the Bank's assets and liabilities, their structure and maturities, are presented as follows:

- Liquid assets - by monitoring liquid assets, classified into the following categories: most liquid assets, less liquid assets and least liquid assets, depending on their relative level of liquidity, respectively their gradual ability to generate liquidity
- Total Government Securities divided by total Balance Sheet Assets ratio - for the purpose of monitoring the portfolio of government securities held by the Bank, significant component of the high-quality liquid assets (HQLA);
- Indicators: loans granted to non-banking customers/ deposits from non-banking customers; sight liquid assets/sight total deposits; the rate of monthly decrease of the sources from non-banking customers, loans with day past due of more than 31 days (including)/total balance sheet assets; the goal of their monitorization is to identify the emergency cases of the increase in vulnerability in terms of the liquidity position or of the financing requirement
- Forecasts of hypothetical evolution of the LCR ratio - the dynamic LCR on different time horizons in order to prevent crisis or unexpected cases;
- The weight of unpledged government securities in the total Government Securities portfolio, in order to monitor the evolution of government securities portfolio structure;
- Internal liquidity buffer/counterbalancing capacity and its share within total liabilities;
- The coverage by liquid assets and other interbank assets/placements of the financing received from the first 5 counterparties/groups of connected clients, in order to proper management of the liquidity and financing risk and to monitor any concentrations of resources.

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10 FINANCIAL RISK MANAGEMENT (CONTINUED)

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

30 June 2024	Note	Mandatorily at FVTPL	Group		FVOCI – debt instruments	FVOCI – equity instruments	At amortized cost	At historical cost	Total carrying amount
			FVTPL						
Cash and balance at central banks		-	-	-	-	18,358,055	-	18,358,055	
Derivatives financial assets		-	1,064	-	-	-	-	1,064	
Loans and advances to banks and public institutions		-	-	-	-	3,781,322	-	3,781,322	
Loans and advances to customers:		-	-	-	-	31,812,901	-	31,812,901	
- at amortized cost	10	-	-	-	-	31,812,901	-	31,812,901	
Subordinated loans		-	-	-	-	200,493	-	200,493	
Debt instruments:		20,690	166,421	27,278,362	-	10,284,810	-	37,750,283	
- measured at fair value through profit or loss		-	166,421	-	-	-	-	166,421	
- mandatorily at fair value through profit or loss		20,690	-	-	-	-	-	20,690	
- at fair value through other comprehensive income	11	-	-	27,278,362	-	-	-	27,278,362	
- at amortized cost	12	-	-	-	-	10,309,680	-	10,309,680	
Equity instruments	11	-	-	-	32,153	-	-	32,153	
Other financial assets		-	-	-	-	217,301	-	217,301	
Total financial assets		20,690	167,485	27,278,362	33,692	64,654,882	5,000	92,155,111	
Derivatives financial liabilities		-	2,610	-	-	-	-	2,610	
Deposits from banks	13	-	-	-	-	5,246,176	-	5,246,176	
Deposits from customers	14	-	-	-	-	78,455,328	-	78,455,328	
Borrowings from banks and other financial institutions	15	-	-	-	-	165,758	-	165,758	
Debt securities issued	16	-	-	-	-	2,112,536	-	2,112,536	
Subordinated liabilities	17	-	-	-	-	1,432,546	-	1,432,546	
Lease liabilities		-	-	-	-	114,158	-	114,158	
Other financial liabilities		-	-	-	-	439,134	-	439,134	
Total financial liabilities		-	2,610	-	-	87,965,636	-	87,968,246	

**NOTES TO THE CONDENSED INTERIM CONSOLIDATED AND SEPARATE
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**CONDENSED INTERIM CONSOLIDATED AND SEPARATE FINANCIAL
INFORMATION AS AT 30 JUNE 2024**

(All amounts in RON thousand, unless otherwise specified)

30 June 2024	Note	Mandatorily at FVTPL	Bank				At amortized cost	At historical cost	Total carrying amount
			FVTPL	FVOCI – debt instruments	FVOCI – equity instruments				
Cash and cash equivalents at central banks		-	-	-	-	18,358,047	-	18,358,047	
Derivatives financial assets		-	1,064	-	-	-	-	1,064	
Loans and advances to banks		-	-	-	-	3,741,926	-	3,741,926	
Loans and advances to customers:		-	-	-	-	31,812,901	-	31,812,901	
- at amortized cost	10	-	-	-	-	31,812,901	-	31,812,901	
Subordinated loans		-	-	-	-	200,493	-	200,493	
Debt instruments:		20,690	166,421	27,278,362	-	10,284,810	-	37,750,283	
- measured at fair value through profit or loss		-	166,421	-	-	-	-	166,421	
- mandatorily at fair value through profit or loss		20,690	-	-	-	-	-	20,690	
- at fair value through other comprehensive income	11	-	-	27,278,362	-	-	-	27,278,362	
- at amortized cost	12	-	-	-	-	10,284,810	-	10,284,810	
Financial assets at historical cost		-	-	-	-	-	5,000	5,000	
Equity instruments	11	-	-	-	33,692	-	-	33,692	
Other financial assets		-	-	-	-	197,743	-	197,743	
Total financial assets		<u>20,690</u>	<u>167,485</u>	<u>27,278,362</u>	<u>33,692</u>	<u>64,595,920</u>	<u>5,000</u>	<u>92,101,149</u>	
Derivatives financial liabilities		-	2,610	-	-	-	-	2,610	
Deposits from banks	13	-	-	-	-	5,246,176	-	5,246,176	
Deposits from customers	14	-	-	-	-	78,465,229	-	78,465,229	
Borrowings from banks and other financial institutions	15	-	-	-	-	165,758	-	165,758	
Debt securities issued	16	-	-	-	-	2,112,536	-	2,112,536	
Subordinated liabilities	17	-	-	-	-	1,432,546	-	1,432,546	
Lease liabilities		-	-	-	-	114,158	-	114,158	
Other financial liabilities		-	-	-	-	373,039	-	373,039	
Total financial liabilities		<u>-</u>	<u>2,610</u>	<u>-</u>	<u>-</u>	<u>87,909,442</u>	<u>-</u>	<u>87,912,052</u>	

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**CONDENSED INTERIM CONSOLIDATED AND SEPARATE FINANCIAL
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10 FINANCIAL RISK MANAGEMENT (CONTINUED)

