ALPHA BANK ROMANIA S.A.

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023

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

CONTENTS **PAGE**

Deloitte Audit S.R.L.
The Mark Tower,
82-98 Calea Griviței,
Sector 1, 010735
Bucharest, Romania

T: +40 21 222 16 61
F: +40 21 222 16 60
www.deloitte.ro

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Alpha Bank Romania S.A.,
Bucharest, Romania

Report on the Audit of the Financial Statements

Opinion

1. We have audited the financial statements of Alpha Bank Romania S.A. (the Bank), with registered office in172-176, Sos. Bucuresti- Ploiesti, District 1, Bucharest, Romania, identified by unique tax registration code RO5062063, which comprise the statement of financial position as at December 31, 2023, and the income statement and statement of other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, including a summary of material accounting policies and notes to the financial statements.

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

• Total equity:	RON 2,327,249 thousand
• Net profit for the financial year:	RON 186,586 thousand

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

Basis for Opinion

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

Key Audit Matters

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

Deloitte.

<table>
<tr><th>Nature of the area of focus</th><th>How our audit addressed the key audit matter</th></tr>
<tr><td>Collective impairment of loans and advances to customers</td><td></td></tr>
<tr><td>
According to IFRS 9, the Bank accounts for credit losses and advances to customers based on expected credit losses (ECL): for a period up to 12 months for credit exposures for which the credit risk did not increase significantly since origination, and throughout the credit life time for exposures with significant increase in credit risk, as detailed in impairment policy in Note 3)q), to the financial statements.
As at 31 December 2023, the Bank registered impairment allowances in amount of RON 353,735 thousand for loans and advances to customers in gross amount of RON 16,325,192 thousand.
The Bank exercises significant professional judgement using complex models, extensive data and subjective assumptions over both when and how much to record as impairment for loans.
Because loans and advances to customers form a major portion of the Bank's assets, and due to the significance of the management professional judgments applied in classifying loans and advances to customers into various stages stipulated in IFRS 9 and determining the related impairment level, this audit area is considered a key audit matter.
Key areas of judgement included:
- utilization of historical data for determining risk parameters;
- the interpretation of the requirements to determine impairment under the application of IFRS 9, which is reflected in the expected credit loss model;
- assumptions used in the expected credit loss models to assess the credit risk related to the exposure and the expected future cash flows of the customers;
- the identification of exposures with a high level of significant deterioration in credit quality and the industries affected by the restrictions imposed as a result of current economic environment;
- potential impact on the assumptions used, increases in credit risk and impairments, and future cash flows as a result of the current social and economic conditions;
- assessment of prospective information.
</td><td>
Based on our risk assessment and industry knowledge, with the support of our credit risk experts, we have examined the impairment charges for loans receivables and evaluated the methodology applied as well as the key assumptions made by the management according to the description of the key audit matter.
Our procedures included the following elements:
1) Testing of key internal controls
We have checked the adequacy of the key processes and related key controls applied by management to ensure accuracy of impairment calculation, including:
- key controls identified to ensure quality assurance of the methodological aspects used in the development of professional judgments and the ECL models;
- key controls related to timely identification of impairment triggers and significant increase in credit risk;
- key controls to assess the debtors’ financial performance and estimate future cash flows.
For the relevant key controls identified in, we have tested the design and operating effectiveness of such controls.
2) Testing the implementation of the ECL computation methodology into the IT computation systems, including:
- test the general IT controls related to data sources and computations of ECL;
- assessment on a sample basis of the credit quality and stage allocation;
- test on a sample basis the ECL computations.
3) Obtaining and analysing the information to support the key assumptions used in:
- development of the models for the key risk parameters computation (12-month probability of default, lifetime probability of default and loss given default), including procedures on the source data quality;
- development of the expected credit loss models;
- development and adequacy of the stage allocation and the criteria used to determine the significant increase in credit risk;
- development of models to reflect the potential impact of future economic conditions in the ECL computation;
- assessment of the adequacy of the analysis and adjustments made by the management, on all the aspects pertaining to the estimation of expected credit losses, including prospective information on customers loans portfolio.
We have analysed whether the ECL material information presented in the financial statements is adequate, in accordance with the applicable IFRS requirements.
</td></tr>
</table>

Deloitte.

<table>
<tr><th>Nature of the area of focus</th><th>How our audit addressed the key audit matter</th></tr>
<tr><td>Interest and Fee Income Recognition</td><td></td></tr>
<tr><td>Refer to Notes 6 and 7 to the financial statements.

For the year ended 31 December 2023, the interest income represents RON 1,399,232 thousand and fee and commission income represents RON 188,086 thousand, the main source being loans to customers. These are the main contributors to the operating income of the Bank influencing the Bank's profitability.

While interest income is accrued over the expected life of the financial instrument using the effective interest rate, the recognition of fee income depends on the nature of the fees as follows:

• fees that are directly attributable to the financial instrument are part of the effective interest rate and accrued over the expected life of such an instrument and are presented as interest income;
• fees for services provided are recognized when service is provided and are presented as fee and commission income;
• fees for the execution of an act are recognized when the act has been completed and are presented as fee and commission income.

Revenue recognition specifics, a high volume of individually small transactions which depends on data quality of interest and fee inputs and on IT solutions for their recording, resulted in this matter being identified as a key audit matter.</td><td>We have tested the design and operating effectiveness of the key internal controls and focused on:

• interest/fee inputs on customer loans and accounts;
• recording/ changes of fees and interest rates;
• management oversight and key controls on interest and fee income, including budget monitoring;
• key IT controls relating to access rights and change management of relevant automated controls with the assistance of our IT specialists.

We performed also the following procedures with regard to interest and fees revenue recognition:

- We evaluated the material accounting policies applied by the Bank in respect of fees charged to clients to determine whether the methodology complies with the requirement of the relevant accounting standards. We have focused our testing on challenging the correct classification of:

• fees that are identified as directly attributable to the financial instrument and are part of the effective interest rate;
• fees that are not identified as directly attributable to the financial instrument.

- We assessed the completeness and accuracy of data used for the calculation of interest and fee income.
- We evaluated the mathematical formula used for accruing the relevant income over expected life of the loan.
- We have assessed the interest and fee income by building our own expectation on the revenue and compared with the actual results of the Bank.</td></tr>
</table>

Emphasis of Matter

6. We draw attention to Note 2.c) - "Going concern principle" to the financial statements, which provides details on the transaction announced on 23 Oct 2023 by Alpha Bank Group, by which Alpha Bank Romania will be sold to another banking group. Currently the transaction is subject to completion of due diligence process and all necessary regulatory approvals and consents. Our opinion is not modified in respect of this matter.

Other information – Administrators' Report

7. The administrators are responsible for the preparation and presentation of the other information. The other information comprises the Administrators' report, which includes the non-financial information declaration, but does not include the financial statements and our auditor's report thereon.

   Our opinion on the financial statements does not cover the other information and, unless otherwise explicitly mentioned in our report, we do not express any form of assurance conclusion thereon.

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

With respect to the Administrators' report, we read it and report if this has been prepared, in all material respects, in accordance with the provisions of the National Bank of Romania Order no 27/2010, articles 12-16.

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

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

b) the Administrators' report has been prepared, in all material respects, in accordance with the provisions of the National Bank of Romania Order no 27/2010, articles 12-16.

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

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

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

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

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

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

Report on Other Legal and Regulatory Requirements

Requirements for audits of public interest entities

16. We have been appointed by the General Assembly of Shareholders on 9 May 2023 to audit the financial statements of Alpha Bank Romania S.A. for the financial year ended December 31, 2023. The uninterrupted total duration of our commitment is of 7 years, covering the period from the financial year ending 31 December 2017 until the financial year ending 31 December 2023.

We confirm that:

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

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

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

Report on compliance with the Commission Delegated Regulation (EU) 2018/815 on the "European Single Electronic Format Regulatory Technical Standard" ("ESEF")

17. We have undertaken a reasonable assurance engagement on the compliance with Commission Delegated Regulation (EU) 2019/815 applicable to the financial statements included in the annual financial report of Alpha Bank S.A. as presented in the digital file which contains the unique code („LEI") 529900TKT32Z5LP7XF90 ("Digital File").

(i) Responsibilities of Alpha Bank Management and Those Charged with Governance for the Digital File prepared in compliance with ESEF

The Bank's management is responsible for preparing Digital File that complies with the ESEF. This responsibility includes:

- the design, implementation and maintenance of internal controls relevant to the application of the ESEF;

- ensuring consistency between the Digital File and the financial statements to be submitted in accordance with Order 27/2010.

Those charged with governance are responsible for overseeing the preparation of the Digital File that complies with ESEF.

(ii) Auditor's Responsibilities for the Audit of the Digital File

Our responsibility is to express a conclusion on whether the financial statements included in the annual financial report complies in all material respects with the requirements of ESEF based on the evidence we have obtained. We conducted our reasonable assurance engagement in accordance with International Standard on Assurance Engagements 3000 (Revised), Assurance Engagements Other than Audits or Reviews of Historical Financial Information (ISAE 3000) issued by the International Auditing and Assurance Standards Board.

Deloitte.

Our firm applies International Standard on Quality Management 1 (“ISQM1”), and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

A reasonable assurance engagement in accordance with ISAE 3000 involves performing procedures to obtain evidence about compliance with ESEF. The nature, timing and extend of procedures selected depend on the auditor’s judgment, including the assessment of the risks of material departures from the requirements set out in ESEF, whether due to fraud or error. A reasonable assurance engagement includes:

- obtaining an understanding of the process for preparation of the Digital File in accordance with ESEF, including relevant internal controls;

- reconciling the digital file with the audited financial statements of the Bank to be submitted in accordance with Order 27/2010;

- evaluate if financial statements contained in the annual report have been prepared in a valid XHTML format.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

Conclusion

In our opinion, the financial statements for the year ended 31 December 2023 included in the annual financial report presented in the Digital File complies in all materials respects with the requirements of ESEF. In this section, we do not express an audit opinion, review conclusion or any other assurance conclusion on the financial statements. Our audit opinion relating to the financial statements of the Company for the year ended 31 December 2023 is set out in the “Report on the audit of the financial statements” section above.

Claudiu Ghiurluc, Audit Partner

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

Registered in the Electronic Public Register of Financial Auditors and Audit Firms under no. AF 3113

On behalf of:

DELOITTE AUDIT S.R.L.

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

The Mark Building, 84-98 and 100-102 Calea Grivitei, 9th Floor, District 1
Bucharest, Romania
March 15, 2024

	Note	Year ended 31 December 2023 RON'000	Year ended 31 December 2022 RON'000
Interest and similar income	**6**	1,399,232	880,724
Interest expense	**6**	(691,587)	(300,321)
Net interest income		**707,645**	**580,403**
Fee and commission income	**7**	188,086	167,458
Fee and commission expense	**7**	(49,517)	(37,192)
Net fee and commission income		**138,569**	**130,266**
Dividend income		1,884	1,561
Gains less losses from derecognition of financial assets measured at amortised cost	**9**	421	3,495
Gains less losses on financial transactions	**8**	47,822	34,718
Other income		5,877	2,871
Net income		**902,218**	**753,314**
General administrative expenses	**12**	(297,774)	(260,601)
Staff costs	**11**	(266,381)	(234,007)
Depreciation and amortization	**17**	(75,791)	(73,380)
Impairment losses and provisions to cover credit risk	**10**	(43,489)	(34,382)
Total expenses		**(683,435)**	**(602,370)**
Profit before tax		**218,783**	**150,944**
Income tax expense	**26**	(32,197)	(22,006)
Net profit for period		**186,586**	**128,938**

The financial statements were authorized for issue by the Board of Directors on 12th of March 2024 and were signed on its behalf by:

Sergiu Oprescu
Executive President

Ilias Malioukis
Executive Financial Vice-president

	Year ended 31 December 2023 RON'000	Year ended 31 December 2022 RON'000
Net profit for the period	**186,586**	**128,938**
Other comprehensive income:		
Items that may be reclassified to profit or loss		
Net change in reserves of investment securities at fair value through other comprehensive income	27,213	(32,296)
Income tax	(4,332)	6,846
Total amount that may be reclassified to profit or loss, after income tax	**22,881**	**(25,450)**
Amounts that will not be reclassified to profit or loss		
Gains/(Losses) from equity instruments at fair value through other comprehensive income	-	-
Income tax	-	-
Total amount that will not be reclassified to profit or loss, after income tax	-	-
Other comprehensive income, net of tax	**22,881**	**(25,450)**
Total comprehensive income	**209,467**	**103,488**

The financial statements were authorized for issue by the Board of Directors on 12th of March 2024 and were signed on its behalf by:

Sergiu Oprescu
Executive President

Ilias Malioukis
Executive Financial Vice-president

	Note	31 December 2023 RON'000	31 December 2022 RON'000
ASSETS			
Cash and balances with National Bank of Romania	**13**	3,481,472	2,696,848
Derivative financial assets	**18**	-	1,632
Due from other banks	**14**	1,634,528	1,902,569
Investment securities measured at fair value through other comprehensive income	**15**	664,136	781,366
Investment securities measured at amortised cost	**15**	1,308,233	732,558
Investment securities measured at fair value through profit and loss account	**15**	28,762	23,611
Loans and advances to customers	**16**	15,971,457	14,578,773
Investment property	**17**	29,853	30,603
Property and equipment	**17**	272,278	252,736
Goodwill and other intangible assets	**17**	57,097	33,528
Deferred tax assets	**26**	12,269	14,897
Other assets	**19**	110,940	81,499
TOTAL ASSETS		**23,571,025**	**21,130,620**
LIABILITIES AND EQUITY			
Due to banks	**20**	1,222,730	2,156,564
Derivative financial liabilities	**18**	6,244	43,153
Due to customers	**21**	17,732,370	14,978,986
Debt securities issued and other borrowed funds	**22**	1,640,781	1,277,774
Subordinated debt	**23**	248,861	247,430
Provisions	**24**	52,227	48,216
Other liabilities	**25**	340,563	260,715
Total liabilities		**21,243,776**	**19,012,838**
Share capital	**27**	983,145	983,145
Reserves	**28**	185,906	152,087
Retained earnings		1,158,198	982,550
Total equity		**2,327,249**	**2,117,782**
TOTAL LIABILITIES AND EQUITY		**23,571,025**	**21,130,620**

The financial statements were authorized for issue by the Board of Directors on 12th of March 2024 and were signed on its behalf by:

Sergiu Oprescu
Executive President

Ilias Malioukis
Executive Financial Vice-president

(all amounts are expressed in RON thousand ("RON '000"), unless otherwise stated)

	Share capital	Reserves	Retained earnings	Total
Balance as at 01 January 2022	**983,145**	**169,989**	**861,160**	**2,014,294**
Changes for the period 1.1.-31.12.2022				
Net profit for the period	-	-	128,938	**128,938**
Other comprehensive income recognised directly in equity, after income tax	-	(25,450)	-	**(25,450)**
Total other comprehensive income, net of income tax	**-**	**(25,450)**	**128,938**	**103,488**
Appropriation of legal reserves	-	7,548	(7,548)	**-**
Balance as at 31 December 2022	**983,145**	**152,087**	**982,550**	**2,117,782**
Balance as at 01 January 2023	**983,145**	**152,087**	**982,550**	**2,117,782**
Changes for the period 1.1.-31.12.2023				
Net profit for the period	-	-	186,586	**186,586**
Other comprehensive income recognised directly in equity, after income tax	-	22,881	-	**22,881**
Total other comprehensive income, net of income tax	**-**	**22,881**	**186,586**	**209,467**
Appropriation of legal reserves	-	10,938	(10,938)	**-**
Balance as at 31 December 2023	**983,145**	**185,906**	**1,158,198**	**2,327,249**

The financial statements were authorized for issue by the Board of Directors on 12th of March 2024 and were signed on its behalf by:

Sergiu Oprescu
Executive President

Ilias Malioukis
Executive Financial Vice-president

(all amounts are expressed in RON thousand ("RON '000"), unless otherwise stated)

	Note	Year ended 31 December 2023	Year ended 31 December 2022
Cash flow from operating activities			
Profit before taxation		218,783	150,944
Adjustments:			
Impairment losses and provisions to cover credit risk	**10**	51,843	40,132
Dividend		(1,884)	(1,561)
Depreciation and amortization	**17**	75,791	73,380
Fixed assets written-off and losses from sales of tangible assets	**17**	845	993
Loss from sales of assets recovered from customers		-	279
Fair value loss/(gain) on financial assets at fair value through profit or loss		(5,815)	1,296
Additions of right-of-use assets*	**17**	(55,807)	(61,139)
Other adjustments**		38,634	102,058
Operating profit before changes in operating assets and liabilities		**322,390**	**306,382**
Changes in operating assets:			
Decrease/(increase) in amounts due from other banks		(480,119)	2
Decrease/(increase) in loans and advances to customers		(1,437,585)	(1,638,106)
Decrease/(increase) in other assets		(26,813)	(6,739)
Total changes in operating assets		**(1,944,517)**	**(1,644,843)**
Changes in operating liabilities			
(Decrease)/increase in amounts due to banks		(936,403)	529,019
(Decrease)/increase in amounts due to customers		2,692,328	1,312,174
(Decrease)/increase in other liabilities		106,130	55,509
Total changes in operating liabilities		**1,862,055**	**1,896,702**
Net cash from operations		**239,928**	**558,241**
Income tax paid		(12,529)	-
Net cash flows from operating activities		**227,399**	**558,241**
Cash flow from investing activities			
Purchase of property and equipment and intangibles	**17**	(63,190)	(47,245)
Addition of investment property	**17**	-	(30,665)
Proceeds from sale of property and equipment		13	77
Proceeds from maturiting of amortised cost securities		366,649	298,225
Purchase of amortised cost securities		(940,179)	(778,585)
Proceeds from sale/maturities of FVOCI securities		470,026	987,573
Purchase of FVOCI securities		(319,252)	(456,304)
Dividends received		1,884	1,561
Net cash flows from investing activities		**(484,049)**	**(25,363)**

(all amounts are expressed in RON thousand ("RON '000"), unless otherwise stated)

	Note	Year ended 31 December 2023	Year ended 31 December 2022
Cash flow from financing activities			
Repayments of lease liabilities	**25**	(51,224)	(50,734)
Cash proceeds from other long term borrowings	**22**	373,095	247,370
Repayments of other borrowed funds	**22**	(39,857)	(39,857)
Net cash flows from financing activities		**282,014**	**156,779**
Effect of exchange rate differences on cash and cash equivalents		8,618	(9,286)
Net increase / (decrease) in cash and cash equivalents		**33,982**	**680,371**
Cash and cash equivalents at 1 January	**33**	4,590,904	3,910,533
Cash and cash equivalents at 31 December	**33**	**4,624,886**	**4,590,904**
Interest received		1,386,652	863,994
Interest paid		604,675	218,738

**For the year 2022 an amount of RON 61,139 was reclassified from cash flow from investing activities ("purchase of property and equipment and intangibles" position) to cash flow from operating activities ("additions in right of use assets" position) in order to adequately reflect this amount in accordance with its nature.*
***Other adjustments as at 31 December 2023 include mainly accrued interest RON 74.3 million, mainly from due to customers and debt securities issued and other borrowed funds (31 December 2022: RON 64.9 million, mainly from due to customers and loans and advances to customers).*

The financial statements were authorized for issue by the Board of Directors on 12th of March 2024 and were signed on its behalf by:

Sergiu Oprescu
Executive President

Ilias Malioukis
Executive Financial Vice-president

1. REPORTING ENTITY

Alpha Bank Romania SA (the "Bank") was incorporated in Romania in 1994 and is licensed by the National Bank of Romania to conduct banking activities. The Bank is principally engaged in wholesale and retail banking operations in Romania. Currently, the Bank operates through its head office located in Bucharest and 131 branches (31 December 2022: 133). As of 31 December 2023, 35 were located in Bucharest (31 December 2022: 37) and 96 in other cities in Romania (31 December 2022: 96).

The LEI Code (Legal Entity Identifier) of the Bank is 529900TKT32Z5LP7XF90 and the registered office is:

Alpha Bank Romania SA
Bucuresti-Ploiesti Road no 172-176, District 1
Platinum Business & Convention Center Building, 4th floor
Bucharest
Romania

As of 31 December 2023, the members of Board of Directors were as follows:

- Mr. Christos Giampanas, Chairman
- Mr. Sergiu Bogdan Oprescu, Member and Executive President
- Mr. Nikolaos Zagorisios, Member
- Mrs. Mariana Antoniou, Member
- Mr. Georgios Michalopoulos, Member
- Mrs. Anastasia Sakellariou, Member
- Mrs. Cristina Reichmann, Independent Member
- Mr. Radu Gheorghe Deac, Independent Member
- Mrs. Sorana-Rodica Baciu, Independent Member

The Bank serves a broad client base that includes corporations and individuals and offers banking services to local and international entities which include but are not limited to wholesale and retail banking operation, issuing of cards under the VISA and MasterCard network, mortgage and consumer loans, money transfers, trade finance.

The number of employees as at 31 December 2023 was 2,085 (31 December 2022: 2,063).

Alpha Services and Holdings S.A., the ultimate parent company of the Bank, based in Greece, 40 Stadiou Street 102 52 Athens, prepares a set of consolidated financial statements in accordance with International Financial Reporting Standards as endorsed by the European Union for the year ended 31 December 2023, available on the following web site: www.alphaholdings.gr.

As at 31 December 2023 and 31 December 2022, the Bank had no subsidiaries.

2. BASIS OF PRESENTATION

a) Statement of compliance

These financial statements relate to the financial year ended 31 December 2023 and they have been prepared in accordance with International Financial Reporting Standards (IFRS) as endorsed by the European Union, in accordance with Regulation 1606/2002 of the European Parliament and the Council of the European Union on 19 July 2002 and sanctioned by the Order no. 27/2010 for the approval of accounting regulations in accordance with International Financial Reporting Standards with subsequent amendments and additions, issued by National Bank of Romania.

The accounts of the Bank are maintained in RON.

b) Basis of measurement

The financial statements of the Bank have been prepared on the historical cost basis. However, some assets and liabilities are measured at fair value. Those assets are the following:

- Derivative financial instruments
- Investment securities measured at fair value through other comprehensive income
- Investment securities measured at fair value through profit or loss.

c) Going concern principle

The Bank applied the going concern principle for the preparation of the financial statements as at 31.12.2023.

For the application of this principle, the Bank takes into consideration current economic developments in order to make projections for future economic conditions of the environment in which it operates. The main factors that are assessed regarding the application of this principle relate to the economic environment in Romania and Europe (especially in Greece where the Parent is located), as well as Bank’s liquidity (note 4 f) and capital adequacy (note 30).

In 2023 Romanian economy grew slower than in the previous year (by 2.1% y-o-y according to the flash estimates vs. 4.1% y-o-y in 2022). Inflation, although declining, remained high all over the year, moderating internal demand, while the fragility of the main commercial partners from EU put a break on the external demand.

The prospects of tightened fiscal measures generated a saving trend among consumers in the second half of the year despite declining inflation to 6.6% in December 2023 from 16.37% in December 2022 and improved purchasing power. The labor market has relaxed. Although the average annual unemployment rate remained almost similar to that of 2022 (5.5% vs 5.6%), the vacancy rate declined.

The twin deficit persisted in 2023. While the consolidated budget deficit increased by 11% y-o-y, the current account deficit declined by 12.9% y-o-y in 2023. The net capital inflows exceeded the current account deficit (EUR 22.7 billion) and allowed the increase of international reserves by EUR 13.2 billion, double the increase registered in 2022 (EUR 6.6 billion). In 2023 the current account deficit was financed in a proportion of 58% with capital inflows that do not generate debt (EUR 6.5 billion equity and investments fund shares and EUR 6.6 billion capital transfers) up from 52% in 2022.

The economy’s growth is expected to continue in 2024. The current GDP growth estimations range between 3.3% at the World Bank and 3.1% at the European Commission. The tight monetary policy, the expected fiscal consolidation (the budget deficit target is set to 5% of GDP, down from 5.7% of GDP in 2023), and the weak external demand are the main moderating factors. Inflation is expected to reduce speed, mainly due to the slowdown of energy and commodity prices and the moderation of demand. The National Bank of Romania’s current estimation for the end year annual inflation is 4.7% (Inflation Report, February 2024).

2. BASIS OF PRESENTATION (CONTINUED)

c) Going concern principle (continued)

In Greece the growth momentum during the first nine months of 2023 reflects the resilience of the Greek economy in the face of the challenges it faced, such as the unstable international environment, inflationary pressures, the increased interest rates of the European Central Bank, the slowdown of the European economy as well as the natural disasters in Greek territory during the third quarter, and especially the disastrous floods in Thessaly. According to the latest available data from ELSTAT (December 2023), the real GDP in the first nine months of 2023 increased by 2.2% on an annual basis, at a rate more than triple compared to the Eurozone (0.6%) and one of the highest among the countries of the European Union (EU-27). Economic growth was driven primarily by investment, which increased by 7.4% in the first nine months of the year compared to the same period last year, contributing 1 percentage point (p.p.) to the annual GDP growth rate. Regarding the analysis of investments by category, investments in housing and transportation equipment increased at a strong rate, by 40.2% and 21.8% respectively, while investments in non-residential constructions by 5.5% and other investments by 4.1%.

GDP growth is expected to strengthen in 2024, boosted by the gradual normalization of inflationary pressures. In addition, the implementation of investments within the framework of the Recovery and Resilience Fund (EUR 3.6 billion) and the Public Investment Program (EUR 8.6 billion) and the expected increase in Foreign Direct Investments (FDI) are estimated to contribute to strengthening economic activity in 2024. The International Monetary Fund (World Economic Outlook, October 2023), the European Commission (European Economic Forecast, Autumn, November 2023) and the Organization for Economic Co-operation and Development (OECD Economic Outlook, November 2023) predict an increase of GDP by 2.5%, 2.4% and 2.4% for 2023, while the Ministry of Finance (Recommended Budget Report 2024, November 2023) by 2.4% respectively. As for 2024, the same organizations predict positive economic growth rates between 2% and 2.9%.

On 23.10.2023, the Alpha Bank Group announced its strategic partnership with UniCredit S.p.A. that involves among others, the sale of the Romanian entities, Alpha Bank Romania, Alpha Leasing Romania S.A. and Alpha Insurance Brokers S.R.L. to the UniCredit Group. The Group is expected to receive a cash consideration and a 9.9% stake in the combined entity of the Alpha Bank Romania and the Romanian subsidiary of UniCredit Group, named UniCredit Bank S.A.. Currently the transaction is subject to the completion of a due diligence process, corporate approvals for the merger and all necessary regulatory approvals and consents, including on anti-trust.

Based on the above and considering:

- the solid capital and liquidity position (please see note 4.f and note 30) that will sustain the bank's activity under adverse conditions.
- the actions taken by the Bank to enhance efficiency and profitability,
- the fact that any impact on the Bank's financial result from inflation and increase in base rates is expected to be positive as it is estimated that the higher performance of operating income, as a result of the balance sheet structure, will exceed the expected increases in operating expenses,
- the expected positive growth rate of the Romanian and Greek Economy despite the adverse effects caused by inflationary pressures mainly in terms of energy prices and additionally the implementation of the National Recovery and Resilience Plan,
- that even though the prolonged duration as well as the possible evolution of the Russia and Ukraine war conflict and recent developments in Middle East may adversely affect the macroeconomic environment, the Bank has very limited and immaterial exposure to Russian and Ukrainian economy, as well as significant buffers of capital adequacy and liquidity,

The Board of Directors of Bank estimates that, at least for the next 12 months from the date of approval of the financial statements, the conditions for the application of the going concern principle for the preparation of its financial statements are met.

(all amounts are expressed in RON thousand (“RON ’000”), unless otherwise stated)

2. BASIS OF PRESENTATION (CONTINUED)

d) Functional and presentation currency

The Bank’s management considers that the functional currency, as defined by IAS 21 “The Effects of Changes in Foreign Exchange Rates” is RON. The financial statements are presented in Romanian Lei (“RON”), rounded to the nearest thousand, unless otherwise indicated.

The exchange rates of the major foreign currencies were:

Currencies	31 December 2023	31 December 2022	% Increase/(Decrease)
Euro (EUR)	1: RON 4.9746	1: RON 4.9474	0.55 %
US Dollar (USD)	1: RON 4.4958	1: RON 4.6346	(2.99) %

e) Use of estimates and judgments

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

The estimates and judgments applied by the Bank in preparing the financial statements are based on historical information and assumptions which at present are considered appropriate. The estimates and assumptions are reviewed on an ongoing basis to take into account the current conditions, and the effect of any revisions of the accounting estimates is recognised in the period in which the estimate is revised.

Key sources of estimation uncertainty and judgments used by the Bank in the context of applying its accounting principles and which have a significant impact on the amounts recognised in the financial statements are presented below.

Assessment of whether contractual cash flows of a debt financial instrument represent solely payments of principal and interest on the principal amount outstanding (SPPI)

The Bank, at initial recognition of a debt financial asset, assesses whether the cash flows are solely payments of principal and interest on the principal amount outstanding. The assessment requires judgement mainly on:

- Whether the contractual terms that affect the performance of the instrument relate solely to credit risk, other basic lending risks and profit margin,
- Whether in case of prepayment or extension the compensation received is considered fair,
- Whether there is a non-recourse feature for loans granted to special purpose entities.

The assessment is based on specific index thresholds as well as on the evaluation of the capital adequacy and of the collaterals that are not related to the asset being financed.

Methodologies and models for expected credit losses (ECL) calculation

The Bank, in the context of the application of its accounting policies for the measurement of the expected credit losses makes judgments in order to identify:

- the choice of appropriate methodologies for expected credit loss calculation (expected credit loss calculation on an individual or on a collective basis),
- the choice and development of appropriate models used to calculate the exposure at default by financial instrument category (EAD), the probability of default (PD), the estimated expected credit loss at the time of default (LGD), and the choice of appropriate parameters and economic forecasts used,
- the choice for post-model adjustments;

2. BASIS OF PRESENTATION (CONTINUED)

e) Use of estimates and judgments (continued)

- the grouping of financial assets based on similar credit risk characteristics.

The measurement of expected credit losses requires the use of complex models and significant estimates of future economic conditions and credit behavior, taking into account the events that have occurred until reporting date. The significant estimates relate to:

- the determination of the alternative macroeconomic scenarios and the cumulative probabilities associated with these scenarios,
- the probability of default during a specific time period based on historical data, the assumptions and estimates for the future,
- the determination of the expected cash flows and the inflows from the liquidation of collaterals.

Income Tax

The recognition of assets and liabilities for current and deferred tax is affected by factors such as the practical implementation of the relevant legislation and the settlement of disputes that might exist with tax authorities etc. Future tax audits and changes in tax legislation may result in the adjustment of the amount of assets and liabilities for current and deferred tax and in tax payments other than those recognised in the financial statements of the Bank.

Impairment losses of non – financial assets

The Bank, at each year-end balance sheet date, tests for impairment the non–financial assets, and in particular property, plant and equipment, right-of-use assets, intangible assets and investment property. Internal estimates are used to a significant degree to determine the recoverable amount of the assets, i.e. the higher between fair value less costs to sell and the value in use.

Provisions and contingent liabilities

The Bank recognises provisions when it estimates that it has a present legal or constructive obligation that can be estimated reliably, and it is almost certain that an outflow of economic benefits will be required to settle the obligation. In contrast, when it is possible that an outflow of resources will be required, or when the amount of liability cannot be measured reliably, the Bank does not recognise a provision but it provides disclosures for contingent liabilities, taking into consideration their materiality. The estimation for the probability of the outflow as well as for the amount of the liability are affected by factors which are not controlled by the Bank, such as court decisions, the practical implementation of the relevant legislation.

The amounts recognised by the Bank in its financial statements as provisions are derived from the best estimate of the outflow required to settle the present obligation. This estimate is determined by Management after taking into account experience from relevant transactions and in some cases expert reports. In case the amount recognised as a provision is affected by a variety of factors, its calculation is based on the weighting of all possible results.

At each balance sheet date, provisions are revised to reflect current best estimated of the obligation.

Fair value of financial instruments

The Bank measures fair values using the fair value hierarchy that reflects the significance of the inputs used in making the measurements (refer to note 3.k).

Availability of observable market prices and model inputs reduces the need for management judgment and estimation and also reduces the uncertainty associated with determination of fair values. Availability of observable market prices and inputs varies depending on the products and markets and is prone to changes based on specific events and general conditions in the financial markets.

2. BASIS OF PRESENTATION (CONTINUED)

e) Use of estimates and judgments (continued)

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The management uses its judgment to select the valuation method and make assumptions that are mainly based on market conditions existing at each balance sheet date.

Valuation models that employ significant unobservable inputs require a higher degree of management judgment and estimation in determination of fair value. Management judgment and estimation are usually required for selection of the appropriate valuation model to be used, determination of expected future cash flows on the financial instrument being valued, determination of probability of counterparty default and prepayments and selection of appropriate discount rates.
In determining fair values, the Bank uses averages of reasonably possible alternative inputs. When alternative assumptions are available within a wide range, judgments are exercised for the evaluation of the sources quality and selection of the most appropriate point in the range (for example, the experience and expertise of the brokers providing different quotes within a range, giving greater weight to a quote from the original broker of the instrument who has the most detailed information about the instrument). The availability of corroborating evidence in respect of some inputs within the range is also assessed.

f) Adoption of new and amended Standards

All changes in accounting policies represent the effect of changes in relevant International Financial Reporting Standards as endorsed by the European Union.

The accounting policies for the preparation of the financial statements have been consistently applied by the Bank to the year 2022 and 2023 after taking into account the following amendments to standards adopted by the European Union and applied from 1.1.2023:

- **International Financial Reporting Standard 17** "Insurance Contracts" and **Amendment to International Financial Reporting Standard 17** "Insurance Contracts" (Regulation 2021/2036/19.11.2021).

On 18.5.2017 the International Accounting Standards Board issued IFRS 17 which replaces IFRS 4 "Insurance Contracts". In contrast to IFRS 4, the new standard introduces a consistent methodology for the measurement of insurance contracts. The key principles in IFRS 17 are the following:

An entity:

• identifies as insurance contracts those contracts under which the entity accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event adversely affects the policyholder;

• separates specified embedded derivatives, distinct investment components and distinct performance obligations from the insurance contracts;

• divides the contracts into groups that it will recognise and measure;

• recognises and measures groups of insurance contracts at:

i. a risk-adjusted present value of the future cash flows (the fulfilment cash flows) that incorporates all of the available information about the fulfilment cash flows in a way that is consistent with observable market information; and

ii. an amount representing the unearned profit in the group of contracts (the contractual service margin);

• recognises the profit from a group of insurance contracts over the period the entity provides insurance cover, and as the entity is released from risk. If a group of contracts is or becomes loss-making, an entity recognises the loss immediately;

2. BASIS OF PRESENTATION (CONTINUED)

f) Adoption of new and amended Standards (continued)

• presents separately insurance revenue, insurance service expenses and insurance finance income or expenses; and

• discloses information to enable users of financial statements to assess the effect that contracts within the scope of IFRS 17 have on the financial position, financial performance and cash flows of an entity.

On 25.6.2020 the International Accounting Standards Board issued an amendment to IFRS 17 which aimed to ease implementation of the standard and make it easier for entities to explain their financial performance. Additionally, with the amendment the effective date of the standard was postponed to 1.1.2023.

Finally, it is noted that under the Regulation of the European Union that adopted above standard, an entity may choose not to apply paragraph 22 of the standard, in accordance with which an entity shall not include contracts issued more than one year apart in the same group, to:

(a) groups of insurance contracts with direct participation features and groups of investment contracts with discretionary participation features and with cash flows that affect or are affected by cash flows to policyholders of other contracts;

(b) groups of insurance contracts that are managed across generations of contracts and that meet the conditions laid down in Article 77b of Directive 2009/138/EC and have been approved by supervisory authorities for the application of the matching adjustment.

IFRS 17 does not apply to the financial statements of the Bank.

- **Amendment to International Financial reporting Standard 17:** "Insurance Contracts": Initial Application of IFRS 17 and IFRS 9 – Comparative information (Regulation 2022/1491/8.9.2022).

On 9.12.2021 the International Accounting Standards Board issued an amendment to IFRS 17 according to which entities are permitted on initial application of IFRS 17 to classify financial assets in the comparative period in a way that aligns with how the entity would classify them on IFRS 9 transition. The amendment specifies how this option is applied depending on whether the entity applies IFRS 9 for the first time at the same time as IFRS 17 or whether it has already applied it in a previous period.

The above amendment does not apply to the financial statements of the Bank.

- **Amendment to the International Accounting Standard 1** "Presentation of Financial Statements": Disclosure of accounting policies (Regulation 2022/357/2.3.2022).

On 12.2.2021 the International Accounting Standards Board issued an amendment to IAS 1 with which it clarified that:

- An entity shall disclose material accounting policy information. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of financial statements make.
- Accounting policy information that relates to immaterial transactions is immaterial and need not be disclosed. Accounting policy information may nevertheless be material because of the nature of the related transactions even if the amounts are immaterial. However, not all accounting policy information relating to material transactions and other events is itself material.
- Accounting policy information is material if users of an entity's financial statements would need it to understand other material information in the financial statements.
- Accounting policy information that focuses on how an entity has applied an accounting policy is more useful to users of financial statements than standardized information or

2. BASIS OF PRESENTATION (CONTINUED)

f) Adoption of new and amended Standards (continued)

information that only summarizes the requirements of IFRSs.
- If an entity discloses immaterial accounting policy information, such information shall not obscure material accounting policy information.

The above amendment has been considered in the financial statements of the Bank.

- **Amendment to the International Accounting Standard 8** "Accounting Policies, Changes in Accounting Estimates and Errors": Definition of accounting estimates (Regulation 2022/357/2.3.2022).

On 12.2.2021 the International Accounting Standards Board issued an amendment to IAS 8 with which:
- Defined accounting estimates as monetary amounts in financial statements that are subject to measurement uncertainty.
- Clarified that an accounting policy may require items in financial statements to be measured in a way that involves measurement uncertainty. In such a case, an entity develops an accounting estimate. Developing accounting estimates involves the use of judgements and assumptions.
- An entity uses measurement techniques and inputs to develop an accounting estimate.
- An entity may need to change an accounting estimate. By its nature, a change in an accounting estimate does not relate to prior periods and is not the correction of an error. A change in an input or a change in a measurement technique are changes in accounting estimates unless they result from the correction of prior period errors.

The adoption of the above amendment had no impact on the financial statements of the Bank.

- **Amendment to International Accounting Standard 12** "Income Taxes": Deferred tax related to assets and liabilities arising from a single transaction (Regulation 2022/1392/11.8.2022)

On 7.5.2021 the International Accounting Standards Board issued an amendment to IAS 12 with which it narrowed the scope of the recognition exception according to which, in specific circumstances, entities are exempt from recognizing deferred tax when they recognise assets or liabilities for the first time. The amendment clarifies that the exception no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences.

The adoption of the above amendment had no impact on the financial statements of the Bank.

- **Amendment to the International Accounting Standard 12** "Income Taxes": International Tax Reform – Pillar Two Model Rules (Regulation 2023/2468/8.11.2023)

On 23.5.2023, the International Accounting Standards Board issued an amendment to the IAS 12 in order to provide guidance regarding the treatment of the provisions imposed through the Pillar Two Model Rules of the International Tax Reform. In particular, according to the amendment, an entity:
- Shall neither recognise nor disclose information regarding deferred tax assets and liabilities arising from Pillar Two income tax.
- It shall disclose that it has applied above exception.
- It shall disclose separately its current tax expense (income) related to Pillar Two income taxes.
- In periods in which Pillar Two legislation has been enacted (or substantially enacted) but not yet in effect, it shall disclose known or reasonably estimable information that help users of financial statements understand its exposure to Pillar Two income taxes.

The adoption of the above amendment had no impact on the financial statements of the Bank.

2. BASIS OF PRESENTATION (CONTINUED)

f) Adoption of new and amended Standards (continued)

The estimated impact in 2024 from Pillar Two income taxes is presented in note 26.

In addition, the European Union has adopted the following amendments to standards which are effective for annual periods beginning after 1.1.2023 and have not been early adopted by the Bank.

- **Amendment to International Financial Reporting Standard 16 "**Leases": Lease liability in a sale and leaseback (Regulation 2023/2579/20.11.2023)

Effective for annual periods beginning on or after 1.1.2024.

On 22 September 2022, the International Accounting Standards Board amended IFRS 16 in order to clarify that, in a sale and leaseback transaction, the seller-lessee shall determine "lease payments" or "revised lease payments" in a way that he would not recognise any amount of the gain or loss that relates to the right of use retained by the seller-lessee. In addition, in case of partial or full termination of a lease, the seller-lessee is not prevented from recognizing in profit or loss any gain or loss resulting from this termination.

The Bank is examining the impact from the adoption of the above amendment on its financial statements.

- **Amendment to the International Accounting Standard 1** "Presentation of Financial Statements": Classification of liabilities as current or non-current (Regulation 2023/2822/19.12.2023)

  Effective for annual periods beginning on or after 1.1.2024.

On 23.1.2020, the International Accounting Standards Board issued amendments to IAS 1 relating to the classification of liabilities as current or non-current. More specifically:

- The amendments specify that the conditions which exist at the end of the reporting period are those which will be used to determine if the liability must be classified as current or non-current.
- Management expectations about events after the balance sheet date must not be taken into account.
- The amendments clarify the situations that are considered settlement of a liability.

On 15.7.2020 the International Accounting Standards Board extended effective date by one year taking into account the impact of Covid-19.

The Bank is examining the impact from the adoption of the above amendment on its financial statements.

- **Amendment to the International Accounting Standard 1** "Presentation of Financial Statements": Non-current liabilities with covenants (Regulation 2023/2822/19.12.2023)

Effective for annual periods beginning on or after 1.1.2024.

On 31.10.2022, the International Accounting Standards Board (IASB) issued an amendment to IAS 1 with which it provided clarifications regarding the classification as current or non-current of a liability that an entity has the right to defer for at least 12 months and which is subject to compliance with covenants. More specifically, it was clarified that only covenants with which an entity is required to comply on or before the reporting date affect the classification of a liability as current or non-current. In addition, the amendment extended the effective date of the amendment to IAS 1 "Classification of liabilities as current or non-current" issued in 2020 by one year.

The Bank is examining the impact from the adoption of the above amendment on its financial statements.

2. BASIS OF PRESENTATION (CONTINUED)

f) Adoption of new and amended Standards (continued)

In addition, the International Accounting Standards Board has issued the following standards and amendments to standards which have not yet been adopted by the European Union and which have not been early applied by the Bank.

- **Amendment to International Financial Reporting Standard 10** "Consolidated Financial Statements" and to **International Accounting Standard 28** "Investments in Associates and Joint Ventures": Sale or contribution of assets between an investor and its associate or joint venture
  Effective date: To be determined.

On 11.9.2014 the International Accounting Standards Board issued an amendment to IFRS 10 and IAS 28 in order to clarify the accounting treatment of a transaction of sale or contribution of assets between an investor and its associate or joint venture. In particular, IFRS 10 was amended in order to be clarified that in case that as a result of a transaction with an associate or joint venture, a parent (investor) loses control of a subsidiary, which does not constitute a business, as defined in IFRS 3, it shall recognise to profit or loss only the part of the gain or loss which is related to the unrelated investor's interests in that associate or joint venture.
The remaining part of the gain from the transaction shall be eliminated against the carrying amount of the investment in that associate or joint venture. In addition, in case the investor retains an investment in the former subsidiary and the former subsidiary is now an associate or joint venture, it recognises the part of the gain or loss resulting from the remeasurement at fair value of the investment retained in that former subsidiary in its profit or loss only to the extent of the unrelated investor's interests in the new associate or joint venture. The remaining part of the gain is eliminated against the carrying amount of the investment retained in the former subsidiary.

