Annual Report

2023

According to Financial Supervisory Authority Regulation no 5/2018

(Annex no 15)

Content

Annual Report

- For financial exercise: **2023**
- Report date: **29 April 2024**
- Name of issuer: **SALT Bank S.A.**
- Registered Office: **5-7 Dimitrie Pompei Boulevard, 6th floor, 2nd district, Bucharest**
- Phone / fax: **021.318.95.15 – 021.318.95.16**
- Tax identification no: **10318789**
- Order number with the Trade Registry: **J40/2416/12.03.1998**
- Regulated market on which the issued securities are traded: **Bucharest Stock Exchange (BSE)**
- Share capital subscribed and paid: **RON 416,976,000**
- Main characteristics of the securities issued by the company: **Subordinated bonds of 5,000,000 EUR through the Alternative Trading System (ATS)**

1. The Company and its Shareholders

1.1. SALT Bank S.A. Profile

SALT Bank S.A. Group (the "Group") includes the parent bank, SALT Bank S.A. (the "Bank") and its subsidiary headquartered in Romania.

SALT Bank S.A. (former Romanian International Bank S.A., "RIB", until 20.04.2015, former Idea Bank S.A. until 16.11.2023) is a bank established in 1998. On 4th of December 2013, the bank was acquired by the Getin Holding Spolka Akcyjna group from Poland, Wroclaw, 66 Gwiazdzisa, which became the sole shareholder of the Bank on 4 December 2013. Since 29th of October 2021, date on which transaction for the acquisition of the entire package of shares Idea Bank S.A. held by Getin Holding Group, Banca Transilvania holds directly and indirectly 100% of bank's shares.

The Bank operates under the Companies Law no.31 / 1990 and the Emergency Ordinance no.99 / 2006 on credit institutions and capital adequacy (as amended and supplemented). According to article 6 of the Articles of Incorporation, the main object of activity of the Bank is "other monetary intermediation activities" - CAEN Code 6419.

The bank is registered with the Trade Register under no. J40/2416/12.03.1998, having the fiscal registration code R10318789. The bank is registered in the Bank Register with the number P.J.R. 40-043, PDCP 769 of 1998.

SALT Bank has been operating as a cashless bank since June 14, 2022 and aims at a complete digital transformation process, so that it will became first fully digital bank "made in Romania", without banking units, thus offering customers banking services only through digital channels. Specifically, the bank will offer its services through a mobile banking (and wallet) application. As an element of differentiation from other neo-banks or fintechs that offer such platforms, SALT Bank intends to provide customer support services through its own call center.

As of 31 December 2023, the Bank had 179 employees (31 December 2022: 140 employees).

1.2. SALT Bank Group

SALT Bank Group includes at 31.12.2023 the following entities:

Subsidiary	Year of incorporation	Direct and indirect holdings of SALT Bank in subsidiaries	Main line of business
Idea Leasing IFN S.A.	2000	88.6713%	Financial leasing with legal entities

In November 2023, Idea Broker de Asigurare S.R.L. owned by Idea Leasing IFN S.A. was acquired by BT Leasing IFN S.A., being deconsolidated from SALT Bank Group.

SALT Bank S.A. is involved in ensuring to the subsidiaries an adequate level of capitalization contributing to the improvement of the risk management, by involving the audit, compliance, and risk and controlling functions within the Bank.

1.3. SALT Bank S.A. Shareholding

The Bank's shareholder is Banca Transilvania Group, the largest financial group in Romania listed on the Bucharest Stock Exchange, holding 99.99% of the total number of shares of the Bank.

As of 31 December 2023, the Bank's shareholding structure was the following:

Shareholders'name	Percentage of holding Dec-23
Banca Transilvania S.A.	99.5%
BT Investments S.R.L.	0.5%
Total	**100.0%**

1.4. Subsidiary activity

In 2023, the Bank evaluated the investments in subsidiary and implemented their recognition in the Bank's balance sheet as follows: the shares held by entities of the Bank in Idea Leasing were evaluated based on the NPV methodology. In November 2023, Idea Leasing IFN S.A. sold the shares held in Idea Broker de Asigurare S.R.L. to BT Leasing IFN S.A.