31 December 2023	Note	Mandatorily at FVTPL	FVTPL	Group FVOCI – debt instru- ments	FVOCI – equity instru- ments	At amortized cost	At historic- al cost	Total carrying amount
Cash and balance at central banks		-	-	-	-	11,971,822	-	11,971,822
Derivatives financial assets		-	1,294	-	-	-	-	1,294
Loans and advances to banks and public institutions		-	-	-	-	8,339,661	-	8,339,661
Loans and advances to customers:	10	-	-	-	-	31,624,550	-	31,624,550
- at amortized cost		-	-	-	-	31,624,550	-	31,624,550
Debt instruments:		19,847	71,457	20,747,742	-	9,576,147	-	30,415,193
- measured at fair value through profit or loss		-	71,457	-	-	-	-	71,457
- mandatorily at fair value through profit or loss		19,847	-	-	-	-	-	19,847
- at fair value through other comprehensive income	11	-	-	20,747,742	-	-	-	20,747,742
- at amortized cost	12	-	-	-	-	9,589,903	-	9,589,903
Equity instruments	11	-	-	-	32,153	-	-	32,153
Other financial assets		-	-	-	-	86,671	-	86,671
Total financial assets		<u>19,847</u>	<u>72,751</u>	<u>20,747,742</u>	<u>32,153</u>	<u>61,612,607</u>	<u>5,000</u>	<u>82,485,100</u>
Derivatives financial liabilities		-	3,872	-	-	-	-	3,872
Deposits from banks	13	-	-	-	-	1,663,105	-	1,663,105
Deposits from customers	14	-	-	-	-	72,744,078	-	72,744,078
Borrowings from banks and other financial institutions	15	-	-	-	-	179,055	-	179,055
Debt securities issued	16	-	-	-	-	2,137,255	-	2,137,255
Subordinated liabilities	17	-	-	-	-	1,434,229	-	1,434,229
Lease liabilities		-	-	-	-	98,723	-	98,723
Other financial liabilities		-	-	-	-	358,390	-	358,390
Total financial liabilities		<u>-</u>	<u>3,872</u>	<u>-</u>	<u>-</u>	<u>78,614,835</u>	<u>-</u>	<u>78,618,707</u>

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10 FINANCIAL RISK MANAGEMENT (CONTINUED)

31 December 2023	Note	Bank		FVOCI – debt instruments	FVOCI – equity instruments	At amortized cost	At historical cost	Total carrying amount
		Mandatorily at FVTPL	FVTPL					
Cash and balance at central banks		-	-	-	-	11,971,816	-	11,971,816
Derivatives financial assets		-	1,294	-	-	-	-	1,294
Loans and advances to banks and public institutions		-	-	-	-	8,305,674	-	8,305,674
Loans and advances to customers:		-	-	-	-	31,624,550	-	31,624,550
- at amortized cost	10	-	-	-	-	31,624,550	-	31,624,550
Debt instruments:		19,847	71,457	20,747,742	-	9,576,147	-	30,415,193
- measured at fair value through profit or loss		-	71,457	-	-	-	-	71,457
- mandatorily at fair value through profit or loss		19,847	-	-	-	-	-	19,847
- at fair value through other comprehensive income	11	-	-	20,747,742	-	-	-	20,747,742
- at amortized cost	12	-	-	-	-	9,576,147	-	9,576,147
Equity instruments	11	-	-	-	32,153	-	-	32,153
Financial assets at historical cost		-	-	-	-	-	5,000	5,000
Other financial assets		-	-	-	-	79,840	-	79,840
Total financial assets		<u>19,847</u>	<u>72,751</u>	<u>20,747,742</u>	<u>32,153</u>	<u>61,558,027</u>	<u>5,000</u>	<u>82,435,520</u>
Derivatives financial liabilities		-	3,872	-	-	-	-	3,872
Deposits from banks	13	-	-	-	-	1,663,105	-	1,663,105
Deposits from customers	14	-	-	-	-	72,744,806	-	72,744,806
Borrowings from banks and other financial institutions	15	-	-	-	-	179,055	-	179,055
Debt securities issued	16	-	-	-	-	2,137,255	-	2,137,255
Subordinated liabilities	17	-	-	-	-	1,434,229	-	1,434,229
Lease liabilities		-	-	-	-	98,723	-	98,723
Other financial liabilities		-	-	-	-	329,985	-	329,985
Total financial liabilities		<u>-</u>	<u>3,872</u>	<u>-</u>	<u>-</u>	<u>78,587,158</u>	<u>-</u>	<u>78,591,030</u>

e) Capital management

The Bank's capital management objectives are a "broader" concept than the term "capital" found in the balance sheet and are represented by:

- the Bank's capital must comply with the requirements provided by national rules and those imposed by the EBA (European Banking Authority);
- the Bank's capital must ensure the Bank's activity in the following period as well, in order to ensure income for the shareholder and benefits for other affiliated parties of the Bank;
- the Bank's capital must ensure a strong base to enable the Bank's development.

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10 FINANCIAL RISK MANAGEMENT (CONTINUED)

Starting with 1 January 2014, the Bank calculates equity and equity requirements according to Regulation No. 575/2013 of the European Parliament and of the Council of 26 June 2013 regarding prudential requirements for credit institutions and investment companies and National Bank of Romania Regulation No. 5/20.12.2013 on prudential requirements for credit institutions.

Starting from 1 January 2018, the Bank exercised the option regarding the application for a 6-year transition period of the transitional measures related to the inclusion in the Bank's basic Tier 1 equity of a part of the adjustments for increased expected credit losses.

As part of the internal risk capital adequacy process, for 30 June 2024, the Bank considered maintaining a ratio of total equity that cumulatively meets the following:

- a) maintaining the global capital requirement (OCR) of 19.24%, consisting of:
- the target rates of equity due to the adjustments provided for by pillar II (Basel III), representing the SREP (TSCR) capital requirements that must be met at all times:
 - core Tier 1 equity ratio: 7.15%;
 - Tier 1 equity ratio: 9.56%;
 - total equity ratio: 12.74%.
 - the combined capital buffer requirement equal to 6.5% of the total risk exposure amount, as a result of the cumulation of the capital conservation buffer requirement (2.5%), the O-SII buffer requirement (1%), the requirement regarding the systemic risk buffer of (2%) and the requirement regarding the Countercyclical capital buffer (1%).

b) maintaining an additional capital reserve of 0.5% from the total value of the risk exposure to support possible future adjustments of the capital requirements.

With regard to capital management, the Bank evaluates the adequacy of capital to risks in accordance with the "Policy regarding the internal process of assessing the adequacy of capital to risks", the NBR regulations, the package of CRD V regulations respectively.

Thus, the Bank aims for the level of internal capital to cover both the risks for which capital requirements are regulated (credit risk, operational risk, currency risk, settlement risk and credit assessment adjustment risk) as well as for the significant risks identified by the Bank for which the regulated capital requirements are not fully covering.

From a strategic point of view, exposures are undertaken with third parties with a good financial performance rating and subject to consistent collateral coverage so that the capital required for such exposures is as low as possible.

The degree of capital adequacy is monitored monthly, any substantial deterioration generating the need to review the portfolio of exposures and, if necessary, increase the related capital.

The Bank's equity and the Bank's equity ratio are calculated in accordance with the regulations in force of the National Bank of Romania, respectively in accordance with the provisions of Regulation (EU) 575/2013.