In IAS 28, respectively, it was clarified that the partial recognition of the gains or losses shall be applied only when the involved assets do not constitute a business. Otherwise, the total of the gain or loss shall be recognised.

On 17.12.2015, the International Accounting Standards Board deferred the effective date for the application of the amendment that had been initially determined. The new effective date will be determined by the International Accounting Standards Board at a future date after taking into account the results of its project relating to the equity method.

The Bank is examining the impact from the adoption of the above amendments on its financial statements.

- **International Financial Reporting Standard 14** "Regulatory deferral accounts".
  Effective for annual periods beginning on or after 1.1.2016

On 30.1.2014 the International Accounting Standards Board issued IFRS 14. The new standard, which is limited-scope, addresses the accounting treatment and the disclosures required for regulatory deferral accounts that are maintained in accordance with local legislation when an entity provides rate-regulated goods or services. The scope of this standard is limited to first-time adopters that recognised regulatory deferral accounts in their financial statements in accordance with their previous GAAP. IFRS 14 permits these entities to capitalize expenditure that non-rate-regulated entities would recognise as expense.

It is noted that European Union has decided not to launch the endorsement of this standard and to wait for the final standard.

The above standard does not apply to the financial statements of the Bank.

2. BASIS OF PRESENTATION (CONTINUED)

f) Adoption of new and amended Standards (continued)

- **Amendment to the International Accounting Standard 7** "Statement of Cash Flows" and **Amendment to the International Financial Reporting Standards 7** "Financial Instruments: Disclosures": Supplier Finance Arrangements
  Effective for annual periods beginning on or after 1.1.2024

On 25.5.2023, the International Accounting Standards Board amended IAS 7 and IFRS 7 for the purpose of providing disclosures regarding supplier finance arrangements. These are agreements that companies enter into with third party finance providers, who undertake to repay amounts the entities owe their suppliers. Then the entity will have to repay the third-party finance provider based on the terms of the agreement between them. The amendment of the IAS 7 required the provision of information regarding the terms of the agreements in question, the carrying amount of the relevant liability on the balance sheet, the non-cash changes in the liability balances, the amounts with which third party finance providers have already repaid the suppliers and the range of payment due dates Also, IFRS 7 was amended to include access to such agreements with third finance providers in the liquidity risk disclosures.

The Bank is examining the impact from the adoption of the above amendments on its financial statements.

- **Amendment to the International Accounting Standard 21** "The Effects of Changes in Foreign Exchange Rates": Lack of exchangeability
  Effective for annual periods beginning on or after 1.1.2025

On 15.8.2023, the International Accounting Standards Board issued an amendment to IAS 21 regarding currencies that lack exchangeability. The amendment clarifies how an entity should assess whether a currency is exchangeable and how it should determine a spot exchange rate when exchangeability is lacking. With the amendment disclosures are also added that enable users of financial statements to understand the impact of a currency that is not exchangeable.

The Bank is examining the impact from the adoption of the above amendment on its financial statements.

3. MATERIAL ACCOUNTING POLICIES

The accounting policies for the preparation of the financial statements have been consistently applied by the Bank to the years 2022 and 2023.

The Bank also adopted Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2) from 1 January 2023. Although the ammedments did not result in any changes in accounting policies, they impacted the accounting policy information disclosed in the financial statements. The ammedements requires the disclosure of "material" rather than "significant" accounting policies. The amendments also provide guidance on the application of materiality to disclosure of accounting policies, assisting entities to provide useful, entity specific accounting policy information that users need to understand other information in the financial statements.

Management reviewed the amendments on the application of materiality to disclosure of material accounting policies and the information is in line with 2022 significant accounting policies.

a) Transactions in foreign currency

Transactions in foreign currencies are translated into the functional currency of the Bank at exchange rates on the transaction date. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated into the functional currency at the closing exchange rate at

3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

a) Transactions in foreign currency (continued)

that specific date. Foreign exchange differences arising on translation are recognised in the income statement. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated to the functional currency at the exchange rates on the date when the fair value was determined. Foreign currency differences arising on retranslation are recognised in the statement of profit or loss, except for differences arising on the retranslation of non-monetary financial assets measured at fair value through other comprehensive income, which are included in the fair value reserve in equity.

b) Segment reporting

An operating segment is a component of the Bank that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Bank's other components.

Operating segments are determined and measured based on the information provided to the Executive Committee of the Bank, which is the body responsible for the allocation of resources between the Bank's operating segments and the assessment of their performance.

Based on the above, as well as the Bank's administrative structure and activities, the following operating segments have been determined:

- Retail Banking
- Wholesale Banking
- Treasury
- Other

It is noted that the methods used to measure operating segments are not different from those required by the International Financial Reporting Standards.

c) Interest income and expense

Interest income and expense is recognised in the income statement for all interest-bearing financial assets and liabilities.

Interest income and expense is recognised on an accrual basis and measured using the effective interest method.

Effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset or financial liability to the gross carrying amount of a financial asset or to the amortised cost of a financial liability. When calculating the effective interest rate, the Bank estimates the expected cash flows by considering all the contractual terms of the financial instrument but does not consider the expected credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate.

For financial assets, in particular, the following apply:

- For those financial assets classified within stage 1 or stage 2 for the purpose of expected credit losses measurement, interest income is calculated by applying effective interest rate to the gross carrying amount of the asset.
- For those financial assets classified within stage 3 for the purpose of expected credit losses measurement, interest income is calculated by applying the effective interest rate to the amortised cost of the asset.
- For purchased or originated credit impaired financial assets, interest income is calculated by applying the credit-adjusted effective interest rate to the amortised cost of the asset.

Borrowing costs that are directly attributable to assets that require a substantial period of time to get ready for their intended use or sale are capitalized as part of the cost of the asset. Capitalisation

3. MATERIAL ACCOUNTING POLICIES (CONTINUED)
c) Interest income and expense (continued)

ceases when substantially all the activities necessary to prepare the asset for its intended use are complete.

d) Fees and commission

Fees and commissions income and expenses that are an integral part of effective interest rate of a financial asset or liability are included in the measurement of the effective interest rate.

Other fee and commission income arising on the financial services provided by the Bank are recognised as follows:

- For services provided by the Bank over time including cash management services, brokerage services, investment advice, financial planning, income is recognised as the service is being provided to the customer.
- If a performance obligation is not satisfied over time, it is satisfied at a point in time. For services such as executing transactions and services (e.g., money transfer, currency exchange transactions, customers' trading in securities and coordinating and arranging syndicated loan transactions), the execution and completion of the transaction requested by the customer signals the point in time when the service is transferred to the customer and the related fee / commission income is recognised.

e) Gain less losses on financial transactions

Gains less losses on financial transaction include:

- fair value changes of financial assets and liabilities,
- gains and losses arising from the modification of the contractual terms of financial assets measured at fair value through profit or loss,
- gains and losses arising from the derecognition of financial assets and liabilities due to early repayment, disposal or significant modification of the contractual terms, except for gains and losses arising from the derecognition of financial assets measured at amortised cost which are recognised in a separate line item of the Income Statement,
- gains and losses arising from the impairment or disposal of Bank subsidiaries that have not been classified as discontinued operations,
- exchange differences arising from the translation of financial instruments denominated in foreign currencies.

f) Gains and losses arising from derecognition of financial assets measured at amortised cost

Gains less losses on derecognition of financial assets measured at amortised cost include:

- Gains and losses from the derecognition of financial assets measured at amortised cost;
- The difference, at initial recognition, between the nominal and the fair value of a financial asset measured at amortised cost that is the result of the derecognition of another financial asset due to significant modification of its contractual terms.

g) Dividends

Dividend income is recognised in the income statement when the the dividend distribution is approved by the appropriate body of the company that the Bank has invested in and thus the right to receive income is established.

h) Income tax expense

Income tax for the period comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly to equity, in which case it

3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

h) Income tax expense (continued)

is recognised in equity.

Current tax is the expected tax payable or receivable on the taxable income for the year, using tax rates enacted or substantially enacted at the balance sheet date.

Deferred tax is recognised for all temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax base. Temporary deductible differences are the difference between the carrying amount of an asset or liability on the balance sheet and its tax base, which will result in amounts that are deductible in the determination of taxable profit for future periods in which the carrying amount of the asset or liability is recovered or settled.

Taxable temporary differences are temporary differences that will result in taxable amounts when determining taxable profit or tax loss of future periods, when the carrying amount of the asset or liability is recovered or settled.

The existence of a deductible or taxable temporary difference depends only on a comparison of the carrying amount of an asset/ liability and its tax base at the end of the reporting period and is not affected by any future changes in the carrying amount.

The calculation of the amount of deferred tax recognised is based on the expected tax rates that will apply upon realization or settlement of the carrying amount of assets and liabilities and thus upon the reversal of the relevant temporary differences, using tax rates enacted or substantially enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the unused tax losses and tax credits can be utilized. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Additional income taxes that arise from the distribution of dividends are recognised at the same time as the liability to pay the related dividend.

i) Financial assets and liabilities

i) Initial Recognition

The Bank recognises a financial asset or a financial liability in its statement of financial position when and only when the entity becomes party to the contractual provisions of the instrument. At initial recognition the Bank measures financial assets and liabilities at fair value. Financial instruments not measured at fair value through profit or loss are initially recognised at fair value plus transaction costs and minus income or fees that are directly attributable to the acquisition or issue of the financial instrument.

It is noted that loans and bonds are recognised in the balance sheet at the settlement date. For bonds that are measured at fair value, the change in fair value during the period between the trade date and the settlement date is recognised in profit or loss or in other comprehensive income based on the bond's classification category.

ii) Classification and subsequent measurement of financial assets

The Bank classifies its financial assets as:

- Financial assets measured at amortised cost;
- Financial assets measured at fair value through other comprehensive income, with gains or losses recycled to profit or loss on derecognition;
- Equity instruments designated at fair value through other comprehensive income, with no recycling of gains or losses to profit or loss on derecognition;
- Financial assets measured at fair value through profit or loss.

For each of the above categories the following apply:

a) Financial assets measured at amortised cost

3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

i) Financial assets and liabilities (continued)

In this category are classified the financial assets that satisfy both of the following criteria:
- are held within a business model whose objective is to hold financial assets in order to collect contractual cash flows,
- the contractual terms of the asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

The above category is measured at amortised cost using effective interest method and is periodically assessed for expected credit losses, as it is further described in note 3.q.i*)*.

b) Financial assets measured at fair value through other comprehensive income, with gains or losses recycled to profit or loss on derecognition

In this category are classified the financial assets that satisfy both of the following criteria:
- are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets,
- the contractual terms of the asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

The above category is periodically assessed for expected credit losses, as it is further described in note 3.q.i*)*.

c) Equity instruments designated as at fair value through other comprehensive income, with no recycling of gains or losses to profit or loss on derecognition

In this category are classified equity instruments that are neither held for trading nor contingent consideration recognised by an acquirer in a business combination and that Bank decides, at initial recognition, to measure at fair value through other comprehensive income. This decision is irrevocable. Except for dividends, which are directly recognised in profit or loss, all other gains and losses arising from those instruments are recognised in other comprehensive income and are not reclassified to profit or loss.

For those equity instruments there is no impairment assessment.

d) Financial assets measured at fair value through profit or loss

Financial assets included in this category are:
- those acquired principally for the purpose of selling in the near term to obtain short term profit (held for trading);
- those that do not meet the criteria to be classified into one of the above categories;
- those the Bank designated, at initial recognition, as at fair value through profit or loss; this classification option, which is irrevocable, is used when the designation eliminates an accounting mismatch which would otherwise arise from measuring financial assets and liabilities on a different basis (i.e. amortised cost) in relation to another financial asset or liability (i.e., derivatives which are measured at fair value through profit or loss).

As at the reporting date, the Bank had not designated, at initial recognition, any financial assets as at fair value through profit or loss.

iii) Business Model assessment

The business model reflects how the Bank manages its financial assets in order to generate cash flows. That is, the Bank's business model determines whether cash flows will result from collecting contractual cash flows, from selling financial assets or both. The Bank's business model is determined at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. Accordingly, business model does not depend on management's intentions for an individual instrument, but it is determined on a higher level of aggregation.

3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

i) Financial assets and liabilities (continued)

The business models of the Bank are determined by the Asset Liability Committee (ALCO) or the Executive Committee (ExCo) which decides on the determination of a new business model both for the loans and the securities portfolio. In this context:

- For loans and advances to customers the Bank identified the following business models:
  - o Business model whose objective is to hold financial instruments in order to collect their contractual cash flows (hold to collect) and
  - o Business model whose objective is the sale of financial instruments which is applied only to syndicated loans that the Bank grants in order to sell them within six months. During 2023 the Bank had only loans and advances classified as held to collect.
- Due from banks are included in the business model whose objective is to hold financial assets in order to collect contractual cash flows (hold to collect).
- For bonds and in general for fixed income investments, the Bank has identified the following business models:
  - Business model whose objective is to hold financial instruments in order to collect their contractual cash flows (hold to collect);
  - Business model that aims both at collecting contractual cash flows and selling (hold to collect and sell);
  - Trading portfolio (FVPL business model).

The determination of the above business models has been based on:

- The way the performance of the business model and the asset portfolios held within it are evaluated and reported to the Bank key management personnel.
- The risks that affect the performance of the business model (and the asset portfolios held within) and, in particular, the way those risks are managed.
- The way managers of the business are evaluated (e.g., whether the evaluation is based on the fair value of the managed assets or the contractual cash flows collected).
- Past and expected frequency and value of sales.

The Bank, at each reporting date, reassesses its business models in order to confirm that there has been no change compared to the prior period or application of a new business model. In the context of the reassessment of the hold to collect business model past sales as well as expected future sales are taken into account. In this assessment, the following cases of sales are considered consistent with a hold to collect business model:

a) Sales of non-performing loans due to the credit deterioration of the debtor, excluding those sales of loans considered as credit impaired at origination.
b) Sales made close to the maturity of the financial assets so that the proceeds from the sales approximate the collection of the remaining contractual cash flows. In these cases, for loan portfolio the Bank defines as 'close', what is less than 5% of the total life of the instrument remaining at the time of sale. For bonds portfolio respectively, the Bank defines as 'close', the minimum between 10% of the original life of the instrument and a time period equal to 6 months up to maturity, while no limitation on the size exists on the sales that take place close to maturity where expected cash flows amount to at least 97% of principal plus accrued interest.
c) Sales (excluding a and b) which are infrequent (even if significant in value) or insignificant in value both individually and in aggregate (even if frequent).

   The Bank has defined the following thresholds:

   - Significance: Sales exceeding 5% the previous reporting period gross balance of the respective portfolio
   - Frequency: Significant sale transactions occurring more than twice a year.

d) For bonds portfolio, sales deemed insignificant are those that sum up to 5% of the current

3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

i) Financial assets and liabilities (continued)

total portfolio size or the portfolio of the last quarterly reporting period, whichever is higher. In addition, up to 5 sales per month within the above size limit are considered infrequent. In addition, for bond portfolio the following sales are considered consistent with a hold to collect business model:

- Sales of bonds that do no longer meet the requirements stated in the investment policy due to a significant increase in issuer's credit risk.
- Infrequent sales under liquidity stress conditions.

iv) Solely Payments of Principal and Interest (SPPI) assessment

For the purposes of applying the SPPI assessment:

- Principal is the fair value of the asset at initial recognition (which may change over the life of the financial asset, for example if there are repayments of principal).
- Interest is the consideration for the time value of money, for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks (i.e., liquidity risk) and costs, as well as a profit margin.

Contractual terms that introduce exposure to risks and volatility in contractual cash flows that are not related to a basic lending arrangement, such as exposure to changes in equity prices or commodity prices, do not give rise to contractual cash flows that are solely payments of principal and interest on the principal amount outstanding.

In this context, in assessing whether contractual cash flows are SPPI, the Bank assesses whether the instrument contains contractual terms that change the timing or amount of contractual cash flows. More specifically, the following are taken into account:

- Leveraged payments
- Payments linked with the variability in exchange rates
- Conversion to equity terms
- Interest rates indexed to non-interest variables
- Prepayment or extension options
- Terms that limit the Bank's claim to the cash flows from specified assets or based on which the Bank has no contractual right to unpaid amounts
- Interest-free deferred payments
- Terms based on which the performance of the instruments is affected by equity or commodity prices

Especially in the case of financing of a special purpose vehicle, in order for the loan to meet the criterion that its cash flows are solely payments of principal and interest on the principal amount outstanding, among other, at least one of the following conditions should apply:

- At initial recognition, LTV (Loan to Value) shall not exceed the threshold of 80% or LLCR (Loan Life Coverage Ratio) shall be at least equal to the threshold of 1.25.
- The equity of the special purpose vehicle shall amount to at least 20% of its total assets.
- There are sufficient collaterals that are not related to the asset being funded.

In addition, in determining whether contractual cash flows are solely payments of principal and interest on the principal amount outstanding, it is assessed whether time value of money element has been modified. Time value of money is the element of interest that provides consideration for only the passage of time. That is, the time value of money element does not provide consideration for other risks or costs associated with holding the financial asset. However, in some cases, the time value of money element may be modified. That would be the case, for example, if a financial asset's interest rate is periodically reset but the frequency of that reset does not match the tenor of the interest rate or if a financial asset's interest rate is periodically reset to an average of particular short - and long - term interest rates. In such cases, the Bank assesses the modification to determine

3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

i) Financial assets and liabilities (continued)

whether the contractual cash flows represent solely payments of principal and interest on the principal amount outstanding. The objective of the assessment is to determine how different the contractual (undiscounted) cash flows could be from the (undiscounted) cash flows that would arise if the time value of money element was not modified (benchmark test).

The effect of the modified time value of money element must be considered in each reporting period and cumulatively over the life of the instrument. If the Bank concludes that the contractual (undiscounted) cash flows could be significantly different from the (undiscounted) benchmark cash flows, the contractual cash flows are not solely payments of principal and interest on the principal amount outstanding. According to the policy set by the Bank, the above assessment test does not result in significant different contractual cash flows when the cumulative difference over the life of the instrument does not exceed 10% and at the same time the number of individual cash flows with a difference of more than 10% do not exceed 5% of total reporting periods of the asset until maturity.

v) Reclassification of financial assets

Reclassifications of financial assets between measurement categories occur when, and only when, the Bank changes its business model for managing the assets. In this case the reclassification is applied prospectively. Changes in the business model of the Bank are expected to be rare. They arise from senior management decisions as a result of external or internal changes which must be significant to the entity's operations and demonstrable to external parties.

If the Bank reclassifies a financial asset out of the amortised cost measurement category and into the fair value through profit or loss measurement category, its fair value is measured at the reclassification date. Any gain or loss arising from a difference between the previous amortised cost of the financial asset and fair value is recognised in profit or loss. The same happens if the Bank reclassifies a financial asset out of the amortised cost measurement category and into the fair value through other comprehensive income measurement category, however in this case the difference between the previous amortised cost of the financial asset and fair value is recognised in other comprehensive income. The effective interest rate and the measurement of expected credit losses are not adjusted as a result of the reclassification. However, the loss allowance would be derecognised (and thus would no longer be recognised as an adjustment to the gross carrying amount) but instead would be recognised as an accumulated impairment amount in other comprehensive income.

If the Bank reclassifies a financial asset out of the fair value through profit or loss measurement category and into the amortized cost measurement category, its fair value at the reclassification date becomes its new gross carrying amount. At this date, the effective interest rate of the asset is calculated while the date of the reclassification is treated as the date of initial recognition for impairment calculation purposes.

If the Bank reclassifies a financial asset out of the fair value through profit or loss measurement category and into the fair value through other comprehensive income measurement category, the financial asset continues to be measured at fair value. As in the above case, at this date, the effective interest rate of the asset is calculated while the date of the reclassification is treated as the date of initial recognition for impairment calculation purposes.

If a financial asset is reclassified out of the fair value through other comprehensive income measurement category and into the amortized cost measurement category, the asset is reclassified at its fair value at the measurement date. However, the cumulative gain or loss previously recognised in other comprehensive income is reversed and adjusted against the fair value of the financial asset at the reclassification date. As a result, the financial asset is measured at the reclassification date as if it had always been measured at amortized cost. This reversal affects other comprehensive income but does not affect profit or loss and therefore is not a reclassification adjustment under IAS

3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

i) Financial assets and liabilities (continued)

1. The effective interest rate and the calculation of expected credit losses are not affected. However, the loss allowance is recognised as an adjustment to the gross carrying amount of the financial asset from the reclassification date.

If the Bank reclassifies a financial asset out of the fair value through other comprehensive income measurement category and into the fair value through profit or loss measurement category, the financial asset continues to be measured at fair value. The cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment (in accordance with IAS 1) at the reclassification date.

vi) Derecognition of financial assets

The Bank derecognises financial assets when:
- The contractual rights over the cash flows of the financial assets expires,
- the contractual right to receive the cash flows of the financial assets is transferred and at the same time both risks and rewards of ownership are transferred,
- loans or investments in securities are no longer recoverable and consequently are written off,
- the contractual cash flows of the assets are significantly modified.

In the case of transactions where despite the transfer of the contractual right to recover the cash flows from financial assets both the risk and rewards remain with the Bank, no derecognition of these financial assets occurs. The amount received by the transfer is recognised as a financial liability.

In the case of transactions, whereby the Bank neither retains nor transfers risks and rewards of the financial assets, but retains control over them, the financial assets are recognised to the extent of the Bank's continuing involvement. If the Bank does not retain control of the assets, then they are derecognised, and in their position the Bank recognises, distinctively, the assets and liabilities which are created or retained during the transfer. No such transactions occurred upon balance sheet date.

In case of a change in the contractual terms of a financial asset, the new change is considered significant and therefore it results in the derecognition of the original asset and the recognition of a new one when one of the following criteria is met:
- Change of issuer/debtor
- Change in denomination currency
- Consolidation of different types of contracts
- Consolidation of contracts that do not entirely satisfy the criterion that cash flows are solely payments of principal and interest on the principal amount outstanding
- Addition or deletion of equity conversion terms
- Separation of a non-SPPI debt instrument into two or more new instruments so that the reason that leads to SPPI failure of the original instrument is not included in all of the new instruments.
- Split of contract that meets SPPI criteria and addition of a non-SPPI term to a part of it
- Renegotiations that are carried out at market conditions and lead to changes in the contractual terms of performing loans
- Refinancing of existing loans accompanied by an increase in the amount financed.

In case of derecognition due to significant modification, the difference between the carrying amount of the original asset and the fair value of the new asset is directly recognised in the Income Statement. Additionally, in case the original asset was measured at fair value through other comprehensive income, the cumulative gains or losses recognised in other comprehensive income is recycled to profit or loss.

In contrast, if the change in contractual cash flows is not significant, the gross carrying amount of the asset is recalculated by discounting new contractual cash flows with the original effective interest rate and the difference compared to the current gross carrying amount is directly recognised in profit or loss (modification gain or loss). Fees related to the modification adjust the carrying amount of the asset and are amortised over the remaining term of the modified financial asset through the effective

3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

i) Financial assets and liabilities (continued)

interest method.

vii) Subsequent measurement of financial liabilities

The Bank classifies financial liabilities in the following categories for measurement purposes:

a) *Financial liabilities measured at fair value through profit or loss*

i. This category includes financial liabilities held for trading, that is:
- financial liabilities acquired or incurred principally with the intention of selling or repurchasing in the near term for short term profit, or
- derivatives, liabilities arising from derivatives held for trading are presented as "derivative financial liabilities" and are measured according to the principles set out in note 3.i.x).

ii. This category also includes financial liabilities which are designated by the Bank at fair value through profit or loss upon initial recognition, when:
- doing so results in more relevant information, because either:
  • it eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases; or
  • a group of financial liabilities or financial assets and financial liabilities is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the group is provided internally on that basis to the Bank's key management personnel;

or
- the contract contains one or more embedded derivatives and the Bank measures the compound financial instrument as a financial liability measured at fair value through profit or loss unless:
  • the embedded derivative does not significantly modify the cash flows that otherwise would be required by the contract or
  • it is clear with little or no analysis when a similar hybrid instrument is first considered that the separation of the embedded derivative(s) is prohibited.

It is noted that in the above case, the amount of the change in fair value attributable to the Bank's own credit risk is recognised in other comprehensive income, unless this treatment would create or enlarge an accounting mismatch in profit or loss. Amounts recognised in other comprehensive income are never recycled to profit or loss.

As at the reporting date, the Bank had not designated, at initial recognition, any financial liabilities as at fair value through profit or loss.

b) *Financial liabilities carried at amortised cost*

The liabilities classified in this category are measured at amortised cost using the effective interest method. All financial instruments that do not qualify to be classified as financial liabilities at fair value through profit or loss are classified in this category.

c) *Liabilities arising from financial guarantees and commitments to provide loans at a below market interest rate*

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make a payment when due in accordance with the agreed terms.

The financial guarantee contracts and the commitments to provide loans at a below market interest rate are initially recognised at fair value, and measured subsequently at the higher of:
- the amount of the provision determined during expected credit loss calculation,

3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

i) Financial assets and liabilities (continued)

- the amount initially recognised less cumulative amortization.

viii) Derecognition of financial liabilities

The Bank derecognises a financial liability (or part thereof) when its contractual obligations are discharged or cancelled or expired.

In cases that a financial liability is exchanged with another one with substantially different terms, the exchange is accounted for as an extinguishment of the original financial liability and the recognition of a new one. The same applies in cases of a substantial modification of the terms of an existing financial liability or a part of it (whether or not attributable to the financial difficulty of the debtor). The terms are considered substantially different if the discounted present value of the cash flows under the new terms (including any fees paid net of any fees received), discounted using the original effective interest rate, is at least 10% different from the present value of the remaining cash flows of the original financial liability.

In cases of derecognition, the difference between the carrying amount of the financial liability (or part of the financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

ix) Offsetting financial assets and financial liabilities

Financial assets and liabilities are offset and the net amount is presented in the balance sheet, only in cases when the Bank has both the legal right and the intention to settle them on a net basis, or to realize the asset and settle the liability simultaneously.

x) Derivative financial instruments

Derivatives are financial instruments that upon inception have a minimal or zero fair value that subsequently changes in accordance with a particular underlying instrument (foreign exchange, interest rate, index or another variable).

All derivatives are recognised as assets when their fair value is positive and as liabilities when their fair value is negative.

Derivatives are entered into for either hedging or trading purposes and they are measured at fair value irrespective of the purpose for which they have been transacted.
In case a derivative is embedded in a financial asset, the embedded derivative is not separated and the hybrid contract is accounted for based on the classification requirements for financial assets.

Valuation differences arising from derivatives are recognised in Gains less losses on financial transactions except when derivatives participate in hedging relationships in which case the principles for hedge accounting mentioned below apply.

When the Bank uses derivatives for hedging purposes, hedge relationships are formally designated and documented at inception, and effectiveness is monitored on an ongoing basis at each balance sheet date.

j) Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise balances with less than 90 days maturity including: cash, current accounts with banks, short term due from banks and Reverse Repo agreements. Short-term balances due from banks are amounts that upon initial recognition mature within three months. In the statement of financial position, cash is carried at nominal value and cash equivalents are carried at amortised cost.

3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

k) Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Bank has access at the date. The fair value of a liability reflects its non-performance risk.

When available, the Bank measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

The fair value of financial instruments that are not traded in an active market is determined by the use of valuation techniques, appropriate in the circumstances, and for which sufficient data to measure fair value are available, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs. If observable inputs are not available, other model inputs are used which are based on estimations and assumptions such as the determination of expected future cash flows, discount rates, probability of counterparty default and prepayments. In all cases, the Bank uses the assumptions that 'market participants' would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

Assets and liabilities which are measured at fair value or for which fair value is disclosed, are categorized according to the inputs used to measure their fair value as follows:

- Level 1 inputs: quoted market prices (unadjusted) in active markets,
- Level 2 inputs: directly or indirectly observable inputs,
- Level 3 inputs: unobservable inputs used by the Bank, to the extent that relevant observable inputs are not available.

The best evidence of a fair value of a financial instrument at initial recognition is normally the transaction price – the fair value of a consideration given or received. If the Bank determines that the fair value at initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique that uses only data from observable markets, then the financial instrument is initially measured at the fair value, adjusted to defer the difference between the fair value at initial recognition and the transaction price. Subsequently, that difference is recognised in profit or loss on an appropriate basis over the life of an instrument but not later than when the valuation is wholly supported by observable market data or the transaction is closed out.

The principal inputs to the valuation techniques used by the Bank are:

- Bond prices - quoted prices available for government bonds and certain corporate securities;
- Credit spreads - these are derived from active market prices, prices of credit default swaps or other credit-based instruments, such as debt. Values between and beyond available data points are obtained by interpolation and extrapolation;
- Interest rates - these are principally benchmark interest rates such as the LIBOR (London Interbank Offered Rate), OIS (Overnight Index Swaps) and other quoted interest rates in the swap, bond and futures markets. Values between and beyond available data points are obtained by interpolation and extrapolation;
- Foreign currency exchange rates - observable markets both for spot and forward contracts and futures;
- Equity and equity index prices - quoted prices are generally readily available for equity shares listed on stock exchanges and for major indices on such shares;
- Price volatilities and correlations - volatility and correlation values are obtained from pricing services or derived from option prices;

3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

k) Fair value measurement (continued)

- Unlisted equities - financial information specific to the Bank or similar industry sector;
- Loans and Deposits - market data and Bank/customer specific parameters.

The Bank recognises transfers between levels of the fair value hierarchy as of the end of the reporting period during which the change has occurred.

Where the Bank has positions with offsetting risks, mid-market prices are used to measure the offsetting risk positions and a bid or asking price adjustment is applied only to the net open position as appropriate. Fair values reflect the credit risk of the instrument and include adjustments to take account of the credit risk of the Bank entity and the counterparty where appropriate.

Fair value estimates obtained from models are adjusted for any other factors, such as liquidity risk or model uncertainties to the extent that the Bank believes a third-party market participant would take them into account in pricing a transaction.

The most important category of non-financial assets for which fair value is estimated is real estate property. The process, mainly, followed for the determination of the fair value is summarized below:

- Assignment to the engineer - valuer
- Case study- Setting of additional data
- Autopsy - Inspection
- Data processing - Calculations
- Preparation of the valuation report

To derive the fair value of the real estate property, the valuer chooses among the three following valuation techniques:

- Market approach (or sales comparison approach), which measures the fair value by comparing the property to other identical ones for which information on transactions is available.
- Income approach, which capitalizes future cash flows arising from the property using an appropriate discount rate.
- Cost approach, which reflects the amount that would be required currently to replace the asset with another asset with similar specifications, after taking into account the required adjustment for impairment.

Examples of inputs used to determine the fair value of properties and which are analysed to the individual valuations, are the following:

- Commercial property: price per square meter, rent growth per annum, long-term vacancy rate, discount rate, rate of return on expenses, lease term, rate of non-leased properties/units for rent.
- Residential property: net return, revertible yield, net rental per square meter, rate of continually non leased properties/units, expected rent value per square meter, discount rate, rate of return on expenses, lease term etc.
- General assumptions such as the age of the building, residual useful life, square meter per building etc. are also included in the analysis of the individual valuation assessments.

It is noted that the fair value measurement of a property takes into account a market's participant ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

l) Property and equipment

i) Recognition and measurement

Items of property and equipment are measured at their cost less accumulated depreciation and impairment losses. Capital expenditures for Property and equipment in progress are capitalized and depreciated once the assets enter into use. Cost includes expenditures that are directly attributable to the acquisition of the asset.

3. MATERIAL ACCOUNTING POLICIES (CONTINUED)
l) Property and equipment (continued)

Right of use assets are also included in this category (the accounting policies applicable to those assets are presented in note 3.o) below).

ii) Subsequent costs

The Bank recognises in the carrying amount of an item of property and equipment the cost of replacing part of such an item or other subsequent expenditure, when that cost is incurred, if it is probable that the future economic benefits embodied with the item will flow to the Bank and the cost of the item can be reliably measured. All other costs are recognised in the income statement as an expense as incurred. Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the item of property and equipment. All other expenditure is recognised in the income statement as an expense as incurred.

iii) Depreciation

Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. The estimated useful lives for the current and comparative periods are as follows:

Buildings	33 years
Equipment	3 – 18 years
Motor vehicles	5 - 9 years
Other tangible fixed assets	3 – 24 years

Land is not depreciated but it is tested for impairment. Depreciation methods, useful lives and residual values are reassessed periodically and adjusted if appropriate.

m) Investment property

a. Recognition and measurement

The Bank includes in this category buildings or portions of buildings together with their respective portion of land that are held for the purpose of long-term lease or for capital appreciation. Investment property is initially recognised at cost which includes any expenditure directly attributable to the acquisition of the asset.

b. Subsequent costs

Subsequently, investment property is measured at cost less accumulated depreciation and impairment losses.

Subsequent expenditure is recognised on the carrying amount of the item when it increases future economic benefit and can be measured reliably.

All costs for repairs and maintenance are recognised in profit or loss as incurred.

c. Depreciation

The estimated useful lives over which depreciation is calculated using the straight-line method are the same as those applied to property, plant and equipment.

d. Transfers and sale

Transfers to and from the category of investment property are made when the property meets (or ceases to meet) the definition of investment property and there is evidence of change in its use. In particular, the property is reclassified in "Property, plant and equipment" if the Bank decides to use it while it is reclassified in the category of property held for sale if a decision is taken to sell it and if the criteria referred to in paragraph 3.p. are met. Conversely, for property not classified within "Investment Property", its lease constitutes a proof of change of use and leads to the reclassification

3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

m) Investment property (continued)

to investment property.

In case of sale of investment property as well as when no economic benefits are expected for the Bank, the fixed asset is derecognised. When selling the asset, the difference between the sale price and its carrying amount is recognised in profit or loss.

n) Intangible assets

Intangible assets consist of purchased and internally developed software.

Costs associated with developing or maintaining software programs are recognised as an expense when incurred. Costs that are directly associated with the production of identifiable software products controlled by the Bank, and that will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets. Subsequent expenditure on software assets is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. Regarding internally generated software, the Bank recognises an intangible asset when it has the technical feasibility, intention for completion, the ability to use or sell the asset, and the intangible will generate probable future economic benefits and the expenditure can be measured reliably. Expenditure incurred during the research phase is directly recognised in profit or loss. All other expenditure is expensed as incurred. Amortization is recognised in profit or loss on a straight-line basis over the estimated useful life of the software, from the date that it is available for use.
The estimated useful life is between 1 – 15 years for software acquired individually or in combination with another contract and 2 -15 years for internally generated software.

o) Leases

The Bank as a lessee

The Bank is required to recognise a liability to make lease payments and an asset representing the right to use the underlying asset during the lease term, for all leases, except for short-term leases under 12 months and leases of low-value assets. In case of short-term or low-value contracts (less than 5.000 EUR when new), the Bank does not recognise a lease liability or a right of use on its balance sheet, instead the payments are recognised as an expense in profit or loss on a straight-line basis over the lease term.

Upon initial recognition, the Bank shall measure the lease liability at the present value of the lease payments that are not paid at that date net of cash lease incentives. Lease payments include fixed payments and variable payments that depend on an index (such as an inflation index) or a rate and are discounted using the lessee's incremental borrowing rate. In order to determine the incremental borrowing rate, the Bank will use as reference rate the estimated cost of secured funding rate of Alpha Bank A.E. adjusted for different currencies taking also into consideration local government yield curves.

The right-of-use asset will be measured upon initial recognition as the value of the lease liability as of the initial measurement adjusted with any lease payments made to the lessor at or before the commencement date, initial direct costs related to the respective lease contract and any lease incentives received from the lessor.

The Bank subsequently measures the right-of-use asset using a cost model. To apply a cost model, the Bank measures the right-of-use asset at cost less any accumulated depreciation and any accumulated impairment losses, adjusted for any remeasurement of the lease liability. The method of depreciation that the Bank applies is the straight-line method, over the shorter of the lease term or the useful life of the right-of-use asset.

After the initial recognition, the Bank measures the lease liability by adjusting the carrying amount to

3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

o) Leases (continued)

reflect interest on the lease liability and the lease payments made. The carrying amount of the lease liability is also adjusted with any modifications or reassessments of the lease contract.

Right-of-use assets are included within Property, Plant and Equipment and the lease liability is included in Other Liabilities position.

The Bank as a lessor

The bank acts as a lessor only for assets under operating leases. The leased asset is recognised, and depreciation is charged over its estimated useful life. Income arising from the leased asset is recognised as other income on an accrual basis.

p) Assets held for sale

Non-current assets or disposal groups that are expected to be recovered principally through a sale transaction, along with the related liabilities, are classified as held-for-sale. The above classification is used if the asset is available for immediate sale in its present condition and its sale is highly probable. Assets held for sale are initially recognised and subsequently remeasured at the lower of their carrying amount and fair value less cost to sell. Any loss arising from the above measurement is recorded in profit or loss and can be reversed in the future. In this case, the gain from any subsequent increase in fair value less costs to sell cannot exceed the cumulative impairment losses that have been recognised. Assets in this category are not depreciated. Gains or losses from the sale of these assets are recognised in the income statement.

Non - current assets that are acquired through enforcement procedures but are not available for immediate sale or are not expected to be sold within a year are included in "Other Assets" and are measured at the lower of cost (or carrying amount) and net realizable value which is their expected sale price after deduction of any sale expenses.

Non-current assets held for sale, that the Bank subsequently decides either to use or to lease, are reclassified to the categories of property, plant and equipment or investment property respectively. During their reclassification, they are measured at the lower of their recoverable amount and their carrying amount before they were classified as held for sale, adjusted for any depreciation, amortization or revaluation that would have been recognised had the assets not been classified as held for sale.

q) Identification and measurement of impairment

i) Impairment losses for financial assets

Credit impairment losses on loans and advances to customers, undrawn loan commitments, letters of credit and letters of guarantee

The Bank, at each reporting date, recognises a loss allowance for expected credit losses on loans and advances to customers not measured at fair value through profit or loss as well as for off-balance sheet exposures (letters of guarantee, letters of credit, and undrawn loan commitments).

The loss allowance for loans and off-balance sheet exposures is based on expected credit losses related to the probability of default within the next twelve months, unless there has been a significant increase in credit risk from the date of initial recognition in which case expected credit losses are recognised over the life of the instrument. In addition, if the financial asset falls under the definition of purchased or originated credit impaired (POCI) financial assets, a loss allowance equal to the lifetime expected credit losses is recognised.

a) Default definition

The Bank has adopted as default definition non-performing exposures (NPE), as defined in the EC Regulation 2015/227 of 9 January 2015 amending Implementing Regulation (EU) No. 680/2014 of

3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

q) Identification and measurement of impairment (continued)

the Commission with subsequent modifications, the definition of default used for accounting purposes being harmonized with the one used for regulatory purposes.

b) Classification of exposures into stages based on credit risk (Staging)

For the purposes of calculating expected credit losses, the exposures are classified into stages as follows:
- Stage 1: Stage 1 includes performing exposures that do not have significant increase in credit risk since initial recognition. Stage 1 also includes exposures for which credit risk has been improved and the exposure has been reclassified from stages 2 or 3. In this stage, expected credit losses are recognised based on the probability of default within the next twelve months.
- Stage 2: Stage 2 includes performing exposures for which there has been a significant increase in credit risk since initial recognition. Stage 2 also includes exposures for which credit risk has been improved and the exposure has been reclassified from stage 3. In this stage, lifetime expected credit losses are recognised.
- Stage 3: Stage 3 includes non-performing/impaired exposures. In this stage, lifetime expected credit losses are recognised.

As an exception to the above, for purchased or originated credit impaired (POCI) exposures, lifetime expected credit losses are always recognised. Purchased or originated credit impaired exposures include:
- Exposures that at the time of acquisition meet the criteria to be classified as non-performing exposures.
- Exposures for which there has been a change in repayment terms, either due to financial difficulty or not, which resulted in derecognition and recognition of a new impaired asset (POCI). If the exposure before derecognition was classified as impaired the new loan is classified as POCI. However, especially for Wholesale Banking exposures, in the case where the newly recognised loan is the result of a change of borrower whose overall creditworthiness is better than the previous one, based on an assessment by the competent Credit Committee, the new borrower does not have financial difficulties and simultaneously has presented a viable business plan and no debt has been written-down, then the exposure will not be classified as POCI.

c) Significant increase in credit risk

In determining significant increase in credit risk of an exposure since initial recognition and the recognition of lifetime expected credit losses instead of 12 months expected credit losses, the Bank assesses, at each reporting date, the risk of default compared to the risk of default at initial

recognition for all its performing exposures including those with no delinquencies.

The assessment of the significant increase in credit risk is based on the following:
- Quantitative Indicators: refers to the quantitative information used and more specifically to the comparison of the probability of default (PD) between the reporting date and the date of initial recognition. For Specialized Lending Exposures (e.g., IPRE) for which credit risk rating has deteriorated compared to the credit risk rating at initial recognition, this is considered to indicate significant increase in credit risk.
- Qualitative Indicators: refers to the qualitative information used which is not necessarily reflected in the probability of default, such as the classification of an exposure as forborne performing (FPL, according to EBA ITS). Additional qualitative indicators, both for corporate and retail portfolios are also reflected through the Early Warning indicators where, depending on the underlying assessment, an exposure can be considered to have a significant increase in credit risk or not. Especially for special lending portfolio, additional qualitative indicators are captured through slotting category.
- Backstop Indicators: in addition to the above, and in order to capture cases for which there are

3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

q) Identification and measurement of impairment (continued)

no triggers reflecting the increase in credit risk, based on qualitative and quantitative indicators, the 30 days past due indicator is used as a backstop.

d) Calculation of expected credit loss

The measurement of expected credit losses is performed as follows:

- For financial assets, a credit loss is the present value of the difference between:
  i. the contractual cash flows and
  ii. the cash flows that the Bank expects to receive
- For undrawn loan commitments, a credit loss is the present value of the difference between:
  i. the contractual cash flows that are due if the holder of the loan commitment draws down the loan; and
  ii. the cash flows that the Bank expects to receive if the loan is drawn down.
- For letters of guarantee and letters of credit, the loss is equal to the expected payments to reimburse the holder for a credit loss that it incurs less any amounts that the Bank expects to receive from the holder.

The Bank calculates impairment losses either on a collective (collective assessment) or on an individual basis (individual assessment), taking into account the significance of an exposure or the borrower's limit. In addition, exposures that do not have common credit risk characteristics or for which there are no sufficient historical behavioral data are assessed on an individual basis.

The Bank calculates expected credit losses based on the weighted probability of three scenarios, which are used in the computation of forward-looking risk parameters such as PD, LGD weighted averaged. More specifically, the Bank's Chief Economist produces and reviews forecasts on a quarterly basis on the possible evolution of macroeconomic variables that affect the level of expected credit losses of loan portfolios under a baseline and under alternative macroeconomic scenarios and also proposes the probabilities associated with these scenarios.