Idea Leasing IFN S.A. (actual Avant Leasing)

Idea Leasing IFN S.A. ("Idea Leasing") is a Romanian company founded in 2000, held directly and indirectly 88.67% by SALT Bank S.A. and 11,33% by BT Investment S.R.L, having as main activity the lending on a contract basis - CAEN code 6491 and, in particular, financial leasing with legal persons. On 31 December 2023, Idea Leasing had 42 employees (31 December 2022: 120).

The following governance events took place within the subsidiary during the General Meeting of Shareholders:

24.02.2023 – amendment of the articles of association and shareholding structure (Idea Bank S.A. 88.6713%, BT Investment 11.3287%)

20.06.2023 – approval of the statutory auditor Deloitte Audit SRL for the financial years 2023-2026.

10.05.2023 - approval of financial statements 2022 and report of the Board of Directors

20.06.2023 – approval of dividend payment

29.06.2023 – approval of financial statements

Significant Transactions

In 2023, the following transactions took place within the bank:

- Starting with August 2023, SALT BANK S.A. discontinued the financial leasing receivables acquisition operation.
- Starting with August 2023, Idea Leasing IFN S.A. ceased the activity of generating new financial leasing portfolios, limiting its activity to the maintenance of the current portfolio.
- Idea Leasing IFN S.A. sold the shares held in Idea Broker de Asigurare S.R.L. to BT Leasing IFN S.A. in November 2023.

In 2023 there were no information related to major significant transactions concluded by SALT Bank with the persons that acted in a concerted manner or in with those persons to be involved.

1.5. SALT Bank S.A. main results

From a balance sheet perspective within the group consolidation, SALT Bank Grup represents on 31.12.2023, according to the annual report issued by Banca Transilvania, 1.2% of total assets (SALT Bank total assets RON 1.770.598 thousand, Leasing total assets RON 143.709 thousand, Banca Transilvania RON 140.510.795 thousand/individual and RON 169.169.225 thousand/group).

In terms of contribution to the profit and loss account, SALT Bank S.A. and the Group recorded on 31.12.2023 a loss of RON 24.334 thousand, respectively a loss of RON 40.999 thousand, compared to the result of Banca Transilvania Group (RON 2.490.572 thousand/individual and RON 2.177.999 thousand/group).

According to statistical data, as of December 31, 2023, SALT Bank S.A. held a market share according to assets of 0,22%[1] (December 31, 2022: 0.34%).

2023 General evaluation elements of SALT Bank S.A.

Key Indicators (RON thousands / %)	Bank		Group	
	Dec-23	Dec-22	Dec-23	Dec-22
Balance sheet composition				
Total assets	1,770,598	2,292,726	1,900,227	2,407,409
Total liabilities	1,405,350	2,074,513	1,534,385	2,167,842
Total equity	365,248	218,213	365,842	239,566
Lending				
Net Interest Margin (NIM)	2.5%	2.5%	3.0%	2.7%
Capital adequacy				
Capital Adequacy Ratio (CAR)	29.8%	16.4%	26.9%	16.4%
Assets quality				
EBA-defined NPL ratio	11.6%	4.2%	11.2%	4.4%
EBA-defined NPL coverage ratio	56.0%	65.2%	56.1%	63.6%
Cost of risk (COR)	3.9%	1.7%	4.5%	1.8%
Liquidity and funding				
Loans / deposits	3427.6%	1555.1%	4259.4%	1779.5%
Profitability				
Return on Assets (ROA)	-1.2%	-0.5%	-1.9%	-0.3%
Return on Equity (ROE)	-8.3%	-6.2%	-13.5%	-3.2%
Cost-to-income ratio (CIR)	74.9%	86.0%	79.1%	81.4%
Operating income	112,004	104,233	141,839	152,322
Provisions expenses	(52,384)	(28,484)	(64,274)	(31,816)
Gross result	(24,264)	(13,880)	(34,637)	(3,484)
Net result	(24,334)	(14,105)	(40,999)	(7,705)
Network				
Number of branches and POSs	-	-	-	9
Number of employees	179	140	221	273