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10 FINANCIAL RISK MANAGEMENT (CONTINUED)

For the entire first half of 2024, the Bank complied with the regulatory capital requirements indicators. The total equity ratio was above the total capital requirements of the National Bank of Romania within the SREP (Supervisory, Review and Evaluation Process) and above the global capital requirement-OCR, which also includes capital buffers. An adequate level of capital and general financial indicators was maintained, in accordance with the principles of banking prudence.

Capital management considers the evolution of capital in the medium and long term and is the basis for the foundation of the Bank's general business strategy and policy.

The Bank's targets regarding the level of equity are established in the context of certain internal factors (for example: risk and expected profit) and external factors (for example: expectations regarding the market and the macroeconomic climate, the crisis caused by the Russian-Ukrainian war and the change in the macroeconomic context) and have in mind the annual achievement of a positive financial result and its capitalization.

The internal capital requirement represents the internal capital needed to cover banking risks in order to ensure the Bank's sustainability.

As at 30 June 2024, the Bank has recorded a level of the total own funds ratio of 22.38%.

At the same time, the Bank fulfilled the MREL transitional requirement on 30.06.2024, the MREL rate level (including the applicable combined buffer amount) recorded by the Bank on 30.06.2024 being 30.01%, standing 2.70percentage points above the MREL requirement of 27.31%.

In order to comply with the MREL requirement, minimum requirement for own funds and eligible liabilities established by the resolution authority, in accordance with the provisions of Law no. 312/2015 on the recovery and resolution of credit institutions and investment firms, as well as for the modification and completion of some normative acts in the financial field, as subsequently amended and supplemented, Transposing the provisions of Directive 2019/879 of the European Parliament and of the council – BRRD2, starting with December 2022, several MREL bonds have been issued totalling 2,062.67 million.

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(All amounts in RON thousand, unless otherwise specified)

11 FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

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

	<u>Group</u>		<u>Bank</u>	
	<u>30 June 2024</u>	<u>31 December 2023</u>	<u>30 June 2024</u>	<u>31 December 2023</u>
Government bonds	27,278,362	20,747,742	27,278,362	20,747,742
Equity instruments (Note 11 b)	<u>33,692</u>	<u>32,153</u>	<u>33,692</u>	<u>32,153</u>
Total	<u>27,312,054</u>	<u>20,779,895</u>	<u>27,312,054</u>	<u>20,779,895</u>

As at June 30, 2024, the Bank entered into repo transactions with other banks, supported by financial assets measured at fair value through other elements of the comprehensive income, in the amount of RON 2,793,973 thousand (30.06.2023: RON 5,140 thousand). Securities pledged under repo contracts can be sold or repurchased by the counterparty.

The ratings for the debt securities included in the portfolio of financial assets measured at fair value through other comprehensive income are detailed in Note 10.

The evolution of the securities included in the category "Financial assets measured at fair value through other comprehensive income" is presented in the following table:

	<u>Group</u>		<u>Bank</u>	
	<u>30 June 2024</u>	<u>31 December 2023</u>	<u>30 June 2024</u>	<u>31 December 2023</u>
Opening balance at 1 January	20,747,742	10,342,981	20,747,742	10,342,981
Acquisitions	27,068,148	33,665,931	27,068,148	33,665,931
Sales and Redemptions	(20,976,739)	(23,964,202)	(20,976,739)	(23,964,202)
Accrued interest income	548,338	545,650	548,338	545,650
Interest income receivable	(119,414)	(391,183)	(119,414)	(391,183)
Foreign exchange differences	19,082	58,315	19,082	58,315
Gain/(loss) from changes in fair value, out of which:	(8,794)	490,250	(8,794)	490,250
Gain/(loss) from changes in fair value from sales	(26,391)	(16,810)	(26,391)	(16,810)
Gain/(loss) from changes in fair value from mark-to-market	17,597	507,060	17,597	507,060
Balance at the end of the period	27,278,362	20,747,742	27,278,362	20,747,742

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

b) The Bank held the following financial assets measured (equity investments) at fair value through other comprehensive income at 30 June 2024:

<u>Name</u>	<u>Nature of business</u>	<u>Country</u>	<u>Percentage held</u>	<u>Carrying amount</u>
Biroul de credit SA	Credit risk monitoring	Romania	4.74	2,743
Mătășari Holding SA	Fond for Guaranteeing Loans for Private Investors	Romania	3.10	586
TransFonD SA	Interbank transfers	Romania	2.69	9,038
SWIFT	Transfer of funds	Belgium	0.01	826
VISA Inc.	Processing card transactions	United States of America	<0.01	20,499
Total				<u>33,692</u>

The bank had the following holdings available for sale as at 31 December 2023:

<u>Name</u>	<u>Nature of business</u>	<u>Country</u>	<u>Percentage held</u>	<u>Carrying amount</u>
Biroul de credit SA	Credit risk monitoring	Romania	4.74	2,743
Mătășari Holding SA	Fond for Guaranteeing Loans for Private Investors	Romania	3.10	190
TransFonD SA	Interbank transfers	Romania	2.69	9,038
SWIFT	Transfer of funds	Belgium	<0.01	519
VISA Inc.	Processing card transactions	United States of America	<0.01	19,663
Total				<u>32,153</u>

As at 30 June 2024 and 31 December 2023, the equity investments held by the Bank were not pledged.

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12 FINANCIAL ASSETS AT AMORTIZED COST - DEBT INSTRUMENTS

	<u>Group</u>		<u>Bank</u>	
	<u>30 June</u>	<u>31 December</u>	<u>30 June</u>	<u>31 December</u>
	<u>2024</u>	<u>2023</u>	<u>2024</u>	<u>2023</u>
Government bonds	9,357,378	8,639,636	9,332,505	8,625,879
Bonds issued by credit institutions	682,640	677,553	682,640	677,553
Bonds issued by non-financial corporations	45,085	44,008	45,085	44,008
Bonds issued by local public administration	229,058	233,076	229,058	233,076
Expected credit losses	(4,481)	(4,369)	(4,478)	(4,369)
Total	10,309,690	9,589,902	10,284,810	9,576,147

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

As at 30 June 2024, investments in debt instruments at amortized cost include pledged securities in the amount of RON 82,500 thousand (31 December 2023: RON 82,500 thousand) for operations with Visa, Mastercard and Sent (electronic settlement system for small values in local currency). The counterparty cannot resell or pledge these investments.

As at 30 June 2024, investments in debt instruments at amortized cost include also pledged securities to secure the EIB loan whose fair value is RON 34,378 thousand (31 December 2023: RON 55,286 thousand). The counterparty cannot resell or pledge these investments.