The mechanism for calculating expected credit loss is based on the following credit risk parameters:

- Probability of Default (PD): It is an estimate of the probability of a debtor to default over a specific time horizon.
- Exposure at default (EAD): Exposure at Default is an estimate of the amount of the exposure at the time of the default considering: (a) expected changes in the exposure after the reporting date, including principal and interest payments; (b) the expected use of credit limits and (c) accrued interest. The approved credit limits that have not been fully disbursed represent a potential credit exposure and are converted into a credit exposure equal to the approved undrawn credit limit multiplied by a Credit Conversion Factor (CCF). The Credit Conversion Factor of credit exposure is calculated based on statistical models.
- Loss given default (LGD): Loss given default is an estimate of the loss that will occur if the default occurs at a given time. It is based on the difference between the due contractual cash flows and those expected to be received, including the liquidation of collaterals and cure rate.

e) Presentation of expected credit losses in financial statements

Loss allowances for expected credit losses are presented in the Balance Sheet as follows:

- Financial assets measured at amortised cost: loss allowance is presented as a deduction from the gross carrying amount of the assets.
- Financial assets measured at fair value through other comprehensive income: for these assets no loss allowance is separately recognised in the Balance Sheet; however, its amount is disclosed in the notes to the financial statements;
- Undrawn loan commitments and letters of credit/letters of guarantee: loss allowance is recognised in line "Provisions" of liabilities in Balance Sheet.

3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

q) Identification and measurement of impairment (continued)

The amount of expected credit losses charged for the period is presented in the caption "Impairment losses and provisions to cover credit risk". In the same caption the following are also recognised: recoveries from written-off loans measured at amortised cost, modification gains or losses of loans measured at amortised cost and the favorable changes in expected credit losses of POCI assets in case expected credit losses are less than the amount of expected credit losses included in the estimated cash flows on initial recognition.

f) Write-offs

The Bank proceeds with the write-off of loans and advances to customers when it has no reasonable expectations for their recovery. In this case, the loss allowance is used against the carrying amount of the financial asset.

Credit impairment losses on due from banks and bonds

The Bank, at each reporting date, recognises a loss allowance for expected credit losses on due from banks and bonds not measured at fair value through profit or loss.

The loss allowance is based on expected credit losses related to the probability of default within the next twelve months, unless there has been a significant increase in credit risk from the date of initial recognition in which case expected credit losses are recognised over the life of the instrument. In addition, if the financial asset falls under the definition of purchased or originated credit impaired (POCI) financial assets, a loss allowance equal to the lifetime expected credit losses is recognised.

a) Default definition

Due from banks and bonds are considered impaired when the external rating of the issuer/counterparty is equivalent to default (D). In case there is no external rating, then the instrument is characterized as impaired based on internal rating. If there is also an exposure to the corporate issuer/counterparty to the loan portfolio which has been classified as impaired, the instrument is also characterized as impaired.

b) Classification of due from banks and bonds into stages based on credit risk (Staging)

For the purposes of calculating expected credit losses, the exposures are classified into stages as follows:

- Stage 1: Stage 1 includes non-impaired instruments that do not have significant increase in credit risk since initial recognition. Stage 1 also includes instruments for which credit risk has been improved and the instrument has been reclassified from stages 2 or 3. In this stage, expected credit losses are recognised based on the probability of default within the next twelve months.
- Stage 2: Stage 2 includes non-impaired instruments for which there has been a significant increase in credit risk since initial recognition. Stage 2 also includes instruments for which credit risk has been improved and the instrument has been reclassified from stage 3. In this stage, lifetime expected credit losses are recognised.
- Stage 3: Stage 3 includes impaired instruments. In this stage, lifetime expected credit losses are recognised.

As an exception to the above, for purchased or originated credit impaired (POCI) instruments, lifetime expected credit losses are always recognised. An instrument is characterized as purchased or originated credit impaired when:

- The instrument (or the issuer) has an external rating that corresponds to default at the time of acquisition;
- Corporate bonds resulting from debt restructuring are classified as purchased or originated credit impaired, based on the guidelines applicable to the loan portfolio.

3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

q) Identification and measurement of impairment (continued)

When a debt security has been purchased at a large discount and does not fall into any of the categories mentioned above, the Bank examines the transaction in detail (transaction price, recovery rate, issuer's financial condition at the time of purchase, etc.) in order to determine whether it should be recognised as purchased or originated credit-impaired (POCI). Classification in this category requires documentation and approval by the relevant committees of the Bank.

c) Significant increase in credit risk

The classification into stages for the purpose of expected credit loss measurement is based on the credit rating of rating agencies (available rating scales from Moody's, Fitch, S&P) and on the issuer / counterparty PD (12 months).

The determination of significant increase in credit risk for non-investment grade securities is based on the following two conditions:
- Downgrade in the issuer / counterparty's credit rating on the reporting dates compared to the credit rating on the date of the initial recognition.
- Increase in the probability of default of the issuer / counterparty for the 12-month period compared to the corresponding probability of default at initial recognition.

Additionally, the Bank monitors the change in the credit spread since initial recognition. A change in credit spread at the reporting date that exceeds a specific threshold compared to the credit margin prevailing at the date of initial recognition is a trigger for reviewing the securities classification stage.

d) Calculation of expected credit loss

The expected credit loss is the present value of the difference between:
i. the contractual cash flows, and
ii. the cash flows that the Bank expects to receive.

For the calculation of the expected credit loss, the following parameters are used:
- Probability of default (PD): the probability of default over the next 12 months is used to calculate the expected credit loss for 12 months, and the probability of default over the life of the instrument is used to calculate the lifetime expected credit losses.
- Exposure at default (EAD): In the case of securities, the Bank estimates the future unamortised cost in order to calculate the EAD. In particular, for each period, EAD is the maximum loss that would result from issuer / counterparty potential default.
- Loss given default (LGD) is the percentage of the total exposure that the Bank estimates as unlikely to recover at the time of the default. The Bank distinguishes sovereigns from non-sovereign issuers / counterparties as regards to the LGD estimation. In case the Bank has also granted a loan to the issuer / counterparty of the security, the estimated LGD is aligned to corresponding estimate for the loan portfolio (considering any potential collaterals the loan portfolio is likely to have against the unsecured debt securities).

e) Presentation of expected credit losses in financial statements

Loss allowances for expected credit losses are presented in the Balance Sheet as follows:
- Financial assets measured at amortised cost: loss allowance is presented as a deduction from the gross carrying amount of the assets.
- Financial assets measured at fair value through other comprehensive income: for those assets no loss allowance is separately recognised in the Balance Sheet, however, its amount is disclosed in the notes to the financial statements.

The amount of expected credit losses charged for the period is presented in the caption "Impairment

3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

q) Identification and measurement of impairment (continued)

losses and provisions to cover credit risk". The caption includes also the favorable changes in expected credit losses of POCI assets in case expected credit losses are less than the amount of expected credit losses included in the estimated cash flows on initial recognition.

ii) Impairment losses for non-financial assets

The Bank assess as at each balance sheet date its non-financial assets for impairment, particularly property, plant and equipment, investment property, right of use assets and other intangible assets.

An impairment loss is recognised in profit or loss when the recoverable amount of an asset is less than its carrying amount.

The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use.

In assessing whether there is an indication that an asset may be impaired both external and internal sources of information are considered, of which the following are indicatively mentioned:

- The asset's market value has declined significantly, more than would be expected as a result of the passage of time or normal use.
- Significant changes with an adverse effect have taken place during the period or will take place in the near future, in the technological, economic or legal environment in which the entity operates or in the market to which the asset is dedicated.
- Significant unfavourable changes in foreign exchange rates.
- Market interest rates or other rates of return of investments have increased during the period, and those increases are likely to affect the discount rate used in calculating an asset's value in use.
- The carrying amount of the net assets of the entity is greater than its market capitalization.
- Evidence is available of obsolescence or physical damage of an asset.
- Specifically for right-of-use assets, triggers for impairment include:
  - The existence of leased properties that are neither used nor leased by the Bank;
  - The fact that the present value of the leases received in the event of a sublease is lower than the value of the rents paid under the lease.

Fair value less costs to sell is the amount received from the sale of an asset (less the cost of disposal) in an orderly transaction between market participants.

Value in use is the present value of the future cash flows expected to be derived from an asset or cash – generating unit through their use and not from their disposal. For the valuation of property, plant and equipment, value in use incorporates the value of the asset as well as all the improvements which render the asset perfectly suitable for its use by the Bank.

r) Provisions and contingent liabilities

A provision is recognised if, as a result of a past event, the Bank has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. A provision for restructuring is recognised when the Bank has approved a detailed and formal restructuring plan, and the restructuring either has commenced or has been publicly announced. Future operating losses are not provided for.

The Bank does not recognise in the statement of financial position contingent liabilities which relate to:

- possible obligations resulting from past events whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Bank, or
- present obligations resulting from past events for which:

3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

r) Provisions and contingent liabilities (continued)

- it is not probable that an outflow of resources will be required, or
- the amount of liability cannot be measured reliably.

The Bank provides disclosures for contingent liabilities taking into consideration their materiality.

s) Related Parties

According to IAS 24, a related party is a person or entity that is related to the entity that is preparing its financial statements.

For the Bank, in particular, related parties are considered:

- Parent company Alpha International Holdings S.A., the ultimate controlling party Alpha Services and Holdings S.A. and the entities that constitute for the Bank or Alpha Services and Holdings S.A.:
    - a subsidiary,
    - a joint venture,
    - an associate.
- A person and his close family members, if that person is a member of the key management personnel.

The Bank considers as key management personnel all the members of the Bank's Board of Directors and Executive Committee of Alpha Bank SA, including close family members of the above-mentioned persons.

t) Employee benefits

i. Short term service benefits

Short-term employee benefits include wages, salaries, bonuses and social security contributions. Short-term employee benefits are measured on an un-discounted basis and recognised as expense when services are rendered. Short term employee benefits include items expected to be settled wholly before twelve months after the end of the period in which the employees rendered the related services.

A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Bank has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

ii. Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into an entity and will have no legal or constructive obligation to pay further amounts.

The Bank, in the normal course of business makes payments to the Romanian State funds on behalf of its Romanian employees for pension, health care and unemployment benefit. All employees of the Bank are members and also have the legal obligation to make defined contributions (included in the social security contributions) to the Romanian State pension plan (a State defined contribution plan). All relevant contributions to the Romanian State pension plan are recognised as an expense in the income statement as incurred. The Bank does not have any further obligations.

The Bank does not operate any independent pension scheme and, consequently, has no obligation in respect of pensions. The Bank has no obligation to provide further benefits to former employees.

3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

t) Employee benefits (continued)

iii. Termination benefits

When the Bank decides to terminate the employment before retirement or the employee accepts the Bank's offer of benefits in exchange for termination of employment, the liability and the relative expense for termination benefits are recognised at the earlier of the following dates:

- when the Bank can no longer withdraw the offer of those benefits; and
- when the Bank recognises restructuring costs, which involve the payment of termination benefit.

u) Business Combinations

In case of absorption of an entity or part of an entity that satisfies the definition of a business, the Bank applies the provisions of IFRS 3 for business combinations.

The acquisition method is applied when the Bank obtains control of other companies or units that meet the definition of a business. Application of the acquisition method requires identifying the acquirer, determining the acquisition date and measuring the consideration transferred, the identifiable assets acquired, the liabilities assumed and any non controlling interest in the acquiree, in order to determine the amount of goodwill or bargain gain arising from the business combination.

The consideration transferred is measured at fair value on acquisition date. Consideration includes also the fair value of any contingent consideration.

The identifiable assets acquired and liabilities assumed are initially recognized on acquisition date at their fair value, except from specific assets or liabilities for which a different measurement basis is required. Any non controlling interests are recognized at either fair value or at their proportionate share in the acquiree's identifiable net assets, as long as they are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation. Otherwise, they are measured at their acquisition date fair values.

Any difference between:

a) the sum of the consideration transferred, the fair value of any previously held equity interest of the Bank in the acquiree and the amount of any non – controlling interests, and
b) the net of the acquisition date amounts of the identifiable assets acquired and the liabilities assumed,

is recognized as goodwill if the above difference is positive or as a bargain gain in profit or loss if the difference is negative.

During the measurement period, the provisional amounts recognized at the acquisition date are adjusted in order to reflect new information obtained about facts and circumstances that existed as of the acquisition date and, if known, would have affected the measurement of the amounts recognized as of that date. These adjustments affect accordingly the amount of goodwill. The measurement period ends as soon as the information about facts and circumstances existed as of the acquisition date has been obtained. However, the measurement period shall not exceed one year from the acquisition date.

4. RISK MANAGEMENT

a) Introduction and overview

The Bank has exposure to the following main risks:

- credit risk
- liquidity and funding risks
- market risk, comprising interest rate risk and foreign currency risk
- financial risk of the banking portfolio
- taxation risks
- operational risks

This note presents information about the Bank's exposure to each of the above risks, the Bank's objectives, policies and processes for measuring and managing risk, and the Bank's management of capital.

Risk management framework

The Bank's Chief Risk Officer supervises the Strategic Risk Management Division and Credit Risk Management Division and reports on a regular basis and ad hoc to the Management Committees, the Risk Management Committee and to the Board of Directors. As far as credit risk is concerned the reporting to the above-mentioned committees and to the Credit Risk Committee covers the following areas:

- The portfolio risk profile by rating grade;
- The transition among rating grades and / or loan states (migration matrices, transition rates);
- The estimation of the relevant risk parameters by rating grade, group of clients, portfolios etc.;
- The changes in the estimation of PD's and LGD's for impairment purposes;
- The changes in the rating process, in the criteria or in each specific parameter;
- The concentration risk (by risk type, industry sector, regions, currency, collateral and portfolio, product etc.);
- The evolution of non-performing ratios and afferent coverage with impairment and collaterals, by sub-portfolios, industry, regions.

Under the supervision of the Bank's Chief Risk Officer, the Risk Management Divisions have been assigned with the responsibility of implementing the risk management framework, according to the directions of the Risk Management Committee.

Risk Management Divisions ensure compliance and monitors the implementation of the risk policies in line with the Group and local regulatory requirements. The Bank's Audit Committee is responsible for monitoring compliance with the Bank's risk management policies and procedures, and for reviewing the adequacy of the risk management framework in relation to the risks faced by the Bank. The Bank's Audit Committee is assisted in these functions by Internal Audit. Internal Audit undertakes both regular and ad-hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

4. RISK MANAGEMENT (CONTINUED)

b) Credit risk

i) Management of credit risk

Credit risk is the risk of financial loss to the Bank if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Bank's loans and advances to customers and other banks and investment securities. For risk management reporting purposes, the Bank considers and consolidates all elements of credit risk exposure.

A. Legal entities portfolios

Credit facilities granted to Legal entities are included in the following categories subject to the size of the credit facility and the obligor, as shown in the table below:

	Portfolio	**Characteristics**
Obligors under the competence of Wholesale Banking and under Wholesale Credit Manual provisions	Corporate	Companies with turnover > Euro 50 million
	SME	Companies with turnover > Euro 2.5 million and < Euro 50 million OR companies with credit limit > Euro 1 million
Obligors under the competence of Retail Banking and under SBB Credit Policy provisions (starting with Q3 2022)	SME	Companies with turnover < Euro 2.5 million and credit limit < Euro 1 million

1. Credit Risk Approval Process

The competence limits of the Credit Committees are determined based on Total Credit Exposure, which can be approved by the Bank. Total Credit Exposure: A single credit risk is defined as the sum of all credit risks arising from all credit facilities provided by the Bank as a whole, to a single company, or a group of associated companies, including any financing provided to their owners (mortgages, loans for share acquisition, personal/consumer loans, credit cards, etc.). The total credit exposure (company or group of companies and their owners') includes the following:

- Working Capital limits and credit lines (overdraft);
- Letters of Credit/Letters of Guarantee limits;
- Credit Cards prepayment limit;
- Corporate Cards limits;
- Medium and long-term loans (current outstanding/exposure for facilities that have been fully drawn or limit amount of undrawn facilities);
- Special credit limits or loans, or any form of personal financing granted to the company's business owners (mortgage loans, consumer loans, shares' purchase, credit cards etc.)

1.1 Credit Approval Limits - Credit Committees

For legal entities, the Bank's Credit Committees Structure is the following:
- Country Credit Committee
- Credit Committee I

For the customers under SBB Credit Policy, the Bank's Credit Committees Structure is the following:
- SBB Credit Committee I,
- SBB Credit Committee II,
- SBB Credit Committee III

4. RISK MANAGEMENT (CONTINUED)

b) Credit risk (continued)

i) Management of credit risk (continued)

SBB Customers exceeding SBB Credit Committee competences are approved under Country Credit Committee competences.

In addition to Credit Approval Limits per Credit Committee competence, the Bank has set Country credit limits for direct and indirect exposures, used when assessing foreign counterparty's credit risk.

1.2. Credit Limit Expiration/Renewal date

The credit limits' expiration/renewal date is determined by the competent Credit Committees. The main factor for the determination of the credit limit expiry is the client's credit rating, which is not a standalone approval or rejection criteria, but the basis for determining the minimum security/collateral required and the respective pricing. As a rule, for clients that have been rated in the Low, Medium and Acceptable credit risk zones, reviews are carried out on an annual basis, for moderate risk - Watch List clients, on a semi-annual basis while obligors that have been rated as in the High Risk zone are reviewed on a quarterly basis. Deviations from the above rule are allowed, only with proper approval from the competent Credit Committees.

1.3. Environmental and social risk

Within Credit Risk Management Framework and Credit Policy, it has been integrated the assessment of the strict compliance of the principles of an environmentally and socially responsible financing towards legal entities.

The main climate risk transmission channels in the area of credit risk include transition risk (e.g. the risk in which the Bank is exposed and derived from the current or future impacts on its counterparties or on their invested assets as a result of the transition in an environmentally sustainable economy) and physical risk (e.g. the risk in which the Bank is exposed and derived from the current or future impacts on its counterparties or on their invested assets as a result of the physical effects of environmental factors).

Recognizing the relevance and potential impact of risks arising from climate and environmental factors, and particularly climate change, and in line with the relevant external guidelines, the Bank considers climate and environmental risk factors as a thematic area, i.e. as a cross-sectoral risk that can affect the existing categories of financial and non-financial risks (e.g. credit risk, operational risk, market risk, liquidity risk, etc.)

The materiality assessment of ESG risks across the various types of financial and non-financial risks will be gradually strengthened and expanded to consider additional financial criteria beyond the level of ESG sensitive exposures (e.g. sensitivity metrics, scenario analysis and stress simulation results etc.), as computational approaches become more mature and sufficient data points become available. The Bank will identify and assess the materiality of ESG risks on an annual basis, as part of the wider recurring risk materiality assessment process.

The Bank applies an exclusion list in line with the Environmental and Social Exclusion List developed by the European Bank for Reconstruction and Development (EBRD), for the avoidance of financing, directly or indirectly, specific activities considered as harmful to the environment and society.

It should be also underlined that Alpha Bank Romania has already updated its Credit Policy to expand the exclusion list of activities i.e. the activities that it does not finance. Specifically, the Bank does not finance the following activities: Thermal coal mining or coal-fired electricity generation capacity; Upstream oil exploration; Upstream oil development projects, except in rare and exceptional circumstances where the proceeds of the project exclusively target the reduction of GHG emissions or flaring from existing production fields.

4. RISK MANAGEMENT (CONTINUED)

b) Credit risk (continued)

i) Management of credit risk (continued)

Regarding the impact of climate risk on the calculation of Expected Credit Risk Loss, detailed information on the location of collateral as well as information on energy performance certificates is being collected. The information will be incorporated into the respective data systems. Methodological approaches will be examined in order to adapt the models for calculating expected credit risk loss integrating ESG risk in credit risk parameters.

2. Credit Risk Measurement and Internal Ratings

The assessment of the obligors' creditworthiness and their rating in credit risk scales is established through rating systems.

The rating of the Bank's obligors with the use of credit risk rating systems constitutes a basic tool for:

- The decision-making process of Credit Committees for the approval/ renewal of credit limits and the implementation of the appropriate pricing policy (interest rate spreads etc.).
- The estimation of the future behaviour of obligors which belong to a group with similar characteristics.
- The early recognition of potential troubled facilities (early alert mechanism) and the prompt, effective action for the minimization of the expected loss for the Bank.
- The assessment of the quality of the Bank's loan portfolio and the credit risk undertaken.

The aim of the credit risk rating systems is the estimation of the probability that the obligors will not meet their contractual obligations to the Bank.

The rating system employed by the Bank is Alpha Bank Rating System (ABRS) which incorporates different credit rating models. ABRS model - applied to companies with full financial statements, IPRE Slotting – rating model dedicated to real estate transactions.

The credit rating models which are currently used by the Bank are differentiated based on:

- The credit facility's specific characteristics;
- The available information for the obligor's assessment.

All current and prospective clients of the Bank are assessed based on the appropriate credit risk rating model and within pre-specified time frames.

For the estimation of the obligor's credit risk and rating, the Bank evaluates a series of parameters, which can be grouped as follows:

- Financial Analysis: obligor's financial ability (liquidity ratios, debt to income etc.).
- Peers' Analysis: Obligor's comparative position in the market in which it operates mostly compared to its peers.
- Behavioural status and history of the obligor with the Bank and with third parties (debt in arrears, adverse transaction records, etc.).
- Obligor's qualitative characteristics (solid and health administration, management succession, appropriate infrastructure and equipment etc.).

For each of the credit rating models, different parameters may be used, each of which contributes in a specific manner to the relevant assessment.

4. RISK MANAGEMENT (CONTINUED)

b) Credit risk (continued)

i) Management of credit risk (continued)

Borrowers Rating Scale

Obligors are rated using ABRS – rating scale: AA, A+, A, A-, BB+, BB, BB-,B+, B, B-, CC+, CC, CC-, C, D, D0, D1, D2.

For special purpose finance (Income Producing Real Estate / IPRE) special models have been designed (slotting approach) with the categorization scale 1 to 4, where category 4 represents high risk customers. IPRE Defaulted exposures are assigned ratings D, D0, D1, D2.

For presentation purposes of table "Classification by credit quality and IFRS 9 Stage", the "strong" rating includes the ABRS rating scales AA, A+, A, A- , BB+, and IPRE Category 1, "satisfactory" rating includes the ABRS rating scales BB, BB-, B+, B, B-, CC+, CC and IPRE Categories 2 and 3, and "under close monitoring" (higher risk) includes the ABRS rating scales CC-, C and IPRE Category 4. Last, "default" category, includes the rating scales D, D0, D1, D2.

The ABRS credit rating model has been fully redeveloped and calibrated in 2021, using the extended Alpha Bank Romania legal entities portfolio data history. The model has been deployed since Q4 2021 into production.

B. Retail banking portfolio

Retail banking involves the lending facilities offered to borrowers covering traditional banking products and services such as:

- Housing loans/Mortgages;
- Consumer Loans and Credit Cards;
- Very small entities (VSE), i.e. personal or family businesses regardless of the credit limit and annual turnover.

1. Credit Risk Approval Process

Alpha Bank monitors customer Total Credit Risk Exposure (For Individuals and Small Businesses), which refers to the sum of all revolving limits of an obligor, all balances of term loan facilities and for the case of legal entities the total exposure of facilities given to stakeholders of customer companies.

Additionally, facilities for which the customer is guarantor or co-debtor are also taken into account.
Total Credit Exposure:

- Requested loan amount or limit.
- Limits of credit/charge cards, revolving loans and overdraft facilities, as well as outstanding balances of Consumer loans.
- Housing loans (the outstanding balances of the loans which have been fully disbursed or the initial approved loan amount for cases of loans which have not been fully disbursed).

2. Credit Risk Measurement

A fundamental parameter in assessing Retail Banking Credit Risk is the existence of Credit Rating Models that are developed and employed throughout the credit cycle at Bank level. The aforementioned models are segmenting population in homogenous risk groups (pools) and are categorized, as follows, in:

(all amounts are expressed in RON thousand ("RON '000"), unless otherwise stated)

4. RISK MANAGEMENT (CONTINUED)

b) Credit risk (continued)

i) Management of credit risk (continued)

- Behaviour Models, which assess the customer's performance and predict the probability of going default within the following months;
- Application Credit Scoring Models, which assess application data – mainly demographic- and predict the probability of going default within the following months.

These models and the probabilities of default that derive from them have a significant role in risk management and credit decision making.

Specifically, the models are used in the following segments:

- In decision making of credit assessment and credit limit assignment.
- In predicting future performance of customers belonging to the same pool of common characteristics.
- In identifying high risk accounts in time to schedule all necessary actions so as to reduce expected losses for the Bank.
- In assessing the Bank's portfolio quality and credit risk.

The parameters taken into consideration vary, according to the model's type and product category that it assesses. Indicatively, the following factors are listed:

- Personal/ demographic: data the customer's age, profession, marital status
- Loan characteristics: product that he applied for, loan term, loan amount, financing purpose.
- Behaviour data: payments during latest period of time, max delinquency, outstanding loan balance versus loan limit, transaction type.

Moreover, the models are reviewed, validated and updated on an annual basis and are subject to continuous quality control so as to ensure at any time their predictive power.

Furthermore, on a regular basis the Bank conducts exercises simulating crisis situations (Stress Tests) where the potential impact on the financial results of the Bank are explored due to unfavourable developments both in obligors' transactional behaviour as well as in the broader financial - macroeconomic environment.

For presentation purposes of table "Classification by credit quality and IFRS 9 Stage", the classification in "Strong", "Satisfactory" and "Watch List" categories, for Retail Banking loans is based on the twelve-month Probability of Default. The range of probabilities that determines this classification has derived from an analysis aiming at optimizing discriminatory power between categories; therefore ranges might differ for each category as presented below:

	Range of probability of default		
Rating classification	**Secured**	**Unsecured**	**Credit cards**
Strong	up to 1%	up to 1.30%	up to 3.5%
Satisfactory	From 1% up to 18.50%	From 1.3% up to 18.50%	From 3.5% up to 18.50%
Watch list	over 18.5%	over 18.5%	over 18.5%

In addition to the above mapping by probability of default, irrespective of the PD value the exposures found in their best Rating grade pool for each product type are classified Strong, while loans classified in Stage 2 can be allocated in Satisfactory at most.

4. RISK MANAGEMENT (CONTINUED)

b) Credit risk (continued)

i) Management of credit risk (continued)

Definitions

The following definitions are applied as guidance to the following paragraphs/tables:

The Public Sector includes:

- The Central Government (all departments or Ministries and Public Administration);
- Local Authorities;
- Companies dedicated to public sector activities.

Past Due Exposures

Amount past due is considered any amount that has not been paid according to the repayment schedule.
The past due credit obligation at obligor level, is defined as the sum of any past due amounts, for a particular obligor.

Definition of Default and Non-Performing Exposures

In the context of alignment with the regulations in force, the Bank implemented the new DPD computation – part of the new Default Classification Policy. This definition is applicable starting with 31 December 2020.

An exposure is considered as non-performing when at least one of the following criteria applies at the time of the credit risk rating assessment:

- The exposure is more than 90 days past due (NPL) or is past due more than 90 consecutive days on any material amount of the credit obligation(s) – in line with the new EBA definition. In case of exposures that are not forborne, which exited the NPL criteria, a 3 months out of NPL probation period is set, period in which the exposure is reported as NPL.
- The Bank considers that the Borrower is unlikely to pay its credit obligations without recourse by the Bank to actions such as collateral realization.
- Legal actions have been undertaken by the Bank (NPL).
- The exposure is classified as Forborne Non-Performing Exposure, as defined in the EU EC Regulation 451/2021 and NBR Order 9/2017.

The materiality of a past due credit obligation is assessed against a threshold which comprises a relative and an absolute component, as described below:

1. The absolute component of the materiality threshold is a limit of:
   - RON 150 for Retail exposures,
   - RON 1,000 for exposures other than Retail (all legal entities)

2. The relative component is a limit equal to 1% in terms of the amount of the credit obligation past due in relation to:
   - the amount of the individual credit facility, for Retail exposures,
   - the total amount of all on-balance sheet exposures to a particular Debtor (excluding equity exposures), for exposures other than Retail.

For the Curing of a Non-Performing Exposure and reclassification as Performing Exposure, any concerns for the ability of the borrower to meet their contractual obligations should have been eliminated (Absence of Concern), specifically:

4. RISK MANAGEMENT (CONTINUED)

b) Credit risk (continued)

i) Management of credit risk (continued)

- The exposure should have no days past due at exit date from probation period.
- An exposure over 90 days past due (NPL) can be directly cured only by Cash Payment of the amount over 90 days past due (NPL Curing).
- An exposure may be assessed as UTP for a reporting period, however, if the trigger ceases to apply at some point, then automatically the exposure may no longer be flagged as UTP (UTP Curing).
- For the curing of forborne non-performing exposures (FNPL), it is necessary to assess the borrower's ability to comply with the conditions agreed after the forbearance (FNPL Curing).

The Forborne Exposures that meet any of the following criteria are classified as Non-performing forborne (classified as FNPL):

1. They are supported by insufficient payment plans (either initial or subsequent payment plans, depending on the case).
2. They include contractual terms that delay the timing of regular repayment installments in a manner that prevents the appropriate classification assessment, such as when grace periods over two years for capital repayment are granted.
3. They have been reclassified from the performing classification, including remodified exposures or exposures over 30 days past due.

For FNPL exposures, the Bank applies a 12-month minimum probation period from the latest between one of the following events:

- the moment of extending the restructuring measures.
- the moment when the exposure has been classified as Defaulted.
- the end of the grace period included in the restructuring arrangements.

For these exposures, the reclassification to non-Defaulted status, is performed after the minimum 12-month period has elapsed (as described above) and the following conditions should apply.

- No indication of unlikeliness to pay is in effect at exit date from probation period (Absence of Unlikeness to Pay Criterion).
- There are no days past due at the end of the probation period.
- The Borrower's cash flows are considered as sufficient for the whole repayment of its credit obligations.
- A significant amount of payments (including capital) has been made during the probation period and is according to the contractual terms of the forbearance agreement.
- An updated financial statement analysis of the borrower should be assuring the continuation of repayment of obligations according to the contractual terms of the forbearance agreement (for legal entities exposures only).
- There has been no contamination effect at borrower level.
- In general, all the exit criteria are met according to the aforementioned European Commission Regulation 451/2021.

For the Forborne exposures where public moratoria were implemented (e.g. COVID-19 modifications), the curing probation period was adjusted accordingly taking into consideration the duration of the applied measures.

Default Exposures
An exposure is considered as Default when the criteria specified by the definition of Non-Performing Exposures are met.

4. RISK MANAGEMENT (CONTINUED)

b) Credit risk (continued)

i) Management of credit risk (continued)

For **Legal entities exposures**, the definition of Default is applied at the obligor level meaning that when at least one of the above specified criteria are met, the Obligor is considered as Defaulted. The Past Due Criterion is applied both at facility and at obligor level for these exposures, in order to be able to identify exposures for which the Past Due Criterion is satisfied at facility level, but not at obligor level.

For **Individuals (households) exposures**, the above specified definition of Default is applied at the level of an individual credit facility.

Credit Impaired Exposures
An exposure is considered as credit impaired when the criteria specified by the definition of non-performing exposures are met.

Unlikely to Pay Exposures
An exposure is flagged as 'Unlikely To Pay' (UTP) when the Bank assesses that the borrower is unlikely to fully meet his credit obligations without the liquidation of collateral regardless the existence of any past due amount or the number of days past due, with the exception of collaterals that are part of the production and trade chain of the borrower (e.g. properties for Real Estate companies, corporate shares for Holding companies).

For Wholesale Banking, the procedure is distinguished in two pillars:
(a) *Hard UTP Triggers* – events that determine the classification of the exposure as Non-Performing without any assessment by any Credit Committee,
(b) *Soft UTP Triggers* - the borrower should be assessed by the competent Credit Committee to decide if the borrower's exposures should be identified as Non-Performing or not. This assessment takes place at the date of revision of the borrower's credit limits based on the credit risk rating, as defined in the International Network Wholesale Banking Credit Manual or anytime an Early Alert Report is issued.

The following Hard UTP Triggers apply for Legal entities Borrowers

- Sale of Credit Obligation with a loss of over 5%
- Diminished Financial obligations with NPV Loss exceeding 1%
- Denouncement of loan agreement
- Liquidation of collaterals and initiation of foreclosure measures by the Bank when the borrower does not have operational cash flows for the repayment of his debt obligations (excluding e.g. checks).
- Legal actions, sale or judicial sale in order to collect the claim (e.g. foreclosure instead of debt collection).
- Withdrawal of a license of particular importance in companies that require public authorisation to carry out their activities such as banks and insurance companies. The same applies for technical and construction companies, telecommunications companies, pharmaceutical, mining, transport, food, chemical, petroleum, recycle, media etc.
- Refinancing/Extensions of loans whose lifetime exceeds the economic lifetime of the funded investment.
- There are strong indications that the borrower is unable to meet his debt obligations (e.g. termination of business).
- Fraud cases
- Excess of the minimum acceptable Loan to Value (LTV), as depicted contractually, for loans collateralised with securities, e.g. bonds, shares etc. (Margin Financing).
- Disappearance of an active market for the debtor's financial instruments, hold by the Bank.

4. RISK MANAGEMENT (CONTINUED)

b) Credit risk (continued)

i) Management of credit risk (continued)

- Write-off because of default
- Debt Forgiveness with or without forbearance (conditional or not) at least for the first 12 months since the debt forgiveness
- The credit institution or the leader of consortium starts bankruptcy/insolvency proceedings (application for insolvency)
- A credit event is declared under the International Swaps and Derivatives Association - ISDA).
- Out-of-court settlement/negotiation between Bank and Borrower for settlement / debt repayment of borrowers that are under bankruptcy proceedings (application for the bankruptcy)
- The borrower has requested to enter into bankruptcy protection or insolvency status (application for bankruptcy)
- A Bank has initiated bankruptcy or insolvency proceedings (application for bankruptcy).
- Borrower exposure with more than 3 consecutive restructurings from last non-restructured performing loan status
- The borrower exceeds 90 DPD intra-month, without a materiality threshold
- A financial asset was purchased or originated at a material discount that reflects the deteriorated credit quality of the debtor (POCI)
- Cured FPL exposure where Days past Due exceed 30 days (30+ dpd) (at facility level)
- Cured FPL exposures where new forbearance measure is granted (at facility level)
- FNPL loan, under probation period
- Distressed restructuring with diminished Financial obligations with NPV Loss less than or equal to 1%, or increase in initial obligations, that were modified:

    by providing a 'balloon' payment of the loan or of a large lumpsum payment envisaged at the end of the repayment schedule of at least 30% of loan value, while the initial terms of the loan agreement did not include this repayment method for the respective term loan, OR

    - where the exposures for which the initial terms of the loan agreement included the 'balloon' payment and were modified by including an increase of the amount of "balloon" with over 20% of loan value and simultaneously by reducing the current installment, OR
    - by providing an irregular repayment schedule where significant payments (over 40% of loan amount) are proposed for the end of restructuring period (e.g. for the last fourth (1/4) of the proposed repayment schedule).
- Distressed restructuring with diminished Financial obligations with NPV Loss less than or equal to 1% and non-payment of principal (principal grace period) above 1 year
- Existence of a combination of soft UTP triggers based on financial data (Interest coverage ratio (ICR) ≤1x, Negative equity and Highly leveraged companies (Debt / EBITDA ≥10x or negative) and behavioral data where there is either a) a new restructuring request OR b) there are recent active significant qualitative early warning signals (applies to Retail SMEs).

4. RISK MANAGEMENT (CONTINUED)

b) Credit risk (continued)

i) Management of credit risk (continued)

The following Soft UTP Triggers apply for Legal Entities Borrowers:

- Exposures that were modified by providing a 'balloon' payment while the initial terms of the loan agreement did not include this repayment method, as well as exposures that the initial terms of the loan agreement included the 'balloon' payment and were modified by including an increase of the amount of "balloon" and simultaneously by reducing the current installment;
- Diminished Financial obligations with NPV Loss less than or equal to 1%;
- Multiple modifications in the same exposure (≤3), from last non-restructured performing loan status;
- Deterioration of the leverage ratio (Debt to Equity) by at least 25% compared to the corresponding ratio at the time of initial financing when it is not due to a positive event for the company (e.g. sales increase, investment plan development), or decrease of equity by 50% compared to the time of initial financing;
- An exposure was purchased or sold with deep discount that reflects the low credit quality of the borrower;
- The debt service coverage ratio indicates that debt is not viable and in particular the EBITDA/interest ratio is less than 1;
- 5 Years Credit Default Swaps (CDS) above 1.000 bps in the last 12 months;
- Loss of an important customer or lessee representing at least 20% of the turnover or the total property income, respectively;
- A turnover decrease resulting in a cash flow reduction of at least 30%;
- An affiliated customer, representing at least 20% of turnover, has applied for bankruptcy;
- An external auditor report with qualified or adverse opinion that results to significant deterioration of key financial ratios of the borrower and to worsened estimated future cash flows of the borrower;
- It is expected that an exposure with repayment at maturity or a due installment cannot be refinanced under current market conditions;
- Disappearance of an active market for the debtor's financial instruments, not hold by the Bank;
- The borrower has exceeded the financial terms of the loan agreement by at least 10%;
- There is significant deterioration of the borrower's sector activity prospects;
- Adverse changes in the ownership structure or the management of the company or serious administrative problems;
- A third party (excluding Banks) has started bankruptcy or insolvency proceedings (application for Bankruptcy);
- Due payments to Tax Authorities and Social Security Funds;
- Diminished Financial obligations with NPV Loss less than or equal to 1% with modification of payment schedule by using an irregular repayment schedule (significantly different from original one), where significantly lower payments are envisaged at the beginning of repayment schedule;
- Exposures that were modified by adding a significant grace period at the beginning of the repayment schedule, while the initial terms of the loan agreement did not include this;
- Additional collaterals/guarantees or with improvement in collaterals structure are requested by the Bank in restructuring process;

4. RISK MANAGEMENT (CONTINUED)

b) Credit risk (continued)

i) Management of credit risk (continued)

- Significant delays in payments to other creditors have been recorded in the Credit register (CRC), more specifically in cases of NPE classification (including DPD>90), and of overdue amounts of over 60 days with other banks.

If finally a borrower is flagged as UTP, then its credit risk rating is classified to "Default status" in the Bank systems. It is noted that if a borrower flagged as UTP belongs to a Group of companies, then this group is also assessed as a whole by the competent Credit Committee for the existence or not of UTP.

For the Retail Banking Portfolio, the procedure is the following:

(a) Identification of events which when occur lead to the transfer of the exposure to Non -Performing status without requiring an assessment by any Credit Committee (Hard UTP Triggers),

(b) Identification of triggers which when occur, lead to borrower's credit assessment by the relevant Retail Banking Credit Committee in order to determine whether borrower's exposures should be classified as Non-Performing or not (Soft UTP Triggers).

This assessment takes place at the date of a forbearance request. If an exposure is flagged as UTP, then it is classified as Non-Performing by the Bank.

For Retail Banking exposures the following triggers are considered for classification of exposures as unlikely to pay:

a) Hard UTP triggers

- Fraud has been confirmed at the expense of the Bank.
- The borrower has passed away.
- Exposure with more than 3 consecutive restructurings from last non-restructured performing loan status.
- An out-of-court settlement / negotiation is underway between banks and borrower for settlement / repayment of debts of borrowers who are under bankruptcy proceedings (application for bankruptcy).
- Denouncement of loan agreement.
- Collaterals liquidation and foreclosure procedures have been initiated by the Bank when the borrower does not have operational cash flows to repay debt obligations (excluding e.g. checks).
- Legal actions, alienation or judicial sale in order to collect the debt have been initiated (e.g. foreclosure measures against debt collection).
- Debt Forgiveness with or without forbearance (conditional or not), at least for the first 12 months since the debt forgiveness;
- The borrower has notified the Bank upon the decision of giving in the immovable property to the bank in order to extinguish / close the debt from the mortgage contract, based on the provisions of the Law No. 77/ 2016 on the giving in of immovable property in order to extinguish loans obligations.
- Obligor has filed for bankruptcy or insolvency
- Unemployment
- Obligor restructuring request is rejected due to insufficient repayment capacity
- Obligor restructuring request is approved and the client does not proceed with implementation

4. RISK MANAGEMENT (CONTINUED)

b) Credit risk (continued)

i) Management of credit risk (continued)

- Cured FPL exposure where Days past Due exceed 30 days (30+dpd)
- Cured FPL exposures where new forbearance measure is granted
- Diminished Financial obligations with NPV Loss exceeding 1%
- Diminished Financial obligations with NPV Loss less than or equal to 1% and Balloon payment surpasses 20%
- Diminished Financial obligations with NPV Loss less than or equal to 1% and non-payment of principal above 1 year
- Diminished Financial obligations with NPV Loss less than or equal to 1% and multiple restructurings (Three within twelve months)
- A financial asset was purchased or originated at a material discount that reflects the deteriorated credit quality of the debtor (POCI)
- The borrower exceeds 90 DPD intra-month, without a materiality threshold.

b) Soft UTP Triggers:

- Multiple forbearances in the same exposure (≤3);
- The borrower has other exposures in the Bank in default;
- Inadequate financial status of the borrower;
- Withdrawn authorization;
- The borrower is the sole owner of a company with exposures in default and for which he/she has provided personal guarantees.

C. Expected Credit Loss Estimation Methodology

The procedure implemented for the impairment calculation in respect to Exposures and other claims stemming from Retail Banking and Wholesale Banking activities is in accordance with the International Financial Reporting Standards 9 (IFRS 9).

The Bank recognizes an exposure in the financial statement position when it becomes a party to the contractual provisions of the exposure. Subsequently, the exposures are classified in Stages based on the criteria defined below.

Portfolio Classification in Stages based on the credit risk (staging)

The classification of loans in stages is based on the changes of the credit quality compared to the initial recognition. The adoption of this model aims to: a) the timely recognition and measurement of credit losses prior to their realization, b) the classification of exposures depending on the deterioration of their credit quality, c) the more accurate measurement of expected credit losses.

Upon initial recognition of an exposure, the Bank determines whether this exposure is considered as credit impaired (Credit Impaired at Initial Recognition).The Bank is also likely to create credit impaired exposures as in the case of major modifications in the contractual repayment terms that result in the de-recognition of the initial credit exposure in the Bank’s financial statement position, except the derecognition results in a loan granted to another debtor with better financial standing. An exposure classified as POCI remains POCI, throughout its lifetime and provided that no de recognition has taken place in the meantime.

For exposures not classified as POCI, the classification in stages is performed as follows:

4. RISK MANAGEMENT (CONTINUED)

b) Credit risk (continued)

i) Management of credit risk (continued)

Stage 1 includes performing credit exposures that have no significant increase in credit risk since the initial recognition date. The expected credit losses calculated are the twelve months losses from the date of the financial statements and the assessment is carried out on a collective basis with the exception of borrowers assessed on an individual basis as per criteria defined below.

Stage 2 includes credit exposures with significant increase in credit risk since the initial recognition date, but which are not non-performing. The expected credit losses calculated are the lifetime losses and the assessment is carried out on a collective basis with the exception of borrowers assessed on an individual basis.

Stage 3 includes the non-performing / default exposures. The expected credit losses calculated are the lifetime losses and the assessment is performed on a collective or individual basis as per criteria below.

Significant increase in credit risk

For the timely identification of significant increase in credit risk for an exposure after the initial recognition (SICR) and the calculation of the lifetime credit loss of the exposure instead of the twelve months credit loss, the default risk at the reference date is compared to the default risk at the initial recognition date for all the Performing Exposures, including those with no days past due.