[1] *According to statisctical data of National Bank of Romania*

1.6. Analysis of activity – SALT Bank S.A. results in 2023

2023 was the year of conception of the new mobile application, of creating interfaces between various operational systems, of increasing the number of IT specialists and call centers, of creating a digital team.

SALT Bank recorded a cumulative 2023 result of (-) 24,334 thousand lei, compared to the bugged financial loss of (-) 48,203 thousand lei, the loss being generated by credit risk adjustments.

Both net interest income, which represents 42% of operating income at bank level, as well as net income from charges and commissions, 4.9% of operating income at bank level, recorded a negative dynamics of 23.8% and 46.5%, respectively, compared to 2022, in the context of the divestment of an important part of the loan portfolio to Banca Transilvania, but also of the decommissioning of all products offered by the bank in December 2022 and respectively of the purchases of leas receivables in July 2023.

The net interest margin was affected by the increase in the cost of financing in the inflationary context, with an immediate effect on net interest income, with the policy rate ranging from 4.4% for 2022 to 7% in 2023.

The most important share in total income was held by interest income. Their volume (RON 137,128 thousand, of which RON 80,290 thousand related to leasing receivables) increased by 19% compared to amount registered in 2022 while total portfolio dropped by 26%. (as a result of discontinuation of credit products generated by the bank and purchases of leasing receivables).

At the same time, interest expenses increased by 67% (RON 36,093 million) compared to December 2022, from RON 54,164 million to RON 90,257 million, mainly generated by higher market interest rates and replacement of retail deposits with interbank deposits – financed by the parent bank.

Net revenues from charges and commissions decreased by 46.5% during the reference period (from RON 10,294 thousand to RON 5,509 thousand), because of the divestment of the SME client portfolio producing this type of income.

Cost sources, as of 31.12.2023, represented mainly by personnel expenses (RON 40,817 thousand) increased by 12.5% as a result of hiring technology specialists. Other administrative expenses (RON 43,066 thousand) represented by depreciation expenses and other operational expenses decreased by 19.3% as a result of changes in the structure of expenses (closure of branches, decommissioning of assets and rental contacts).

The ROE (net profit/equity at average value) ratio decreased to -8.3% at December 2023 (compared to -6.2% at December 2022), amid increased impairment adjustment expenses following regulatory compliance. The cost/income ratio (CIR) decreased from 86.0% December 2022 to 74.98% December 2023.

In December 2023, assets decreased by 22.8%, respectively by RON 522,128 thousand, from RON 2,292,834 thousand to RON 1,770,598 thousand, the decrease being determined by the interruption of leasing receivables purchases. Funds and current accounts with the central bank and T-bills represent 16.8% of total assets to ensure immediate liquidity. Tangible and intangible assets accounted for 5.2% of total assets at Bank level, up 179% compared to December 2022, supported by investment in intangible assets (490% increase).

The decrease of the loan portfolio by 26% was part of the implementation plan of the new project, the bank maintaining in its portfolio the leasing receivables as the main income generator, until July 2023. The decisive share in the bank's assets is held by investments in loans (64.2%), followed by liquid assets 26%, while other assets hold a small share of only 4.6%.

The quality of the loan portfolio is in line with the average of the banking system, but influenced by the stagnation of new loan production. In this context, the non-performing exposures ratio is 11.6% as of December 2023 and the cost of risk is 3.9%. The provision coverage of non-performing exposures, according to EBA, is 56%.

The bank's liquidity position was at an adequate level. The bank is financed mainly by deposits from the parent bank (89.9% of total debt).