In addition, as at 30 June 2024, the Bank entered into repo transactions with other banks, based on as at 30 June 2024, investments in debt instruments at amortized cost whose fair value amounts to RON 1,331,750 thousand (31 December 2023: RON 1,131,849 thousand). The securities pledged under repo agreements may be sold or repledged by the counterparty. During the first half of the financial year 2024, the Bank did not sell government bonds classified as debt instruments at amortized cost. The ratings for the debt securities included in the portfolio of financial assets at amortized cost are detailed in Note 10.

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

	<u>Group</u>		<u>Bank</u>	
	<u>30 June</u>	<u>31 December</u>	<u>30 June</u>	<u>31 December</u>
	<u>2024</u>	<u>2023</u>	<u>2024</u>	<u>2023</u>
Opening balance at 1 January	9,589,903	4,770,943	9,576,147	4,770,943
Acquisitions	882,824	4,646,820	848,724	4,633,071
Maturities	(227,580)	(13)	(204,595)	-
Accrued interest income	293,408	375,968	292,831	375,739
Interest income receivable	(231,751)	(214,054)	(231,174)	(213,825)
Foreign exchange differences	2,987	12,826	2,987	12,826
Expected credit losses	(111)	(2,609)	(110)	(2,607)
Balance at the end of the period	10,309,680	9,589,903	10,284,810	9,576,147

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13 DEPOSITS FROM BANKS

	<u>Group</u>		<u>Bank</u>	
	<u>30 June 2024</u>	<u>31 December 2023</u>	<u>30 June 2024</u>	<u>31 December 2023</u>
Sight deposits	371,799	266,176	371,799	266,176
Out of which, current accounts to other banks (LORO)	25	43	25	43
Term deposits	511,490	289,899	511,490	289,899
Repo transactions	<u>4,362,887</u>	<u>1,107,030</u>	<u>4,362,887</u>	<u>1,107,030</u>
Total	<u>5,246,176</u>	<u>1,663,105</u>	<u>5,246,176</u>	<u>1,663,105</u>

14 DEPOSITS FROM CUSTOMERS

	<u>Group</u>		<u>Bank</u>	
	<u>30 June 2024</u>	<u>31 December 2023</u>	<u>30 June 2024</u>	<u>31 December 2023</u>
Current accounts and sight deposits				
Savings passbooks – sight	611	612	611	612
Current accounts - individuals	3,752,847	3,760,615	3,752,847	3,760,615
Current accounts - legal entities and other clients	3,553,156	4,149,455	3,553,156	4,149,455
Cards – individuals, legal entities and other clients	4,826,094	4,608,834	4,826,094	4,608,834
Sight deposits – legal entities	<u>1,903,011</u>	<u>1,129,637</u>	<u>1,903,011</u>	<u>1,129,637</u>
Total current accounts and sight deposits	<u>14,035,719</u>	<u>13,649,153</u>	<u>14,035,719</u>	<u>13,649,153</u>
Term deposits and savings				
Term saving passbooks (i)	4,529	14,697	4,529	14,697
Term deposits - individuals	30,272,751	28,689,066	30,272,751	28,689,066
Term deposits - legal entities and other clients	30,305,173	26,937,029	30,305,173	26,937,029
Collateral deposits (ii)	3,836,742	3,454,827	3,836,742	3,454,827
Other term deposits	<u>10,315</u>	<u>34</u>	<u>10,315</u>	<u>34</u>
Total term deposits and savings	<u>64,429,510</u>	<u>59,095,653</u>	<u>64,429,510</u>	<u>59,095,653</u>
Total	<u>78,465,229</u>	<u>72,744,806</u>	<u>78,465,229</u>	<u>72,744,806</u>

(i) Saving passbooks are savings products in materialized form, whereby the Bank certifies the receipt from the customer of amounts of money for a fixed/indefinite period of time, with a certain interest, in which customer cash availability, the operations ordered by them, separately, in a chronological and systematic manner are recorded.

(ii) Collateral deposits are provided for:

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	<u>Group</u>		<u>Bank</u>	
	<u>30 June 2024</u>	<u>31 December 2023</u>	<u>30 June 2024</u>	<u>31 December 2023</u>
Letters of credit Administration guarantees	9,339	17,211	9,339	17,211
Consignment	146,448	143,301	146,448	143,301
Guarantee loans	2,723,098	2,528,810	2,723,098	2,528,810
Good performance guarantees for commercial contracts	825,211	664,533	825,211	664,533
Other collateral deposits	45,794	50,787	45,794	50,787
	<u>86,852</u>	<u>50,185</u>	<u>86,852</u>	<u>50,185</u>
Total	<u>3,836,742</u>	<u>3,454,827</u>	<u>3,836,742</u>	<u>3,454,827</u>

15 BORROWINGS FROM BANKS AND OTHER FINANCIAL INSTITUTION

	<u>Group</u>		<u>Bank</u>	
	<u>30 June 2024</u>	<u>31 December 2023</u>	<u>30 June 2024</u>	<u>31 December 2023</u>
European Investment Fund for the JEREMIE Initiative	2,996	4,492	2,996	4,492
European Bank for Investments (EIB)	123,574	135,375	123,574	135,375
Romanian-Swiss program	<u>39,188</u>	<u>39,188</u>	<u>39,188</u>	<u>39,188</u>
Total	<u>165,758</u>	<u>179,055</u>	<u>165,758</u>	<u>179,055</u>

Details of the contracts are presented in the financial statements as at 31 December 2023.

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DEBT SECURITIES ISSUED

	Group		Bank	
	30 June 2024	31 December 2023	30 June 2024	31 December 2023
Debt securities issued	<u>2,112,536</u>	<u>2,137,255</u>	<u>2,112,536</u>	<u>2,137,255</u>
Total	<u>2,112,536</u>	<u>2,137,255</u>	<u>2,112,536</u>	<u>2,137,255</u>

The balance of debt securities issued as at 30 June 2024, including accrued interest, is in amount of RON 2,112,536 thousand (2023: RON 2,137,255).

During 2022 and 2023 the Bank had four drawdowns of MREL eligible Senior Non-Preferred bonds (SNPs), subscribed by professional investors through private and international placements: two tranches in 2022, with maturity 30 December 2025, denominated in RON and EUR and two tranches in 2023 with maturity 07 February 2028, denominated in EUR.

The 30 December 2025 maturing bonds have a total nominal value of RON 175,350 thousand, respectively a total nominal value of EUR 97,300 thousand, bearing fixed coupon rates. According to the terms and conditions of the notes, the bonds were listed on February 17, 2023 on the regulated market of the Bucharest Stock Exchange, the BSE (the RON denominated tranche under ISIN XS2572123516 and the BSE trading symbol CECRO25, and the EUR denominated tranche under ISIN XS2572123433 and the BSE trading symbol CECRO25E). The instruments have an early redemption clause for tax reasons, regulatory reasons or at the option of the issuer (as of 30 December 2024).