The assessment for deciding if an exposure shows significant increase in credit risk or not is based on the following three types of Indicators:

- Quantitative Indicators: They refer specifically to the comparison between the probability of default (PD) at the reference date and the probability of default at the initial recognition date using as thresholds absolute (ranging between 0,5% and 1% depending on portfolio) and relative variation limits (between 50% and 200%). For Specialized Lending Exposures (e.g. IPRE) the credit risk rating deterioration compared to credit risk rating at initial recognition is considered to indicate significant increase in credit risk. For loans existing in ABR portfolio at the moment the IFRS 9 implementation (originated before 01.01.2018), the SICR assessment is performed not on PD evaluation but based on rating comparison (origination rating vs. reporting rating).
- Qualitative Indicators: They refer to use of qualitative information which is not necessarily depicted in the probability of default, such as the assessment of an exposure as performing forborne (FPL according to EBA ITS) or as exposure with financial difficulty; qualitative indicators are included in Early Warning Policy, indicators which are identified through credit risk rating (e.g. economic data evolution, activity sector). In addition, all wholesale customers recorded in the Early Warning Process - Watch List are classified in Stage 2 as long as they are recorded in the respective list.
- Backstop Indicators: addressing cases where there is no evidence of significant credit risk deterioration based on the quantitative and qualitative indicators; exposures over 30 days past due are considered by definition to show a significant increase in credit risk.

In case of exposures to Companies, the following are assessed on an individual basis:

- Borrowers with at least one Non-Performing Exposure whose Customer General Limit in the Bank exceeds the amount of Euro 400,000;
- Exposures that do not share common risk characteristics or for which no relevant historical data that enables a collective analysis is available.

In case of exposures to Individuals, exposures are assessed individually, if they are Non-Performing Exposures (NPE), and if total debit outstanding balance is over Euro 250,000.

Any other exposure is assessed collectively.

4. RISK MANAGEMENT (CONTINUED)

b) Credit risk (continued)

i) Management of credit risk (continued)

Expected Credit Loss Calculations

According to IFRS 9 standard, recognition of credit losses can occur irrespectively of a credit event. On the contrary, an entity always estimates the expected credit losses and the changes in expected credit losses. The amount of expected credit losses is updated monthly so as to reflect the changes in the credit risk since initial recognition and thus provide timely information on expected credit losses.

The assessment is carried out at the customer level for the individually assessed Borrowers and at loan level for the collectively assessed customers.

EXPECTED CREDIT LOSS CALCULATION METHODOLOGY - INDIVIDUAL ASSESSMENT

The discounted cash flows represent the amount calculated according to the following methodology:

- The estimation of future cash flows.
- The measurement of the recoverable amount that reflects the cash flows that may result from the liquidation of collateral.
- The time period until the liquidation / sale.
- The discounting of the above described cash flows by the exposure's Effective Interest Rate (EIR), which for fixed rate exposures is the original effective interest rate, while for variable rate exposures is the current effective interest rate. When the EIR of exposure is not available, the current nominal interest rate is used.

The estimation of the future cash flows is carried out according to the following two approaches:

- Scenario 'Going Concern'. In this case, the operating cash flow of the borrower or the guarantor continues to be used and can be used for debt repayments, while there is limited value of collateral for the exposure or the collaterals cannot be executed without affecting the operating cash-flows.

  In this case, the detailed cash flow analysis requires a thorough analysis of: the borrower's financial situation, the business plans, the projections etc. so as to determine the future cash flows available for collection.

- Scenario 'Gone Concern', when the collaterals are liquidated. This occurs if:
  a. The exposure is past due for a long time.
  b. The future operating cash flows of the borrower are estimated to be low or negative.
  c. The exposure is covered by collaterals at a significant level and these collaterals are crucial for generating cash flows.
  d. The implementation of the 'Going Concern' scenario is going to significantly affect in a negative way the amount that the Bank can recover.
  e. There is a significant degree of uncertainty regarding the estimation of future operating cash flows.
  f. For purposes of the expected credit loss calculation, the value of the collaterals - if the liquidation is not consensual – is reduced by a percentage which depends on the type of collateral in order to adapt the current value of the collateral at market value under foreclosure.

Haircuts for real estate collaterals are also reviewed on a quarterly basis, based on the estimations of the Chief Economist.

4. RISK MANAGEMENT (CONTINUED)

b) Credit risk (continued)

i) Management of credit risk (continued)

Exposures classified as POCI are assessed using individual assessment methodology.

EXPECTED CREDIT LOSS CALCULATION METHODOLOGY - COLLECTIVE ASSESSMENT

The Collective Assessment applies to credit exposures which are not assessed individually after having been categorized based on similar characteristics of the credit risk group and the portfolio that the borrower or the credit facility belong to.

For the classification of credit facilities into groups with similar credit risk characteristics, the followings are considered:

- Staging according to Credit Risk
- Type of Product
- Days Past Due
- Indication of default
- Modification of contractual terms for borrowers showing financial difficulty (Forbearance Measures)
- Collateral existence taking into account the type and coverage rate (Loan to Value)
- Write-Off
- Credit Risk Rating
- Activity Sector
- Time in default

Calculation of expected credit loss

Expected Credit Loss is updated at each reporting date to reflect the changes in the credit risk since initial recognition and thus provide timely information on evolution of expected credit losses.
The measurement of Expected Credit Losses is performed as follows:

- For financial assets, a credit loss is the present value of the difference between:
  - the contractual cash flows, and
  - the cash flows that the Bank expects to receive.
- For undrawn loan commitments, a credit loss is the present value of the difference between:
  - the contractual cash flows that are due if the loan commitment is drawn down, and
  - the cash flows that the Bank expects to receive if the loan is drawn down.
- For letters of guarantee and letters of credit, the loss is equal to the expected payments to reimburse the holder for a credit loss that it incurs less any amounts that the Bank expects to receive from the holder.

Post Model Adjustments

In the context of inflationary pressures and the increase in borrowing costs for households and businesses, as well as the general uncertainty that exists in the economic environment, that might have not been fully captured by models or forward looking information, Alpha Bank Romania included in the ECL allowance on its balance sheet as at 31.12.2023 additional Post Model Adjustment (PMA) provisions totaling RON 71.6 million.

(all amounts are expressed in RON thousand ("RON '000"), unless otherwise stated)

4. RISK MANAGEMENT (CONTINUED)

b) Credit risk (continued)

i) Management of credit risk (continued)

Incorporation of forward-looking information

The Bank calculates Expected Credit Losses based on the weighted probability of three alternative scenarios. More specifically, the Bank's Chief Economist produces forecasts for the possible evolution of macroeconomic variables that affect the level of Expected Credit Losses of loan portfolios under a baseline and under two alternative macroeconomic scenarios (an upside and an adverse one) and also produces the cumulative probabilities associated with these scenarios.

The Bank uses three scenarios for the calculation of expected loss: base scenario, optimist and pessimist (adverse). The weight allocated to each scenario is proposed by the Credit Risk Management Division and approved by the Credit Risk Committee.

For 2023, the weights allocated to each scenario as per Bank's Chief Economist view on the business cycle evolution were: 50 % base scenario, 10% optimist and 40 % pessimist, maintaining the 2022 weights.

The macroeconomic variables affecting the level of expected credit losses are the Gross Domestic product (GDP), the Unemployment rate, the Inflation rate, the Long-term Government Bonds Yield for Germany and the forward looking prices for residential and commercial real estates.

The yearly estimates for the period 2024 - 2026 of macroeconomic variables affecting the Probability of Default or the expected Loss Given Default are the following:

	Q4 2023*		
Optimist	*2024f*	*2025f*	*2026f*
Real GDP growth	3.70%	4.20%	4.20%
Unemployment	4.85%	4.87%	4.87%
Inflation	4.00%	2.10%	1.30%
Long-term Government Bonds Yield GE	2.42%	2.11%	2.11%
RRE prices (% change)	7.00%	7.00%	7.00%
CRE Price Index (% change)	7.00%	7.00%	7.00%
Base	*2024f*	*2025f*	*2026f*
Real GDP growth	3.00%	3.40%	3.40%
Unemployment	5.85%	5.87%	5.87%
Inflation	5.80%	3.90%	3.10%
Long-term Government Bonds Yield GE	2.42%	2.11%	2.11%
RRE prices (% change)	5.00%	5.00%	5.00%
CRE Price Index (% change)	5.00%	5.00%	5.00%
Pesimist	*2024f*	*2025f*	*2026f*
Real GDP growth	2.00%	2.40%	2.40%
Unemployment	6.35%	6.37%	6.37%
Inflation	7.80%	5.90%	5.10%
Long-term Government Bonds Yield GE	2.42%	2.11%	2.11%
RRE prices (% change)	3.40%	3.40%	3.40%
CRE Price Index (% change)	0.40%	0.40%	0.40%

(all amounts are expressed in RON thousand ("RON '000"), unless otherwise stated)

4. RISK MANAGEMENT (CONTINUED)

b) Credit risk (continued)

i) Management of credit risk (continued)

The production of base scenario, supported by a consistent economic description, constitutes the most likely scenario according to the current economic conditions and the Bank's basic assessment of the course of the economy. The cumulative probabilities of the macroeconomic scenarios for the economy will indicate that the economy performs better or worse than forecasts of the baseline scenario and the alternative scenarios, i.e. the optimist and pessimist scenario. For each one of the alternative scenarios, the distinct risk parameters (PD& LGD) are calculated and weighted against the probability of each scenario in order to produce a set of cumulative risk parameters and calculate the weighted expected credit loss.

If the assigned cumulative probability of the adverse scenario was weighted at 100%, Expected Credit Losses would increase by RON 20,091 thousand at 31.12.2023 (31.12.2022: RON 26,829 thousand).

If the assigned cumulative probability of the upside scenario was weighted at 100%, Expected Credit Losses would decrease by RON 56,657 thousand at 31.12.2023 (31.12.2022: RON 53,735 thousand).

The following table shows in more detail this impact per Stage classification:

	Baseline Scenario		Adverse Scenario		Upside Scenario	
	31.12.2023	31.12.2022	31.12.2023	31.12.2022	31.12.2023	31.12.2022
Retail	**(2,455)**	**(5,431)**	**8,899**	**4,492**	**(28,237)**	**(15,712)**
Stage 1	(512)	(1,099)	1,435	242	(4,011)	(2,735)
Stage 2	(1,706)	(3,926)	5,109	847	(15,949)	(8,213)
Stage 3	(238)	(406)	2,355	3,403	(8,277)	(4,764)
Wholesale	**(3,047)**	**(5,998)**	**11,192**	**22,337**	**(28,420)**	**(38,023)**
Stage 1	(1,449)	(2,591)	5,427	7,302	(14,333)	(18,905)
Stage 2	(1,567)	(3,347)	5,457	14,732	(12,957)	(18,704)
Stage 3	(31)	(60)	308	302	(1,130)	(414)
Total	**(5,502)**	**(11,429)**	**20,091**	**26,829**	**(56,657)**	**(53,735)**

Credit risk parameters

Calculation of Expected Credit Loss is based on the following credit risk parameters which are developed parameters, through internal statistical models based on historical data:

• **Probability of Default (PD):** It is an estimate of the probability of a debtor to default over a specific time horizon.

For assessing the probability of default, the credit risk rating models assess a series of parameters that can be grouped as follows:

- Financial Analysis: The Borrower's Financial Capacity (Liquidity Indicators, Debt to Revenue etc.)
- Competitor's analysis: the borrower's comparative position in the market in which operates, mainly in relation to its competitors (mainly applicable to debtors of Wholesale Banking)
- Current and historical debtor's behavioral data either towards the Bank or towards third parties (delinquencies, repayment behavior, etc.), and
- Qualitative characteristics of the debtor (strong and sound management, management succession, appropriate facilities and equipment, etc.).

Credit Ratings constitute the main input in order to determine the probability of default. The Bank uses statistical models in order to analyze the collected data and make estimates of the remaining probability of default over the life of the exposures and how they will evolve over time based, among other things, on macroeconomic variables.

4. RISK MANAGEMENT (CONTINUED)

b) Credit risk (continued)

i) Management of credit risk (continued)

• **Exposure at default (EAD):** Exposure at Default is an estimate of the amount of the exposure at the time of the default taking into account: (a) expected changes in the exposure after the reporting date, including principal and interest payments; (b) the expected use of credit limits and (c) accrued interest. The approved credit limits that have not been fully disbursed represent a potential credit exposure and are converted into a credit exposure equal to the approved undrawn credit limit multiplied by a Credit Conversion Factor (CCF). The Credit Conversion factor of credit exposure is calculated based on statistical models. The maximum period for which credit losses are calculated is the remaining contractual maturity of a financial instrument unless the Bank has the legal right to recall the financial instrument earlier. In particular, for Credit Cards and revolving exposures to individuals, the maximum period is set at three years, while for revolving loans to Small Businesses, the corresponding maturity is set at four years. Regarding Wholesale Banking revolving exposures, the period is set to one year, given the thorough credit review performed at least once a year.

The Bank uses EAD models that reflect the characteristics of the portfolios.

• **Loss given default (LGD):** Loss given default is an estimate of the loss that will occur if the default occurs at a given time. It is based on the difference between the contractual cash flows due and those expected to be received, including the liquidation of collaterals and cure rate based on historical data or based on relevant the Business Plan, which incorporates the estimated evolution of management actions. Furthermore, in cases that cash flows are derived from the sale of loans, the Bank has incorporated, as the base scenario, the expected sales price into Expected Credit Losses calculation.

For unsecured loans, the estimated expected losses at the time of the default, take into account expected recovery rates which vary throughout the recovery period as well as the probability of curing.

Expected recoveries from tangible collaterals take into account the following inputs: the most recent valuation (updated within the year) for the market value of the collateral, the time required for the liquidation or sale of the tangible collateral (ranging between 1 to 3 years depending on the legal action status of the loan), the expected market value at liquidation /sale date based on the evolution of RRE/ CRE indices for the next 3 years, the expected recoveries through foreclosure process or sale as derived from historical data obtained for foreclosures and sales of collateral. Last, the recovery rate of the Bank is adjusted to reflect value of preferential claims. Expected cash flows are discounted using the original effective interest rate.

In addition, cure rate is in line with Bank's business plan for the reduction of NPE (sale, restructuring etc.)
Last, for secured exposures, the LGD varies based on each macroeconomic scenario.

Usage of Behavioral Maturities

For several types of exposures that are subject of maturity extensions (based on the customer / transaction repayment profile), starting with the end of 2022 in the computation of EAD is used the behavioral maturity, as follows:

For the credit exposures granted to real estate developers (assessed with the IPRE rating model), that include in the amortization profile one or more significant balloon payments at the end of the contractual repayment schedule, in the collective ECL computation, the Bank may use a repayment schedule based on behavioral maturity. As per Wholesale Credit Manual provisions, there are envisaged those exposures for which the initial loan maturity is shorter compared to the exposure amortization profile (the expected cashflows at credit granting / review foresee or include successive extensions of the maturity).

4. RISK MANAGEMENT (CONTINUED)

b) Credit risk (continued)

i) Management of credit risk (continued)

The behavioral maturity is estimated for each case by the responsible Business Unit and reviewed by Credit Risk Management Division and considers a linear amortization of the balloon, considering the Net Operating Income (or EBITDA) produced or expected to be produced by the respective Project – considering the most recent available financial and project data. If the contractual term is longer than the behavior maturity, then the higher value will be applied. The estimated (behavioral) maturity / expected repayment schedule is updated at least annually.

Behavioral maturity for renewable credit facilities/lines

For the renewable credit lines granted to legal entities (working capital, overdraft), for which is possible to successively extend the limits maturity, in the calculation of the ECL, the Bank may use the behavioral duration for determining the behavioral maturity. Behavioral duration is an estimation modelled by the Credit Risk Management Division based on the observed historical data for similar facilities.

Undrawn commitments, Letter of Guarantee and Letters of Credit

According to IFRS 9, these contracts fall within the scope for expected credit losses recognition. In estimating the expected credit losses over the life of an undrawn loan commitment, letter of guarantee or letter of credit the Bank assesses the expected part of the respective instrument that will be used throughout its expected life.

Credit impairment losses on due from banks and investment securities

The Bank, at each reporting date, recognizes a loss allowance for expected credit losses on due from banks and investment securities not measured at fair value through profit or loss.

The loss allowance is based on expected credit losses related to the probability of default within the next twelve months, unless there has been a significant increase in credit risk from the date of initial recognition in which case expected credit losses are recognized over the lifetime of the instrument. In addition, if the financial asset falls under the definition of purchased or originated credit impaired (POCI) financial assets, a loss allowance equal to the lifetime expected credit losses is recognized.

For the purposes of calculating expected credit losses, the exposures are classified into stages.

The expected credit loss is the present value of the difference between the contractual cash flows and the cash flows that the Bank expects to receive. For present value calculation, original effective interest rate is used as a discount rate.

The classification into stages for the purpose of expected credit loss measurement is based on the counterparty credit rating of rating agencies and on the issuer / counterparty PD (12 months).

The determination of significant increase in credit risk for non-investment grade securities is based on the following two conditions:

- Downgrade in the issuer / counterparty's credit rating on the reporting dates compared to the credit rating on the date of the initial recognition (at least two notches).
- Increase in the probability of default of the issuer / counterparty for the 12-month period compared to the corresponding probability of default at initial recognition (The 12-month PD at reporting date is above 5% in absolute terms and has increased more than 50% compared to the respective PD existing at initial recognition date).

Additionally, the Bank monitors the change in the credit spread since initial recognition. A change in credit spread at the reporting date that exceeds a specific threshold (500 bps) compared to the credit margin prevailing at the date of initial recognition is a trigger for reviewing the securities classification stage.

4. RISK MANAGEMENT (CONTINUED)

b) Credit risk (continued)

ii) Credit risk mitigation

1. Collaterals

The regular repayment of credit facilities is directly connected with the obligors' viability and prospects, the strength of the companies and their shareholders, the sector in which they operate and the current market conditions, as well as other unforeseeable factors that may arise during the companies' operating cycle and influence their operations in a positive or negative way.

Collaterals are received both for Wholesale and Retail lending in order to mitigate credit risk that may arise from the obligor's inability to fulfil their contractual obligations.

The mitigation tools applied by the Bank include two broad categories: intangible and tangible collaterals.

2. Intangible Collaterals

Intangible collaterals encompass the protection commitments and mechanisms and form the framework of the obligations and rights that are typically included and described in specific contractual documents that bind the Bank and the borrowers during the lending process with specific commitments. The commitments undertaken involve a third party to substitute for the primary debtor in the event of the latter's default or the primary debtor itself (natural or legal entities) to honour the contractual loan agreements and their prompt repayment to the Bank and on the other hand the Bank has the right to claim them.

The main type of intangible collateral that the Bank uses to protect the bank against the risk of losses due to debtor insolvency is the Guarantee (i.e. personal guarantee, corporate guarantee, letter of guarantee etc.)

3. Tangible Collaterals

Tangible collaterals provide the Bank with the right of possessing ownership on an asset (movable or immovable). Tangible collaterals are distinguished between mortgages registered over immovable properties and mortgages (pledges) on movable assets (e.g., commodities, checks, bills of exchange) or on claims and rights.

In order to better secure credit facilities granted, mortgage and pledged assets are covered by an insurance contract, with assignment of the relevant insurance contract to the Bank.

3.1. Mortgages

Mortgages are registered on real estate or immovable assets which can be liquidated as indicatively reported below:

Real estate properties:

- Residential Real Estate
- Commercial Real Estate
- Industrial Buildings
- Land
- Other immovable assets
- Ships and aircrafts.

4. RISK MANAGEMENT (CONTINUED)

b) Credit risk (continued)

ii) Credit risk mitigation (continued)

According to the Bank's Collateral Policy, the existence and the valuation of mortgaged property are closely monitored. The revaluations are carried out annually for all collaterals except residential proprieties and improvement collaterals for Individuals clients, which are revalued at least once every three years. Appraisals may also be carried out more frequently for cases where contract foresees something different, in cases of known changes on the property or in the business process, or in cases there are urban planning changes or any other considerable factors.

The initial valuations of a real estate property, provided as collateral, are carried out through on-site appraiser visits and internal inspection.

Revaluations of real estate properties which are collaterals , regardless of the type of exposure, are carried out using the following methodologies:

- Global revaluation performed by an external valuer for residential collaterals and lands with collateral value up to EUR 250k for exposures associated to Individuals clients and SME segment;
- Individual revaluation carried out through on-site visits by the valuer for all other property types.

The Bank in the context of the credit control process performs on a regular basis and through proper sampling, audits for the procedures of implementation of the Bank Loan Collateral Policy and audits (back-testing) for the verification of property valuations. Audits concern the valuations based either on global or individual revaluations in order to ensure that the proper collateral valuation is captured in the Bank's core systems according to the values mentioned in the relevant Committee approvals.

3.2. Pledges

A Pledge is tangible collateral which provides seniority right from a movable asset whose ownership remains with a third party.

Pledges can be registered on movable assets or on rights that have not been excluded or banned from exchanges and are liquid as indicated below:

- Raw materials, products or commodities
- Machinery (movable)
- Bill of Lading
- Bill of exchange
- Cheques and promissory notes
- Securities
- Deposit
- Any type of claim that can be pledged.

Periodic revaluation of pledges

Depending on the right or the underlying asset on which a pledge is registered, the periodic revaluation varies from one month to one year.

Financial collaterals consist mainly of pledges on deposits (cash collateral).

Other collaterals consist mainly of pledges on other than financial collaterals, such as equipment and stocks, as well as commercial papers.

4. RISK MANAGEMENT (CONTINUED)

b) Credit risk (continued)

ii) Credit risk mitigation (continued)

4. Acceptable Value

The Bank calculates the value of the received securities/collaterals based on the potential proceeds that could arise if and when these are liquidated. This calculation refers to the acceptable value/haircut of the securities/collaterals provided to the Bank by its obligors.

For the calculation of the forced-sale value, the following need to be considered:

- The quality of the securities/assets
- Their market values
- The degree of ability to liquidate
- The time required for their liquidation
- Their liquidation cost
- The current charges on the assets
- The privileged priority of third parties on the product of liquidation (e.g. Public Sector, employees, etc.)

The above have to be accounted for when determining the haircuts for each collateral/security. Haircuts, depending on their nature are expressed as a percentage of their market value, their nominal value or their weighted average value.

iii) Exposure to credit risk

Forbearance

Maintaining a healthy loan portfolio depends on the constant monitoring and assessment of the borrowers in order to allow early identification and detection of future liquidity problems, which will affect the normal repayment of their obligations to the Bank.

The credit tools which are normally used by the Bank for managing the liquidity problems that borrowers are facing for repaying their obligations are the restructuring of debt through the renegotiation of the original terms and conditions of the loan agreement they have entered into.

In the context of the EC Regulation 451/2021 and the executive technical standards of European Banking Authority, with subsequent modifications and amendments, translated in NBR Order 9/2017, the Bank assumes the resulting regulatory obligations for forborne exposures.

Forbearance measures should be applied on the basis of the risk, cooperativeness and viability of each debtor and consist of concessions that are robust and sustainable, through the renegotiation of the initial terms and conditions of the debt contract duly taking into account the causes of the debtor's financial difficulties.

The existence of more favourable terms for renegotiating and modifying the terms and conditions of the bilateral arrangement between the Bank and the debtor, who is facing or is about to face difficulties in meeting his financial commitments ("financial difficulty"), are defined with respect to:

- Difference in favour of the debtor between the modified and the previous terms of the contract
- Cases where a modified contract includes more favourable terms than other debtors with a similar risk profile could have obtained from the same institution.

4. RISK MANAGEMENT (CONTINUED)

b) Credit risk (continued)

iii) Exposure to credit risk (continued)

Write-offs and write-downs of bad debts

Bad Debt Write-off is defined as the reduction of the gross carrying amount of a financial asset, when there is no reasonable expectation of recovery. The write-off refers to the accounting write-off of a debt or a portion of it, i.e. the removal of the financial asset or part of it from the balance sheet, which does not necessarily entail the waiver of the legal right to recover the debt. In the event that the Bank decides to waive its legal right to recover the debt, this is called Debt Forgiveness and this waiver may include either on or off-balance sheet items as well.

Bad Debt Write-down is defined as the definitive reduction of a debt or portion of it, as a result of a legally binding decision or agreement (court judgment, contractual agreement etc.), which is not further claimable. It is noted that this category encompasses Definitive write-downs which are unconditional and Conditional Write-Downs (Contingent Write-Down) subject to the achievement by the Customer of a specific performance (usually, upon the successful implementation of a specific repayment program).

Indicative conditions for the submission of proposals for writing-off a part or the whole of bad debts include, but are not limited to, the following:

- The relevant Agreements with the Customers have been terminated;
- Payment Orders have been issued against all liable parties to such Agreements;
- The actions regarding the investigation of immovable property have been completed without any results;
- The procedure for the registration of encumbrances, in accordance with the Non-Performing Loans Manuals in force for Wholesale Banking and Retail Banking, respectively, has been completed;
- At least one real estate property has been auctioned, so that the preferential claims (through the final creditor's classification list) and, by extension, the Bank's potential losses, are finalized;
- In cases where the likelihood of further recovery of the debt is considered to be particularly low, due to:
    - the fact that the debtors are placed under special liquidation;
    - the proven existence of preferential claims of a significant amount and the adoption of a decision to cease litigation actions, in order to avoid non-collectable enforcement costs;
    - the fact that further litigation actions seeking collection of the claim is economically unprofitable (e.g. low-value collateral);
- The write-off requires the existence of an impairment provision in the same amount, established no later than in the quarter preceding the submission of the proposal.

(all amounts are expressed in RON thousand ("RON '000"), unless otherwise stated)

4. RISK MANAGEMENT (CONTINUED)

b) Credit risk (continued)

iii) Exposure to credit risk (continued)

I. Financial instruments credit risk

	31.12.2023			31.12.2022		
	Exposure before impairment	**Impairment**	**Net exposure to credit risk**	**Exposure before impairment**	**Impairment**	**Net exposure to credit risk**
A. Credit risk exposure relating to balance sheet items						
Balances with Central Banks	2,944,716	-	2,944,716	2,372,362	-	2,372,362
Derivative Financial Assets	-	-	-	1,632	-	1,632
Due from Banks	1,634,635	107	1,634,528	1,902,807	238	1,902,569
Loans and advances to customers	16,325,192	353,735	15,971,457	14,923,425	344,652	14,578,773
Debt Investment Securities at FVOCI	674,515	11,479	663,036	791,611	11,344	780,267
Debt Investment Securities at amortised cost	1,309,337	1,104	1,308,233	732,690	132	732,558
Total carrying amount of on balance sheet items exposed to credit risk (a)	**22,888,395**	**366,425**	**22,521,970**	**20,724,527**	**356,366**	**20,368,161**
Other on balance sheet items not exposed to credit risk	1,049,055	-	1,049,055	762,459	-	**762,459**
Total assets	**23,937,450**	**366,425**	**23,571,025**	**21,486,986**	**356,366**	**21,130,620**
B. Credit risk exposures relating to off balance sheet items:						
Letters of guarantee and letters of credit (Note 29)	758,244	17,482	740,762	709,723	18,275	691,448
Undrawn credit facilities (Note 29)	3,785,915	32,110	3,753,805	2,661,484	26,577	2,634,907
Total carrying amount of off balance sheet items exposed to credit risk (b)	**4,544,159**	**49,592**	**4,494,567**	**3,371,207**	**44,852**	**3,326,355**
Total credit risk exposure (a + b)	**27,432,554**	**416,017**	**27,016,537**	**24,095,734**	**401,218**	**23,694,516**

(all amounts are expressed in RON thousand ("RON '000"), unless otherwise stated)

4. RISK MANAGEMENT (CONTINUED)

b) Credit risk (continued)

iii) Exposure to credit risk (continued)

II. Loans and advances to customers by asset quality

	31.12.2023									
	AT AMORTISED COST									
	Stage 1					Stage 2				
	Non past due	Past due	Total	Allowance	Total carrying amount	Non past due	Past due	Total	Allowance	Total carrying amount
Retail Lending	**6,442,548**	**241,233**	**6,683,781**	**12,542**	**6,671,239**	**899,577**	**448,149**	**1,347,726**	**60,043**	**1,287,683**
Mortgage	5,592,158	211,328	**5,803,486**	5,022	**5,798,464**	693,543	362,686	**1,056,229**	33,840	**1,022,389**
Consumer	742,340	25,682	**768,022**	6,705	**761,317**	191,367	78,415	**269,782**	23,313	**246,469**
Credit Card	101,812	2,879	**104,691**	668	**104,023**	14,633	7,048	**21,681**	2,890	**18,791**
Other (Incl. SBL)	6,238	1,344	**7,582**	147	**7,435**	34	-	**34**	-	**34**
Corporate Lending	**6,001,379**	**50,463**	**6,051,842**	**30,237**	**6,021,605**	**1,790,945**	**29,314**	**1,820,259**	**55,367**	**1,764,892**
Large	5,148,778	-	**5,148,778**	25,268	**5,123,510**	1,507,109	3,206	**1,510,315**	47,527	**1,462,788**
SMEs	852,601	50,463	**903,064**	4,969	**898,095**	283,836	26,108	**309,944**	7,840	**302,104**
Public Sector	**3,666**	**-**	**3,666**	**36**	**3,630**	**480**	**-**	**480**	**5**	**475**
Total	**12,447,593**	**291,696**	**12,739,289**	**42,815**	**12,696,474**	**2,691,002**	**477,463**	**3,168,465**	**115,415**	**3,053,050**

(all amounts are expressed in RON thousand ("RON '000"), unless otherwise stated)

4. RISK MANAGEMENT (CONTINUED)

b) Credit risk (continued)

iii) Exposure to credit risk (continued)

II. Loans and advances to customers by asset quality (continued)

	31.12.2023											
	AT AMORTISED COST											
	Stage 3					POCI					Total net amount at amortized cost	Value of collateral*
	Non past due	Past due	Total	Allowance	Total carrying amount	Non past due	Past due	Total	Allowance	Total carrying amount		
Retail Lending	**60,208**	**273,259**	**333,467**	**152,112**	**181,355**	**3,452**	**1,113**	**4,565**	**1,905**	**2,660**	**8,142,937**	**7,242,266**
Mortgage	45,054	152,178	**197,232**	58,025	**139,207**	2,171	725	**2,896**	1,243	**1,653**	**6,961,713**	7,025,085
Consumer	14,759	111,170	**125,929**	85,818	**40,111**	1,281	388	**1,669**	662	**1,007**	**1,048,904**	214,689
Credit Card	395	9,824	**10,219**	8,194	**2,025**	-	-	**-**	-	**-**	**124,839**	-
Other(Incl. SBL)	-	87	**87**	75	**12**	-	-	**-**	-	**-**	**7,481**	2,492
Corporate Lending	**7,284**	**72,122**	**79,406**	**41,488**	**37,918**	**-**	**-**	**-**	**-**	**-**	**7,824,415**	**5,633,405**
Large	-	20,555	**20,555**	16,917	**3,638**	-	-	**-**	-	**-**	**6,589,936**	5,111,046
SMEs	7,284	51,567	**58,851**	24,571	**34,280**	-	-	**-**	-	**-**	**1,234,479**	522,359
Public Sector	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**4,105**	**3,854**
Total	**67,492**	**345,381**	**412,873**	**193,600**	**219,273**	**3,452**	**1,113**	**4,565**	**1,905**	**2,660**	**15,971,457**	**12,879,525**

*For collateral breakdown please see note 4.b).iii) VII

(all amounts are expressed in RON thousand ("RON '000"), unless otherwise stated)

4. RISK MANAGEMENT (CONTINUED)

b) Credit Risk (continued)

iii) Exposure to credit risk (continued)

II. Loans and advances to customers by asset quality (continued)

	31.12.2022									
	AT AMORTISED COST									
	Stage 1					Stage 2				
	Non past due	Past due	Total	Allowance	Total carrying amount	Non past due	Past due	Total	Allowance	Total carrying amount
Retail Lending	**6,562,604**	**277,013**	**6,839,617**	**15,238**	**6,824,379**	**805,071**	**464,288**	**1,269,359**	**46,724**	**1,222,635**
Mortgage	5,729,805	238,026	**5,967,831**	4,551	**5,963,280**	679,462	379,850	**1,059,312**	26,128	**1,033,184**
Consumer	747,282	36,038	**783,320**	9,967	**773,353**	112,585	77,848	**190,433**	18,072	**172,361**
Credit Card	79,205	2,776	**81,981**	568	**81,413**	13,009	6,559	**19,568**	2,521	**17,047**
Other (Incl. SBL)	6,312	173	**6,485**	152	**6,333**	15	31	**46**	3	**43**
Corporate Lending	**4,501,131**	**38,464**	**4,539,595**	**31,789**	**4,507,806**	**1,855,215**	**24,643**	**1,879,858**	**54,644**	**1,825,214**
Large	3,749,123	217	**3,749,340**	26,641	**3,722,699**	1,690,846	7,738	**1,698,584**	49,396	**1,649,188**
SMEs	752,008	38,247	**790,255**	5,148	**785,107**	164,369	16,905	**181,274**	5,248	**176,026**
Public Sector	**4,157**	**-**	**4,157**	**58**	**4,099**	**599**	**158**	**757**	**9**	**748**
Total	**11,067,892**	**315,477**	**11,383,369**	**47,085**	**11,336,284**	**2,660,885**	**489,089**	**3,149,974**	**101,377**	**3,048,597**

(all amounts are expressed in RON thousand ("RON '000"), unless otherwise stated)

4. RISK MANAGEMENT (CONTINUED)

b) Credit Risk (continued)

iii) Exposure to credit risk (continued)

II. Loans and advances to customers by asset quality (continued)

	31.12.2022											
	AT AMORTISED COST											
	Stage 3					POCI					Total net amount at amortized cost	Value of collateral*
	Non past due	Past due	Total	Allowance	Total carrying amount	Non past due	Past due	Total	Allowance	Total carrying amount		
Retail Lending	**52,956**	**257,082**	**310,038**	**146,618**	**163,420**	**3,781**	**195**	**3,976**	**1,424**	**2,552**	**8,212,986**	**7,403,223**
Mortgage	39,945	122,774	**162,719**	44,225	**118,494**	2,497	-	**2,497**	871	**1,626**	**7,116,584**	7,149,357
Consumer	12,689	124,781	**137,470**	94,568	**42,902**	1,284	195	**1,479**	553	**926**	**989,542**	251,497
Credit Card	322	9,527	**9,849**	7,825	**2,024**	-	-	-	-	-	**100,484**	-
Other (Incl. SBL)	-	-	**-**	-	**-**	-	-	-	-	-	**6,376**	2,369
Corporate Lending	**10,076**	**65,992**	**76,068**	**48,148**	**27,920**	**-**	**-**	**-**	-	**-**	**6,360,940**	**4,870,935**
Large	-	37,242	**37,242**	30,894	**6,348**	-	-	**-**	-	**-**	**5,378,235**	4,397,913
SMEs	10,076	28,750	**38,826**	17,254	**21,572**	-	-	-	-	-	**982,705**	473,022
Public Sector	-	-	-	-	-	-	-	-	-	-	**4,847**	**4,574**
Total	**63,032**	**323,074**	**386,106**	**194,766**	**191,340**	**3,781**	**195**	**3,976**	**1,424**	**2,552**	**14,578,773**	**12,278,732**

*For collateral breakdown please see note 4.b).iii) VII

(all amounts are expressed in RON thousand ("RON '000"), unless otherwise stated)

4. RISK MANAGEMENT (CONTINUED)

b) Credit Risk (continued)

iii) Exposure to credit risk (continued)

III. Analysis of loans and advances to customers by credit risk rating

Amortised cost					
31.12.2023					
	12-month ECL	**Lifetime ECL not credit-impaired**	**Lifetime ECL credit-impaired**	**POCI**	**Total**
Mortgage					
Strong	5,647,518	-	-	-	**5,647,518**
Satisfactory	155,968	1,039,996	-	-	**1,195,964**
Watch list (higher risk)	-	16,233	-	-	**16,233**
Default	-	-	197,232	2,896	**200,128**
Total gross amount	**5,803,486**	**1,056,229**	**197,232**	**2,896**	**7,059,843**
Credit loss allowance	5,022	33,840	58,025	1,243	**98,130**
Carrying amount	**5,798,464**	**1,022,389**	**139,207**	**1,653**	**6,961,713**
Collateral held for credit impaired assets	-	-	192,176	2,793	**194,969**
Consumer					
Strong	405,714	-	-	-	**405,714**
Satisfactory	362,308	233,163	-	-	**595,471**
Watch list (higher risk)	-	36,619	-	-	**36,619**
Default	-	-	125,929	1,669	**127,598**
Total gross amount	**768,022**	**269,782**	**125,929**	**1,669**	**1,165,402**
Credit loss allowance	6,705	23,313	85,818	662	**116,498**
Carrying amount	**761,317**	**246,469**	**40,111**	**1,007**	**1,048,904**
Collateral held for credit impaired assets	-	-	34,784	1,279	**36,063**
Credit cards					
Strong	98,104	-	-	-	**98,104**
Satisfactory	6,587	18,491	-	-	**25,078**
Watch list (higher risk)	-	3,190	-	-	**3,190**
Default	-	-	10,219	-	**10,219**
Total gross amount	**104,691**	**21,681**	**10,219**	**-**	**136,591**
Credit loss allowance	668	2,890	8,194	-	**11,752**
Carrying amount	**104,023**	**18,791**	**2,025**	-	**124,839**
Collateral held for credit impaired assets	-	-	-	-	-

(all amounts are expressed in RON thousand ("RON '000"), unless otherwise stated)

4. RISK MANAGEMENT (CONTINUED)

b) Credit Risk (continued)

iii) Exposure to credit risk (continued)

III. Analysis of loans and advances to customers by credit risk rating (continued)

	Amortised cost				
	31.12.2023				
	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	POCI	Total
Other (incl. SBL)					
Strong	644	-	-	-	**644**
Satisfactory	6,938	34	-	-	**6,972**
Watch list (higher risk)	-	-	-	-	**-**
Default	-	-	87	-	**87**
Total gross amount	**7,582**	**34**	**87**	-	**7,703**
Credit loss allowance	147	0	75	-	**222**
Carrying amount	**7,435**	**34**	**12**	-	**7,481**
Collateral held for credit impaired assets	-	-	-	-	**-**
Large Corporate					
Strong	3,364,453	-	-	-	**3,364,453**
Satisfactory	1,784,325	1,492,767	-	-	**3,277,092**
Watch list (higher risk)	-	17,548	-	-	**17,548**
Default	-	-	20,555	-	**20,555**
Total gross amount	**5,148,778**	**1,510,315**	**20,555**	-	**6,679,648**
Credit loss allowance	25,268	47,527	16,917	-	**89,712**
Carrying amount	**5,123,510**	**1,462,788**	**3,638**	-	**6,589,936**
Collateral held for credit impaired assets	-	-	14,233	-	**14,233**
SME's Corporate					
Strong	409,988	-	-	-	**409,988**
Satisfactory	493,076	273,493	-	-	**766,569**
Watch list (higher risk)	-	36,451	-	-	**36,451**
Default	-	-	58,851	-	**58,851**
Total gross amount	**903,064**	**309,944**	**58,851**	-	**1,271,859**
Credit loss allowance	4,969	7,840	24,571	-	**37,380**
Carrying amount	**898,095**	**302,104**	**34,280**	-	**1,234,479**
Collateral held for credit impaired assets	-	-	29,473	-	**29,473**

(all amounts are expressed in RON thousand ("RON '000"), unless otherwise stated)

4. RISK MANAGEMENT (CONTINUED)

b) Credit Risk (continued)

iii) Exposure to credit risk (continued)

III. Analysis of loans and advances to customers by credit risk rating (continued)

	Amortised cost				
	31.12.2023				
	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	POCI	Total
Public Sector Other					
Strong	334	-	-	-	**334**
Satisfactory	3,332	480	-	-	**3,812**
Watch list (higher risk)	-	-	-	-	-
Default	-	-	-	-	-
Total gross amount	**3,666**	**480**	-	-	**4,146**
Credit loss allowance	36	5	-	-	**41**
Carrying amount	**3,630**	**475**	-	-	**4,105**
Collateral held for credit impaired assets	-	-	-	-	**-**
Letters of guarantee, letters of credit and other guarantees					-
Strong	255,442	-	-	-	**255,442**
Satisfactory	366,888	105,937	-	-	**472,825**
Watch list	-	3,644	-	-	**3,644**
Default	-	-	26,333	-	**26,333**
Exposure to credit risk	**622,330**	**109,581**	**26,333**	-	**758,244**
Credit loss allowance	1,194	1,060	15,228	-	**17,482**
Carrying amount	**621,136**	**108,521**	**11,105**	-	**740,762**
Collateral held for credit impaired assets	-	-	10,517	-	**10,517**
Undrawn loan agreements and credit limits					
Strong	2,677,971	-	-	-	**2,677,971**
Satisfactory	874,473	207,511	-	-	**1,081,984**
Watch list	62	10,362	-	-	**10,424**
Default	-	-	15,536	-	**15,536**
Exposure to credit risk	**3,552,506**	**217,873**	**15,536**	-	**3,785,915**
Credit loss allowance	20,139	9,006	2,965	-	**32,110**
Carrying amount	**3,532,367**	**208,867**	**12,571**	-	**3,753,805**
Collateral held for credit impaired assets	-	-	7,689	-	**7,689**

(all amounts are expressed in RON thousand ("RON '000"), unless otherwise stated)

4. RISK MANAGEMENT (CONTINUED)

b) Credit Risk (continued)

iii) Exposure to credit risk (continued)

III. Analysis of loans and advances to customers by credit risk rating (continued)

	Amortised cost				
	31.12.2022				
	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	POCI	Total
Mortgage					
Strong	5,838,000	-	-	-	**5,838,000**
Satisfactory	129,831	1,038,074	-	-	**1,167,905**
Watch list (higher risk)	-	21,238	-	-	**21,238**
Default	-	-	162,719	2,497	**165,216**
Total gross amount	**5,967,831**	**1,059,312**	**162,719**	**2,497**	**7,192,359**
Credit loss allowance	4,551	26,128	44,225	871	**75,775**
Carrying amount	**5,963,280**	**1,033,184**	**118,494**	**1,626**	**7,116,584**
Collateral held for credit impaired assets	-	-	153,645	2,381	156,026
Consumer					
Strong	629,993	-	-	-	**629,993**
Satisfactory	153,327	173,739	-	-	**327,066**
Watch list (higher risk)	-	16,694	-	-	**16,694**
Default	-	-	137,470	1,479	**138,949**
Total gross amount	**783,320**	**190,433**	**137,470**	**1,479**	**1,112,702**
Credit loss allowance	9,967	18,072	94,568	553	**123,160**
Carrying amount	**773,353**	**172,361**	**42,902**	**926**	**989,542**
Collateral held for credit impaired assets	-	-	40,375	1,130	**41,505**
Credit cards					
Strong	76,611	-	-	-	**76,611**
Satisfactory	5,370	16,730	-	-	**22,100**
Watch list (higher risk)	-	2,838	-	-	**2,838**
Default	-	-	9,849	-	**9,849**
Total gross amount	**81,981**	**19,568**	**9,849**	-	**111,398**
Credit loss allowance	568	2,521	7,825	-	**10,914**
Carrying amount	**81,413**	**17,047**	**2,024**	-	**100,484**
Collateral held for credit impaired assets	-	-	-	-	-

(all amounts are expressed in RON thousand ("RON '000"), unless otherwise stated)

4. RISK MANAGEMENT (CONTINUED)

b) Credit Risk (continued)

iii) Exposure to credit risk (continued)