The capitalization level is higher than that requested by the National Bank of Romania, so the bank's solvency calculated on September 30, 2023 was 16.5%, and at December 2023, the parent bank made a capital injection that improved the level of total funds to 29.8%.

Impairment adjustment expenses increased by 83.9% year-on-year in the context of regulatory compliance.

1.6.1. Commercial activity

SALT Bank S.A. had for 2023 the following strategic objectives:

1. **Building the first digital bank "Made in Romania"**: SALT Bank has proposed a process of complete digital transformation, so as to be the first fully digital bank "made in Romania", without banking units, thus offering customers banking services only through digital channels. Specifically, the Bank will offer its services through a mobile banking application (and wallet). As a differentiator from other neo-banks or fintechs that offer such platforms, SALT Bank intends to provide customer support services through its own call center.
2. **Bank positioning – Rebranding:** In 2023, the Bank went through a rebranding process to reposition the brand on the banking market. The rebranding process was a demanding one on 16.11.2023, and the actual launch of the brand will be correlated and conditioned by the launch of the new MVP (minimum viable product), so that the moment of launching the application is not diluted by the mismatch of the two moments.

The market share as at December 31, 2023 is 0.22% in a ranking of credit institutions by total assets (0.34% as of December 31, 2022):

Market share - BANK	Dec-21	Dec-22	Dec-23
TOTAL ASSETS	0.45%	0.34%	0.22%

1.6.2. Business lines

In 2023, the mobile up application and the interface with the various operational systems were developed. Minimum Viable Product (MVP) was designed to address the needs of the target market, to have the basic functionalities without which no digital platform can go on the market – on-boarding, current account, debit card, payments, savings products, basic servicing for accounts and cards – but also some "killer" functionalities – to ensure not only bringing customers to the platform, but also their retention. Some of the functionalities have the role of increasing the customer acquisition rate, and others generate revenue, especially through lending, in order to ensure future growth. During MVP implementation, it is crucial to keep our focus and avoid "cramming" too many features into the MVP, which would not only add complexity and risks to the project, but could also confuse customers if the structure will be too loaded and difficult to digest. It is crucial to keep a realistic time-to-market, and to continue further developments in the coming years.

1.6.3. Loans, deposits, clients

The structure of loans granted to customers, deposits from customers and the number of customers, at Bank level, has evolved as follows in the last three years:

Loans - BANK (thousands lei)	Dec-23	Dec-22	Dec-23 vs Dec-22 (abs.)	Dec-23 vs Dec-22 (%)	Dec-21	Dec-22 vs Dec-21 (abs.)	Dec-22 vs Dec-21 (%)
Individuals	249,121	484,668	(235,547)	-49%	882,028	(397,360)	-45%
Companies	-	554	(554)	-100%	115,072	(114,518)	-100%
Net Loans	**249,121**	**485,222**	**(236,101)**	**-49%**	**997,100**	**(511,878)**	**-51%**
Financial leasing receivables	887,635	1,054,436	(166,800)	-16%	899,534	154,902	17%
Total net loans	**1,136,756**	**1,539,658**	**(402,901)**	**-26%**	**1,896,634**	**(356,976)**	**-19%**

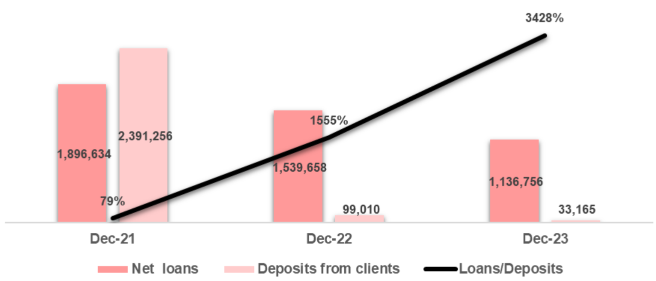
Deposits - BANK (thousands lei)	Dec-23	Dec-22	Dec-23 vs Dec-22 (abs.)	Dec-23 vs Dec-22 (%)	Dec-21	Dec-22 vs Dec-21 (abs.)	Dec-22 vs Dec-21 (%)
Individuals	17,421	31,591	(14,170)	-45%	1,570,127	(1,538,537)	-98%
Companies	15,744	67,420	(51,675)	-77%	821,129	(753,709)	-92%
Total deposits	**33,165**	**99,010**	**(65,845)**	**-67%**	**2,391,256**	**(2,292,246)**	**-96%**