The 7 February 2028 maturing bonds are denominated in EUR and were first issued on 7 February 2023 (EUR 119,300 thousand) and supplemented on 16 November 2023 (EUR 162,600 thousand), under the ISIN XS2574275280 and BSE trading symbol CECRO28E. According to the terms and conditions of the notes, the first tranche was listed on the regulated markets of Luxembourg Stock Exchange (LuxSE) on 7 February 2023 and of Bucharest Stock Exchange (BSE) on 24 February 2023; the total amount of EUR 281,900 thousand was listed after the two fungible tranches were cumulated. The instruments have an early redemption clause for tax reasons, regulatory reasons or at the option of the issuer (as of 07 February 2027) and are bearing fixed coupon rate until 07 February 2027, that becomes a variable coupon rate payable quarterly during their last year.

The CEC Bank issued bonds are eligible for MREL purposes (Minimum Requirement for Own Funds and Eligible Liabilities - MREL). The notes are issued under the base prospectus of the Bank's EMTN (Medium term Notes) Program approved by the CSSF Luxembourg (Commission de Surveillance du Secteur Financier Luxembourg) on 21 December 2022. Under the Program, the bank may issue bonds up to a total ceiling of EUR 1,500 million (or equivalent in other currencies).

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SUBORDINATED LIABILITIES

As at 30 June 2024 and 31 December 2024:

	30 June 2024	31 December 2023	30 June 2024	31 December 2023
Shareholder loan	1,432,546	1,434,229	1,432,546	1,434,229
Total	<u>1,432,546</u>	<u>1,434,229</u>	<u>1,432,546</u>	<u>1,434,229</u>

CEC BANK SA**NOTES TO THE CONDENSED INTERIM CONSOLIDATED AND SEPARATE FINANCIAL INFORMATION****CONDENSED INTERIM CONSOLIDATED AND SEPARATE FINANCIAL INFORMATION AS AT 30 JUNE 2024****(All amounts in RON thousand, unless otherwise specified)****18 SHARE CAPITAL**

As at 31 December 2023, the share capital of CEC Bank SA was RON 2,499,746 thousand. The Bank is 100% owned by the Romanian State through the Ministry of Public Finance. The issued share capital is comprised of RON 2,290,661 thousand consisting of 22,906,616 registered shares with a value of RON 100/share.

During 2024, the share capital did not change.

	Group		Bank	
	30 June 2024	31 December 2023	30 June 2024	31 December 2023
Share capital as per Trade Registry	<u>2,290,661</u>	<u>2,290,661</u>	<u>2,290,661</u>	<u>2,290,661</u>
IAS 29 inflation adjustment	<u>209,085</u>	<u>209,085</u>	<u>209,085</u>	<u>209,085</u>
Total share capital	<u>2,499,746</u>	<u>2,499,746</u>	<u>2,499,746</u>	<u>2,499,746</u>

19 INCOME TAX EXPENSE

Income tax of the interim reporting period comprises current and deferred tax.

	Group		Bank	
	30 June 2024	30 June 2023	30 June 2024	30 June 2023
Current tax expense	65,710	50,980	64,133	50,980
Deferred expense/income tax	<u>(1,638)</u>	<u>2,548</u>	<u>(1,140)</u>	<u>2,548</u>
Income tax expense for the period	<u>64,072</u>	<u>53,528</u>	<u>62,993</u>	<u>53,528</u>

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19 INCOME TAX EXPENSE (CONTINUED)

Movements in deferred tax assets are as follows:

	Group			
	1 January	Recognized in	Recognized	
	2024	profit or	in other	30 June 2024
	2024	loss	comprehensive	
		account	income	
Financial assets measured at fair value through other comprehensive income - debt instruments	45,241	-	825	46,066
Financial assets measured at fair value through other comprehensive income - investments in equity instruments	(2,604)	-	(170)	(2,774)
Revaluation reserve for land and buildings	(59,307)	976	-	(58,331)
Tangible and intangible assets - changes in accounting useful life	(1,878)	(462)	-	(2,340)
Right-of-use assets	781	(75)	-	706
Provisions and other liabilities	15,668	701	-	16,369
Deferred income tax receivables attributable to provisions	-	480	-	480
PPA's adjustments	(189)	18	-	(171)
Total	(2,288)	1,638	655	5

	Group			
	1 January	Recognized in	Recognized	
	2023	profit or	in other	30 June 2023
	2023	loss	comprehensive	
		account	income	
Financial assets measured at fair value through other comprehensive income - debt instruments	123,460	-	(48,264)	75,196
Financial assets measured at fair value through other comprehensive income - investments in equity instruments	(1,638)	-	(305)	(1,943)
Revaluation reserve for land and buildings	(61,120)	1,001	-	(60,119)
Tangible and intangible assets - changes in accounting useful life	(1,647)	(148)	-	(1,795)
Right-of-use assets	341	(35)	-	306
Provisions and other liabilities	15,668	(3,366)	-	12,302
Total	75,064	(2,548)	(48,569)	23,947

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	Bank			
	1 January	Recognized in	Recognized	
	<u>2024</u>	profit or	in other	30 June 2024
		loss	comprehensive	
		account	income	
Financial assets measured at fair value through other comprehensive income - debt instruments	45,241	-	825	46,066
Financial assets measured at fair value through other comprehensive income - investments in equity instruments	(2,604)	-	(170)	(2,774)
Revaluation reserve for land and buildings	(59,307)	976	-	(58,331)
Tangible and intangible assets - changes in accounting useful life	(1,878)	(462)	-	(2,340)
Right-of-use assets	781	(75)	-	706
Provisions and other liabilities	<u>15,668</u>	<u>701</u>	<u>-</u>	<u>16,369</u>
Total	<u>(2,099)</u>	<u>1,140</u>	<u>655</u>	<u>(304)</u>

	1 January	Recognized in	Recognized	
	<u>2023</u>	profit or	in other	30 June 2023
		loss	comprehensive	
		account	income	
Financial assets measured at fair value through other comprehensive income - debt instruments	123,460	-	(48,264)	75,196
Financial assets measured at fair value through other comprehensive income - investments in equity instruments	(1,638)	-	(305)	(1,943)
Revaluation reserve for land and buildings	(61,120)	1,001	-	(60,119)
Tangible and intangible assets - changes in accounting useful life	(1,647)	(148)	-	(1,795)
Right-of-use assets	341	(35)	-	306
Provisions and other liabilities	<u>15,668</u>	<u>(3,366)</u>	<u>-</u>	<u>12,302</u>
Total	<u>75,064</u>	<u>(2,548)</u>	<u>(48,569)</u>	<u>23,947</u>

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20 SEGMENT REPORTING

The reporting segments are presented in a manner which is consistent with the internal reporting documentation submitted to the Executive Committee.

The reporting format is based on the internal management reporting format. The items of assets and liabilities, incomes and expenses are allocated to the reporting segments either directly or based on reasonable criteria established by the management.