III. Analysis of loans and advances to customers by credit risk rating (continued)

	Amortised cost				
	31.12.2022				
	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	POCI	Total
Other (incl. SBL)					
Strong	301	-	-	-	**301**
Satisfactory	6,184	46	-	-	**6,230**
Watch list (higher risk)	-	-	-	-	**-**
Default	-	-	-	-	**-**
Total gross amount	**6,485**	**46**	**-**	-	**6,531**
Credit loss allowance	152	3	-	-	**155**
Carrying amount	**6,333**	**43**	**-**	-	**6,376**
Collateral held for credit impaired assets	-	-	-	-	**-**
Large Corporate					
Strong	2,472,572		-	-	**2,472,572**
Satisfactory	1,276,768	1,683,917	-	-	**2,960,685**
Watch list (higher risk)	-	14,667	-	-	**14,667**
Default	-	-	37,242	-	**37,242**
Total gross amount	**3,749,340**	**1,698,584**	**37,242**	**-**	**5,485,166**
Credit loss allowance	26,641	49,396	30,894	-	**106,931**
Carrying amount	**3,722,699**	**1,649,188**	**6,348**	**-**	**5,378,235**
Collateral held for credit impaired assets	-	-	31,221	-	**31,221**
SME's Corporate					
Strong	392,980	-	-	-	**392,980**
Satisfactory	397,275	167,690	-	-	**564,965**
Watch list (higher risk)	-	13,584	-	-	**13,584**
Default	-	-	38,826	**-**	**38,826**
Total gross amount	**790,255**	**181,274**	**38,826**	**-**	**1,010,355**
Credit loss allowance	5,148	5,248	17,254	**-**	**27,650**
Carrying amount	**785,107**	**176,026**	**21,572**	**-**	**982,705**
Collateral held for credit impaired assets	-	-	22,298	**-**	**22,298**

(all amounts are expressed in RON thousand ("RON '000"), unless otherwise stated)

4. RISK MANAGEMENT (CONTINUED)

b) Credit Risk (continued)

iii) Exposure to credit risk (continued)

III. Analysis of loans and advances to customers by credit risk rating (continued)

	Amortised cost				
	31.12.2022				
	12-month ECL	**Lifetime ECL not credit-impaired**	**Lifetime ECL credit-impaired**	**POCI**	**Total**
Public Sector Other					
Strong	504	-	-	-	**504**
Satisfactory	3,653	757	-	-	**4,410**
Watch list (higher risk)	-	-	-	-	**-**
Default	-	-	-	-	**-**
Total gross amount	**4,157**	**757**	-	-	**4,914**
Credit loss allowance	58	9	-	-	**67**
Carrying amount	**4,099**	**748**	-	-	**4,847**
Collateral held for credit impaired assets	-	-	-	-	**-**
Letters of guarantee, letters of credit and other guarantees					
Strong	406,791	-	-	-	**406,791**
Satisfactory	263,215	13,283	-	-	**276,498**
Watch list	-	125	-	-	**125**
Default	-	-	26,309	-	**26,309**
Exposure to credit risk	**670,006**	**13,408**	**26,309**	-	**709,723**
Credit loss allowance	1,706	285	16,284	-	**18,275**
Carrying amount	**668,300**	**13,123**	**10,025**	-	**691,448**
Collateral held for credit impaired assets	-	-	10,493	-	**10,493**
Undrawn loan agreements and credit limits					
Strong	2,028,784	-	-	-	**2,028,784**
Satisfactory	494,536	118,708	-	-	**613,244**
Watch list	-	11,367	-	-	**11,367**
Default	-	-	8,089	-	**8,089**
Exposure to credit risk	**2,523,320**	**130,075**	**8,089**	-	**2,661,484**
Credit loss allowance	17,688	6,492	2,397	-	**26,577**
Carrying amount	**2,505,632**	**123,583**	**5,692**	-	**2,634,907**
Collateral held for credit impaired assets	-	-	500	-	**500**

(all amounts are expressed in RON thousand ("RON '000"), unless otherwise stated)

4. RISK MANAGEMENT (CONTINUED)

b) Credit Risk (continued)

iii) Exposure to credit risk (continued)

IV. Ageing analysis of loans and advances to customers

31.12.2023

	Retail Lending														
	Mortgage					Consumer					Credit Card				
	Stage 1	Stage 2	Stage 3	POCI	Total	Stage 1	Stage 2	Stage 3	POCI	Total	Stage 1	Stage 2	Stage 3	POCI	Total
Current	5,587,891	675,929	36,159	1,296	**6,301,275**	736,064	179,773	7,525	865	**924,227**	101,222	12,753	100	-	**114,075**
1-30 days	210,573	264,323	20,084	-	**494,980**	25,253	56,127	3,719	24	**85,123**	2,801	4,786	28	-	**7,615**
31-60 days	-	66,807	7,802	-	**74,609**	-	9,361	2,039	3	**11,403**	-	1,002	42	-	**1,044**
61-90 days	-	15,330	6,032	-	**21,362**	-	1,208	1,302	-	**2,510**	-	250	40	-	**290**
91-180 days	-	-	20,924	-	**20,924**	-	-	5,840	-	**5,840**	-	-	307	-	**307**
181-360 days	-	-	23,089	357	**23,446**	-	-	7,123	109	**7,232**	-	-	1,036	-	**1,036**
>360 days	-	-	25,117	-	**25,117**	-	-	12,563	6	**12,569**	-	-	472	-	**472**
Total net amount	**5,798,464**	**1,022,389**	**139,207**	**1,653**	**6,961,713**	**761,317**	**246,469**	**40,111**	**1,007**	**1,048,904**	**104,023**	**18,791**	**2,025**	-	**124,839**
Value of collateral	5,777,930	1,052,186	192,176	2,793	**7,025,085**	152,144	26,482	34,784	1,279	**214,689**	-	-	-	-	-

(all amounts are expressed in RON thousand ("RON '000"), unless otherwise stated)

4. RISK MANAGEMENT (CONTINUED)

b) Credit Risk (continued)

iii) Exposure to credit risk (continued)

IV. Ageing analysis of loans and advances to customers (continued)

	31.12.2023														
	Retail Lending					**Corporate Lending**									
	Other (Incl. SBL)					**Large**					**SMEs**				
	Stage 1	**Stage 2**	**Stage 3**	**POCI**	**Total**	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**
Current	6,148	34	-	-	**6,182**	5,123,510	1,459,670	-	-	**6,583,180**	847,950	277,259	5,321	-	**1,130,530**
1-30 days	1,287	-	-	-	**1,287**	-	3,118	-	-	**3,118**	50,145	21,108	2,114	-	**73,367**
31-60 days	-	-	8	-	**8**	-	-	-	-	**-**	-	3,206	1,621	-	**4,827**
61-90 days	-	-	-	-	**-**	-	-	-	-	**-**	-	531	2,262	-	**2,793**
91-180 days	-	-	-	-	**-**	-	-	392	-	**392**	-	-	10,257	-	**10,257**
181-360 days	-	-	-	-	**-**	-	-	-	-	**-**	-	-	5,091	-	**5,091**
>360 days	-	-	4	-	**4**	-	-	3,246	-	**3,246**	-	-	7,614	-	**7,614**
Total net amount	**7,435**	**34**	**12**	**-**	**7,481**	**5,123,510**	**1,462,788**	**3,638**	-	**6,589,936**	**898,095**	**302,104**	**34,280**	**-**	**1,234,479**
Value of collateral	2,458	34	-	-	**2,492**	3,731,562	1,365,251	14,233	-	**5,111,046**	349,012	143,874	29,473	-	**522,359**

	Public Sector				
	Stage 1	**Stage 2**	**Stage 3**	**POCI**	**Total**
Current	3,630	475	-	-	**4,105**
1-30 days	-	-	-	-	-
31-60 days	-	-	-	-	-
61-90 days	-	-	-	-	-
91-180 days	-	-	-	-	-
181-360 days	-	-	-	-	-
>360 days	-	-	-	-	-
Total net amount	**3,630**	**475**	**-**	**-**	**4,105**
Value of collateral	3,374	480	-	-	**3,854**

(all amounts are expressed in RON thousand ("RON '000"), unless otherwise stated)

4. RISK MANAGEMENT (CONTINUED)

b) Credit Risk (continued)

iii) Exposure to credit risk (continued)

IV. Ageing analysis of loans and advances to customers (continued)

	31.12.2022														
	Retail Lending														
	Mortgage					Consumer					Credit Card				
	Stage 1	Stage 2	Stage 3	POCI	Total	Stage 1	Stage 2	Stage 3	POCI	Total	Stage 1	Stage 2	Stage 3	POCI	Total
Current	5,725,863	667,041	31,286	1,626	**6,425,816**	738,351	105,695	6,036	856	**850,938**	78,706	11,410	75	-	**90,191**
1-30 days	237,417	269,196	13,447	-	**520,060**	35,002	51,693	4,727	62	**91,484**	2,707	4,448	36	-	**7,191**
31-60 days	-	74,657	5,866	-	**80,523**	-	12,971	1,518	-	**14,489**	-	966	30	-	**996**
61-90 days	-	22,290	7,847	-	**30,137**	-	2,002	1,586	-	**3,588**	-	223	62	-	**285**
91-180 days	-	-	18,357	-	**18,357**	-	-	8,158	3	**8,161**	-	-	371	-	**371**
181-360 days	-	-	21,018	-	**21,018**	-	-	7,756	-	**7,756**	-	-	278	-	**278**
>360 days	-	-	20,673	-	**20,673**	-	-	13,121	5	**13,126**	-	-	1,172	-	**1,172**
Total net amount	**5,963,280**	**1,033,184**	**118,494**	**1,626**	**7,116,584**	**773,353**	**172,361**	**42,902**	**926**	**989,542**	**81,413**	**17,047**	**2,024**	-	**100,484**
Value of collateral	5,939,884	1,053,447	153,645	2,381	**7,149,357**	176,700	33,292	40,375	1,130	**251,497**	-	-	-	-	-

(all amounts are expressed in RON thousand ("RON '000"), unless otherwise stated)

4. RISK MANAGEMENT (CONTINUED)

b) Credit Risk (continued)

iii) Exposure to credit risk (continued)

IV. Ageing analysis of loans and advances to customers (continued)

31.12.2022

	Retail Lending					**Corporate Lending**									
	Other (Incl. SBL)					**Large**					**SMEs**				
	Stage 1	**Stage 2**	**Stage 3**	**POCI**	**Total**	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**
Current	6,170	15	-	-	**6,185**	3,722,483	1,641,566	-	-	**5,364,049**	747,346	159,902	8,448	-	**915,696**
1-30 days	163	-	-	-	**163**	216	7,622	950	-	**8,788**	37,761	14,575	1,706	-	**54,042**
31-60 days	-	-	-	-	-	-	-	624	-	**624**	-	694	801	-	**1,495**
61-90 days	-	28	-	-	28	-	-	-	-	**0**	-	855	336	-	**1,191**
91-180 days	-	-	-	-	-	-	-	341	-	**341**	-	-	2,366	-	**2,366**
181-360 days	-	-	-	-	-	-	-	480	-	**480**	-	-	2,734	-	**2,734**
>360 days	-	-	-	-	**-**	-	-	3,953	-	**3,953**	-	-	5,181	-	**5,181**
Total net amount	**6,333**	**43**	**-**	-	**6,376**	**3,722,699**	**1,649,188**	**6,348**	**-**	**5,378,235**	**785,107**	**176,026**	**21,572**	-	**982,705**
Value of collateral	2,354	15	-	-	**2,369**	2,730,949	1,635,743	31,221	-	**4,397,913**	356,306	94,418	22,298	-	**473,022**

	Public Sector				
	Stage 1	**Stage 2**	**Stage 3**	**POCI**	**Total**
Current	4,099	591	-	-	**4,690**
1-30 days	-	157	-	-	**157**
31-60 days	-	-	-	-	**-**
61-90 days	-	-	-	-	**-**
91-180 days	-	-	-	-	**-**
181-360 days	-	-	-	-	**-**
>360 days	-	-	-	-	**-**
Total net amount	**4,099**	**748**	-	-	**4,847**
Value of collateral	3,817	757	-	-	**4,574**

(all amounts are expressed in RON thousand ("RON '000"), unless otherwise stated)

4. RISK MANAGEMENT (CONTINUED)

b) Credit Risk (continued)

iii) Exposure to credit risk (continued)

V. Loan-to value ratio (LTV) of mortgage lending

Mortgages	**31.12.2023**	**31.12.2022**
Less than 50%	1,870,645	1,538,666
50%-70%	2,399,390	2,270,935
71%-80%	1,420,308	1,577,570
81%-90%	1,019,093	1,379,405
91%-100%	182,565	205,622
101%-120%	108,747	130,197
121%-150%	27,477	51,665
Greater than 150%	31,618	38,299
Total exposure	**7,059,843**	**7,192,359**
Average LTV	71%	76%

VI. Repossessed collaterals

Details of assets recognized by the Bank during the year by taking possession of collateral held as security against loans and advances at the year-end are shown below:

31.12.2023

	Balance Sheet balances		**Disposals during the year**				
	Carrying amount of collaterals repossessed 31.12.2023	**Of which in 2023**	**Disposals**	**Net sale price**	**Net gain/ (loss) on disposal**	**Accumulated depreciation**	**Of which in 2023**
Real estate	**36,994**	**412**	-	-	-	**813**	**750**
- Residential	5,723	412	-	-	-	-	-
- Commercial	31,271	-	-	-	-	813	750
Other	-	-	-	-	-	-	-

31.12.2022

	Balance Sheet balances		**Disposals during the year**			**Accumulated depreciation**	**Of which in 2022**
	Carrying amount of collaterals repossessed 31.12.2022	**Of which in 2022**	**Disposals**	**Net sale price**	**Net gain/ (loss) on disposal**		
Real estate	**37,332**	**35,914**	**772**	**493**	**(279)**	**63**	**63**
- Residential	5,311	5,311	-	-	-	-	-
- Commercial	32,021	30,603	772	493	(279)	63	63
Other	**-**	**-**	-	-	-	-	-

(all amounts are expressed in RON thousand ("RON '000"), unless otherwise stated)

4. RISK MANAGEMENT (CONTINUED)

b) Credit Risk (continued)

iii) Exposure to credit risk (continued)

VII. Breakdown of collateral and guarantees

	31.12.2023				
	Value of collateral received				
	Real estate collateral	Financial collateral	Other collateral	Total value of collateral	Guarantees received
Retail Lending	7,078,896	16,707	146,663	**7,242,266**	25,046
Corporate Lending	4,290,488	229,250	1,113,667	**5,633,405**	5,041,460
Public Sector	584	-	3,270	**3,854**	894
Total	**11,369,968**	**245,957**	**1,263,600**	**12,879,525**	**5,067,400**

	31.12.2022				
	Value of collateral received				
	Real estate collateral	Financial collateral	Other collateral	Total value of collateral	Guarantees received
Retail Lending	7,200,930	18,442	183,851	**7,403,223**	23,549
Corporate Lending	3,788,353	232,946	849,636	**4,870,935**	4,327,080
Public Sector	238	26	4,310	**4,574**	500
Total	**10,989,521**	**251,414**	**1,037,797**	**12,278,732**	**4,351,129**

Guarantees received include corporate and personal guarantees.

VIII. Analysis of forborne loans and advances to customers

	31.12.2023		
	Total amount of L&As	Total amount of forborne L&As	Forborne Loans and Advances (%)
Stage 1	12,739,289	-	0%
Stage 2	3,168,465	110,698	3%
Stage 3	412,873	110,684	27%
POCI	4,565	2,225	49%
Exposure before impairment	**16,325,192**	**223,607**	**1%**
Stage 1 Loss Allowance	42,815	-	0%
Stage 2 Loss Allowance	115,415	8,824	8%
Stage 3 Loss Allowance	193,600	58,573	30%
POCI Loss Allowance /FVA	1,905	1,080	57%
Total Net Amount	**15,971,457**	**155,130**	**1%**
Value of collateral	12,879,525	186,479	1%

(all amounts are expressed in RON thousand ("RON '000"), unless otherwise stated)

4. RISK MANAGEMENT (CONTINUED)

b) Credit Risk (continued)

iii) Exposure to credit risk (continued)

VIII. Analysis of forborne loans and advances to customers (continued)

	31.12.2022		
	Total amount of L&As	**Total amount of forborne L&As**	**Forborne Loans and Advances (%)**
Stage 1	11,383,369	-	0%
Stage 2	3,149,974	132,718	4%
Stage 3	386,106	134,226	35%
POCI	3,976	1,726	43%
Exposure before impairment	**14,923,425**	**268,670**	**2%**
Stage 1 Loss Allowance	47,085	-	0%
Stage 2 Loss Allowance	101,377	11,130	11%
Stage 3 Loss Allowance	194,766	69,178	36%
POCI Loss Allowance /FVA	1,424	678	48%
Total Net Amount	**14,578,773**	**187,684**	**1%**
Value of collateral	12,278,732	221,627	2%

The remaining financial assets exposed to credit risk are classified based on counterparty's country risk as following:

	31.12.2023				
	12-month ECL	**Lifetime ECL not credit-impaired**	**Lifetime ECL credit-impaired**	**POCI**	**Total**
Balances with Central Bank					
AAA	-	-	-	-	-
AA+ to AA-	-	-	-	-	-
A+ to A-	-	-	-	-	-
BBB+ to BBB-	2,944,716	-	-	-	2,944,716
Lower than BBB-	-	-	-	-	-
Unrated	-	-	-	-	-
Exposure before impairment	**2,944,716**	-	-	-	**2,944,716**
Loss allowance	-	-	-	-	-
Carrying amount	**2,944,716**	-	-	-	**2,944,716**
Due from Banks					
AAA	-	-	-	-	-
AA+ to AA-	1,128,055	-	-	-	1,128,055
A+ to A-	126,269	-	-	-	126,269
BBB+ to BBB-	75,234	-	-	-	75,234
Lower than BBB-	305,077	-	-	-	305,077
Unrated	-	-	-	-	-
Exposure before impairment	**1,634,635**	-	-	-	**1,634,635**
Loss allowance	(107)	-	-	-	(107)
Carrying amount	**1,634,528**	-	-	-	**1,634,528**

(all amounts are expressed in RON thousand ("RON '000"), unless otherwise stated)

4. RISK MANAGEMENT (CONTINUED)

b) Credit Risk (continued)

iii) Exposure to credit risk (continued)

IX. Credit quality per class of other financial assets

	31.12.2023				
	12-month ECL	**Lifetime ECL not credit-impaired**	**Lifetime ECL credit-impaired**	**POCI**	**Total**
Debt Investment Securities at FVOCI					
AAA	-	-	-	-	-
AA+ to AA-	-	-	-	-	-
A+ to A-	-	-	-	-	-
BBB+ to BBB-	629,239	-	-	-	629,239
Lower than BBB-	22,884	9,923	12,469	-	45,276
Unrated	-	-	-	-	-
Exposure before impairment	**652,123**	**9,923**	**12,469**	-	**674,515**
Loss allowance	(601)	(290)	(10,588)	-	(11,479)
Carrying amount	**651,522**	**9,633**	**1,881**	-	**663,036**

	31.12.2023				
	12-month ECL	**Lifetime ECL not credit-impaired**	**Lifetime ECL credit-impaired**	**POCI**	**Total**
Investment Securities at amortised cost					
AAA	164,206	-	-	-	164,206
AA+ to AA-	-	-	-	-	-
A+ to A-	-	-	-	-	-
BBB+ to BBB-	1,095,278	-	-	-	1,095,278
Lower than BBB-	49,853	-	-	-	49,853
Unrated	-	-	-	-	-
Exposure before impairment	**1,309,337**	-	-	-	**1,309,337**
Loss allowance	(1,104)	-	-	-	(1,104)
Carrying amount	**1,308,233**	**-**	**-**	**-**	**1,308,233**

(all amounts are expressed in RON thousand ("RON '000"), unless otherwise stated)

4. RISK MANAGEMENT (CONTINUED)

b) Credit Risk (continued)

iii) Exposure to credit risk (continued)

IX. Credit quality per class of other financial assets (continued)

	31.12.2022				
	12-month ECL	**Lifetime ECL not credit-impaired**	**Lifetime ECL credit-impaired**	**POCI**	**Total**
Balances with Central Bank					
AAA	-	-	-	-	-
AA+ to AA-	-	-	-	-	-
A+ to A-	-	-	-	-	-
BBB+ to BBB-	2,372,362	-	-	-	2,372,362
Lower than BBB-	-	-	-	-	-
Unrated	-	-	-	-	-
Exposure before impairment	**2,372,362**	**-**	**-**	**-**	**2,372,362**
Loss allowance	-	-	-	-	-
Carrying amount	**2,372,362**	**-**	**-**	**-**	**2,372,362**
Due from Banks					
AAA	-	-	-	-	-
AA+ to AA-	773,032	-	-	-	773,032
A+ to A-	46,494	-	-	-	46,494
BBB+ to BBB-	911,173	-	-	-	911,173
Lower than BBB-	172,108	-	-	-	172,108
Unrated	-	-	-	-	-
Exposure before impairment	**1,902,807**	**-**	**-**	**-**	**1,902,807**
Loss allowance	(238)	-	-	-	(238)
Carrying amount	**1,902,569**	**-**	**-**	**-**	**1,902,569**

	31.12.2022				
	12-month ECL	**Lifetime ECL not credit-impaired**	**Lifetime ECL credit-impaired**	**POCI**	**Total**
Debt Investment Securities at FVOCI					
AAA	-	-	-	-	-
AA+ to AA-	-	-	-	-	-
A+ to A-	-	-	-	-	-
BBB+ to BBB-	748,666	-	-	-	748,666
Lower than BBB-	21,280	9,589	12,076	-	42,945
Unrated	-	-	-	-	-
Exposure before impairment	**769,946**	**9,589**	**12,076**	**-**	**791,611**
Loss allowance	(374)	(440)	(10,530)	-	(11,344)
Carrying amount	**769,572**	**9,149**	**1,546**	**-**	**780,267**

(all amounts are expressed in RON thousand ("RON '000"), unless otherwise stated)

4. RISK MANAGEMENT (CONTINUED)

b) Credit Risk (continued)

iii) Exposure to credit risk (continued)

IX. Credit quality per class of other financial assets (continued)

	31.12.2022				
	12-month ECL	**Lifetime ECL not credit-impaired**	**Lifetime ECL credit-impaired**	**POCI**	**Total**
Investment Securities at amortised cost					
AAA	92,835	-	-	-	92,835
AA+ to AA-	-	-	-	-	-
A+ to A-	-	-	-	-	-
BBB+ to BBB-	639,855	-	-	-	639,855
Lower than BBB-	-	-	-	-	-
Unrated	-	-	-	-	-
Exposure before impairment	**732,690**	**-**	**-**	**-**	**732,690**
Loss allowance	(132)	-	-	-	(132)
Carrying amount	**732,558**	**-**	**-**	**-**	**732,558**

X. Risk concentrations of the maximum exposure to credit risk

Concentration Risk is a specific form of credit risk and arises due to low degree of diversification between counterparties or group of counterparties, sectors, geographic regions, or collaterals.

The Bank monitors on a regular basis concentration risk through detail reporting which informs Senior management and the Board of Directors. According to the supervisory framework, the Bank complies with the regulatory directives regarding large exposures, while the capital requirements for single name and sector concentration risks are estimated in the context of Pillar 2 of Basel III.

As of 31 December 2023 and 31 December 2022, the industry sector analysis of the Bank's financial assets exposed to credit risk is as follows (before any impairment for credit risk):

(all amounts are expressed in RON thousand ("RON '000"), unless otherwise stated)

4. RISK MANAGEMENT (CONTINUED)

b) Credit Risk (continued)

iii) Exposure to credit risk (continued)

X. Risk concentrations of the maximum exposure to credit risk (continued)

	31.12.2023									
	Financial Institutions and other financial services	**Manufacturing**	**Construction and real estate**	**Wholesale and retail trade**	**Public sector/ Government securities**	**Transportation**	**Hotels-Tourism**	**Services and other sectors**	**Retail and small businesses**	**Total**
Credit risk exposure relating to balance sheet items										
Balances with Central Banks	2,944,716	-	-	-	-	-	-	-	-	**2,944,716**
Derivative financial assets	-	-	-	-	-	-	-	-	-	**-**
Due from banks	1,634,635	-	-	-	-	-	-	-	-	**1,634,635**
Loans and advances to customers at amortized cost	596,522	986,963	2,717,173	1,586,316	4,146	435,352	432,777	1,196,403	8,369,540	**16,325,192**
Debt Investment Securities at FVOCI	9,923	-	-	-	628,032	-	-	36,560	-	**674,515**
Debt Investment Securities at amortised cost	-	-	-	-	1,309,337	-	-	-	-	**1,309,337**
Total amount of balance sheet items exposed to credit risk (a)	**5,185,796**	**986,963**	**2,717,173**	**1,586,316**	**1,941,515**	**435,352**	**432,777**	**1,232,963**	**8,369,540**	**22,888,395**
Other assets not subject to credit risk	1,049,055	-	-	-	-	-	-	-	-	**1,049,055**
Total assets	**6,234,851**	**986,963**	**2,717,173**	**1,586,316**	**1,941,515**	**435,352**	**432,777**	**1,232,963**	**8,369,540**	**23,937,450**
Credit risk exposure relating to off-balance sheet items										
Letters of guarantee and letters of credit	186,541	89,000	191,978	100,779	-	3,523	20,477	165,562	384	**758,244**
Undrawn credit facilities	243,498	660,543	457,870	864,037	11,759	94,697	82,997	970,210	400,304	**3,785,915**
Total amount of off-balance sheet items exposed to credit risk (b)	**430,039**	**749,543**	**649,848**	**964,816**	**11,759**	**98,220**	**103,474**	**1,135,772**	**400,688**	**4,544,159**
Total credit risk exposure (a + b)	**5,615,835**	**1,736,506**	**3,367,021**	**2,551,132**	**1,953,274**	**533,572**	**536,251**	**2,368,735**	**8,770,228**	**27,432,554**

(all amounts are expressed in RON thousand ("RON '000"), unless otherwise stated)

4. RISK MANAGEMENT (CONTINUED)

b) Credit Risk (continued)

iii) Exposure to credit risk (continued)

X. Risk concentrations of the maximum exposure to credit risk (continued)

	31.12.2022									
	Financial Institutions and other financial services	**Manufacturing**	**Construction and real estate**	**Wholesale and retail trade**	**Public sector/ Government securities**	**Transportation**	**Hotels-Tourism**	**Services and other sectors**	**Retail and small businesses**	**Total**
Credit risk exposure relating to balance sheet items										
Balances with Central Banks	2,372,362	-	-	-	-	-	-	-	-	**2,372,362**
Derivative financial assets	1,632	-	-	-	-	-	-	-	-	**1,632**
Due from banks	1,902,807	-	-	-	-	-	-	-	-	**1,902,807**
Loans and advances to customers at amortized cost	599,243	754,326	2,348,714	1,323,135	4,915	351,699	364,500	753,903	8,422,990	**14,923,425**
Debt Investment Securities at FVOCI	9,589	-	-	-	747,660	-	-	34,362	-	**791,611**
Debt Investment Securities at amortised cost	-	-	-	-	732,690	-	-	-	-	**732,690**
Total amount of balance sheet items exposed to credit risk (a)	**4,885,633**	**754,326**	**2,348,714**	**1,323,135**	**1,485,265**	**351,699**	**364,500**	**788,265**	**8,422,990**	**20,724,527**
Other assets not subject to credit risk	762,459	-	-	-	-	-	-	-	-	**762,459**
Total assets	**5,648,092**	**754,326**	**2,348,714**	**1,323,135**	**1,485,265**	**351,699**	**364,500**	**788,265**	**8,422,990**	**21,486,986**
Credit risk exposure relating to off-balance sheet items										
Letters of guarantee and letters of credit	130,147	172,745	210,577	78,234	-	8,045	18,143	91,477	355	**709,723**
Undrawn credit facilities	225,342	309,621	286,382	656,490	11,743	92,932	44,437	654,493	380,044	**2,661,484**
Total amount of off-balance sheet items exposed to credit risk (b)	**355,489**	**482,366**	**496,959**	**734,724**	**11,743**	**100,977**	**62,580**	**745,970**	**380,399**	**3,371,207**
Total credit risk exposure (a + b)	**5,241,122**	**1,236,692**	**2,845,673**	**2,057,859**	**1,497,008**	**452,676**	**427,080**	**1,534,235**	**8,803,389**	**24,095,734**

(all amounts are expressed in RON thousand ("RON '000"), unless otherwise stated)

4. RISK MANAGEMENT (CONTINUED)

b) Credit Risk (continued)

iii) Exposure to credit risk (continued)

XI. Exposure to higher risk Eurozone countries

For the purpose of this disclosure higher risk Eurozone country was considered Greece, therefore the table below set out the Bank direct exposure to this country:

	31.12.2023	31.12.2022
Due from other banks	997,331	473,119
Loss allowance	(1)	(1)
Total	**997,330**	**473,118**

As of 31 December 2023, the direct exposure refers to current accounts and deposits placed to Greek banks (mainly placements and a reverse repo transaction with Alpha Bank S.A.).

XII. Credit risk disclosure of financial instruments

This disclosure presents information regarding credit risk for the categories of financial instruments for which expected credit losses are recognized, in accordance with IFRS 9.

It is particularly presented the classification of financial instruments and a reconciliation of impairment losses per stage as of 31 December 2023 and 31 December 2022:

a. Due from Banks

	31.12.2023				
	Stage 1	**Stage 2**	**Stage 3**	**POCI**	**Total**
Due from banks					
Book value before impairment	1,634,635	-	-	-	**1,634,635**
Expected credit losses	(107)	-	-	-	**(107)**
Net book value	**1,634,528**	**-**	**-**	**-**	**1,634,528**

	31.12.2022				
	Stage 1	**Stage 2**	**Stage 3**	**POCI**	**Total**
Due from banks					
Book value before impairment	1,902,807	-	-	-	1,902,807
Expected credit losses	(238)	-	-	-	(238)
Net book value	**1,902,569**	**-**	**-**	**-**	**1,902,569**

(all amounts are expressed in RON thousand ("RON '000"), unless otherwise stated)

4. RISK MANAGEMENT (CONTINUED)

b) Credit Risk (continued)

iii) Exposure to credit risk (continued)

XII. Credit risk disclosure for other financial instruments (continued)

a. Due from Banks (continued)

	Accumulated allowance for impairment losses				
	Stage 1	**Stage 2**	**Stage 3**	**POCI**	**Total**
Opening balance 1.1.2022	**119**	**-**	-	-	**119**
Changes for the period 1.1. – 31.12.2022			-	-	
Transfer to stage 1 (from 2 or 3)	-	-	-	-	**-**
Transfer to stage 2 (from 1 or 3)	-	-	-	-	**-**
Reassessment of expected credit losses	(1,941)	-	-	-	(1,941)
Impairment on initial recognition	2,060	-	-	-	2,060
Foreign exchange differences and other movements	-	-	-	-	**-**
Balance 31.12.2022	**238**	**-**	**-**	**-**	**238**
Changes for the period 1.1. – 31.12.2023					
Transfer to stage 1 (from 2 or 3)	-	-	-	-	**-**
Transfer to stage 2 (from 1 or 3)	-	-	-	-	**-**
Reassessment of expected credit losses	(1,556)	-	-	-	**(1,556)**
Impairment on initial recognition	1,424	-	-	-	**1,424**
Foreign exchange differences and other movements	1	-	-	-	**1**
Balance 31.12.2023	**107**	**-**	**-**	**-**	**107**

(all amounts are expressed in RON thousand ("RON '000"), unless otherwise stated)

4. RISK MANAGEMENT (CONTINUED)

b) Credit Risk (continued)

iii) Exposure to credit risk (continued)

XII. Credit risk disclosure of financial instruments (continued)

b. Loans to customers measured at amortized cost

The following table presents loans measured at amortized cost per IFRS 9 stage, as of 31.12.2023:

	31.12.2023				
	Stage 1	**Stage 2**	**Stage 3**	**POCI**	**Total**
Mortgage					
Book value before impairment	5,803,486	1,056,229	197,232	2,896	**7,059,843**
Expected credit losses	(5,022)	(33,840)	(58,025)	(1,243)	**(98,130)**
Net book value	**5,798,464**	**1,022,389**	**139,207**	**1,653**	**6,961,713**
Consumer					
Book value before impairment	768,022	269,782	125,929	1,669	**1,165,402**
Expected credit losses	(6,705)	(23,313)	(85,818)	(662)	**(116,498)**
Net book value	**761,317**	**246,469**	**40,111**	**1,007**	**1,048,904**
Credit cards					
Book value before impairment	104,691	21,681	10,219	-	**136,591**
Expected credit losses	(668)	(2,890)	(8,194)	-	**(11,752)**
Net book value	**104,023**	**18,791**	**2,025**	-	**124,839**
Small Business					
Book value before impairment	7,582	34	87	-	**7,703**
Expected credit losses	(147)	-	(75)	-	**(222)**
Net book value	**7,435**	**34**	**12**	-	**7,481**
Total retail loans					
Book value before impairment	6,683,781	1,347,726	333,467	4,565	**8,369,539**
Expected credit losses	(12,542)	(60,043)	(152,112)	(1,905)	**(226,602)**
Net book value	**6,671,239**	**1,287,683**	**181,355**	**2,660**	**8,142,937**
Corporate and public sector					
Book value before impairment	6,055,508	1,820,739	79,406	-	**7,955,653**
Expected credit losses	(30,273)	(55,372)	(41,488)	-	**(127,133)**
Net book value	**6,025,235**	**1,765,367**	**37,918**	**-**	**7,828,520**
Loans and advances to customers					
Book value before impairment	12,739,289	3,168,465	412,873	4,565	**16,325,192**
Expected credit losses	(42,815)	(115,415)	(193,600)	(1,905)	**(353,735)**
Net book value	**12,696,474**	**3,053,050**	**219,273**	**2,660**	**15,971,457**

"Purchased or originated credit impaired loans" (POCI) include loans amounting to RON 2.21 million, which as of 31.12.2023 are non-performing.

(all amounts are expressed in RON thousand ("RON '000"), unless otherwise stated)

4. RISK MANAGEMENT (CONTINUED)

b) Credit Risk (continued)

iii) Exposure to credit risk (continued)

XII. Credit risk disclosure of financial instruments (continued)

b. Loans to customers measured at amortized cost (continued)

The following table presents loans measured at amortized cost per IFRS 9 stage, as of 31.12.2022:

	31.12.2022				
	Stage 1	**Stage 2**	**Stage 3**	**POCI**	**Total**
Mortgage					
Book value before impairment	5,967,831	1,059,312	162,719	2,497	**7,192,359**
Expected credit losses	(4,551)	(26,128)	(44,225)	(871)	**(75,775)**
Net book value	**5,963,280**	**1,033,184**	**118,494**	**1,626**	**7,116,584**
Consumer					
Book value before impairment	783,320	190,433	137,470	1,479	**1,112,702**
Expected credit losses	(9,967)	(18,072)	(94,568)	(553)	**(123,160)**
Net book value	**773,353**	**172,361**	**42,902**	**926**	**989,542**
Credit cards					
Book value before impairment	81,981	19,568	9,849	-	**111,398**
Expected credit losses	(568)	(2,521)	(7,825)	-	**(10,914)**
Net book value	**81,413**	**17,047**	**2,024**	**-**	**100,484**
Small Business					
Book value before impairment	6,485	46	-	-	**6,531**
Expected credit losses	(152)	(3)	-	-	**(155)**
Net book value	**6,333**	**43**	**-**	**-**	**6,376**
Total retail loans					
Book value before impairment	6,839,617	1,269,359	310,038	3,976	**8,422,990**
Expected credit losses	(15,238)	(46,724)	(146,618)	(1,424)	**(210,004)**
Net book value	**6,824,379**	**1,222,635**	**163,420**	**2,552**	**8,212,986**
Corporate and public sector					
Book value before impairment	4,543,752	1,880,615	76,068	-	**6,500,435**
Expected credit losses	(31,847)	(54,653)	(48,148)	-	**(134,648)**
Net book value	**4,511,905**	**1,825,962**	**27,920**	**-**	**6,365,787**
Loans and advances to customers					
Book value before impairment	11,383,369	3,149,974	386,106	3,976	**14,923,425**
Expected credit losses	(47,085)	(101,377)	(194,766)	(1,424)	**(344,652)**
Net book value	**11,336,284**	**3,048,597**	**191,340**	**2,552**	**14,578,773**

"Purchased or originated credit impaired loans" (POCI) include loans amounting to RON 1.09 million, which as of 31.12.2022 are non-performing.

(all amounts are expressed in RON thousand ("RON '000"), unless otherwise stated)

4. RISK MANAGEMENT (CONTINUED)

b) Credit Risk (continued)

iii) Exposure to credit risk (continued)

XII. Credit risk disclosure of financial instruments (continued)

b. Loans to customers measured at amortized cost (continued)

The following table presents the movement of accumulated allowance for impairment losses during the year 2023:

	Retail					Corporate and public sector					Total				
	Stage 1	**Stage 2**	**Stage 3**	**POCI**	**Total**	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**
Balance 1.1.2023	**15,238**	**46,724**	**146,618**	**1,424**	**210,004**	**31,847**	**54,653**	**48,148**	-	**134,648**	**47,085**	**101,377**	**194,766**	**1,424**	**344,652**
Transfer to stage 1 (from 2 or 3)	28,804	(26,912)	(1,892)	-	-	7,159	(7,047)	(112)	-	-	35,963	(33,959)	(2,004)	-	-
Transfer to stage 2 (from 1 or 3)	(7,070)	20,340	(13,270)	-	-	(5,056)	5,056	-	-	-	(12,126)	25,396	(13,270)	-	-
Transfer to stage 3 (from 1 or 2)	(325)	(20,364)	20,689	-	-	(220)	(1,138)	1,358	-	-	(545)	(21,502)	22,047	-	-
Net remeasurement of loss allowance	(27,521)	30,237	21,006	(64)	**23,658**	(18,629)	10,117	3,369	-	**(5,143)**	(46,150)	40,354	24,375	(64)	**18,515**
Impairment losses on new assets	13,654	-	-	151	**13,805**	30,522	-	-	-	**30,522**	44,176	-	-	151	**44,327**
Changes in models/risk parameters	(8,021)	8,502	13,834	(61)	**14,254**	6,002	(34,372)	2,080	-	**(26,290)**	(2,019)	(25,870)	15,914	(61)	**(12,036)**
Initial recognition of financial assets	-	-	-	594	**594**	-	-	-	-	-	-	-	-	594	**594**
Derecognition of loans	(7)	(68)	(387)	-	**(462)**	(356)	(198)	-	-	**(554)**	(363)	(266)	(387)	-	**(1,016)**
Write-offs	-	-	(38,505)	(42)	**(38,547)**	-	(233)	(9,430)	-	**(9,663)**	-	(233)	(47,935)	(42)	**(48,210)**
Foreign exchange differences and other movements	(2,210)	1,584	(354)	(137)	**(1,117)**	(20,996)	28,534	(5,771)	-	**1,767**	(23,206)	30,118	(6,125)	(137)	**650**
Change in the present value of the allowance account	-	-	4,373	40	**4,413**	-	-	1,846	-	**1,846**	-	-	6,219	40	**6,259**
Balance 31.12.2023	**12,542**	**60,043**	**152,112**	**1,905**	**226,602**	**30,273**	**55,372**	**41,488**	-	**127,133**	**42,815**	**115,415**	**193,600**	**1,905**	**353,735**

where:
Net remeasurement of loss allowance present the impairment charge recorded in the reference period regarding the accounts transferred from one stage to another.
Impairment losses on new assets present the impairment charge recorded in the reference period regarding new loans originated or purchased within the reporting period, with their stage as of the moment of origination.
Changes in models/risk parameters present the impairment charge recorded in the reference period regarding the accounts that remained in the same stage within the reference period.

(all amounts are expressed in RON thousand (“RON ’000”), unless otherwise stated)

4. RISK MANAGEMENT (CONTINUED)

b) Credit Risk (continued)

iii) Exposure to credit risk (continued)

XII. Credit risk disclosure of financial instruments (continued)

b. Loans to customers measured at amortized cost (continued)

The following table presents the movement of accumulated allowance for impairment losses during the year 2022:

	Retail					Corporate and public sector					Total				
	Stage 1	**Stage 2**	**Stage 3**	**POCI**	**Total**	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**
Balance 1.1.2022	**10,400**	**31,954**	**196,992**	**2,343**	**241,689**	**36,002**	**67,506**	**112,604**	-	**216,112**	**46,402**	**99,460**	**309,596**	**2,343**	**457,801**
Transfer to stage 1 (from 2 or 3)	24,598	(21,463)	(3,135)	-	-	21,058	(20,996)	(62)	-	-	45,656	(42,459)	(3,197)	-	-
Transfer to stage 2 (from 1 or 3)	(6,497)	24,074	(17,577)	-	-	(14,305)	14,760	(455)	-	**-**	(20,802)	38,834	(18,032)	-	-
Transfer to stage 3 (from 1 or 2)	(328)	(19,468)	19,796	-	-	(39)	(2,560)	2,599	-	**-**	(367)	(22,028)	22,395	-	-
Net remeasurement of loss allowance	(22,427)	20,939	15,272	(930)	**12,854**	(17,583)	2,299	(2,141)	-	**(17,425)**	(40,010)	23,238	13,131	(930)	**(4,571)**
Impairment losses on new assets	20,862	-	-	80	**20,942**	25,430	-	-	-	**25,430**	46,292	-	-	80	**46,372**
Changes in models/risk parameters	(8,376)	9,065	15,175	(386)	**15,478**	4,368	(29,453)	(5,071)	-	**(30,156)**	(4,008)	(20,388)	10,104	(386)	**(14,678)**
Initial recognition of financial assets	-	-	-	79	**79**	-	-	-	-	**-**	-	-	-	79	**79**
Derecognition of loans	(6)	(42)	(569)	-	**(617)**	(1,677)	(1,279)	-	-	**(2,956)**	(1,683)	(1,321)	(569)	-	**(3,573)**
Write-offs	-	-	(91,344)	(37)	**(91,381)**	-	-	(51,080)	-	**(51,080)**	-	-	(142,424)	(37)	**(142,461)**
Foreign exchange differences and other movements	(2,988)	1,665	9,151	262	**8,090**	(21,407)	24,376	(10,950)	-	**(7,981)**	(24,395)	26,041	(1,799)	262	**109**
Change in the present value of the allowance account	-	-	2,857	13	**2,870**	-	-	2,704	-	**2,704**	-	-	5,561	13	**5,574**
Balance 31.12.2022	**15,238**	**46,724**	**146,618**	**1,424**	**210,004**	**31,847**	**54,653**	**48,148**	-	**134,648**	**47,085**	**101,377**	**194,766**	**1,424**	**344,652**

where:
Net remeasurement of loss allowance present the impairment charge recorded in the reference period regarding the accounts transferred from one stage to another.
Impairment losses on new assets present the impairment charge recorded in the reference period regarding new loans originated or purchased within the reporting period, with their Stage as of the moment of origination.
Changes in models/risk parameters present the impairment charge recorded in the reference period regarding the accounts that remained in the same stage within the reference period.