Clients - BANK (number)	Dec-23	Dec-22	Dec-23 vs Dec-22 (abs.)	Dec-23 vs Dec-22 (%)	Dec-21	Dec-22 vs Dec-21 (abs.)	Dec-22 vs Dec-21 (%)
Individuals		28,315	(28,315)	-100%	54,613	(26,298)	-48%
Companies		104	(104)	-100%	6,871	(6,767)	-98%
Total clients	**-**	**28,419**	**(28,419)**	**-100%**	**61,484**	**(33,065)**	**-54%**

The loan portfolio is represented by consumer loans for individuals at the rate of 22% of the total net loans and loans for legal entities 78% through financial leasing receivables.

Loans and deposits evolution

(Bank)



The main source of financing of loans is represented by deposits, which on 31.12.2023 are structured as follows:

- 73.76% interbank deposits (25.7% RON + 66.8% EUR + 0.5% other currencies),
- 1.9% deposits attracted from customers,
- 2.1% subordinated debt.

1.6.4. Operational results

The year 2023 was the birth of the digital bank. In line with the values of the parent bank, SALT Bank's mission is to offer its customers simple banking products and services, easy to understand and use, permanently adapted to their needs, in a digital environment. The main challenge is to transform the bank into a truly digital bank, which will provide customers with a complete experience for accessing the services offered.

1.7.Impact of SALT Bank's core activity on the environment

SALT Bank Group continued to get involved in community life in 2023 by participating in financial & entrepreneurship, health, culture, and social education programs.

SALT Bank pays attention to compliance with environmental and social legislation in force, using appropriate environmental and social practices, representing relevant factors in demonstrating a management efficient business.

1.8. Evaluation of research and development activity

The research and development activity consists in the diversification and improvement of the IT infrastructure and applications, the digitization being the main engine of the development, as well as in the propagation of the financial innovation, at the process level.

In 2023, SALT Bank explored the opportunity to build the first digital bank "Made in Romania". Thus, SALT Bank proposes a complete digital transformation process, so that it is the first fully digital bank "Made in Romania", without banking units, thus offering customers products and banking services only through digital channels.

1.9. Risk management

The Bank has a system of risk management principles established by the Management Committee and a procedural framework for their identification, evaluation, measurement, and monitoring, in order to control and manage material risks:

- **Awareness** of the risks through which the bank aims to maintain an environment in which full understanding of the inherent risks of the activity is promoted, ensured through transparent processes and horizontal and vertical communication.
- **Taking risks** is done through a prudent attitude. The bank assumes risks only if there are adequate methods for assessing them and if the estimated return exceeds the expected losses plus a capital ratio used to cover unexpected losses.
- **Risk management** is carried out through management methods reflected in the procedural framework that are continuously improved.
- **Legal requirements** are incorporated into the bank's activity that meets all prudential requirements in terms of risk management.
- **The integrated approach** is achieved by assessing risks both at individual and consolidated level, aiming at integrating risks into economic capital.
- **The unitary treatment** of risks is ensured by the methodology used, in order to apply acceptable measures for business lines if risks do not fall within the established limits.
- **Independent control** is ensured by segregating the lines of risk-taking activity from those of their administration and control. Functional and organisational separation is also ensured at management structure level.
- **The regular review** is ensured through an annual update exercise of the entire procedural framework related to risk management.
- **New products** involve risk-taking, and their launch is preceded by an analysis of the risks involved, provided by the procedural framework.