The reporting segment of the Bank as described below:

Corporate – are legal entities which are not SMEs according to Commission Recommendation 2003/361/EC, respectively Law nr. 346/2004.

The companies in this category usually have specific and sophisticated needs. Through its centralized and customized approach, the Bank seeks to ensure high operational efficiency, a prompt assessment of the specific needs of this type of clients in order to offer the appropriate customized solutions, but also an in-depth perspective of the risk profile in order to maintain a high quality loan portfolio.

The Corporate clients have access to an all-inclusive package of banking products and services. The incomes generated by this segment resulting from lending operations, current business operations (transaction banking, treasury, trade finance and retail products).

SME'S – the segment is represented by the economic entities defined by the Commission Recommendation 2003/361/EC, as well as Law nr. 346/2004 regarding the stimulation of SME's set up and development, with further modification and amendments. SME are defined as those enterprises which cumulatively meet the following conditions:

- a) the annual average of employees is below 250;
- b) an annual turnover not exceeding EUR 50 million, and/or an annual balance sheet total not exceeding EUR 43 million, according to the latest approved financial statements.

The SME segment comprises the largest set of companies having the most diverse types of entities, such as limited liability companies, freelancers, sole proprietorships and others.

Lending products accessed by the SME are: loans for working capital or investments, letters of guarantee, EU project co-financing, credit cards, invoice discounting or factoring.

Another important category of products refers to general operations, incoming and outgoing payments, cheques, promissory notes, FX operations, salary payment agreements or bancassurance services. Increased attention is given to the digitalization of our products and services, our clients showing more and more interest in internet & mobile banking, e-commerce, last generation POSs.

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20 SEGMENT REPORTING (CONTINUED)

Authorities of Public Local Administration - the authorities through which local autonomy is carried out in communes, cities and municipalities are: local, communal city and municipal councils, as deliberative authorities, and mayors as executive authorities. Local councils and mayors are elected under the conditions provided by the law for the election of local public administration authorities. Local councils and mayors function as authorities of the local public administration and solve public affairs in communes, cities and municipalities, under the conditions of the law. The classification is based on the NACE code of the main activity.

Lending products accessed by AAPL clients are investment loans, for financing the objectives of local interest.

Private Individuals

The Bank provide individuals with a wide range of banking products and services, including loans (consumer loans, car purchase loans, personal need loans and mortgage loans), savings and deposit accounts, payment services and securities trading.

Treasury Division

The Bank comprise in this category the treasury services which provides income streams from treasury activities, namely trading revenues, net income from financial assets held at fair value through profit or loss, as well as from interest contribution.

"Others" segment incorporates amounts that are not tracked by management at segment level (including capital).

In terms of geographical distribution, the Bank operates entirely in the Romanian territory.

As at 30 June 2024 and 30 June 2023, the Bank did not record income exceeding 10% of total incomes in relation to a single customer.

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20 SEGMENT REPORTING (CONTINUED)

The table below presents financial information per segments regarding the statement of financial position and the operating profit as at 30 June 2024, and comparative data for 2023:

30 June 2024			Bank		Treasury Division	Others	Total
	Corporate Customers	SME	AAPL	Private Individuals			
Gross loans and advances to customers	3,122,207	18,806,373	2,399,352	9,641,863	-	-	33,969,795
Expected credit losses	(312,696)	(1,620,819)	(24,718)	(198,661)	-	-	(2,156,894)
Loans and advances to customers net of provisions	2,809,511	17,185,554	2,374,634	9,443,202	-	-	31,812,901
Portfolio of Debt instruments, Equity instruments and Derivative instruments, net of provisions	-	-	-	-	37,785,039	-	37,785,039
Treasury and inter-bank operations	-	-	-	-	22,099,973	-	22,099,973
Property and equipment, investment property and Intangible assets	-	-	-	-	-	976,880	976,880
Right-of-use assets	-	-	-	-	-	111,538	111,538
Financial assets at historical cost	-	-	-	-	-	5,000	5,000
Subordinated loans	-	-	-	-	200,493	-	200,493
Other assets	-	-	-	-	-	235,166	235,166
Total assets	2,809,511	17,185,554	2,374,634	9,443,202	60,085,505	1,328,584	93,226,990
Deposits from customers and current accounts	11,410,831	8,912,527	24,201,681	39,186,366	-	-	83,711,405
Loans from banks and other financial institutions	-	-	39,188	-	126,570	-	165,758
Debt securities issued	-	-	-	-	2,112,536	-	2,112,536
Subordinated liabilities	-	-	-	-	1,432,546	-	1,432,546
Lease liabilities	-	-	-	-	-	114,158	114,158
Other liabilities	-	-	-	-	2,610	596,201	598,811
Total liabilities	11,410,831	8,912,527	24,240,869	39,186,366	3,674,262	710,359	88,135,214
Equity and related items	-	-	-	-	-	5,091,776	5,091,776
Total liabilities and equity	11,410,831	8,912,527	24,240,869	39,186,366	3,674,262	5,802,135	93,226,990

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NOTES TO THE CONDENSED INTERIM CONSOLIDATED AND SEPARATE
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CONDENSED INTERIM CONSOLIDATED AND SEPARATE FINANCIAL
INFORMATION AS AT 30 JUNE 2024

(All amounts in RON thousand, unless otherwise specified)

20 SEGMENT REPORTING (CONTINUED)

31 December 2023	Bank						Total
	Corporate Customers	SME	AAPL	Private Individuals	Treasury Division	Others	
Gross loans and advances to customers	3,266,873	18,303,213	2,553,330	9,388,441	-	-	33,511,857
Expected credit losses	(898,422)	(795,183)	(36,313)	(157,389)	-	-	(1,887,307)
Loans and advances to customers net of provisions	2,368,451	17,508,030	2,517,017	9,231,052	-	-	31,624,550
Portfolio of Debt instruments, Equity instruments and Derivative instruments, net of provisions	-	-	-	-	30,448,640	-	30,448,640
Treasury and inter-bank operations	-	-	-	-	20,277,490	-	20,277,490
Property and equipment, investment property and Intangible assets	-	-	-	-	-	972,034	972,034
Right-of-use assets	-	-	-	-	-	95,702	95,702
Financial assets at historical cost	-	-	-	-	-	5,000	5,000
Other assets	-	-	-	-	-	130,173	130,173
Total assets	2,368,451	17,508,030	2,517,017	9,231,052	50,726,130	1,202,909	83,553,589
Deposits from customers and current accounts	13,982,575	4,512,252	18,523,264	37,389,820	-	-	74,407,911
Loans from banks and other financial institutions	-	-	39,188	-	139,867	-	179,055
Debt securities issued	-	-	-	-	2,137,255	-	2,137,255
Subordinated liabilities	-	-	-	-	1,434,229	-	1,434,229
Lease liabilities	-	-	-	-	-	98,723	98,723
Other liabilities	-	-	-	-	3,872	464,102	467,974
Total liabilities	13,982,575	4,512,252	18,562,452	37,389,820	3,715,223	562,825	78,725,147
Equity and related items	-	-	-	-	-	4,828,442	4,828,442
Total liabilities and equity	13,982,575	4,512,252	18,562,452	37,389,820	3,715,223	5,391,267	83,553,589