(all amounts are expressed in RON thousand ("RON '000"), unless otherwise stated)

4. RISK MANAGEMENT (CONTINUED)

b) Credit Risk (continued*)*

iii) Exposure to credit risk (continued)

XII. Credit risk disclosure of financial instruments (continued)

b. Loans to customers measured at amortized cost (continued)

The following table presents the movement in the loans measured at amortized cost by IFRS 9 Stage during the year 2023:

	Retail					Corporate and public sector					Total				
	Stage 1	**Stage 2**	**Stage 3**	**POCI**	**Total**	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**
Gross balance 1.1.2023	**6,839,617**	**1,269,359**	**310,038**	**3,976**	**8,422,990**	**4,543,752**	**1,880,615**	**76,068**	-	**6,500,435**	**11,383,369**	**3,149,974**	**386,106**	**3,976**	**14,923,425**
Transfer to stage 1 (from 2 or 3)	1,186,418	(1,175,082)	(11,336)	-	-	732,072	(731,935)	(137)	-	**-**	1,918,490	(1,907,017)	(11,473)	-	**-**
Transfer to stage 2 (from 1 or 3)	(1,496,783)	1,548,672	(51,889)	-	-	(947,209)	947,202	7	-	**-**	(2,443,992)	2,495,874	(51,882)	-	**-**
Transfer to stage 3 (from 1 or 2)	(16,865)	(158,134)	174,999	-	-	(10,308)	(24,037)	34,345	-	**-**	(27,173)	(182,171)	209,344	-	**-**
New financial assets originated or purchased	1,376,995	-	-	189	**1,377,184**	4,004,469	-	-	-	**4,004,469**	5,381,464	-	-	189	**5,381,653**
Derecognition of financial assets	(11,631)	(4,516)	(1,399)	-	**(17,546)**	(35,586)	(15,645)	-	-	**(51,231)**	(47,217)	(20,161)	(1,399)	-	**(68,777)**
Interest on gross carrying amount	561,773	115,974	15,877	371	**693,995**	400,114	103,952	5,330	-	**509,396**	961,887	219,926	21,207	371	**1,203,391**
Changes due to modifications that did not result in derecognition	1,210	497	310	-	**2,017**	296	2,272	(4)	-	**2,564**	1,506	2,769	306	-	**4,581**
Write-offs	-	-	(38,505)	(42)	**(38,547)**	-	(233)	(9,430)	-	**(9,663)**	-	(233)	(47,935)	(42)	**(48,210)**
Repayments, foreign exchange and other changes	(1,756,953)	(249,044)	(64,628)	71	**(2,070,554)**	(2,632,092)	(341,452)	(26,773)	-	**(3,000,317)**	(4,389,045)	(590,496)	(91,401)	71	**(5,070,871)**
Gross balance 31.12.2023	**6,683,781**	**1,347,726**	**333,467**	**4,565**	**8,369,539**	**6,055,508**	**1,820,739**	**79,406**	-	**7,955,653**	**12,739,289**	**3,168,465**	**412,873**	**4,565**	**16,325,192**
Accumulated allowance for impairment losses	(12,542)	(60,043)	(152,112)	(1,905)	**(226,602)**	(30,273)	(55,372)	(41,488)	-	**(127,133)**	(42,815)	(115,415)	(193,600)	(1,905)	**(353,735)**
Balance 31.12.2023	**6,671,239**	**1,287,683**	**181,355**	**2,660**	**8,142,937**	**6,025,235**	**1,765,367**	**37,918**	-	**7,828,520**	**12,696,474**	**3,053,050**	**219,273**	**2,660**	**15,971,457**

(all amounts are expressed in RON thousand ("RON '000"), unless otherwise stated)

4. RISK MANAGEMENT (CONTINUED)

b) Credit Risk (continued)

iii) Exposure to credit risk (continued)

XII. Credit risk disclosure of financial instruments (continued)

b. Loans to customers measured at amortized cost (continued)

The following table presents the movement in the loans measured at amortized cost by IFRS 9 Stage during the year 2022:

	Retail					**Corporate and public sector**					**Total**				
	Stage 1	**Stage 2**	**Stage 3**	**POCI**	**Total**	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**
Gross balance 1.1.2022	**6,440,476**	**1,019,394**	**407,093**	**6,081**	**7,873,044**	**3,539,597**	**1,801,170**	**183,185**	-	**5,523,952**	**9,980,073**	**2,820,564**	**590,278**	**6,081**	**13,396,996**
Transfer to stage 1 (from 2 or 3)	981,454	(964,468)	(16,986)	-	**-**	789,995	(789,381)	(614)	-	**-**	1,771,449	(1,753,849)	(17,600)	**-**	**-**
Transfer to stage 2 (from 1 or 3)	(1,368,351)	1,435,255	(66,904)	-	**-**	(1,205,016)	1,209,688	(4,672)	-	**-**	(2,573,367)	2,644,943	(71,576)	**-**	**-**
Transfer to stage 3 (from 1 or 2)	(16,234)	(129,629)	145,863	**-**	**-**	(4,334)	(25,760)	30,094	-	**-**	(20,568)	(155,389)	175,957	**-**	**-**
New financial assets originated or purchased	1,764,643	-	-	451	**1,765,094**	2,530,981	-	**-**	-	**2,530,981**	4,295,624	-	-	451	**4,296,075**
Derecognition of financial assets	(27,419)	(3,117)	(3,492)	-	**(34,028)**	(136,535)	(42,938)	**-**	-	**(179,473)**	(163,954)	(46,055)	(3,492)	-	**(213,501)**
Interest on gross carrying amount	407,808	74,524	9,589	268	**492,189**	215,946	84,578	6,648	-	**307,172**	623,754	159,102	16,237	268	**799,361**
Changes due to modifications that did not result in derecognition	2,281	1,103	255	-	**3,639**	583	1,407	4	-	**1,994**	2,864	2,510	259	-	**5,633**
Write-offs	-	-	(91,344)	(37)	**(91,381)**	-	-	(51,080)	-	**(51,080)**	-	-	(142,424)	(37)	**(142,461)**
Repayments, foreign exchange and other changes	(1,345,041)	(163,703)	(74,036)	(2,787)	**(1,585,567)**	(1,187,465)	(358,149)	(87,497)	-	**(1,633,111)**	(2,532,506)	(521,852)	(161,533)	(2,787)	**(3,218,678)**
Gross balance 31.12.2022	**6,839,617**	**1,269,359**	**310,038**	**3,976**	**8,422,990**	**4,543,752**	**1,880,615**	**76,068**	**-**	**6,500,435**	**11,383,369**	**3,149,974**	**386,106**	**3,976**	**14,923,425**
Accumulated allowance for impairment losses	(15,238)	(46,724)	(146,618)	(1,424)	**(210,004)**	(31,847)	(54,653)	(48,148)	-	(134,648)	(47,085)	(101,377)	(194,766)	(1,424)	**(344,652)**
Balance 31.12.2022	**6,824,379**	**1,222,635**	**163,420**	**2,552**	**8,212,986**	**4,511,905**	**1,825,962**	**27,920**	**-**	**6,365,787**	**11,336,284**	**3,048,597**	**191,340**	**2,552**	**14,578,773**

(all amounts are expressed in RON thousand ("RON '000"), unless otherwise stated)

4. RISK MANAGEMENT (CONTINUED)

b) Credit Risk (continued)

iii) Exposure to credit risk (continued)

XII. Credit risk disclosure of financial instruments (continued)

c. Off-Balance Sheet instruments

Off-Balance Sheet instruments include as of 31 December 2023 undrawn loan commitments and letters of credit/letters of guarantee, the movement of which is shown below:

	Loan Commitments and financial guarantee contracts			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Gross balance 1.1.2023	**3,193,326**	**143,483**	**34,398**	**3,371,207**
Transfer to stage 1 (from 2 or 3)	114,870	(114,644)	(226)	**-**
Transfer to stage 2 (from 1 or 3)	(357,777)	361,237	(3,460)	**-**
Transfer to stage 3 (from 1 or 2)	(1,249)	(4,373)	5,622	**-**
New financial instruments originated or purchased	2,956,102	-	-	**2,956,102**
Repayments, foreign exchange and other changes	(1,730,435)	(58,250)	5,535	**(1,783,150)**
Gross balance 31.12.2023	**4,174,837**	**327,453**	**41,869**	**4,544,159**
Accumulated allowance for impairment losses	(21,333)	(10,065)	(18,194)	**(49,592)**
Balance 31.12.2023	**4,153,504**	**317,388**	**23,675**	**4,494,567**

The Bank has recognized expected credit losses for the undrawn credit facilities and letters of credit and letters of guarantee, the movement of which is presented in the following table:

	31.12.2023			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Balance 1.1.2023	**19,394**	**6,777**	**18,681**	**44,852**
Transfer to stage 1 (from 2 or 3)	3,070	(3,052)	(18)	**-**
Transfer to stage 2 (from 1 or 3)	(2,168)	2,195	(27)	**-**
Transfer to stage 3 (from 1 or 2)	(4)	(385)	389	**-**
Net remeasurement of expected credit losses	(12,639)	5,482	(470)	**(7,627)**
Impairment losses on new off balance sheet items	22,454	-	-	**22,454**
Changes in models/risk parameters	(7,916)	(2,198)	(6)	**(10,120)**
Foreign exchange differences and other movements	(858)	1,246	(355)	**33**
Balance 31.12.2023	**21,333**	**10,065**	**18,194**	**49,592**

where:
Net remeasurement of loss allowance present the impairment charge recorded in the reference period regarding the accounts transferred from one stage to another and the releases from repayments.
Impairment losses on new assets present the impairment charge recorded in the reference period regarding new loans originated or purchased within the reporting period, with their stage as of the moment of origination.
Changes in models/risk parameters present the impairment charge recorded in the reference period regarding the accounts that remained in the same stage within the reference period.

(all amounts are expressed in RON thousand ("RON '000"), unless otherwise stated)

4. RISK MANAGEMENT (CONTINUED)

b) Credit Risk (continued)

iii) Exposure to credit risk (continued)

XII. Credit risk disclosure of financial instruments (continued)

c. Off-Balance Sheet instruments (continued)

Off-Balance Sheet instruments include undrawn loan commitments and letters of credit/letters of guarantee, the movement of which is shown below for 2022:

	Loan Commitments and financial guarantee contracts			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Gross balance 1.1.2022	**2,442,451**	**291,877**	**40,335**	**2,774,663**
Transfer to stage 1 (from 2 or 3)	410,428	(410,157)	(271)	**-**
Transfer to stage 2 (from 1 or 3)	(314,169)	314,781	(612)	**-**
Transfer to stage 3 (from 1 or 2)	(991)	(1,710)	2,701	**-**
New financial instruments originated or purchased	2,075,412	-	-	**2,075,412**
Repayments, foreign exchange and other changes	(1,419,805)	(51,308)	(7,755)	**(1,478,868)**
Gross balance 31.12.2022	**3,193,326**	**143,483**	**34,398**	**3,371,207**
Accumulated allowance for impairment losses	(19,394)	(6,777)	(18,681)	**(44,852)**
Balance 31.12.2022	**3,173,932**	**136,706**	**15,717**	**3,326,355**

The Bank has recognized expected credit losses for the undrawn credit facilities and letters of credit and letters of guarantee, the movement of which is presented in the following table:

	31.12.2022			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Balance 1.1.2022	**12,575**	**10,934**	**14,198**	**37,707**
Transfer to stage 1 (from 2 or 3)	11,339	(11,178)	(161)	**-**
Transfer to stage 2 (from 1 or 3)	(1,520)	1,546	(26)	**-**
Transfer to stage 3 (from 1 or 2)	(13)	(46)	59	**-**
Net remeasurement of expected credit losses	(7,121)	(4,825)	(2,642)	**(14,588)**
Impairment losses on new off balance sheet items	22,033	-	-	**22,033**
Changes in models/risk parameters	(8,064)	700	7,132	**(232)**
Foreign exchange differences and other movements	(9,835)	9,646	121	**(68)**
Balance 31.12.2022	**19,394**	**6,777**	**18,681**	**44,852**

where:
Net remeasurement of loss allowance present the impairment charge recorded in the reference period regarding the accounts transferred from one stage to another and the releases from repayments.
Impairment losses on new assets present the impairment charge recorded in the reference period regarding new loans originated or purchased within the reporting period, with their stage as of the moment of origination.
Changes in models/risk parameters present the impairment charge recorded in the reference period regarding the accounts that remained in the same stage within the reference period.

(all amounts are expressed in RON thousand ("RON '000"), unless otherwise stated)

4. RISK MANAGEMENT (CONTINUED)

b) Credit Risk (continued)

iii) Exposure to credit risk (continued)

XII. Credit risk disclosure of financial instruments (continued)

d. Investment securities measured at fair value through other comprehensive income

The following table presents the classification of investment securities per stage and the reconciliation of accumulated impairment per stage:

	31.12.2023				
	Stage 1	**Stage 2**	**Stage 3**	**POCI**	**Total**
Other Government bonds					
Expected credit losses	(510)	-	-	-	**(510)**
Fair value	627,522	-	-	-	**627,522**
Other securities					
Expected credit losses	(91)	(290)	(10,588)	-	**(10,969)**
Fair value	24,000	9,633	1,881	-	**35,514**
Total of investment securities measured at fair value through other comprehensive income					
Expected credit losses	**(601)**	**(290)**	**(10,588)**	**-**	**(11,479)**
Fair value	**651,522**	**9,633**	**1,881**	**-**	**663,036**

	31.12.2022				
	Stage 1	**Stage 2**	**Stage 3**	**POCI**	**Total**
Other Government bonds					
Expected credit losses	(141)	-	-	-	**(141)**
Fair value	747,519	-	-	-	**747,519**
Other securities					
Expected credit losses	(233)	(440)	(10,530)	-	**(11,203)**
Fair value	22,053	9,149	1,546	-	**32,748**
Total of investment securities measured at fair value through other comprehensive income					
Expected credit losses	**(374)**	**(440)**	**(10,530)**	**-**	**(11,344)**
Fair value	**769,572**	**9,149**	**1,546**	**-**	**780,267**

(all amounts are expressed in RON thousand ("RON '000"), unless otherwise stated)

4. RISK MANAGEMENT (CONTINUED)

b) Credit Risk (continued)

iii) Exposure to credit risk (continued)

XII. Credit risk disclosure of financial instruments (continued)

d. Investment securities measured at fair value through other comprehensive income (continued)

	Allowance for impairment losses on securities				
	Stage 1	**Stage 2**	**Stage 3**	**POCI**	**Total**
Changes for the period 1.1. – 31.12.2022					
Balance 1.1.2022	**851**	-	-	-	**851**
Transfer to stage 2 (from 1 or 3)	(78)	78	-	-	**-**
Transfer to stage 3 (from 1 or 2)	-	(1,814)	1814	-	**-**
Net remeasurement of loss allowance (a)	-	2,272	9,594	-	**11,866**
New securities originated or purchased (b)	83	-	-	-	**83**
Changes in models/risk parameters (c)	(480)	(97)	(150)	-	**(727)**
Impairment losses on investment securities measured at fair value through other comprehensive income (a + b + c)	**(475)**	**439**	**11,258**	**-**	**11,222**
Derecognition of financial assets	-	-	(988)	-	**(988)**
Foreign exchange differences and other movements	(2)	1	260	-	**259**
Balance 31.12.2022	**374**	**440**	**10,530**	**-**	**11,344**
Changes for the period 1.1. – 31.12.2023					
Transfer to stage 2 (from 1 or 3)	-	-	-	-	-
Transfer to stage 3 (from 1 or 2)	-	-	-	-	-
Net remeasurement of loss allowance (a)	-	-	-	-	-
New securities originated or purchased (b)	193	-	-	-	**193**
Changes in models/risk parameters (c)	33	(152)	(1)	-	**(120)**
Impairment losses on investment securities measured at fair value through other comprehensive income (a + b + c)	**226**	**(152)**	**(1)**	-	**73**
Derecognition of financial assets	-	-	-	-	-
Foreign exchange differences and other movements	1	2	59	-	**62**
Balance 31.12.2023	**601**	**290**	**10,588**	-	**11,479**

e. Investment securities measured at amortised cost

The following table presents the investment securities at amortised cost as of 31.12.2023:

	31.12.2023				
	Stage 1	**Stage 2**	**Stage 3**	**POCI**	**Total**
Other Government bonds					
Gross carrying amount	1,259,469	-	-	-	**1,259,469**
Expected credit losses	(1,055)	-	-	-	**(1,055)**
Net carrying amount	**1,258,414**	-	-	-	**1,258,414**
Other securities					
Gross carrying amount	49,868	-	-	-	**49,868**
Expected credit losses	(49)	-	-	-	**(49)**
Net carrying amount	**49,819**	-	-	-	**49,819**
Total of investment securities measured at amortised cost					
Gross carrying amount	**1,309,337**	**-**	**-**	**-**	**1,309,337**
Expected credit losses	**(1,104)**	**-**	**-**	**-**	**(1,104)**
Net carrying amount	**1,308,233**	**-**	**-**	**-**	**1,308,233**

(all amounts are expressed in RON thousand ("RON '000"), unless otherwise stated)

4. RISK MANAGEMENT (CONTINUED)

b) Credit Risk (continued)

iii) Exposure to credit risk (continued)

XII. Credit risk disclosure of financial instruments (continued)
e. Investment securities measured at amortised cost (continued)

	31.12.2022				
	Stage 1	**Stage 2**	**Stage 3**	**POCI**	**Total**
Other Government bonds					
Gross carrying amount	732,690	-	-	-	**732,690**
Expected credit losses	(132)	-	-	-	**(132)**
Net carrying amount	**732,558**	-	-	-	**732,558**
Total of investment securities measured at amortised cost					
Gross carrying amount	732,690	-	-	-	**732,690**
Expected credit losses	(132)	-	-	-	**(132)**
Net carrying amount	**732,558**	**-**	**-**	**-**	**732,558**

	Allowance for impairment losses on securities				
	Stage 1	**Stage 2**	**Stage 3**	**POCI**	**Total**
Balance 01.01.2022	**43**	-	-	-	**43**
Changes for the period 1.1. – 31.12.2022					
Net remeasurement of loss allowance (a)	-	-	-	-	**-**
New securities originated or purchased (b)	136	-	-	-	**136**
Changes in models/risk parameters (c)	(49)	-	-	-	**(49)**
Impairment losses on investment securities measured at fair value through other comprehensive income (a + b + c)	**87**	-	-	-	**87**
Derecognition of financial assets	-	-	-	-	**-**
Foreign exchange differences and other movements	2	-	-	-	**2**
Balance 31.12.2022	**132**	-	-	-	**132**
Changes for the period 1.1. – 31.12.2023					
Net remeasurement of loss allowance (a)	-	-	-	-	**-**
New securities originated or purchased (b)	617	-	-	-	**617**
Changes in models/risk parameters (c)	353	-	-	-	**353**
Impairment losses on investment securities measured at fair value through other comprehensive income (a + b + c)	**970**	-	-	-	**970**
Derecognition of financial assets	(46)	-	-	-	**(46)**
Foreign exchange differences and other movements	48	-	-	-	**48**
Balance 31.12.2023	**1,104**	-	-	-	**1,104**

4. RISK MANAGEMENT (CONTINUED)

c) Market risk

Market risk is the risk of reduction in economic value arising from unfavourable changes in the value or volatility of interest rates, foreign exchange rates, stock exchange indices, equity prices and commodities. Losses may also occur either from the trading portfolio or from the Assets-Liabilities management.

The Bank identifies, measures, monitors and controls Market risk through established risk management framework- policies, procedures and working directions. The Market Risk Management Policy provides the framework and principles for the effective management of market risks.

Within the scope of policy-making for financial risk management exposure limits and maximum loss limits (stop loss) have been set. In particular, limits have been set for the following risks:

- Foreign currency risk;
- Interest rate risk on bond positions;
- Credit risk regarding interbank transactions.

Positions held are monitored on a daily basis and are examined for the corresponding limit percentage cover and for any limit excess.

d) Currency risk

The Bank is exposed to the currency risk (Foreign exchange risk) through transactions in foreign currencies against RON. The Bank manages its exposure to movements in exchange rates by modifying its assets and liabilities mix. The main foreign currency held by the Bank is EUR. On the Romanian market, exchange rates have certain degree of volatility; therefore, the open foreign exchange positions could represent a source of currency risk. In order to limit potential losses arising from adverse movements in exchange rates, the Bank is currently pursuing the policy of maintaining an overall balanced foreign exchange position.

The foreign currency risk is the risk of reduction in economic value arising from adverse changes in the value or volatility of foreign exchange rates to record losses for on or off-balance sheet positions or not to achieve the estimated profits due to the fluctuations on the market of the foreign exchange rate. The object of the identification, assessment, monitoring and management of the foreign currency risk is represented, according to the Bank's policies and procedures, by the items denominated in foreign currency.

4. RISK MANAGEMENT (CONTINUED)

d) Currency risk (continued)

Concentration of assets and liabilities based on currency risk:

2023	**Local Currency**	**EUR**	**Other Currencies**	**Total**
	RON'000	**RON'000**	**RON'000**	**RON'000**
ASSETS				
Cash and balances with National Bank of Romania	2,590,374	819,905	71,193	**3,481,472**
Due from other banks	290,700	931,279	412,549	**1,634,528**
Investment securities measured at FVOCI	413,953	250,183	-	**664,136**
Investment securities measured at amortised cost	533,629	610,427	164,177	**1,308,233**
Investment securities measured at FVPL	-	-	28,762	**28,762**
Derivative financial assets	-	-	-	**-**
Loans and advances to customers	8,661,119	7,100,984	209,354	**15,971,457**
Deferred tax assets	12,269	-	-	**12,269**
Investment property	29,853	-	-	**29,853**
Property and equipment	272,278	-	-	**272,278**
Goodwill and other intangible assets	57,097	-	-	**57,097**
Other assets	106,433	4,065	442	**110,940**
TOTAL ASSETS	**12,967,705**	**9,716,843**	**886,477**	**23,571,025**
LIABILITIES				
Due to banks	2,146	1,219,980	604	**1,222,730**
Due to customers	10,330,842	6,540,996	860,532	**17,732,370**
Debt securities issued and other borrowed funds	-	1,640,781	-	**1,640,781**
Derivative financial liabilities	6,244	-	-	**6,244**
Subordinated debt	-	248,861	-	**248,861**
Other liabilities and provisions	200,321	190,417	2,052	**392,790**
Total liabilities	**10,539,553**	**9,841,035**	**863,188**	**21,243,776**
Net balance sheet position	**2,428,152**	**(124,192)**	**23,289**	**2,327,249**
Derivative forward foreign exchange position	(136,802)	136,802	-	-
Total foreign exchange position	**2,291,350**	**12,610**	**23,289**	**2,327,249**

4. RISK MANAGEMENT (CONTINUED)

d) Currency risk (continued)

2022	Local Currency	EUR	Other Currencies	Total
	RON’000	RON’000	RON’000	RON’000
ASSETS				
Cash and balances with National Bank of Romania	1,273,371	1,387,275	36,202	**2,696,848**
Due from other banks	1,022,996	529,242	350,331	**1,902,569**
Investment securities measured at FVOCI	305,275	476,091	-	**781,366**
Investment securities measured at amortised cost	356,744	282,996	92,818	**732,558**
Investment securities measured at FVPL	-	-	23,611	**23,611**
Derivative financial assets	1,632	-	-	**1,632**
Loans and advances to customers	7,586,412	6,912,033	80,328	**14,578,773**
Deferred tax assets	14,897	-	-	**14,897**
Investment property	30,603	-	-	**30,603**
Property and equipment	252,736	-	-	**252,736**
Goodwill and other intangible assets	33,528	-	-	**33,528**
Other assets	78,432	2,670	397	**81,499**
TOTAL ASSETS	**10,956,626**	**9,590,307**	**583,687**	**21,130,620**
LIABILITIES				
Due to banks	178,611	1,977,501	452	**2,156,564**
Due to customers	7,621,681	6,482,257	875,048	**14,978,986**
Debt securities issued and other borrowed funds	39,976	1,237,798	-	**1,277,774**
Derivative financial liabilities	43,153	-	-	**43,153**
Subordinated debt	-	247,430	-	**247,430**
Other liabilities and provisions	128,926	177,695	2,310	**308,931**
Total liabilities	**8,012,347**	**10,122,681**	**877,810**	**19,012,838**
Net balance sheet position	**2,944,279**	**(532,374)**	**(294,123)**	**2,117,782**
Derivative forward foreign exchange position	(856,122)	559,298	296,824	-
Total foreign exchange position	**2,088,157**	**26,924**	**2,701**	**2,117,782**

(all amounts are expressed in RON thousand ("RON '000"), unless otherwise stated)

4. RISK MANAGEMENT (CONTINUED)

d) Currency risk (continued)

Sensitivity analysis – Foreign Exchange risk

The open foreign exchange position presents the following sensitivity analysis:

		Volumes as at 31/12/2023	Changes in ER		Impact on net income before tax	
			+	-	+	-
	Assets	9,853,644	5.00%	-5.00%	492,682	(492,682)
EUR	Liabilities	(9,841,036)	5.00%	-5.00%	(492,052)	492,052
	Assets	711,724	5.00%	-5.00%	35,586	(35,586)
USD	Liabilities	(705,181)	5.00%	-5.00%	(35,259)	35,259
					957	**(957)**

		Volumes as at 31/12/2022	Changes in ER		Impact on net income before tax	
			+	-	+	-
	Assets	10,149,604	5.00%	-5.00%	507,480	(507,480)
EUR	Liabilities	(10,122,681)	5.00%	-5.00%	(506,134)	506,134
	Assets	700,701	5.00%	-5.00%	35,035	(35,035)
USD	Liabilities	(707,273)	5.00%	-5.00%	(35,364)	35,364
					1,017	**(1,017)**

The Foreign Exchange risk is measured by applying Value at Risk (VaR) methodology, scenario analysis and stress testing. The method applied for calculating Value at Risk (VaR) is historical simulation. The Bank uses a holding period of one or ten days, depending on the time which is required to liquidate the portfolio.

Total Forex Portfolio VaR, 99% confidence interval (1-year historical data)

Year	**2023**		**2022**	
	1 Day	**10 days**	**1 Day**	**10 days**
	EUR ths.	**EUR ths.**	**EUR ths.**	**EUR ths.**
31 December	(28.11)	(79.89)	(37.30)	(133.45)
average daily value	(39.74)		(19.11)	
maximum daily value	(78.07)		(48.26)	
minimum daily value	(8.03)		(5.22)	

In order to ensure the reliability of the VaR methodology the Bank is using a continuous process of back-testing.

The VaR methodology is complemented with stress testing, in order to estimate the potential size of losses that could arise from the trading portfolio for hypothetical as well as historical extreme movements of market parameters.

4. RISK MANAGEMENT (CONTINUED)

e) Financial risks of the banking portfolio

The financial risks of the banking portfolio derive from the structure of assets and liabilities and primarily from the portfolio of loans and deposits. The financial risks of the banking portfolio concern the interest rate risk and the liquidity risk.

The Bank incurs interest rate risk from its financial intermediation activity, principally in the form of exposure to adverse changes in the market interest rates. In the context of analysis of the banking portfolio, Interest Rate Gap Analysis is performed. Assets and liabilities are allocated in time buckets according to their re-pricing date for variable interest rate instruments, or according to their maturity date for fixed rate instruments. Exceptions are made for assets and liabilities without predefined maturities or other balance sheet items which exhibit strong behavioural characteristics. For these products' allocation on residual maturity buckets, internal ALM conventions are applied according to their transactional behaviour (based on statistical models).

The main sources of interest rate risk arises when mismatches correlation exist between the maturity (for fixed interest rates) or re-pricing date (for floating interest rates) of the interest-bearing assets and liabilities, adverse evolution of the slope and shape of the yield curve (the unparalleled evolution of the interest rate yields of the interest-earning assets and interest-earning liabilities), mismatches correlation in the adjustments of the rates earned and paid on different instruments with otherwise similar re-pricing characteristics and the options embedded in the Bank's products.

Asset-liability risk management activities are conducted in the context of the Bank's sensitivity to interest rate changes. The Bank generally grants loans with floating interest rates, according to the Bank's policy and also with indexed interest rates (which re-price based on reference interest rates like ROBOR, EURIBOR). On the deposits side, the Bank offers its customers mainly products with fixed interest rates.

The Bank is exposed to various risks associated with the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows.

Interest margins may increase as a result of such changes but may reduce or create losses in the event that unexpected movements arise. Within the Risk Appetite Framework, the management sets out the level of risk for interest rate risk that the Bank is willing to take in pursuit of its business objectives, which is monitored quarterly (emergency review mechanism).

During 2022 and 2023, the war in Ukraine and the energy crisis, followed by the 2023 Israel–Hamas war, created a highly uncertain global outlook which has put the economy on a path of lower growth and higher inflation and other potential economic reverberations of the war. In order to address inflationary pressures, the Federal Reserve increased the base rate from 4.5% to 5.5% (the highest fed funds target rate since 2001), while the ECB set the following key interest rates for the euro area: the main refinancing operations interest rate at 4.5% from 2.5%, the deposit interest rate at 4% from 2% and the marginal lending facility interest rate at 4.75% from 2.75%. Also, NBR increased the monetary policy rate from 6.75% to 7.00% and maintained its level throughout 2023. The interest rate hikes could be over, but high interest rates still persist.

The higher interest rate environment is expected to lead to an increase in interest income resulting in an improvement in the Net Interest Margin.

(all amounts are expressed in RON thousand ("RON '000"), unless otherwise stated)

4. RISK MANAGEMENT (CONTINUED)

e) Financial risks of the banking portfolio (continued)

The tables below analyse assets and liabilities of the Bank into relevant re-pricing groupings as of 31 December 2023:

	Up to 1 month	1 to 3 months	3 to 12 months	Over 1 Year	Non-interest bearing	Total
Assets						
Cash and balances with National Bank of Romania	2,944,715	-	-	-	536,757	**3,481,472**
Due from other banks	1,143,763	-	490,765	-	-	**1,634,528**
Investment securities measured at FVOCI	-	-	302,188	360,848	1,100	**664,136**
Investment securities measured at amortised cost	-	-	117,348	1,190,885		**1,308,233**
Investment securities measured at FVPL	-	-	-		28,762	**28,762**
Derivative financial assets	-	-	-	-	-	**-**
Loans and advances to customers	10,455,580	96,594	100,984	5,318,299	-	**15,971,457**
Investment property	-	-	-	-	29,853	**29,853**
Property and equipment	-	-	-	-	272,278	**272,278**
Goodwill and other intangible assets	-	-	-	-	57,097	**57,097**
Deferred tax assets	-	-	-	-	12,269	**12,269**
Other assets	-	-	-	-	110,940	**110,940**
Total assets	**14,544,058**	**96,594**	**1,011,285**	**6,870,032**	**1,049,056**	**23,571,025**
Liabilities						
Due to banks	63,104	1,159,626	-	-	-	**1,222,730**
Due to customers	6,109,627	3,760,027	4,528,355	3,334,361	-	**17,732,370**
Debt securities issued and other borrowed funds	-	-	1,000,848	639,933	-	**1,640,781**
Subordinated loans	248,861	-	-	-	-	**248,861**
Other liabilities	-	-	-	-	392,790	**392,790**
Derivative financial liabilities	6,244	-	-	-	-	**6,244**
Total liabilities	**6,427,836**	**4,919,653**	**5,529,203**	**3,974,294**	**392,790**	**21,243,776**
Equity	**-**	**-**	**-**	**-**	**2,327,249**	**2,327,249**
Total liabilities and equity	**6,427,836**	**4,919,653**	**5,529,203**	**3,974,294**	**2,720,039**	**23,571,025**
Marginal Gap	**8,116,222**	**(4,823,059)**	**(4,517,918)**	**2,895,738**	**(1,670,983)**	
Cumulative Gap	**8,116,222**	**3,293,163**	**(1,224,755)**	**1,670,983**		

(all amounts are expressed in RON thousand ("RON '000"), unless otherwise stated)

4. RISK MANAGEMENT (CONTINUED)

e) Financial risks of the banking portfolio (continued)

The tables below analyse assets and liabilities of the Bank into relevant re-pricing groupings as of 31 December 2022:

	Up to 1 month	1 to 3 months	3 to 12 months	Over 1 Year	Non-interest bearing	Total
Assets						
Cash and balances with National Bank of Romania	2,372,362	-	-	-	324,486	**2,696,848**
Due from other banks	1,894,648	-	7,921	-	-	**1,902,569**
Investment ecurities measured at FVOCI*	-	-	405,309	374,958	1,099	**781,366**
Investment securities measured at amortised cost	-	-	99,413	633,145		**732,558**
Investment securities measured at FVPL	-	-	-		23,611	**23,611**
Derivative financial assets	1,632	-	-	-	-	**1,632**
Loans and advances to customers	10,944,264	17,584	869,241	2,747,684	-	**14,578,773**
Investment property	-	-	-	-	30,603	**30,603**
Property and equipment	-	-	-	-	252,736	**252,736**
Goodwill and other intangible assets	-	-	-	-	33,528	**33,528**
Deferred tax assets	-	-	-	-	14,897	**14,897**
Other assets					81,499	**81,499**
Total assets	**15,212,906**	**17,584**	**1,381,884**	**3,755,787**	**762,459**	**21,130,620**
Liabilities						
Due to banks	1,788,477	368,087	-	-	-	**2,156,564**
Due to customers	5,306,736	2,697,498	4,074,205	2,900,547	-	**14,978,986**
Debt securities issued and other borrowed funds	-	39,977	989,979	247,818	-	**1,277,774**
Subordinated loans	247,430	-	-	-	-	**247,430**
Other liabilities	-	-	-	-	308,931	**308,931**
Derivative financial liabilities	43,153	-	-	-	-	**43,153**
Total liabilities	**7,385,796**	**3,105,562**	**5,064,184**	**3,148,365**	**308,931**	**19,012,838**
Equity	**-**	**-**	**-**	**-**	**2,117,782**	**2,117,782**
Total liabilities and equity	**7,385,796**	**3,105,562**	**5,064,184**	**3,148,365**	**2,426,713**	**21,130,620**
Marginal Gap	**7,827,110**	**(3,087,978)**	**(3,682,300)**	**607,422**	**(1,664,254)**	
Cumulative Gap	**7,827,110**	**4,739,132**	**1,056,832**	**1,664,254**		

**The Bank has reclassified the presentation as of 31 December 2022 of the accumulated interest, depreciation and revaluation in the total amount of RON 61,759 thousand, related to the portfolio of "Investment securities measured at FVOCI", from first band of liquidity (under 1 month) to the liquidity bands where the principal is presented, consistent with the presentation as of 31 December 2023.*

(all amounts are expressed in RON thousand ("RON '000"), unless otherwise stated)

4. RISK MANAGEMENT (CONTINUED)

e) Financial risks of the banking portfolio (continued)

	Average interest bearing assets	
	Average 2023	**Average 2022**
Cash and balances with National Bank of Romania	2.54%	0.31%
Due from other banks	3.63%	1.82%
Financial assets	2.61%	2.01%
Loans and advances to customers:	7.72%	5.64%
- Alpha Housing	7.95%	5.64%
- Investment Loans	6.39%	4.27%
- Alpha Personal	10.64%	8.27%
- Auto Loans	11.68%	8.56%
- Financial Institutions	6.02%	3.72%
- Treasury Loans	8.49%	7.43%
- Loans for equipment and stocks finance	7.50%	6.23%
- Other Loans	6.21%	4.08%

Sensitivity analysis – Interest rate risk

The sensitivity of the income statement is the effect of the reasonably possible changes in interest rates on the net interest income (NII) for one year, based on the floating rate non-trading financial assets and financial liabilities held at 31 December 2023.

In assessing the interest rate sensitivity analysis, the assets without predefined maturities which exhibit strong behavioural characteristics are allocated on residual maturity buckets considering conventions according to their transactional behaviour (based on statistical models).

			Balances as at 31/12/23	**Changes in I/Y**		**NII Sensitivity**	
				+	**-**	**+**	**-**
EUR	Assets	Fixed	4,578,132	2.00	-2.00	119,029	(107,836)
		Floating	5,104,531	2.00	-2.00		
	Liabilities	Fixed	(6,874,884)	2.00	-2.00	120,164	(87,588)
		Floating	(2,788,170)	2.00	-2.00		
USD	Assets	Fixed	437,620	2.00	-2.00	7,787	(5,996)
		Floating	216,394	2.00	-2.00		
	Liabilities	Fixed	(703,309)	2.00	-2.00	10,770	(7,023)
		Floating	-	2.00	-2.00		
RON	Assets	Fixed	5,496,169	2.00	-2.00	162,489	(123,367)
		Floating	6,725,506	2.00	-2.00		
	Liabilities	Fixed	(10,495,084)	2.00	-2.00	126,086	(110,121)
		Floating	(160)	2.00	-2.00		
Other ccy.	Assets	Fixed	120,328	2.00	-2.00	2,624	(2,624)
		Floating	11,737	2.00	-2.00		
	Liabilities	Fixed	(157,752)	2.00	-2.00	2,639	(573)
		Floating	(76)	2.00	-2.00		
TOTAL NII						**32,270**	**(34,518)**

(all amounts are expressed in RON thousand ("RON '000"), unless otherwise stated)

4. RISK MANAGEMENT (CONTINUED)

e) Financial risks of the banking portfolio (continued)

			Balances as at 31/12/22	Changes in I/Y +	Changes in I/Y -	NII Sensitivity +	NII Sensitivity -
EUR	Assets	Fixed	5,539,923	2.00	-2.00	87,938	(103,098)
		Floating	5,389,810	2.00	-2.00		
	Liabilities	Fixed	(7,620,311)	2.00	-2.00	115,049	(85,565)
		Floating	(3,209,641)	2.00	-2.00		
USD	Assets	Fixed	582,986	2.00	-2.00	(2,134)	(3,971)
		Floating	78,383	2.00	-2.00		
	Liabilities	Fixed	(820,995)	2.00	-2.00	10,094	(7,979)
		Floating	-	2.00	-2.00		
RON	Assets	Fixed	4,217,096	2.00	-2.00	135,040	(146,038)
		Floating	6,674,829	2.00	-2.00		
	Liabilities	Fixed	(9,231,035)	2.00	-2.00	73,431	(102,595)
		Floating	(41,229)	2.00	-2.00		
Other ccy.	Assets	Fixed	261,483	2.00	-2.00	2,122	(2,336)
		Floating	16,122	2.00	-2.00		
	Liabilities	Fixed	(173,004)	2.00	-2.00	2,772	(539)
		Floating	(163)	2.00	-2.00		
TOTAL NII						**21,620**	**(58,765)**

f) Liquidity and funding risks

i) Management of liquidity and funding risks

Liquidity risk is the risk that the Bank will encounter from the potential inability to meet all payments obligations associated with its financial liabilities that are settled by delivering cash or another financial asset when they come due.

Liquidity risk arises in the general funding of the Bank's activities and in the management of the asset positions. It includes both the risk of being unable to fund assets at appropriate maturities and rates and the risk of being unable to liquidate an asset at a reasonable price and in an appropriate time frame.

Funding risk is the risk that the Bank will not have stable sources of financing in the medium and long term, which leads to the existing or potential risk that the institution will not be able to meet, or meet at unacceptable financing costs, its financial obligations, such as would be payments and the need for collateral, as they become due in the medium and long term.

The Bank has access to a diverse funding base. Funds are raised using a broad range of instruments including deposits, borrowings and share capital. This enhances funding flexibility, limits dependence on one source of funds and generally lowers the cost of funds. The Bank concentrates its efforts to maintain adequate liquidity such as ensuring the necessary funds to cover at all times its financial commitments on all time bands. The Bank continually assesses liquidity risk by identifying and monitoring changes in the short- and long-term funding and diversifying the funding base.

The liquidity position is daily monitored and also liquidity stress testing is regularly conducted under a variety of scenarios covering both normal and more severe market conditions. All liquidity policies and procedures are subject to review and approval by ALCO or Executive Committee.

In the context of the Contingency Funding Plan, the Bank monitors on a daily basis Early Warning Indicators/Triggers while any liquidity risk trigger event or limit breach of any liquidity indicator is reported to the competent Committee, including proposed contingency measures in order to be implemented.

(all amounts are expressed in RON thousand ("RON '000"), unless otherwise stated)

4. RISK MANAGEMENT (CONTINUED)

f) Liquidity and funding risks *(continued)*

i) Management of liquidity and funding risks (continued)

Since April 2009, the Bank signed a stand-by agreement with Alpha Bank S.A. Greece of EUR 130 million which was extended successively in following years. In 2023 the agreement was also extended, to cover any possible temporary liquidity requirements of the Bank. Furthermore, a new credit line facility agreement with Alpha Bank S.A. Greece of EUR 125 million was signed on November 13, 2023, for the sole purpose of covering temporary liquidity requirements that may arise under the liquidity crisis circumstances (6 months availability period).

ii) Exposure to liquidity risk

Liquidity indicators are calculated on a regular basis while ALCO and Risk Management Committee are informed accordingly.

Another indicator used by the Bank to monitor the short-term liquidity is the Liquidity Coverage Ratio (LCR). For this purpose, there are considered the followings:

- the net inflow of liquidity for the next 30 days, determined on the basis of predefined scenarios related to a liquidity crisis, named as short-term financial needs;
- the necessary liquidity buffer to cover the short-term financing needs.

The Liquidity Coverage Ratio calculated regularly, according to the Basel III Directives and local regulatory requirements, was as follows:

	31 December 2023	31 December 2022
LCR	193%	243%

The level of LCR was impacted by the liquidity optimization strategy adopted by the Bank and the transactions related to cover bonds requirements. The difference between the levels recorded in 2023 and 2022 results mainly from a change in the funding structure, the deposits from banks being partially replaced by funds from customers, and a prudential approach on off-balance credit exposure.

The LCR showed adequate levels during 2023, well above the regulatory minimum requirement of 100%, both on total and on each reported currency. The level remained within the Bank's risk appetite, as well.

The Bank maintains a portfolio of highly marketable and diverse assets that can be easily liquidated in the event of an unforeseen interruption of cash flow. The Bank also has committed lines of credit that it could access to meet liquidity needs.

The Net Stable Funding Ratio (NSFR) is calculated by Alpha Bank Romania to monitor its long-term liquidity and also submitted to the regulatory authority. The Bank applied the regulatory framework in force and this ratio is continuously kept at level at least 100% to ensure the stability of the Bank's funding profile.

	31 December 2023	31 December 2022
NSFR	147%	147%

(all amounts are expressed in RON thousand ("RON '000"), unless otherwise stated)

4. RISK MANAGEMENT (CONTINUED)

f) Liquidity and funding risks *(continued)*

ii) Exposure to liquidity risk (continued)

NSFR showed adequate levels during 2023, well above the regulatory minimum requirement of 100%. The level remained within the Bank's risk appetite, as well.

The Bank's financial liabilities are measured based on undiscounted contractual cash flows, grouping up the principal amounts with the future interest payments.

2023	Up to 1 month	1 to 3 months	3 to 12 months	Over 1 Year	Total
Liabilities					
Due to banks	57,868	-	333,439	942,132	**1,333,439**
Due to customers	9,914,335	3,697,280	4,233,539	49,903	**17,895,057**
Debt securities issued and other borrowed funds	-	23,281	1,044,867	691,370	**1,759,518**
Derivative financial liabilities	-	329	5,915	-	**6,244**
Subordinated debt	-	4,339	11,570	336,949	**352,858**
Other liabilities	20,109	8,366	41,155	117,562	**187,192**
Total undiscounted liabilities	**9,992,312**	**3,733,595**	**5,670,485**	**2,137,916**	**21,534,308**

2022	Up to 1 month	1 to 3 months	3 to 12 months	Over 1 Year	Total
Liabilities					
Due to banks	1,000,844	-	851,538	332,118	**2,184,500**
Due to customers	8,665,957	2,626,299	3,784,184	24,057	**15,100,497**
Debt securities issued and other borrowed funds	-	969	105,781	1,294,144	**1,400,894**
Derivative financial liabilities	28,696	-	11,002	3,455	**43,153**
Subordinated debt	-	2,901	8,703	305,393	**316,997**
Other liabilities	26,144	6,162	33,940	113,039	**179,285**
Total undiscounted liabilities	**9,721,641**	**2,636,331**	**4,795,148**	**2,072,206**	**19,225,326**

(all amounts are expressed in RON thousand ("RON '000"), unless otherwise stated)

4. RISK MANAGEMENT (CONTINUED)

f) Liquidity and funding risks *(continued)*

ii) Exposure to liquidity risk (continued)

The table below shows the contractual expiry by maturity of the Bank's contingent liabilities and commitments.