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**CONDENSED INTERIM CONSOLIDATED AND SEPARATE FINANCIAL
INFORMATION AS AT 30 JUNE 2024**

(All amounts in RON thousand, unless otherwise specified)

20 SEGMENT REPORTING (CONTINUED)

30 June 2024	Corporate Customers	Bank			Treasury Division	Others	Total
		SME	AAPL	Private Individuals			
Net interest income	5,563	259,973	101,456	(323,634)	946,393	-	989,751
Net commission income	31,734	54,236	902	74,396	(22,391)	-	138,877
Net gain from trading	=	-	=	=	40,841	-	40,841
Net loss from financial derivatives	=	-	=	=	(19,780)	-	(19,780)
Net gain/(loss) from financial assets mandatorily measured at fair value through profit or loss	-	-	-	-	1,015	-	1,015
Net gain from the sale of financial assets measured at fair value through other comprehensive income	=	-	-	-	26,391	=	26,391
Net gain from foreign exchange differences	=	-	-	-	(9,784)	=	(9,784)
Other operating income	=	-	-	-	=	6,301	6,301
Operating income	37,297	314,209	102,358	(249,238)	962,685	6,301	1,173,612
Impairment loss on loans and advances to customers, provisions for loan commitments and financial guarantees given	(36,585)	(191,142)	11,164	(2,119)	1,359	=	(217,323)
Net loss from impairment of debt instruments	-	=	-	-	(3,483)	=	(3,483)
Losses from changes in financial assets	-	(131)	-	(22,734)	-	=	(22,865)
Staff costs	-	-	-	-	-	(282,098)	(282,098)
Depreciation and amortisation expenses	-	=	-	-	-	(71,726)	(71,726)
Other operating expenses	-	=	-	-	-	(243,581)	(243,581)
Operating expenses	(36,585)	(191,273)	11,164	(24,853)	(2,124)	(597,405)	(841,076)
Profit before tax	712	122,936	113,522	(274,091)	960,561	(591,104)	332,536
Income tax expense	-	=	=	-	-	(62,993)	(62,993)
Net Profit for the period	712	122,936	113,522	(274,091)	960,561	(654,097)	269,543

**NOTES TO THE CONDENSED INTERIM CONSOLIDATED AND SEPARATE
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(All amounts in RON thousand, unless otherwise specified)

20 SEGMENT REPORTING (CONTINUED)

30 June 2023	Bank						Total
	Corporate Customers	SME	AAPL	Private Individuals	Treasury Division	Others	
Net interest income	47,555	416,173	70,428	(160,878)	405,952	-	779,230
Net commission income	5,178	55,039	1,131	86,452	(14,373)	-	133,427
Net gain from trading	-	-	-	-	41,015	-	41,015
Net loss from financial derivatives	-	-	-	-	(47,777)	-	(47,777)
Net gain/(loss) from financial assets mandatorily measured at fair value through profit or loss	-	-	-	-	2,021	-	2,021
Net gain from the sale of financial assets measured at fair value through other comprehensive income	-	-	-	-	2,493	-	2,493
Net gain from foreign exchange differences	-	-	-	-	41,936	-	41,936
Other operating income	-	-	-	-	-	6,776	6,776
Operating income	52,733	471,212	71,559	(74,426)	431,267	6,776	959,120
Impairment loss on loans and advances to customers, provisions for loan commitments and financial guarantees given	38,698	(88,405)	(9,819)	(26,233)	(1,623)	-	(87,382)
Net loss from impairment of debt instruments	-	-	-	-	(3,436)	-	(3,436)
Staff costs	-	-	-	-	-	(267,166)	(267,166)
Depreciation and amortisation expenses	-	-	-	-	-	(62,493)	(62,493)
Other operating expenses	-	-	-	-	-	(188,891)	(188,891)
Operating expenses	38,698	(88,405)	(9,819)	(26,233)	(5,059)	(518,550)	(609,368)
Profit before tax	91,431	382,807	61,740	(100,659)	426,208	(511,774)	349,752
Income tax expense	-	-	-	-	-	(53,528)	(53,528)
Net Profit for the period	91,431	382,807	61,740	(100,659)	426,208	(565,302)	296,224

NOTES TO THE CONDENSED INTERIM CONSOLIDATED AND SEPARATE FINANCIAL INFORMATION

CONDENSED INTERIM CONSOLIDATED AND SEPARATE FINANCIAL INFORMATION AS AT 30 JUNE 2024

(All amounts in RON thousand, unless otherwise specified)

21 RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability to control the other party or to exercise significant influence over the other party in making financial or operational decisions. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form.

The nature of the related party relationships for those related parties with whom the Bank entered into significant transactions or had significant balances outstanding at 30 June 2024 is presented below. Transactions were entered into with related parties during the normal course of business at market rates.

Transactions with shareholders

The sole shareholder of the Bank is the Romanian State, represented by the Ministry of Public Finance. A number of banking transactions were initiated with the state, represented by the purchase of coupon certificates denominated in the local currency, issued by the Romanian Ministry of Public Finance. Transactions with the Ministry of Public Finance are presented in the relevant notes within these financial information (Notes 11, 12 and 17).

Transactions with management of the Bank

The Bank carried out a number of banking transactions with the Bank's management in the normal course of business.

The Group's key management compensation is presented below:

	Expenses	Accrued liability at	Expenses	Accrued liability at
	<u>2024</u>	<u>30 June 2024</u>	<u>H1 2023</u>	<u>30 June 2023</u>
<i>Short-term benefits:</i>				
- Salaries	29,669	1,159	25,057	-
- Short-term bonuses	3,241	-	-	-
<i>Bonuses upon the termination of the employment contract</i>	<u>200</u>	=	-	-
Total	<u>33,110</u>	<u>1,159</u>	<u>25,057</u>	<u>=</u>

The Bank's key management compensation is presented below:

	Expenses	Accrued liability at	Expenses	Accrued liability at
	<u>2024</u>	<u>30 June 2024</u>	<u>H1 2023</u>	<u>30 June 2023</u>
<i>Short-term benefits:</i>				
- Salaries	24,339	84	25,057	-
- Short-term bonuses	-	-	-	-
<i>Bonuses upon the termination of the employment contract</i>	<u>200</u>	=	-	-
Total	<u>24,539</u>	<u>84</u>	<u>25,057</u>	<u>=</u>

Accrued liabilities represent contributions payable until the 25th of the next month.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED AND SEPARATE FINANCIAL INFORMATION

CONDENSED INTERIM CONSOLIDATED AND SEPARATE FINANCIAL INFORMATION AS AT 30 JUNE 2024

(All amounts in RON thousand, unless otherwise specified)

21 RELATED PARTY TRANSACTIONS (CONTINUED)

Transactions with State-controlled entities

The Bank carried out a number of banking transactions with organizations or companies under the control of the Romanian State in the normal course of business. The transactions with organizations or companies controlled by the Romanian State took place in the ordinary course of business. The Bank applied the simplified treatment related to the presentation of related party transactions according to IAS 24.