	On demand	**Less than 3 months**	**3 to 12 months**	**1 to 5 years**	**Over 5 years**	**Total**
2023						
Contingent liabilities	7,243	174,458	363,465	198,806	14,272	**758,244**
Commitments	13,069	375,879	1,968,862	732,470	695,636	**3,785,916**
Total	**20,312**	**550,337**	**2,332,327**	**931,276**	**709,908**	**4,544,160**
2022						
Contingent liabilities	8,859	130,685	357,073	178,748	34,358	**709,723**
Commitments	2,300	369,983	1,365,801	370,442	552,957	**2,661,483**
Total	**11,159**	**500,668**	**1,722,874**	**549,190**	**587,315**	**3,371,206**

The Bank expects that not all the contingent liabilities or commitments will be drawn up before expiry of the commitments.

The table below analyses the liquidity gap of the Bank into relevant maturity bands mainly based on the remaining period at balance sheet date to the contractual maturity as at 31 December 2023. Exceptions are made for assets and liabilities without predefined maturities or other balance sheet items which exhibit strong behavioural characteristics. For these products' allocation on residual maturity buckets, internal ALM conventions were applied according to their transactional behaviour (based on statistical models).

(all amounts are expressed in RON thousand ("RON '000"), unless otherwise stated)

4. RISK MANAGEMENT (CONTINUED)

f) Liquidity and funding risks (continued)

ii) Exposure to liquidity risk (continued)

The table below analyses the liquidity gap of the Bank as of 31 December 2023:

	Up to 1 month	*1 to 3 months*	*3 to 12 months*	*Over 1 year*	*Without contractual maturity*	*Total*
ASSETS						
Cash and balances with National Bank of Romania	3,481,472	-	-	-	-	**3,481,472**
Due from other banks	1,143,763	-	490,765	-	-	**1,634,528**
Investment securities measured at FVOCI	-	-	302,188	360,848	1,100	**664,136**
Investment securities measured at amortised cost	-	-	67,484	1,240,749	-	**1,308,233**
Investment securities measured at FVPL	-	-	-	28,762	-	**28,762**
Derivative financial assets	-	-	-	-	-	**-**
Loans and advances to customers	398,525	543,933	1,627,120	13,401,879	-	**15,971,457**
Deferred tax assets	-	-	-	-	12,269	**12,269**
Investment property	-	-	-	-	29,853	**29,853**
Property and equipment	-	-	-	-	272,278	**272,278**
Goodwill and other intangible assets	-	-	-	-	57,097	**57,097**
Other assets	-	-	-	-	110,940	**110,940**
TOTAL ASSETS	**5,023,760**	**543,933**	**2,487,557**	**15,032,238**	**483,537**	**23,571,025**
Commitments Lines from Group	*1,417,761*	-	-	-	-	***1,417,761***
LIABILITIES						
Due to banks	57,868	-	320,476	844,386	-	**1,222,730**
Debt securities and other borrowed funds	-	-	1,000,848	639,933	-	**1,640,781**
Due to customers*	5,654,200	3,777,019	4,604,821	3,696,330	-	**17,732,370**
Subordinated debt	-	-	-	248,861	-	**248,861**
Derivative financial liabilities	6,244					**6,244**
Other liabilities and provisions	20,109	8,366	41,155	117,562	205,598	**392,790**
Equity	-	-	-	-	**2,327,249**	**2,327,249**
TOTAL LIABILITIES&EQUITY	**5,738,421**	**3,785,385**	**5,967,300**	**5,547,072**	**2,532,847**	**23,571,025**
Commitments Lines to Group	*25,136*	-	-	*25,136*	-	*50,272*
LIQUIDITY GAP						
GAP	**677,964**	**(3,241,452)**	**(3,479,743)**	**9,460,030**	**(2,049,310)**	**1,367,489**
Cumulated GAP	**677,964**	**(2,563,488)**	**(6,043,231)**	**3,416,799**	**1,367,489**	

** The amount over 1 year include accounts without contractual maturity for which behavioral conventions were applied .*

(all amounts are expressed in RON thousand ("RON '000"), unless otherwise stated)

4. RISK MANAGEMENT (CONTINUED)

f) Liquidity and funding risks (continued)

ii) Exposure to liquidity risk (continued)

The table below analyses the liquidity gap of the Bank as of 31 December 2022:

	Up to 1 month	*1 to 3 months*	*3 to 12 months*	*Over 1 year*	*Without contractual maturity*	*Total*
ASSETS						
Cash and balances with National Bank of Romania	2,696,848	-	-	-	-	**2,696,848**
Due from other banks	1,894,648	-	7,921	-	-	**1,902,569**
Investment securities measured at FVOCI*	-	-	405,309	374,958	1,099	**781,366**
Investment securities measured at amortised cost	-	-	99,413	633,145		**732,558**
Investment securities measured at FVPL	-	-	-	23,611	-	**23,611**
Derivative financial assets	1,632	-	-	-	-	**1,632**
Loans and advances to customers	215,397	436,819	2,250,563	11,675,994	-	**14,578,773**
Deferred tax assets	-	-	-	-	14,897	**14,897**
Investment property	-	-	-	-	30,603	**30,603**
Property and equipment	-	-	-	-	252,736	**252,736**
Goodwill and other intangible assets	-	-	-	-	33,528	**33,528**
Other assets	-	-	-	-	81,499	**81,499**
TOTAL ASSETS	**4,808,525**	**436,819**	**2,763,206**	**12,707,708**	**414,362**	**21,130,620**
Commitments Lines from Group	*791,584*	-	-	-	-	***791,584***
LIABILITIES						
Due to banks	1,000,775	-	839,112	316,677	-	**2,156,564**
Debt securities and other borrowed funds	-	-	39,857	1,237,917	-	**1,277,774**
Due to customers**	4,940,706	2,712,690	4,142,152	3,183,438	-	**14,978,986**
Subordinated debt	-	-	-	247,430	-	**247,430**
Derivative financial liabilities	43,153					**43,153**
Other liabilities and provisions	26,144	6,162	33,940	113,039	129,646	**308,931**
Equity	-	-	-	-	**2,117,782**	**2,117,782**
TOTAL LIABILITIES&EQUITY	**6,010,778**	**2,718,852**	**5,055,061**	**5,098,501**	**2,247,428**	**21,130,620**
Commitments Lines to Group	*20,643*	-	-	*20,643*	-	***41,286***
LIQUIDITY GAP						
GAP	**(431,312)**	**(2,282,033)**	**(2,291,855)**	**7,588,564**	**(1,833,066)**	**750,298**
Cumulated GAP	**(431,312)**	**(2,713,345)**	**(5,005,200)**	**2,583,364**	**750,298**	

**The Bank has reclassified the presentation as of 31 December 2022 of the accumulated interest, depreciation and revaluation in the total amount of RON 61,759 thousand, related to the portfolio of "Investment securities measured at FVOCI", from first band of liquidity (under 1 month) to the liquidity bands where the principal is presented, consistent with the presentation as of 31 December 2023.*
*** The amount over 1 year include accounts without contractual maturity for which behavioral conventions were applied.*

4. RISK MANAGEMENT (CONTINUED)

f) Liquidity and funding risks (continued)

ii) Exposure to liquidity risk (continued)

Management believes that in spite of a substantial portion of deposits having contractual maturity dates within three months, diversification of these deposits by number and type of deposits, and the past experience of the Bank would indicate that these deposits provide a long - term and stable source of funding.

To manage liquidity risk, the Bank holds liquid assets comprising cash and cash equivalents and investment securities for which there is an active liquid market. These assets can be readily sold to meet liquidity requirements that could arise in a crisis situation.

g) Operating environment

In order to make projections for future economic conditions of the environment in which it operates, the Bank takes into consideration current economic developments in Romanian financial and banking market. The activities of the Bank are also affected by the economic developments in Greece where the shareholder operates.

In 2023, the annual growth in the global economy was 3.1% compared to 3.5% in 2022 and annual average inflation receded to 6.8% from 8.7% in 2022. For 2024 IMF projects the same growth as in 2023 and expects global annual inflation to fall to 5.8%. The drivers of declining inflation reflect lower core inflation as a result of still-tight monetary policies, a related softening in labor markets, and pass-through effects from earlier and ongoing declines in relative energy prices.

I. Romania macroeconomic trends and banking market

In 2023 Romanian economy grew slower than in the previous year (by 2.1% y-o-y according to the flash estimates vs. 4.1% y-o-y in 2022). Inflation, although declining, remained high all over the year, moderating internal demand, while the fragility of the main commercial partners from EU put a break on the external demand.

The prospects of tightened fiscal measures induced a saving mood among consumers in the second half of the year despite declining inflation to 6.6% in December 2023 from 16.37% in December 2022 and improved purchasing power. The labor market eased. Although the average annual unemployment rate remained almost as in 2022 (5.5% vs 5.6%), the vacancy rate declined.

The National Bank of Romania (NBR) raised the monetary policy interest rate once in 2023, from 6.75% to 7% in January, gave up the firm control of liquidity in the money market and made new purchases of government securities from the secondary market in March in an amount of RON 1.2 billion increasing the stock of marketable securities in the NBR's balance sheet to RON 5.2 billion. In the following months the stock of marketable securities declined up to RON 4 billion in December 2023 and represented 1.1% of the total assets of NBR down from 1.4% in December 2022. The minimum reserve requirement ratio on foreign and domestic currency-denominated liabilities of credit institutions has been maintained at 5% and 8% respectively.

The twin deficit persisted in 2023. While the consolidated budget deficit increased by 11% y-o-y, the current account deficit declined by 12.9% y-o-y in 2023. The net capital inflows exceeded the current account deficit (EUR 22.7 billion) and allowed the rise of international reserves by EUR 13.2 billion the double of the increase in 2022 (EUR 6.6 billion). In 2023 the current account deficit was financed in a proportion of 58% with non-debt creating capital inflows (EUR 6.5 billion equity and investments fund shares and EUR 6.6 billion capital transfers) up from 52% in 2022.

4. RISK MANAGEMENT (CONTINUED)

g) Operating environment (continued)

The economy's growth is expected to continue in 2024. The current GDP growth estimations range between 3.3% at the World Bank and 3.1% at the European Commission. The tight monetary policy, the expected fiscal consolidation (the budget deficit target is set to 5% of GDP, down from 5.7% of GDP in 2023), and the weak external demand are the main moderating factors. Inflation is expected to reduce speed, mainly due to the slowdown of energy and commodity prices and the moderation of demand. The National Bank of Romania's current estimation for the end year annual inflation is 4.7% (Inflation Report, February 2024).

There will be both appreciation and depreciation pressure on the domestic currency against euro. The capital flows in search for yields will continue to exert an appreciation pressure on the domestic currency as well as the EU funds accessed from the Recovery and Resilience Facility and EU Multiannual Financial frameworks. Nevertheless, domestic inflation exceeding the inflation from euro zone and negatively affecting the competitiveness of Romanian products will be a reason for depreciation. The financing needs to cover the budget deficit as well as the refinancing of the maturing government securities will create additional pressure for depreciation of the domestic currency if investors' confidence in the region weakens.

II. Greece macroeconomic trend and banking market

The growth momentum during the first nine months of 2023 reflects the resilience of the Greek economy in the face of the challenges it faced, such as the unstable international environment, inflationary pressures, the increased interest rates of the European Central Bank, the slowdown of the European economy as well as the natural disasters in Greek territory during the third quarter, and especially the disastrous floods in Thessaly. According to the latest available data from ELSTAT (December 2023), the real GDP in the first nine months of 2023 increased by 2.2% on an annual basis, at a rate more than triple compared to the Eurozone (0.6%) and one of the highest among the countries of the European Union (EU-27). Economic growth was driven primarily by investment, which increased by 7.4% in the first nine months of the year compared to the same period last year, contributing 1 percentage point (p.p.) to the annual GDP growth rate. Regarding the analysis of investments by category, investments in housing and transportation equipment increased at a strong rate, by 40.2% and 21.8% respectively, while investments in non-residential constructions by 5.5% and other investments by 4.1%.

Private consumption registered an annual increase of 1.3% in the first nine months of 2023, maintaining its momentum and contributing to the change in GDP by 0.9 percentage points (p.p.). Also, the contribution of net exports was marginally positive (0.1 p.p), with the annual increase in exports (2.3%) exceeding the corresponding increase in imports (1.8%). Specifically, exports of goods increased more strongly (2.9%) than the corresponding imports (0.5%), while exports of services increased milder (2.6%) than imports of services (5.6%). Public consumption had a positive contribution of 0.2 percentage points (p.p.) which increased by 1.1% on an annual basis in the first nine months of the year, while on the contrary, reserves had a marginally negative contribution (-0.02 p.p. including statistical differences).

The Harmonized Index of Consumer Prices (HICP) increased by an average of 9.3% in 2022, primarily due to rising global energy prices - given that Greece is a net energy importer - disruptions in supply chains and shortages in raw materials. However, according to the latest available ELSTAT data, HICP inflation slowed significantly in 2023 to 4.2%. It is noted that the main categories of goods, the prices of which continue to increase and keep inflation in positive territory, are those of food and services, while energy prices decreased in 2023 on average, by 13%.

GDP growth is expected to strengthen in 2024, boosted by the gradual normalization of inflationary pressures. In addition, the implementation of investments within the framework of the Recovery and

4. RISK MANAGEMENT (CONTINUED)

g) Operating environment (continued)

Resilience Fund (EUR 3.6 billion) and the Public Investment Program (EUR 8.6 billion) and the expected increase in Foreign Direct Investments (FDI) are estimated to contribute to strengthening economic activity in 2024. The International Monetary Fund (World Economic Outlook, October 2023), the European Commission (European Economic Forecast, Autumn, November 2023) and the Organization for Economic Co-operation and Development (OECD Economic Outlook, November 2023) predict an increase of GDP by 2.5%, 2.4% and 2.4% for 2023, while the Ministry of Finance (Recommended Budget Report 2024, November 2023) by 2.4% respectively. As for 2024, the same organizations predict positive economic growth rates between 2% and 2.9%.

The main factors of uncertainty regarding Greece's macroeconomic prospects are as follows:

- Geopolitical developments and inflationary pressures: The continuation and outcome of the war in Ukraine can undoubtedly affect the European economies, however concerns about Europe's energy sufficiency have eased. The recent conflict in the Middle East further increases uncertainty, while a possible escalation of the conflict involving countries with a significant role in the oil market (e.g. Iran) could trigger a new energy crisis and consequently inflationary pressures, burdening both the Greek, as well as the European economy.
- The slowdown or even recession of the European economy could adversely affect domestic economic activity, as 54% of Greek exports are directed to the European Union, while 60%-70% of tourist arrivals come from it.
- In addition, risks for the Greek economy arise due to the extreme weather phenomena that hit various regions of the country in the summer of 2023. In the short term, upward pressures on food prices are likely to intensify, while, in the medium term, the trade balance may deteriorate both due to a reduction in exports of goods and due to replenishment, through imports of goods, of the lost agricultural and livestock production. In addition, the reduction of capital used in the production process (buildings, machinery, land) is, in the long run, the most important challenge. The negative effects are expected to be mitigated, to some extent, by the measures taken at the domestic and European level.
- A sharp increase in interest rates in the last year and consequently the cost of borrowing for households and businesses, which might have delayed the implementation of investment plans. In addition, the increased cost of borrowing, combined with the effects of the energy crisis, following the gradual abolition of fiscal support measures for businesses and households, could make it difficult to further reduce the NPL ratio, as it states the Monetary Policy Report of the Bank of Greece (December 2023).
- Finally, there are risks arising from the speed of absorption of the funds of the Recovery and Resilience fund and the implementation of the program, as well as possible delays in the implementation of structural reforms.

In conclusion, despite the volatile economic environment, as defined among others by geopolitical uncertainty, the maintenance of inflationary pressures and the sharp increase in interest rates by the main central banks, the Greek economy is expected to remain resilient, achieving higher rates in 2023-24 of GDP growth above European averages, supported by private consumption and rising investments.

4. RISK MANAGEMENT (CONTINUED)

h) Taxation risk

The Romanian tax legislation provides detailed and complex rules and has suffered various changes in the recent years. Moreover, local taxpayers carrying out transactions with related parties must prepare and make available to Romanian Tax Authorities, at their written request, the transfer pricing file, within the period granted by the authorities. Failure to submit transfer pricing file or presentation of an incomplete file may give rise to application of penalties for non-compliance.

Although the Bank is taking all measures to fully comply with tax laws, interpretation of the text and practical implementation procedures of tax legislation could vary, and there is a risk that certain transactions, could be viewed differently by the tax authorities as compared to the Bank's treatment.

The Romanian Government has a number of agencies that are authorized to conduct audits of companies operating in Romania. These audits are similar in nature to tax audits performed by tax authorities in many countries, but may extend not only to tax matters but to other legal and regulatory matters in which the applicable agency may be interested in. It is likely that the Bank will continue to be subject to regular controls as new laws and regulations are enforced.

Bank management believes that it will not suffer material losses in case of a tax audit. However, the impact of different interpretations of the tax authorities cannot be estimated reliably.

i) Operational risk

Definition of operational risk

Operational risk is the risk of the occurrence of an event, with or without financial impact, resulting from inadequate or failed internal processes, IT systems, people (intentionally or unintentionally) and from external events.

Operational risk also includes legal risk which is associated with legally flawed actions, uncertainty regarding the definition of the law that may lead to inadequate interpretation and potential inefficiencies in the legal framework.

Operational Risk Framework

Operational Risk framework is aligned with the operational risk strategy of the Group and regulatory framework and is applied to all levels.

Identification and management of operational risk are performed so as to maintain a constant flow of information and enhance the decision-making process.

The Bank primary defences against operational risk are its policies, procedures and internal controls.

Management and mitigation of operational risk

The Bank has developed an appropriate organizational structure, with clearly defined roles and responsibilities for its Personnel and Units, in order to manage operational risk issues.

The main bodies are:

- *Risk Management Committee* mandated by the Board of Directors to have the oversight of the risk management framework,
- *Operational Risk and Internal Control Committee* is delegated by the Risk Management Committee to supervise operational risk management activities.

(all amounts are expressed in RON thousand ("RON '000"), unless otherwise stated)

4. RISK MANAGEMENT (CONTINUED)

i) Operational risk (continued)

Strategic Risk Management Division develops the appropriate tools, processes, procedures and techniques relevant to operational risk management, monitors the implementation of appropriate action plans for its mitigation.

All Units have appointed an Operational Risk Coordinator and Operational Risk Initiator.

Operational Risk Management is performed through risk identification, assessment, monitoring, reporting and mitigation.

Authority limits are established for managing operational risk events.

5. FAIR VALUE DISCLOSURES

The following table shows an analysis of financial instruments recorded at fair value, between those whose fair value is based on quoted market prices, those involving valuation where the model inputs are observable in the market and those where the valuation techniques involve the use of market unobservable inputs.

Financial assets and liabilities measured at fair value:

31-Dec-23	1) Derivative Financial Assets	2.1) Securities at FVOCI: Shares	2.2) Securities at FVOCI: Bonds and treasury bills	2.3) Securities at FVPL: Other variable yield securities	3) Derivative Financial Liabilities
Level 1	-	-	627,521	-	-
Level 2	-	-	35,515	28,762	6,244
Level 3	-	1,100	-	-	-
Total	**-**	**1,100**	**663,036**	**28,762**	**6,244**

31-Dec-22	1) Derivative Financial Assets	2.1) Securities at FVOCI: Shares	2.2) Securities at FVOCI: Bonds and treasury bills	2.3) Securities at FVPL: Other variable yield securities	3) Derivative Financial Liabilities
Level 1	-	-	747,519	-	-
Level 2	1,632	-	32,748	23,611	43,153
Level 3	-	1,099	-	-	-
Total	**1,632**	**1,099**	**780,267**	**23,611**	**43,153**

Fair value through other comprehensive income: The Bank measures fair value using a model based on bid quotations extracted from market for investment securities (level 2). The fair value of non-listed shares, as well as shares not traded in an active market is determined based on the Company's share on the issuer's equity.

Fair value through profit or loss account: The Bank measures fair value based on non-binding market prices.

At the year ended 31 December 2023, the Bank disclosed the following assets into fair value levels:

- Level 1 - The government bonds amounting to RON 627.5 million (31 December 2022: RON 747.5 million) ;
- Level 2 – Corporate bonds amounting to RON 35.5 million (31 December 2022: RON 32.7 million), other variable yield securities classified at fair value through profit or loss amounting to RON 28.8 million (31 December 2022: RON 23.6 million), derivative financial liabilities

(all amounts are expressed in RON thousand ("RON '000"), unless otherwise stated)

5. FAIR VALUE DISCLOSURES (CONTINUED)

amounting to RON 6.2 million (31 December 2022: RON 43.2 million) and no derivative financial assets (31 December 2022: RON 1.6 million);

- Level 3 - Equities classified at fair value through other comprehensive income.

The reconciliation for the movement of financial instruments measured at fair value in Level 3 is depicted below:

	Securities at FVOCI: Shares
Opening balance 1.1.2022	**1,099**
Total gain or loss recognised in Income Statement	-
Total gain or loss recognised in Equity	-
Purchase/Issue	-
Sales/Repayments/Settlements	-
Transfers in Level 3 from Level 2	-
Balance at 31.12.2022	**1,099**
Changes in period 1.1.-31.12.2023	
Total gain or loss recognised in Income Statement	-
Total gain or loss recognised in Equity	1
Purchase/Issue	-
Sales/Repayments/Settlements	-
Transfers in Level 3 from Level 2	-
Balance at 31.12.2023	**1,100**

Derivative financial instruments: The Bank measures fair value for derivative financial instruments by estimating the transaction price between market participants at the valuation date based on current market conditions, maximizing the use of available observable data and minimising the use of estimations.

The table below sets out the carrying amounts and fair values of the Bank's financial assets and financial liabilities not measured at fair value:

		31-Dec-2023			
		Loans and Advances to customers	Other Amortised cost	Total carrying amount	Fair value
Financial Assets					
Investment Securities	Level 1	-	1,308,233	**1,308,233**	1,356,429
Loans and advances to customers	Level 3	15,971,457	-	**15,971,457**	15,556,557
Total financial assets		**15,971,457**	**1,308,233**	**17,279,690**	**16,912,986**
Financial Liabilities					
Due to banks	Level 3	-	1,222,730	**1,222,730**	1,217,636
Due to customers	Level 3	-	17,732,370	**17,732,370**	16,835,507
Debt securities issued	Level 1	-	1,000,848	**1,000,848**	1,006,150
Other borrowed funds	Level 3	-	639,933	**639,933**	659,279
Subordinated loan	Level 3	-	248,861	**248,861**	326,098
Total financial liabilities		**-**	**20,844,742**	**20,844,742**	**20,044,670**

(all amounts are expressed in RON thousand ("RON '000"), unless otherwise stated)

5. FAIR VALUE DISCLOSURES (CONTINUED)

		31-Dec-2022			
		Loans and Advances to customers	**Other Amortised cost**	**Total carrying amount**	**Fair value**
Financial Assets					
Investment Securities	Level 1	-	732,558	**732,558**	708,566
Loans and advances to customers	Level 3	14,578,773	-	**14,578,773**	14,406,381
Total financial assets		**14,578,773**	**732,558**	**15,311,331**	**15,114,947**
Financial Liabilities					
Due to banks	Level 3	-	2,156,564	**2,156,564**	2,151,775
Due to customers	Level 3	-	14,978,986	**14,978,986**	14,201,658
Debt securities issued	Level 1	-	989,979	**989,979**	996,237
Other borrowed funds	Level 3	-	287,795	**287,795**	250,574
Subordinated loan	Level 3	-	247,430	**247,430**	284,800
Total financial liabilities		**-**	**18,660,754**	**18,660,754**	**17,885,044**

Assets and liabilities which are measured at fair value or for which fair value is disclosed are categorized according to the inputs used to measure their fair value as follows:

- Level 1 inputs: quoted market prices (unadjusted) in active markets;
  Level 2 inputs: directly or indirectly observable inputs;
- Level 3 inputs: unobservable inputs used by the Bank, to the extent that relevant observable inputs are not available.

The following summarizes the major methods and assumptions used in estimating the fair values of financial instruments reflected in the table above that are not carried at fair value and which belong to level 3 within fair value hierarchy.

Loans and advances to customers: The estimated fair value of loans and advances, with fixed and variable interest rates and with changes in credit status since inception, is based on the discounted cash flows method.

Deposits from banks and customers: The estimated fair value is based on discounted cash flows method for term deposits.

Customer loans and deposits are categorized as financial instruments level 3 since there are instruments that are not based on observable market data and the Discounted Cash Flows (DCF) method is used in order to determine their fair value.

The discounted cash flow (DCF) analysis is a method of valuing an asset or a liability using the concepts of the time value of money. All future cash flows are estimated and discounted to give their present values (PVs) - the sum of all future cash flows, both incoming and outgoing, is the net present value (NPV), which is taken as the value or price of the cash flows.

The components of the present value measurement include the following:

- An estimate of future cash flows up to the maturity for the customer loans and deposits, using the respective implied forward yield curve, for floating rate products;
- Estimations of the amount and timing of the cash flows of the products without contractual maturity and reprising profile (i.e. revolving loans, sight deposits, current accounts) based on internal conventions;

(all amounts are expressed in RON thousand ("RON '000"), unless otherwise stated)

5. FAIR VALUE DISCLOSURES (CONTINUED)

- The discount rate contains three risk factors:
  - Market specific component related to the forward yield curve at the reference date (market rate obtained through the risk-free yield curve of the currency the assets are denominated in);
  - Bank specific component (bank margin) related to Bank's Funding Cost Premium (liquidity premium), operational costs and expected cost of capital.
  - Customer specific component (credit spread) linked to the loss rate (PD*LGD) of the customer.

Stage 3 loans are treated as fixed interest rate instruments. The discount rate for the Stage 3 loans does not include the credit spread and consists of two factors, market specific rate and Bank specific factors.

In the case of customer deposits, the discount rate components are market specific rate and liquidity premium.

Loans from banks and financial institutions (other borrowed funds and subordinated loan): The fair value of loans from banks is based on the present value of future cash flows, discounted at interest rates available at the balance sheet date to the Bank for new debt with similar remaining maturity as no quoted market price is available.

The fair value of other financial assets and liabilities which are valued at amortised cost does not differ materially from the respective carrying amount.

6. NET INTEREST INCOME

	Year ended 31 December 2023	**Year ended 31 December 2022**
Interest income		
Current account and sight deposits with National Bank of Romania	69,868	5,778
Loans and placements to banks	51,214	36,815
Loans and advances to customers measured at amortised cost*	1,203,389	799,361
Investment securities measured at fair value through other comprehensive income	24,708	24,854
Investment securities measured at amortised cost	43,499	6,944
Total interest income	**1,392,678**	**873,752**

**out of which 1.8% interest income related to impaired loans as at 31 December 2023 (2.1% as at 31 December 2022).*

	Year ended 31 December 2023	**Year ended 31 December 2022**
Interest expense		
Deposits from banks	(44,253)	(12,390)
Debt securities issued and other borrowed funds	(88,792)	(23,358)
Deposits from customers	(513,156)	(196,326)
Subordinated debt	(14,199)	(6,182)
Lease liabilities	(3,179)	(1,247)
Total interest expense	**(663,579)**	**(239,503)**

(all amounts are expressed in RON thousand ("RON '000"), unless otherwise stated)

6. NET INTEREST INCOME (CONTINUED)

Interest income from derivative transactions	6,554	6,972
Interest expense from derivative transactions	(28,008)	(60,818)
Total interest from derivative transactions	**(21,454)**	**(53,846)**
Total interest income	***1,399,232***	***880,724***
Total interest expense	***(691,587)***	***(300,321)***
Net Interest Income*	**707,645**	**580,403**

**The increase of interest income and interest expenses compared to the previous period was due to the combined effect of the increase in bank's business volumes and the increase of the average interest rates coming from higher reference rates in 2023 versus 2022.*

The following table presents interest income and interest expense calculated using the effective interest rate method, by financial asset category:

	From 1 January to 31-Dec-23	From 1 January to 31-Dec-22
Financial assets measured at amortised cost	1,367,954	844,577
Financial assets measured at fair value through other comprehensive income	24,708	24,854
Financial liabilities measured at amortised cost	(660,384)	(233,935)
Total	**732,278**	**635,496**

As at 31 December 2023 no amount (31 December 2022: RON 45) was booked as "Negative interest from interest bearing assets" and consequently Financial Assets measured at amortised cost do not include such amount, while an amount of RON 16 (31 December 2022: RON 4,276) booked as "Negative interest from interest bearing liabilities" has been included in Financial liabilities measured at amortised cost.

7. NET FEE AND COMMISSION INCOME

	Year ended 31 December 2023	Year ended 31 December 2022
Lending commissions	4,544	3,692
Letters of guarantee commissions	6,924	6,033
Trade finance fees	685	972
Commissions from transactions with cash	42,799	40,268
Transfer of funds fees	79,112	69,217
Commissions from trading securities	3,822	1,086
Other fees and commissions	50,200	46,190
Fee and commission income	**188,086**	**167,458**
Inter-bank transactions fees and commissions	(49,424)	(37,114)
Other	(93)	(78)
Fee and commission expense	**(49,517)**	**(37,192)**
Net fee and commission income	**138,569**	**130,266**

(all amounts are expressed in RON thousand ("RON '000"), unless otherwise stated)

7. NET FEE AND COMMISSION INCOME (continued)

Position "other fees and commissions" from the table above includes fees and commissions from bancassurance activity.

The table below presents fee and commission income from contracts per operating segment, that fall within the scope of IFRS 15:

	Wholesale	Retail	Treasury	Others	Total
31 December 2023	42,160	144,932	994	-	**188,086**
31 December 2022	31,504	135,239	715	-	**167,458**

For Wholesale segment, the fee and commission income relates to cards and POS transactions, to current account operations, lending and trade finance.

The commission income for Retail segment resulted mainly from cards and POS transactions, current account operations and bank-assurance.

For Treasury segment fee and commission income resulted from current accounts transactions in foreign currency and other operations.

8. GAINS LESS LOSSES ON FINANCIAL TRANSACTIONS

	Year ended 31 December 2023	Year ended 31 December 2022
Gain from dealing in foreign exchange, net	39,083	35,330
Gain/(Loss) from foreign exchange derivatives, net	(1,823)	(11,218)
Gain/(Loss) from the revaluation of foreign currency assets and liabilities, net	4,747	10,845
Gain/(Loss) on transactions with financial assets measured at fair value through other comprehensive income directly recognized in equity	-	(110)
Gain/(Loss) on transactions with financial assets measured at fair value through profit and loss	5,815	(1,296)
Other Gain on financial assets	-	1,167
Net gain on transactions	**47,822**	**34,718**

9. GAINS LESS LOSSES FROM DERECOGNITION OF FINANCIAL ASSETS MEASURED AT AMORTISED COST

	Year ended 31 December 2023	Year ended 31 December 2022
Gains/(losses) from significant modifications of loans at amortised cost	421	3,495
Total	**421**	**3,495**

(all amounts are expressed in RON thousand (“RON ’000”), unless otherwise stated)

10. IMPAIRMENT LOSSES AND PROVISIONS TO COVER CREDIT RISK

Impairment losses on financial assets	**Year ended 31 December 2023**	**Year ended 31 December 2022**
Net impairment losses from loans to customers *(please see note 16 b.)**	(50,806)	(27,123)
Gains/(losses) on modifications of contractual terms of loans and advances to customers	4,581	5,633
Recoveries from written-off loans	8,354	5,749
Impairment losses on loans and advances to customers	**(37,871)**	**(15,741)**
Provisions to cover credit risk relating to off balance sheet items *(please see note 24)*	(4,707)	(7,213)
Total impairment losses and provisions to cover credit risk on loans and advances to customers	**(42,578)**	**(22,954)**
Impairment losses on investment securities measured at fair value through other comprehensive income *(please see note 4.b.iii.XII)*	(73)	(11,222)
Impairment losses on investment securities measured at amortised cost *(please see note 4.b.iii.XII)*	(970)	(87)
Impairment losses on due from banks	132	(119)
Total impairment losses on other financial instruments	**(911)**	**(11,428)**
Total impairment losses and provisions to cover credit risk	**(43,489)**	**(34,382)**

*The increase in expected credit risk losses (“ECL”) over 2023 has been driven mostly to new business originations on the performing portfolio, that recorded significant expansion on the corporate business segment, while the ECL on non-performing exposures (“NPE”) increased triggered mostly by post model adjustments adopted to address macroeconomic uncertainties and NPE shortfall regulatory expectations.

Gains/(losses) on modifications of contractual terms of loans and advances to customers

The Bank, in the context of renegotiation with borrowers or restructurings, proceeds to the modification of the contractual cash flows of the loans in order to ensure their smooth repayment.

The following table presents the carrying amount of those loans and advances to customers for which there was gain or loss from the modification of the contractual terms and loss allowance was measured at an amount equal to lifetime expected credit loss i.e. loans categorized in Stage 2 or Stage 3 or loans Purchased or originated credit-impaired (POCI).

	From 1 January to 31 December 2023	**From 1 January to 31 December 2022**
Net carrying amount after impairment and before the modification	1,021,399	790,415
Net gain due to the modification	3,075	2,769

The following table presents the carrying amount of loans and advances to customers that modified at a time they had a lifetime expected credit loss (stage 2 or 3) and for which the allowance is measured based on 12-month expected credit losses (stage 1) at the end of the year.

	From 1 January to 31 December 2023	**From 1 January to 31 1ecember 2022**
Carrying amount before allowance for expected credit losses at the end of the year	481,861	417,534

(all amounts are expressed in RON thousand ("RON '000"), unless otherwise stated)

11. STAFF COSTS

	Year ended 31 December 2023	Year ended 31 December 2022
Salaries	(240,878)	(212,596)
Social security contributions	(7,853)	(6,803)
Other staff costs	(17,650)	(14,608)
Total	**(266,381)**	**(234,007)**

The Bank does not have any further obligations to its employees regarding post-employment benefits or termination benefits.

12. GENERAL ADMINISTRATIVE EXPENSES

	Year ended 31 December 2023	Year ended 31 December 2022
Rent expenses*)	(917)	(931)
Insurance expenses	(4,823)	(3,812)
Other taxes	(43,319)	(38,469)
Stationery	(2,990)	(3,307)
Advertising	(10,623)	(12,637)
Telecommunications	(12,267)	(10,576)
Information Technology**)	(28,618)	(27,102)
Electricity supplies costs	(11,509)	(12,755)
Professional fees***)	(71,028)	(62,748)
Contributions to deposit guarantee and national resolution schemes	(12,751)	(20,025)
Impairment losses and write offs of fixed assets (*please see note 17)*	-	(301)
Provisions for litigations, commitments, contingencies (*please see note 24*)	729	3,761
Other expenses****)	(99,658)	(71,699)
Total	**(297,774)**	**(260,601)**

*) The rent expenses line in the table above includes among others, expenses related to leases, such as short-term leases (RON 177 thousand) and leases of low value assets (RON 634 thousand).
**) Information technology expenses include maintenance for ATM's, POS's, software, etc.
***) Professional fees: consulting fees, legal fees, statutory and tax audit fees, etc.
****) Other expenses position include expenses related to security services of buildings, money transfers, maintenance expenditures, cleaning services, etc. The increase in administrative expenses was the effect of the increase of prices of most goods and services acquired by the bank in the current year compared to the previous one combined with the increase of activity in several segments and the deployment of enhanced digital capabilities/services.

(all amounts are expressed in RON thousand ("RON '000"), unless otherwise stated)

13. CASH AND BALANCES WITH NATIONAL BANK OF ROMANIA

	31 December 2023	31 December 2022
Cash in hand	440,901	242,411
Cash in ATMs	95,855	82,075
Current account at National Bank of Romania (NBR)	2,944,716	2,372,362
Total	**3,481,472**	**2,696,848**

The main balances per currency of the current accounts held with NBR as at 31 December 2023 were: RON 2,304,074 thousand (31 December 2022: RON 1,087,165 thousand) and EUR 128,782 thousand (31 December 2022: EUR 259,772 thousand).

The Bank is required to maintain a current account in EUR with NBR in order to facilitate interbank transactions with the Central Bank and other financial institutions through the Trans European – Automated Real Time Gross Settlement Express Transfer System (TARGET).

NBR also requires that all financial institutions established in Romania to maintain a minimum required reserve with Central Bank. The mandatory reserve can be used by the Bank for day to day activities providing the average balance for the month is maintained within required formula. At 31 December 2023 the minimum mandatory reserves rates established by the National Bank of Romania for raised funds with maturity lower than 2 years and for raised funds with residual maturity greater than 2 years which foresee contractual clauses regarding reimbursements, withdrawals and anticipated transfers, are 8% for funds denominated in RON and 5% for funds denominated in foreign currency (31 December 2022: 8% for funds denominated in RON and 5% for funds denominated in foreign currency).

The mandatory reserve is denominated in EUR for foreign currency deposits and loans, and in RON for domestic currency deposits and loans. The interest rate paid by National Bank of Romania for the year ended 31 December 2023 for reserves held in RON increased from 0.7% to 0.74%, while for reserves held in EUR increased from 0.02% to 0.09%.

14. DUE FROM OTHER BANKS

	31 December 2023	31 December 2022
Current accounts and sight deposits with other banks	453,059	413,724
Term deposits with other banks	659,238	1,431,200
Collateral deposits with banks	47,025	57,883
Reverse repo with banks	475,313	-
Allowance for impairment losses (*please see note 4.b.iii.XII)*	(107)	(238)
Total due from banks	**1,634,528**	**1,902,569**

Current accounts, sight and term deposits with banks are unencumbered as at 31 December 2023 and 31 December 2022. While current accounts and sight deposits are at the immediate disposal of the Bank, term deposits are available at maturity.

(all amounts are expressed in RON thousand ("RON '000"), unless otherwise stated)

15. FINANCIAL INVESTMENTS

Investment securities

1. Investment securities measured at fair value through other comprehensive income

	31 December 2023	31 December 2022
Investment securities at FVOCI		
Government bonds *(i)*	627,521	747,519
Corporate bonds *(ii)*	35,515	32,748
Investment in equity securities (*iii*)	1,100	1,099
Total	**664,136**	**781,366**

i) As at 31 December 2023, the Bank held government bonds with coupon, in RON and EUR, issued by the Romanian Ministry of Public Finance. Government portfolio in RON carries coupon rates ranging from 3.25% to 4.50% and in EUR ranging from 0.70% to 2.88% as at 31 December 2022 (31 December 2022: RON 3.25% to 4.50% and in EUR 0.70% to 2.80%).

ii) As at 31 December 2023, the Bank held corporate bonds in EUR issued by Romanian non-financial and financial corporations, with a fixed interest rate ranging from 3.50% to 5.80% (31 December 2022: from 3.50% to 5.80%).

The weighted average yield for government bonds in RON at the end of December 2023 was 5.26% (31 December 2022: 5.03%) and for government and corporate bonds in EUR was 3.40% (31 December 2022: 1.40%).

As at 31 December 2023 the Bank held government bonds issues by Romanian Ministry of Public Finance amounting to EUR 44 million (nominal value) as pledged for the Covered Bonds issued, in order to comply with a regulatory liquidity requirement, while as at 31 December 2022 all the financial assets measured at FVOCI were unencumbered and at the immediate disposal of the Bank.

iii) Also included in financial assets investment securities are equity investments in shares of Alpha Bank Group companies and other companies.

The movement of the investment equity securities were as follows:

Investment in equity securities measured at FVOCI	31 December 2023	31 December 2022
Balance as at 1 January	**1,099**	**1,099**
Purchases	-	-
Disposals	-	-
Fair value adjustments	1	-
Balance as at 31 December	**1,100**	**1,099**

2. Investments securities at fair value through profit and loss

	31 December 2023	31 December 2022
Investment securities measured at FVPL		
Other variable yield securities	28,762	23,611
Total	**28,762**	**23,611**

(all amounts are expressed in RON thousand ("RON '000"), unless otherwise stated)

15. FINANCIAL INVESTMENTS (CONTINUED)

The movement of the securities measured at fair value through profit and loss were as follows:

Investment in securities measured at FVPL	31 December 2023	31 December 2022
Balance as at 1 January	23,611	**23,428**
Disposals	-	-
Fair value adjustments	5,151	183
Balance as at 31 December	**28,762**	**23,611**

The breakdown of the equity securities and other variable yield securities (both FVOCI and FVPL) as at 31 December 2023 and 31 December 2022 was:

		31-Dec-23		31-Dec-22	
Investment	**Country of incorporation**	**Ownership interest %**	**Value of ownership**	**Ownership interest %**	**Value of ownership**
Biroul de Credite S.A.	Romania	3.85%	206	3.85%	206
Societatea de Transfer de Fonduri si Decontari TransFonD S.A.	Romania	2.98%	700	2.98%	700
Alpha Leasing Romania IFN S.A.	Romania	1.00%	77	1.00%	77
VISA Inc	USA	less than 1%	28,762	less than 1%	23,611
SWIFT SCRL	Belgium	less than 1%	117	less than 1%	116

3. Investments securities at amortised cost

	31 December 2023	31 December 2022
Investment securities measured at amortised cost		
Government bonds	1,258,429	732,558
Corporate bonds (local administration)	49,804	-
Total	**1,308,233**	**732,558**

As at 31 December 2023, the Bank held government bonds with coupon, in RON, USD and EUR, issued by the Romanian Ministry of Public Finance and US Treasury and corporate bonds issued by a local administration. Government portfolio in RON carries coupon rates ranging from 2.50% to 8.75%, the one in EUR ranging from 0.70% to 5.50% and the one in USD ranging from 0.25% to 1.75% as at 31 December 2023 (31 December 2022: in RON carries coupon rates ranging from 2.50% to 5.85%, in EUR 0.70% to 4.40% and in USD ranging from 0.25% to 0.88%). Corporate bonds in EUR carries a coupon of 7.17% as of 31 December 2023.

The weighted average yield for government bonds in RON at the end of December 2023 was 7.65% (31 December 2022: 8.43%), in USD was 2.47% (31 December 2022: 2.46%) and for government and corporate bonds in EUR was 4.98% (31 December 2022: 2.51% only government bonds).

As at 31 December 2023 the Bank held government bonds issues by Romanian Ministry of Public Finance amounting to EUR 72.1 million (nominal value) as pledged for the Covered Bonds issued, in order to comply with a regulatory liquidity requirement, while as at 31 December 2022 all the financial assets measured at amortised cost are unencumbered and at the immediate disposal of the Bank.

(all amounts are expressed in RON thousand ("RON '000"), unless otherwise stated)

16. LOANS AND ADVANCES TO CUSTOMERS

As of 31 December 2023, all loans and advances to customers are measured at amortised cost.