At 30 June 2024, the outstanding balances with related parties were as follows:

Closing balances	Shareholder – Ministry of Finance	Key management personnel	FGCR	Other related parties
Total Assets	<u>25,231,127</u>	<u>3,824</u>	<u>9,901</u>	<u>2,603,662</u>
Out of which:				
Loans and advances to banks and public institutions (interest rate: 5.45%-5.75%)	-	-	9,901	-
Financial assets held for trading and measured at fair value through profit and loss (interest rate: 2.50%-8.75%)	166,421	-	-	-
Financial assets measured at fair value through other comprehensive income (contractual interest rate: 0%-9.57%)	15,733,446	-	-	-
Investments in debt instruments at amortized cost (contractual interest rate: 1.60%-9.57%)	9,331,260	-	-	229,028
Loans and advances – gross exposure (contractual interest rate: 0%-17.47%)	-	3,838	-	2,399,352
Adjustments for expected credit loss	-	(14)	-	(24,718)
Total liabilities	<u>1,432,546</u>	<u>9,772</u>	<u>9,901</u>	<u>30,171,215</u>
Out of which:				
Deposits (contractual interest rate: 0%-13%)	-	9,772	9,901	29,257,017
Debt securities issued (contractual interest rate: 7.5%-9%)	-	-	-	914,198
Subordinated liabilities (contractual interest rate: 9.31%-9.35%)	1,432,546	-	-	-
Contractual commitments, financial guarantees and other commitments, out of which:	<u>4,354,877</u>	<u>547</u>	<u>=</u>	<u>150,280</u>
Issued	199,727	525	-	132,487
Received	4,155,150	22	-	17,793

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CONDENSED INTERIM CONSOLIDATED AND SEPARATE FINANCIAL INFORMATION AS AT 30 JUNE 2024

(All amounts in RON thousand, unless otherwise specified)

21 RELATED PARTY TRANSACTIONS (CONTINUED)

At 31 December 2023, the outstanding balances with related parties were as follows:

<u>Closing balances</u>	<u>Shareholder – Ministry of Finance</u>	<u>Key management personnel</u>	<u>FGCR</u>	<u>Other related parties</u>
Total Assets	<u>18,543,153</u>	<u>4,821</u>	<u>728</u>	<u>8,257,181</u>
Out of which:				
Loans and advances to banks and public institutions (interest rate: 6.03%-6.05%)	-	-	728	5,507,119
Financial assets held for trading and measured at fair value through profit and loss (interest rate: 2.50%-8.25%)	71,457	-	-	-
Financial assets measured at fair value through other comprehensive income (contractual interest rate: 0%-8.75%)	9,846,969	-	-	-
Investments in debt instruments at amortized cost (contractual interest rate: 1.60%-9.75%)	8,624,727	-	-	233,045
Loans and advances – gross exposure (contractual interest rate: 2.28%-12.28%)	-	4,842	-	2,553,330
Adjustments for expected credit loss	-	(21)	-	(36,313)
Total liabilities	<u>1,434,229</u>	<u>15,224</u>	<u>728</u>	<u>25,355,587</u>
Out of which:				
Deposits (contractual interest rate: 0%-13%)	-	15,224	728	24,654,796
Debt securities issued (contractual interest rate: 7.5%-9%)	-	-	-	700,791
Subordinated liabilities (contractual interest rate: 9.84%-11.23%)	1,434,229	-	-	-
Contractual commitments, financial guarantees and other commitments, out of which:	<u>132,672</u>	<u>878</u>	<u>=</u>	<u>218,790</u>
Issued	58,214	784	-	207,822
Received	74,458	94	-	10,968

The key personnel of the Bank's management includes the following functions: Chief Balance ALM Officer (CBO), Chief Financial Officer (CFO), Chief Risk Officer (CRO), Director (Large customers Division, SME Division, Agri Division, Legal Division, Compliance Division, Contentious Division, Internal Audit Division, Antifraud and Control Division, Cards Division, Operations Division, Remote Operations Division, Arrears and Asset Recovery Division, Credit Monitoring Division, Analysis of Individual Loans Division), Head of Independent Department (Evaluation (Independent) Department). The composition of other related parties includes organizations or companies under the control of the Romanian State. The balance of the securities issued by the Ministry of Public Finance is presented in Note 11 and 12.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED AND SEPARATE FINANCIAL INFORMATION

CONDENSED INTERIM CONSOLIDATED AND SEPARATE FINANCIAL INFORMATION AS AT 30 JUNE 2024

(All amounts in RON thousand, unless otherwise specified)

21 RELATED PARTY TRANSACTIONS (CONTINUED)

The income and expense items with related parties for the period January - June 2024 were as follows:

	Shareholder - Ministry of Finance	Key management personnel	FGCR	Other related parties
Interest income	807,240	170	-	201,574
Interest expenses	(65,754)	(147)	-	(441,187)
Net impairment loss on loans and advances to customers	-	(1)	-	(11,296)
Commission income	-	-	32	(199)
Commission expenses	-	-	(32)	-

The income and expense items with related parties for the period January - June 2023 were as follows:

	Shareholder - Ministry of Finance	Key management personnel	Other related parties
Interest income	333,419	209	271,858
Interest expenses	(73,020)	(50)	(157,496)
Net impairment loss on loans and advances to customers	-	-	(11,725)
Commission income	-	-	46

In respect of the transactions with the National Bank of Romania, the Bank had the following balances:

	<u>30 June 2024</u>	<u>31 December 2023</u>
Current accounts held at National Bank of Romania	16,991,716	10,614,049

The income and expense items with NBR for the period were as follows:

	<u>30 June 2024</u>	<u>30 June 2023</u>
Interest income from current accounts held at National Bank of Romania	70,312	51,105

**NOTES TO THE CONDENSED INTERIM CONSOLIDATED AND SEPARATE
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(All amounts in RON thousand, unless otherwise specified)

22 EVENTS SUBSEQUENT TO THE BALANCE SHEET DATE

There were no significant events subsequent to June 30, 2024.

Bogdan Constantin Neacșu

General Manager / President of Executive Committee



A handwritten signature in blue ink, appearing to read "Ștefan Silviu Fota".

Ștefan Silviu Fota

Director, Accounting Department