	31 December 2023	31 December 2022
Corporate	6,683,794	5,490,080
Small and medium enterprises (SMEs)	1,271,859	1,010,355
Small business loans (SBL)	7,703	6,531
Individuals	8,361,836	8,416,459
- Consumer loans	1,165,402	1,112,702
- Housing loans	7,059,843	7,192,359
- Credit Cards	136,591	111,398
Total loans, gross	**16,325,192**	**14,923,425**
Allowance for impairment losses	(353,735)	(344,652)
Total loans, net	**15,971,457**	**14,578,773**

Loans can be repaid before their scheduled maturity.

(a) Analysis by type of customer

	31 December 2023	31 December 2022
Individuals		
- in RON	6,072,213	5,890,486
- in foreign currencies	2,289,623	2,525,973
Legal entities		
- in RON	2,818,687	1,902,232
- in foreign currencies	5,144,669	4,604,734
Total loans, gross	**16,325,192**	**14,923,425**
Allowance for impairment losses	(353,735)	(344,652)
Total loans, net	**15,971,457**	**14,578,773**

As at 31 December 2023 mortgage loans amounting to RON 1,108 million (31 December 2022: RON 1,100 million) have been designated as collateral in the Direct Issuance Covered Bond Program (*please see note 22*).

(all amounts are expressed in RON thousand ("RON '000"), unless otherwise stated)

16. LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

(b) Allowances for impairment losses – loans and advances to customers

During the year ended 31 December 2023 the Bank has written off loans and advances to customers with gross exposure RON 48.2 million (31 December 2022: RON 142.5 million), with related decrease in allowance for impairment losses.

The movement in allowance for impairment losses is analysed as follows:

	Mortgages	Consumer	Credit cards	Corporate loans	Total loans
Balance at 1.1.2022	**70,008**	**161,165**	**10,251**	**216,377**	**457,801**
Net impairment (gain)/loss for the period (*note 10*)	28,250	28,250	2,421	(31,798)	**27,123**
Effect of correction of interest revenue on impaired loans	1,191	1,679	-	2,704	**5,574**
Translation differences	(104)	257	(1,600)	1,557	**110**
Derecognition of financial assets due to substantial modifications in loans' contractual terms	(509)	(6)	(23)	(2,957)	**(3,495)**
Bad debts written-off	(23,061)	(68,185)	(135)	(51,080)	**(142,461)**
Balance at 31.12.2022	**75,775**	**123,160**	**10,914**	**134,803**	**344,652**
Balance at 1.1.2023	**75,775**	**123,160**	**10,914**	**134,803**	**344,652**
Net impairment (gain)/loss for the period (*note 10*)	30,562	19,426	1,171	(353)	**50,806**
Effect of correction of interest revenue on impaired loans	2,288	2,125	-	1,846	**6,259**
Translation differences	250	(907)	31	1,276	**650**
Derecognition of financial assets due to substantial modifications in loans' contractual terms	73	84	(24)	(554)	**(421)**
Bad debts written-off	(10,818)	(27,390)	(340)	(9,663)	**(48,211)**
Balance at 31.12.2023	**98,130**	**116,498**	**11,752**	**127,355**	**353,735**

(all amounts are expressed in RON thousand ("RON '000"), unless otherwise stated)

17. PROPERTY AND EQUIPMENT, INTANGIBLE ASSETS AND INVESTMENT PROPERTY

a. Property and equipment

	Land and Buildings	Right of use on PPE buildings	Other	Right of use on passenger cars	Right of use on other tangible assets	Tangible fixed assets
COST						
1 January 2023	**126,222**	**305,742**	**157,910**	**14,833**	**764**	**605,471**
Additions	14,956	51,888	17,881	3,903	16	88,644
Disposals / Terminations / Reassessments	-	(35,928)	(119)	(2,777)	-	(38,824)
Write-off	-	-	-	-	-	-
Reclassification	(4)	-	4	-	-	-
31 December 2023	**141,174**	**321,702**	**175,676**	**15,959**	**780**	**655,291**
DEPRECIATION						
1 January 2023	**85,996**	**167,821**	**92,191**	**6,452**	**275**	**352,735**
Depreciation charge	5,043	46,021	13,546	3,384	263	68,257
Impairment charge	-	-	-	-	-	-
Disposals / Terminations / Reassessments	-	(35,267)	(22)	(2,690)	-	(37,979)
Write-off	-	-	-	-	-	-
Reclassification	-	-	-	-	-	-
31 December 2023	**91,039**	**178,575**	**105,715**	**7,146**	**538**	**383,013**
NET BOOK VALUE						
31 December 2023	**50,135**	**143,127**	**69,961**	**8,813**	**242**	**272,278**
1 January 2023	**40,226**	**137,921**	**65,719**	**8,381**	**489**	**252,736**
COST						
1 January 2022	**124,061**	**252,623**	**141,648**	**12,532**	**2,131**	**532,995**
Additions	2,714	55,555	22,737	5,583	-	86,589
Disposals / Terminations / Reassessments	-	(2,436)	(179)	(3,282)	(1,367)	(7,264)
Write-off	(553)	-	(6,296)	-	-	(6,849)
Reclassification	-	-	-	-	-	-
31 December 2022	**126,222**	**305,742**	**157,910**	**14,833**	**764**	**605,471**
DEPRECIATION						
1 January 2022	**81,554**	**123,462**	**86,881**	**6,454**	**814**	**299,165**
Depreciation charge	4,954	46,729	11,525	3,205	277	66,690
Impairment charge	-	-	-	-	-	-
Disposals / Terminations / Reassessments	-	(2,370)	(179)	(3,207)	(816)	(6,572)
Write-off	(512)	-	(6,036)	-	-	(6,548)
Reclassification	-	-	-	-	-	-
31 December 2022	**85,996**	**167,821**	**92,191**	**6,452**	**275**	**352,735**
NET BOOK VALUE						
31 December 2022	**40,226**	**137,921**	**65,719**	**8,381**	**489**	**252,736**
1 January 2022	**42,507**	**129,161**	**54,767**	**6,078**	**1,317**	**233,830**

(all amounts are expressed in RON thousand ("RON '000"), unless otherwise stated)

17. PROPERTY AND EQUIPMENT AND INTANGIBLE ASSETS AND INVESTMENT PROPERTY (CONTINUED)

During the year ended 31 December 2023 no fixed assets were written-off, while as at 31 December 2022 fixed assets written-off amounted to RON 0.3 million mainly relate to upgrade and expansion of ATM network, refurbishment and relocation of units, and as a result of year end stock count.

b. Goodwill and other intangible fixed assets

	2023		2022	
	Goodwill and Other intangible fixed assets	**of which Goodwill**	**Goodwill and Other intangible fixed assets**	**of which Goodwill**
COST				
Balance as of 1 January	**117,574**	**393**	**95,780**	**393**
Additions	30,353	-	21,794	-
Disposals / Terminations / abandonments / decreases in scope	-	-	-	-
Write-off	-	-	-	-
Reclassification	-	- -	-	-
Balance as of 31 December	**147,927**	**393**	**117,574**	**393**
DEPRECIATION				-
Balance as of 1 January	**84,046**	-	**77,419**	-
Depreciation charge	6,784	-	6,627	-
Impairment charge	-	-	-	-
Disposals / Terminations / abandonments / decreases in scope	-	-	-	-
Write-off	-	-	-	-
Reclassification	-	-	-	-
Balance as of 31 December	**90,830**	-	**84,046**	-
NET BOOK BALANCE				
Balance as of 31 December	**57,097**	**393**	**33,528**	**393**
Balance as of 1 January	**33,528**	**393**	**18,361**	**393**

Intangible assets consist mainly of acquired software. Included within other fixed assets are motor vehicles, furniture and fittings, household equipment, air conditioning equipment, etc.

c. Investment property

During 4th quarter of 2022 the Bank took over an office building against one of its non-performing exposure. As the building already had tenants and the bank took over their lease contracts and intends to maintain them, the building was classified as investment property. The investment property has a fair value of RON 36.3 million as at 31 December 2023. The fair value has been determined based on a valuation by an independent authorised valuer in 2023 (level 3 of fair value hierarchy).

(all amounts are expressed in RON thousand (“RON ’000”), unless otherwise stated)

17. PROPERTY AND EQUIPMENT AND INTANGIBLE ASSETS AND INVESTMENT PROPERTY (CONTINUED)

c. Investment property (continued)

	2023	2022
	Investment property	
COST		
Balance as of 1 January	**30,666**	**-**
Additions	-	30,666
Disposals / Terminations / abandonments / decreases in scope	-	-
Write-off	-	-
Reclassification	-	-
Balance as of 31 December	**30,666**	**30,666**
DEPRECIATION		
Balance as of 1 January	**63**	**-**
Depreciation charge	750	63
Impairment charge	-	-
Disposals / Terminations / abandonments / decreases in scope	-	-
Write-off	-	-
Reclassification	-	-
Balance as of 31 December	**813**	**63**
NET BOOK BALANCE		
Balance as of 31 December	**29,853**	**30,603**
Balance as of 1 January	**30,603**	**-**

18. DERIVATIVE FINANCIAL INSTRUMENTS

For derivative assets and liabilities held, no hedge accounting is applied, however they are held for risk management purposes.
As at 31 December 2023, the Bank has in balance the following FX swaps; transactions are concluded with Alpha Bank S.A. and JP Morgan SE FFT:

31.12.2023

	Contractual nominal amount		Fair value	
	Amount sold	Amount bought	Assets	Liabilities
Foreign exchange swaps	156,010	149,238	-	6,244
Total	**156,010**	**149,238**	**-**	**6,244**

As at 31 December 2022, the Bank had in balance the following FX swaps; transactions were concluded with Alpha Bank S.A. and OTP Bank Romania:

31.12.2022

	Contractual nominal amount		Fair value	
	Amount sold	Amount bought	Assets	Liabilities
Foreign exchange swaps	2,273,793	2,210,200	1,632	43,153
Total	**2,273,793**	**2,210,200**	**1,632**	**43,153**

(all amounts are expressed in RON thousand ("RON '000"), unless otherwise stated)

19. OTHER ASSETS

	31 December 2023	31 December 2022
Sundry debtors	12,463	11,265
Amounts in transit	75,545	35,576
Total financial assets	**88,008**	**46,841**
Prepaid Expenses	5,823	4,883
Income taxes to be received from state authorities	-	13,245
Assets recovered by the Bank from auctions	7,141	6,729
Other assets	9,968	9,801
Total non-financial assets	**22,932**	**34,658**
Total Other Assets	**110,940**	**81,499**

20. DUE TO BANKS

	31 December 2023	31 December 2022
Current account and sight deposits	8,106	184,333
Term deposits	49,762	816,443
Collateral deposits	1,164,862	1,155,788
Total due to banks	**1,222,730**	**2,156,564**

Funds attracted from other banks represent mainly deposits from Alpha Bank S.A. (Greece).

		31 December 2023		31 December 2022	
Deposits from Alpha Bank S.A.		**Shortest period/ Lowest rate**	**Longest period/ Highest rate**	**Shortest period/ Lowest rate**	**Longest period/ Highest rate**
EUR	Contractual maturity	5 Days	3,238 Days	4 Days	2,546 Days
	Interest rate	3.75%	4.22%	2.35%	2.45%

21. DUE TO CUSTOMERS

	31 December 2023	31 December 2022
Current accounts and sight deposits	5,696,000	4,986,168
Term deposits	11,805,510	9,798,557
Collateral deposits	230,860	194,261
Due to customers	**17,732,370**	**14,978,986**

(all amounts are expressed in RON thousand (“RON ’000”), unless otherwise stated)

21. DUE TO CUSTOMERS (CONTINUED)

	31 December 2023	31 December 2022
Individuals		
- in RON	4,122,988	3,299,935
- in foreign currencies	4,992,561	5,075,784
Legal entities		
- in RON	6,082,259	4,232,271
- in foreign currencies	2,375,989	2,273,479
Total deposits	**17,573,797**	**14,881,469**
Accrued interest	158,573	97,517
Total	**17,732,370**	**14,978,986**

Deposits can be withdrawn before their maturity, in which case the interest income is computed based on current account interest rate prevailing at the date of withdrawal.

The below tables present the weighted average interest rate for term deposits offered by the Bank:

31 December 2023

Customers	CCY.	1 Month	3 Months	6 Months	9 Months	12 Months	24 Months
	EUR	1.50%	2.16%	2.57%	2.34%	2.70%	2.01%
Individuals	RON	5.54%	6.60%	7.00%	7.00%	7.35%	6.13%
	USD	2.30%	2.62%	3.11%	3.19%	3.49%	-
	EUR	2.90%	3.10%	2.90%	4.21%	2.99%	0.10%
Legal entities	RON	5.43%	6.64%	6.96%	7.32%	7.54%	6.82%
	USD	1.92%	1.93%	3.52%	2.15%	4.01%	-

31 December 2022

Customers	CCY.	1 Month	3 Months	6 Months	9 Months	12 Months	24 Months
	EUR	0.86%	1.04%	0.93%	0.61%	0.86%	0.20%
Individuals	RON	6.23%	7.20%	7.05%	6.07%	5.97%	4.33%
	USD	2.00%	2.09%	1.57%	1.28%	1.72%	-
	EUR	1.26%	1.07%	1.11%	0.45%	1.18%	0.10%
Legal entities	RON	5.41%	7.67%	8.89%	9.77%	7.94%	-
	USD	0.95%	0.77%	0.75%	1.40%	1.10%	-

22. DEBT SECURITIES ISSUED AND OTHER BORROWED FUNDS

At the end of 2023 other borrowed funds were represented by MREL eligible term loans with Alpha Bank SA.

A loan agreement with EFSE was signed on 19 December 2018 for financing private micro and small enterprises, in amount of RON 139.50 million and maturity in November 2023, which has been fully drawn. At the end of the year 2023 the loan was fully repaid.

(all amounts are expressed in RON thousand ("RON '000"), unless otherwise stated)

22. DEBT SECURITIES ISSUED AND OTHER BORROWED FUNDS (CONTINUED)

On 22 December 2022, the Bank signed a MREL eligible term loan agreement with Alpha Bank SA, in amount of EUR 50 million (RON 248.7 million), at a fixed interest rate of 7.35%, which has been fully drawn on 23 December 2022. The maturity of the loan is on 23 December 2025. During 2023 another two MREL eligible term loan agreements were signed with Alpha Bank SA, one in March 2023 in amount of EUR 60 million (RON 298.5 million), at a fixed interest rate of 7.80%, and the other one in December, in amount of EUR 15 million (RON 74.6 million) at a fixed interest rate of 6.30%. Both were fully drawn by the end of December 2023. The maturities of the loans are on 30 March 2026 and 29 December 2025, respectively. These instruments are specifically intended to be eligible for inclusion in the Bank's MREL eligible liabilities, in order to fulfill the respective regulatory requirements.

On 16 May 2019 the Bank issued on Luxemburg Stock Exchange covered bonds with a nominal value of EUR 200 million (RON 1,000.85 million) under the Euro 1 billion International Direct Covered Bond issuance Program. The maturity of issued covered bonds is 16 May 2024 and they bear a six-month Euribor interest rate plus a 1.5% margin.

	31 December 2023	31 December 2022
Debt securities issued	1,000,848	989,979
	1,000,848	**989,979**
Other borrowed funds:		
EFSE loans	-	39,977
MREL eligible loan	639,933	247,818
	639,933	**287,795**
Debt securities issued and other borrowed funds	**1,640,781**	**1,277,774**

The changes in liabilities that arise from financing activities, including the cash flow and non-cash flow changes are presented in the tables below:

	Other borrowed funds - EFSE	Other borrowed funds - MREL	Debt securities issued	Total
Balance 1.1.2022	**79,653**	**-**	**983,320**	**1,062,973**
Changes for the period 1.1-31.12.2022				
Cash flow	(39,857)	247,370	-	**207,513**
Accrued interest	181	448	6,799	**7,428**
Foreign exchange differences	-	-	(140)	**(140)**
Balance 31.12.2022	**39,977**	**247,818**	**989,979**	**1,277,774**
Balance 1.1.2023	**39,977**	**247,818**	**989,979**	**1,277,774**
Changes for the period 1.1-31.12.2023				
Cash flow	(39,857)	373,095	-	**333,238**
Accrued interest	(120)	17,660	5,429	**22,969**
Foreign exchange differences	-	1,360	5,440	**6,800**
Balance 31.12.2023	**-**	**639,933**	**1,000,848**	**1,640,781**

(all amounts are expressed in RON thousand ("RON '000"), unless otherwise stated)

23. SUBORDINATED DEBT

In May 2011, the Bank signed a subordinated loan agreement with Alpha Bank SA of EUR 80,000,000. The Bank has drawn only EUR 50,000,000 (RON 248.9 million) by 31 December 2023, under the contractual provisions. The maturity schedule is based on monthly payments of interest and does not comprise a final maturity date for the principal. The interest rate set for each monthly payments of interest is based on EURIBOR 1 month plus 2.5%.

As at 31 December 2023 and 31 December 2022, subordinated debt balance was:

	31 December 2023	31 December 2022
Subordinated debt	248,861	247,430
Total	**248,861**	**247,430**

The changes in liabilities arise from financing activities, including the cash flow and non-cash flow changes are presented in the table below:

	Subordinated debt
Balance 1.1.2022	**247,418**
Changes for the period 1.1-31.12.2022	
Cash flow	-
Accrued interest	47
Foreign exchange differences	(35)
Balance 31.12.2022	**247,430**
Balance 1.1.2023	**247,430**
Changes for the period 1.1-31.12.2023	
Cash flow	-
Accrued interest	71
Foreign exchange differences	1,360
Balance 31.12.2023	**248,861**

24. PROVISIONS

Provisions includes: provisions for litigations and other contingencies (mainly tax related) amounting to RON 2.6 million (31 December 2022: RON 3.4 million) and provisions for guarantees, letter of credit and credit related commitments amounting to RON 49.6 million (31 December 2022: RON 44.9 million) *(please see note 29)*.

(all amounts are expressed in RON thousand ("RON '000"), unless otherwise stated)

24. PROVISIONS (CONTINUED)

The movement in the provisions was as follows:

Balance 1.1.2022	**44,833**
Changes for the period 1.1. – 31.12.2022	
Provisions to cover credit risk relating to off-balance sheet items (*see note 10*)	7,213
Provisions for other contingent liabilities	(3,615)
Provisions for pending legal cases or issues in progress	(146)
Foreign exchange differences	(69)
Balance 31.12.2022	**48,216**
Changes for the period 1.1. – 31.12.2023	
Provisions to cover credit risk relating to off-balance sheet items (*see note 10*)	4,707
Provisions for other contingent liabilities	47
Provisions for pending legal cases or issues in progress	(776)
Foreign exchange differences	33
Balance 31.12.2023	**52,227**

25. OTHER LIABILITIES

	31 December 2023	31 December 2022
Lease liabilities (i)	160,147	152,587
Accrual employee incentive scheme (ii)	14,322	12,839
Amounts in transit	52,932	23,101
Other various creditors	19,981	23,370
Total financial liabilities	**247,382**	**211,897**
Social security liabilities	9,712	8,370
Income tax to be paid to state authorities	8,128	-
Other liabilities	75,341	40,448
Total non-financial liabilities	**93,181**	**48,818**
Other liabilities	**340,563**	**260,715**

(i) Lease liabilities: Bank's obligations with respect to leases consist mainly of buildings which are used either as branches or as other operating units, offsite ATMs and cars for senior management.
(ii) Awards in cash to be paid by the Bank while the relevant expense is recognized at the time the employee has the right to receive this remuneration or, if the remuneration depends on performance targets, at the time of their achievement.

(all amounts are expressed in RON thousand ("RON '000"), unless otherwise stated)

25. OTHER LIABILITIES (CONTINUED)

Maturity analysis of undiscounted lease liabilities as at 31 December 2023 and 31 December 2022:

	Nominal inflows/(outflows)					
	<1 month	**1 to 3months**	**3 to 6 months**	**6 to 12 months**	**>1 year**	**Total**
31.12.2023	6,280	7,212	12,201	24,401	117,117	**167,211**
31.12.2022	5,623	6,156	10,395	20,791	112,950	**155,915**

The changes arising from lease liabilities are analysed below:

	1.1.2022	**Cash flows**	**Non cash changes**		**31.12.2022**	**Cash flows**	**Non cash changes**		**31.12.2023**
		Payments	**New leases**	**Other changes**		**Payments**	**New leases**	**Other changes**	
Lease liabilities	**141,474**	(50,734)	36,808	25,039	**152,587**	(51,224)	27,690	31,094	**160,147**

The duration of the lease agreement for new branches is set at ten years with the possibility of extension by the Bank for an additional period, taking into account current conditions at that respective period. The extensions are performed with the same terms as the initial leases. The Bank's policy is to renew these contracts, if needed.

In the case of renewals of existing leases, the new duration is set at five years with the possibility of an extension by the Bank for an additional period, which decides whether to exercise in accordance with current conditions at that respective period. The extensions are performed with the same terms as of the initial lease. The Bank's policy is to renew these contracts, if needed.

26. INCOME TAX

Tax charge

The movements in net tax charge for the period were as follows:

	Year ended 31 December 2023	**Year ended 31 December 2022**
Current tax charge	33,901	23,573
Deferred tax charge/(release)	(1,704)	(1,567)
Total tax charge for the period	**32,197**	**22,006**

(all amounts are expressed in RON thousand ("RON '000"), unless otherwise stated)

26. INCOME TAX (CONTINUED)

Deferred tax, net

	31 December 2023	31 December 2022
Balance as at 1 January (asset)/liability	**(14,897)**	**(6,484)**
Net charge for the period in income statement	(1,704)	(1,567)
Charged directly in equity (*i*)	4,332	(6,846)
Balance as at 31 December (asset)/liability**,** out of which:	**(12,269)**	**(14,897)**
Deferred tax liability	2,877	3,467
Deferred tax asset	15,146	18,364

(i) The amount charged in equity is mainly the movement in the outstanding balance of deferred tax related to unrealized gain/loss from investment securities (31 December 2023: RON 4.3 million loss and 31 December 2022: RON 6.8 million gain).

The reconciliation between the effective (14.6%) and nominal (16.0%) tax rate is provided below:

	Year ended 31 December 2023	Year ended 31 December 2022
Profit before tax	218,783	150,944
Tax calculated at a tax rate of 16%	35,005	24,151
Increase/(decrease) due to:		
- income not subject to tax	(395)	(837)
- expenses not deductible for tax purposes	1,884	1,624
- other differences	(4,297)	(2,932)
Total income tax charge	**32,197**	**22,006**

Movements in Deferred tax	1 January 2023	Recognized in profit or loss	Recognized in Equity	31 December 2023
Deferred tax (assets)/liabilities				
Loans and advances to customers	(7,176)	(758)	-	**(7,934)**
Property, plant and equipment	1,776	(590)	-	**1,186**
Unrealised gain/(loss) from investment securities at FVOCI	(8,114)	-	4,332	**(3,782)**
Unrealised gain/(loss) from other investment securities	1,691	-	-	**1,691**
Other temporary differences	(3,074)	(356)	-	**(3,430)**
	(14,897)	**(1,704)**	**4,332**	**(12,269)**

(all amounts are expressed in RON thousand ("RON '000"), unless otherwise stated)

26. INCOME TAX (CONTINUED)

Movements in Deferred tax	1 January 2022	Recognized in profit or loss	Recognized in Equity	31 December 2022
Deferred tax (assets)/liabilities				
Loans and advances to customers	(6,033)	(1,143)	-	**(7,176)**
Property, plant and equipment	2,265	(489)	-	**1,776**
Unrealised gain/(loss) from bonds	(1,268)	-	(6,846)	**(8,114)**
Unrealised gain/(loss) from other investment securities	1,691	-	-	**1,691**
Other temporary differences	(3,139)	65	-	**(3,074)**
	(6,484)	**(1,567)**	**(6,846)**	**(14,897)**

The Bank has not recognized deferred tax on the statutory reserves of RON 194,290 thousand (31 December 2022: RON 183,350 thousand), which were set-up under the Romanian Laws and Banking Regulations and are non-distributable.

These reserves under the Romanian Fiscal legislation will remain untaxed until they are used (e.g. transferred to distributable profits, covering losses, etc.). The Bank has no intention to decrease or dissolving its activities and based on its current business plan it is unlikely that the reserves will be used.

As of 31 December 2023, the Bank recorded a deferred tax asset amounting to RON 15.2 million (31 December 2022: RON 18.4 million) out of which RON 11.4 million relates to loans and other temporary differences (31 December 2022: RON 10.3 million) and RON 3.8 million relates to unrealised loss from investment securities (31 December 2022: RON 8.1 million). The Bank envisages using the above amounts versus future taxable profit.

The deferred tax liability recorded as of 31 December 2023 was RON 2.9 million (31 December 2022: RON 3.5 million) out of which RON 1.2 million relates to depreciation of fixed assets (31 December 2022: RON 1.8 million) and RON 1.7 million relates to unrealised gain from other securities (31 December 2022: RON 1.7 million).

In December 2022, the European Council of the E.U. adopted Directive 2022/2523 on a global minimum tax expected to be used by individual jurisdictions. The aim of the framework is to reduce the shifting of profits from one jurisdiction to another in order to reduce the global tax liabilities of companies. In March 2022, O.E.C.D. published detailed technical guidance on the rules governing Pillar II.

Romania has recently enacted legislation to incorporate Pillar II rules into their national law and the Bank is examining the impact from adoption of these laws on its financial statements.

(all amounts are expressed in RON thousand ("RON '000"), unless otherwise stated)

27. SHARE CAPITAL

	31 December 2023	31 December 2022
Statutory value as per Constitutive Acts	958,811	958,811
Restatement of share capital in accordance with IAS 29	24,334	24,334
Total	**983,145**	**983,145**

The authorized, issued and fully paid share capital (as per Constitutive Acts) of the Bank as at 31 December 2023 is 8,323,016 shares with a par value of RON 115.2 (31 December 2022: 8,323,016 shares with a par value of RON 115.2).

All issued shares are fully paid.

The Bank's ownership structure as per statutory accounts as of 31 December 2023 and 31 December 2022 is as follows:

	31 December 2023		
Shareholder	**Number of shares**	**%**	**Nominal Amount**
Alpha International Holdings S.M.S.A.	8,316,223	99.91838%	958,029
Alpha International Holdings S.M.S.A (Greece)	***8,316,223***	***99.91838%***	***958,029***
Other shareholders (Greek citizens)	6,793	0.08162%	782
Total	**8,323,016**	**100%**	**958,811**

	31 December 2022		
Shareholder	**Number of shares**	**%**	**Nominal Amount**
Alpha International Holdings S.M.S.A	8,316,223	99.91838%	958,029
Alpha International Holdings S.M.S.A (Greece)	***8,316,223***	***99.91838%***	***958,029***
Other shareholders (Greek citizens)	6,793	0.08162%	782
Total	**8,323,016**	**100%**	**958,811**

28. RESERVES

	31 December 2023	31 December 2022
Statutory reserves	194,290	183,350
Revaluation reserve on investment securities	(8,384)	(31,263)
Total	**185,906**	**152,087**

Statutory reserve is established by taking to reserve at least 5% from the company's profit for the year, until it reaches at least the fifth part from the share capital, as stated by Romanian law on commercial companies.

(all amounts are expressed in RON thousand ("RON '000"), unless otherwise stated)

29. COMMITMENTS AND CONTINGENCIES

Off balance sheet liabilities

The Bank pursuant to its normal operations is bound by contractual commitments that in the future may result to changes in its asset structure. These commitments are monitored in off balance sheet accounts and relate to letters of credit, letters of guarantee, undrawn credit facilities and credit limits.

Contingent liabilities for the Bank arise from undrawn loan commitments and credit limits that may not be fulfilled immediately or may be partly fulfilled as long as the agreed upon requirements are fulfilled by counterparties.

Letters of credit are used to facilitate trading activities and relate to the financing of contractual agreements for the transfer of goods domestically or abroad, by undertaking the direct payment on behalf of the third party bound by the agreement on behalf of the Bank's client. Letters of credit, as well as letters of guarantee, are commitments under specific terms and are issued by the Bank for the purpose of ensuring that its clients will fulfil the terms of their contractual obligations.

The balance of the expected credit losses for undrawn loan commitments and letters of credit/of guarantee amounts to RON 49.6 million as of 31 December 2023 (31 December 2022: RON 44.9 million) .

The aggregate amount of outstanding guarantees, letters of credit and commitments to extend credit at the end of the period were:

	31 December 2023	31 December 2022
Letters of guarantee issued in RON	435,437	261,103
Letters of guarantee issued in foreign currency	248,907	305,359
Total letters of guarantee issued	**684,344**	**566,462**
Letters of credit issued	**73,900**	**143,261**
Un-drawn credit facilities in RON	1,759,397	1,217,087
Un-drawn credit facilities in foreign currency	2,026,518	1,444,397
Total un-drawn credit facilities	**3,785,915**	**2,661,484**
Of which:		
- committed	1,361,729	768,658
- uncommitted	2,424,186	1,892,826

Litigations

The litigations in which the Bank is defendant as at 31 December 2023 and 31 December 2022 are not expected to result in material claims for the Bank. The litigations provisions booked in this respect amounts to RON 79 thousand (31 December 2022: RON 854 thousand). For those cases for which a negative outcome is not probable or the potential outflow cannot be estimated reliably (according to their progress and the assessment of the legal department) the Bank has not recognized a provision.

Other contingencies

The Romanian Government has a number of agencies authorized to audit (control) companies that operate in Romania. These controls are similar to tax audits in other countries and can cover only the tax issues and other legal and regulatory issues of interest to these agencies. It is possible that the Bank continue to be subject to fiscal controls due to issuance of new tax rules.

29. COMMITMENTS AND CONTINGENCIES (continued)

Last tax audit covered the period up to 31 December 2019.

Assets pledged

Mortgage loans with a nominal value of RON 1,108 million (31 December 2022: 1,100 million) has been used as collateral in the Direct Issuance Covered Bond Program (please see note 16). As at 31 December 2023 the nominal value of the above bonds amounted to RON 995 million (31 December 2022: RON 989 million) (please see also note 22).
Debt securities with a nominal value of EUR 116.1 million were pledged for the Covered Bonds issued, in order to comply with a regulatory liquidity requirement (please see note 15).

30. CAPITAL

The Bank maintains an actively managed capital base to cover risks inherent in the business. The adequacy of the Bank's capital is monitored using, among other measures, the rules and ratios established by the European Banking Authority ("EBA") and adopted by the National Bank of Romania ("NBR") in supervising the Bank.

The regulations require for capital adequacy ratios to be calculated on financial information prepared in accordance with EU and NBR prudential requirements. To be "sufficiently capitalized" under NBR regulations a banking institution must have a Common Equity Tier I ratio of at least 4.5% and 6% for Total Tier I, while the total capital adequacy limit was maintained at 8%.

As at 31 December 2023, capital adequacy ratio based upon the NBR's regulation is 20.75% (31 December 2022: 23.17%).

During the past period, the Bank had complied in full with all its externally imposed capital requirements.

The primary objectives of the Bank's capital management are to ensure that the Bank complies with externally imposed capital requirement and that the bank maintains strong credit ratings and healthy capital ratios in order to support its business and to maximize shareholders' value.

The Bank manages its capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristic of its activities. In order to maintain or adjust the capital structure, the Bank may adjust the amount of dividend payment to shareholders, return capital to shareholders or issue capital securities. No changes were made in the objectives, policies and processes from the previous years.

(all amounts are expressed in RON thousand ("RON '000"), unless otherwise stated)

30. CAPITAL (continued)

Capital management
Regulatory capital

	31 December 2023		31 December 2022	
	Actual	**Required**	**Actual**	**Required**
Common Equity Tier 1	2,187,285	528,237	2,028,246	442,050
Tier 1 capital	2,187,285	704,316	2,028,246	589,400
Tier 2 capital	248,730	N/A	247,370	N/A
Total capital	**2,436,015**	**939,088**	**2,275,616**	**785,867**
Risk weighted assets	**11,738,605**	**11,738,605**	**9,823,337**	**9,823,337**
Common Equity Tier 1	18.63%	4.50%	20.65%	4.50%
Tier 1 capital	18.63%	6.00%	20.65%	6.00%
Total capital ratio	20.75%	8.00%	23.17%	8.00%

Regulatory capital consists of Tier 1 capital which includes share capital, retained earnings including current profit for the period, reserves and accumulated other comprehensive income. The other component of regulatory capital is Tier 2 capital, which includes only subordinated debt.

31. RELATED PARTY TRANSACTIONS

The Bank considers as key management personnel all the members of the Board of Directors and Executive Committee, including close family members of the above-mentioned persons.

During the year ended 31 December 2023 the Bank entered into a number of banking transactions with group companies (Alpha Bank S.A., Acarta Construct SRL, AGI - RRE Artemis Ltd, AGI - RRE Participations 1 S.R.L., AGI - RRE Poseidon Ltd, AGI - RRE Poseidon SRL, AGI-RRE Participations 1 L.T.D., Alpha Asset Management A.E.D.A.K, Alpha Bank Cyprus Ltd , Alpha Bank London Ltd, Alpha Finance A.E.P.E.Y., Alpha Insurance Brokers S.R.L.(Romania), Alpha Leasing Romania IFN S.A., Alpha Real Estate Services S.R.L., Alpha Supporting Services A.E, Alpha Astika Akinita A.E., Asmita Gardens SRL, Cubic Center Development S.A., Engromest, Office Park I SRL , S.C. Romfelt Real Estate S.A., SC Carmel Residential SRL) in the normal course of business. These transactions were carried out on commercial terms and conditions and at market rate.

These include loans, deposits and foreign currency transactions.

Due to the fact that the main volume of transactions is conducted with the intermediary parent company Alpha Bank SA, these transactions are presented separately. The rest of transactions, including these that are related to the ultimate controlling party Alpha Services and Holdings are presented in column "Other companies of Alpha Services and Holdings Group".

The volumes of related party transactions, outstanding balances at the period/year-end, and relating expense and income for the period are as follows:

(all amounts are expressed in RON thousand ("RON '000"), unless otherwise stated)

31. RELATED PARTY TRANSACTIONS (CONTINUED)

	Key management personnel		Parent		Other companies of Alpha Services and Holdings Group	
	31-Dec 2023	31-Dec 2022	31-Dec 2023	31-Dec 2022	31-Dec 2023	31-Dec 2022
Assets						
Due from other banks	-	-	997,331	473,119	-	-
Loans and advances to customers, net	723	835	-	-	177,830	163,699
Derivative held for trading	-	-	-	1,632	-	-
Other assets	-	-	27	47	19,340	22,600
Total assets	**723**	**835**	**997,358**	**474,798**	**197,170**	**186,299**
Liabilities						
Due to banks	-	-	1,172,730	1,509,023	160	234
Due to customers	11,681	8,985	-	-	143,160	279,767
Subordinated loans	-	-	248,861	247,430	-	-
Other borrowed funds	-	-	639,933	247,818	-	-
Derivative held for trading	-	-	5,915	37,442	-	-
Other liabilities	-	-	1,943	-	53,334	36,493
Total liabilities	**11,681**	**8,985**	**2,069,382**	**2,041,713**	**196,654**	**316,494**
Guarantees in favour of third parties	**-**	**-**	**132,302**	**128,375**	**11,143**	**5,054**
Guarantees received	**-**	**-**	**184,314**	**224,713**	**6,467**	**-**
Undrawn credit facilities	**334**	**321**	**1,417,761**	**791,584**	**115,768**	**127,845**

The "due to banks" position above includes collateral deposits from Alpha Bank S.A. in amount of RON 1,164,862 thousand (31 December 2022: term and collateral deposits from Alpha Bank S.A. RON 1,502,152 thousand).

	Key management personnel		Parent		Other companies of Alpha Services and Holdings Group	
	31-Dec 2023	31-Dec 2022	31-Dec 2023	31-Dec 2022	31-Dec 2023	31-Dec 2022
Interest income	53	33	26,112	8,104	10,553	8,123
Interest expense	288	90	116,834	63,162	2,535	6,125
Net commission income/(expense)	13	19	(1,163)	637	217	393
Other income	96	40	-	-	332	371
Other expenses	2	2	271	-	53,591	33,770

Transactions with key management personnel

The remunerations for the year ended 31 December 2023 amounted to RON 8,819 thousand (31 December 2022: RON 8,862 thousand).

(all amounts are expressed in RON thousand ("RON '000"), unless otherwise stated)

32. AUDITORS' FEES

The total fees of legal auditors of the Bank are analyzed below:

	31 December 2023	31 December 2022
Statutory accounts audit services	758	626
Non-audit services	401	362
Total	**1,159**	**988**

33. CASH AND CASH EQUIVALENTS

	31 December 2023	31 December 2022
Due from banks	1,143,414	1,894,056
Cash and balances with the National Bank of Romania	3,481,472	2,696,848
Total	**4,624,886**	**4,590,904**

34. OPERATING SEGMENTS

Operating segments are components of the Bank that are profit centers, for which the Bank has discrete financial information available, and whose results are reviewed regularly by the Bank for purposes of performance assessment and resource allocation.

As presented in note 3.b), the following operating segments have been determined:

- Retail Banking
- Wholesale Banking
- Treasury
- Other

The segments are detailed below:

Retail

This segment includes individuals, professionals, small and very small companies operating in Romania and abroad. The Bank offers all types of deposit products (term/sight deposits, savings accounts, current accounts), loan facilities (mortgages, consumer) and debit and credit cards to the above customers. It also includes all services deriving from current account operations for the above presented customers.

Wholesale

This segment includes all medium-sized and large companies, corporations with international business activities. The Bank offers working capital facilities, corporate loans, and letters of guarantee for the above-mentioned corporations. This sector also includes factoring services and includes also stock exchange, advisory and brokerage services relating to capital markets offered by the Bank to the clients. It also includes all services deriving from current account operations for the above presented customers.

Treasury

It includes the activities of the Dealing Room in the interbank market (FX Swaps, Bonds, Treasury Bills, Interbank placements – Loans etc.).

(all amounts are expressed in RON thousand ("RON '000"), unless otherwise stated)

34. OPERATING SEGMENTS (continued)

Others

This segment consists of income and expenses that are not related to its operating activities or are non-recurring and have been caused by external factors.

	31 December 2023				
	Wholesale	**Retail**	**Treasury**	**Others**	**Total**
Net Interest Income	215,982	478,585	13,078	-	**707,645**
Net fee and commission income	29,614	109,908	(953)	-	**138,569**
Other income	12,159	36,356	7,489	-	**56,004**
TOTAL INCOME	**257,755**	**624,849**	**19,614**	**-**	**902,218**
Other Expenses	(75,183)	(480,531)	(8,441)	-	**(564,155)**
Depreciation and amortization	(6,859)	(68,435)	(497)	-	**(75,791)**
Impairment losses and provisions to cover credit risk	11,412	(54,950)	49	-	**(43,489)**
TOTAL EXPENSES	**(70,630)**	**(603,916)**	**(8,889)**	**-**	**(683,435)**
Profit/(loss) before tax	**187,125**	**20,933**	**10,725**	**-**	**218,783**
Income tax expense	-	-	-	(32,197)	**(32,197)**
NET PROFIT/(LOSS)	**187,125**	**20,933**	**10,725**	**(32,197)**	**186,586**

	Wholesale	**Retail**	**Treasury**	**Others**	**Total**
Total Assets	**6,691,011**	**9,793,794**	**7,086,220**	**-**	**23,571,025**
Total Liabilities	**5,644,555**	**12,484,358**	**3,114,863**	**-**	**21,243,776**
Capital expenditure	**13,989**	**104,307**	**701**	**-**	**118,997**

	31 December 2022				
	Wholesale	**Retail**	**Treasury**	**Others**	**Total**
Net Interest Income	150,203	452,018	(21,818)	-	**580,403**
Net fee and commission income	23,229	106,326	711	-	**130,266**
Other income	8,418	38,645	(4,418)	-	**42,645**
TOTAL INCOME	**181,850**	**596,989**	**(25,525)**	-	**753,314**
Other Expenses	(65,677)	(419,367)	(9,564)	-	**(494,608)**
Depreciation and amortization	(5,690)	(67,343)	(347)	-	**(73,380)**
Impairment losses and provisions to cover credit risk	(12,518)	(21,870)	6	-	**(34,382)**
TOTAL EXPENSES	**(83,885)**	**(508,580)**	**(9,905)**	**-**	**(602,370)**
Profit/(loss) before tax	**97,965**	**88,409**	**(35,430)**	**-**	**150,944**
Income tax expense	-	-	-	(22,006)	**(22,006)**
NET PROFIT/(LOSS)	**97,965**	**88,409**	**(35,430)**	**(22,006)**	**128,938**

	Wholesale	**Retail**	**Treasury**	**Others**	**Total**
Total Assets	**5,470,174**	**9,553,578**	**6,106,868**	**-**	**21,130,620**
Total Liabilities	**3,907,010**	**11,461,719**	**3,644,109**	**-**	**19,012,838**
Capital expenditure	**16,752**	**121,299**	**998**	**-**	**139,049**

(all amounts are expressed in RON thousand ("RON '000"), unless otherwise stated)

35. SUBSEQUENT EVENTS

During August 2023, Alpha Bank Romania entered a Business Transfer agreement with Orange Money Romania IFN ('Orange Money') and upon transaction completion, the Bank acquired the retail business built by Orange Money comprising the customer portfolio, digital assets, credit card portfolio as well as the takeover of employees involved in activities related to the overall consumer ecosystem.

The transaction is part of the Bank's strategy to strengthen its market position on the retail segment and enhance the digital value proposition for the respective segment.

Compliant with IFRS 3, the accounting treatment of the Business Transfer is acquisition method with the acquisition date set for January 12, 2024, the date of the transaction completion. As per provisions of IFRS 3, the purchase price consideration paid of RON 60,363 thousand was allocated to the identifiable assets and liabilities taken over by the Bank at fair value on the acquisition date.

Fair value of acquired assets was assessed by an independent third-party based on the following valuation techniques:

- Credit card portfolio valuation was based on the Income Approach by applying a discounted cash flow method, technique deemed to be the most representative for determining the market value of a loan portfolio. The analysis included the segmentation of the portfolio in sub-segments
    - Performing exposures – market value was based on contractual cash flows discounted at a market rate of return for such cash flows and reflects the difference between contractual interest rates and market interest rates at the acquisition date;
    - Non-performing exposures – market value was estimated by considering an estimated recovery rate;
- Fair value of digital assets was based on a Cost approach by deploying the Replacement Cost New method. Accordingly, the cost of similar assets developed at a recent date was estimated as well as depreciation triggered by both age of physical and technological depreciation
- Fair value of customer portfolio was based on Income Approach by deploying the Multi-Period Excess Earning Method. The assessment included estimated future benefits that could be derived from exploiting the customer base over a 15-year period.

The fair value of assets acquired and liabilities assumed is presented in the table below:

	Fair value 12/01/2024
Assets	102,306
Liabilities	(10,079)
Total assets & liabilities	**92,227**

For the credit cards acquired the gross contractual amounts receivable is in amount of RON 61,395 thousand, while the best estimate at the acquisition date of the contractual cash flows not expected to be collected is in amount of RON 6,345 thousand.

Following allocation of purchase price on the identifiable assets and liabilities, the remaining consideration in excess of cumulated fair value of such elements represents a gain, recognized from an accounting perspective at the acquisition date as a financial gain in income statement, in amount of RON 31,864 thousand.

The purchase price paid on the transaction was the result of the competitive process that Orange Money has run, including all customary steps in such an M&A transaction: due diligence, binding offer, negotiations, etc. Moreover, the result ('bargaining gain') is deemed to be consistent with most of transactions observed on the local banking market.