The policies of the Risk Management Group are established to identify and analyse the risks to which the Bank is exposed, to establish appropriate risk and control limits, and to monitor risks and adherence to risk limits. The policies and risk management system are reviewed periodically to reflect changes in market conditions, products and services offered. The bank aims through training courses at appropriate standards and management procedures, to develop a disciplined and constructive control environment, in which all employees understand their roles and responsibilities.

According to NBR Regulation no. 5/2013 on prudential requirements for credit institutions, the bank has taken measures during 2023 to manage the following significant risks:

- credit risk (including residual risk, concentration risk, country risk and risk of excessive leverage),
- market risk (including monitoring competence limits for persons trading under the Directorate of the Treasury),
- settlement risk,
- interest rate risk from non-trading book activities,
- liquidity risk (including intraday liquidity risk under stress conditions),
- operational risk (including information technology – IT risk and legal risk),
- compliance risk (managed by the Compliance Directorate)
- money laundering and terrorist financing risk (managed by the Compliance Directorate)
- strategic risk,
- reputational risk.

During 2023, the risk management function went to the Deputy Director General Risk, and the role of coordinator went to the Director of the Risk Division.

On a monthly basis, with the help of the risk profile quantification and monitoring algorithm approved by the Board of Directors of SALT Bank S.A., the Risk Division calculated and analysed the evolution of risk indicators in the structure of the risk profile grouped according to significant risks and informed the Board of Directors through the Risk Report.

The Risk Division periodically reviews, at least annually, as part of the risk strategy, the acceptable levels (risk appetite) for significant risks and ensures that managers take the necessary measures to identify, assess, manage, and control those risks.

The responsibility for identifying, managing, and reporting risks lies with staff across all business lines and is not limited to the risk management function alone.

At the same time, the bank monitored quarterly the indicators related to the Recovery Plan, both at individual and consolidated level, through the Risk Report, according to the Risk Profile for 2023, correlated with the Risk and Liquidity Strategies and the General Business Strategy.

SALT Bank's risk management strategy is designed to determine the general framework of the risk management system, sets risk management objectives and principles, defines risk management objectives and risk tolerance indicators. The purpose of the risk management strategy is to ensure a prudent management of risks related to the Bank's activity.

General principles:

- ensuring the financial soundness of the Bank;
- ensuring the continuity of the credit institution's activity;
- protecting the contribution of shareholders in the business;
- protecting partners' interests.

The risk management strategy is the framework document of the bank's risk management system. The development of all elements (policies and procedures) related to the bank's risk management system is carried out based on this strategy.

Risk management objectives:

- Defining risk appetite and risk tolerance;
- Correct provisioning to cover the expected loss;

• Adequate allocation of capital to cover unexpected losses;
• Development of risk reduction measures and improvement of existing control systems;
• Development of a specific risk reporting system.

Credit risk

The Group managed the overall credit risk of the portfolio generated by SALT Bank SA and Avant Leasing IFN SA, as well as the individual risk related to each loan or transaction.

In order to minimize credit risk, SALT Bank Group had, during 2023, the following credit risk management processes:

- **The concentration risk management process** by tracking sectoral concentrations, large exposures, concentrations on various types of products/currencies and their compliance with predetermined tolerance limits.
- **Collateral valuation/revaluation process** aimed at accepting, when granting loans/leasing financing, guarantees with a high degree of capitalization and at a real market value. The Group applies a collateral revaluation process to ensure the present value of the collateral on an ongoing basis in line with market developments.
- **The loan monitoring process** that is managed by the Credit Risk and Reporting Department and aims to assess the loan portfolio and detect early warning signals, in order to improve in a timely manner, the identified risks.
- **The restructuring and collection process** involving a complex system for managing credit exposures, applicable to debtors who do not meet their contractual conditions. The actions taken are related to debt collection and/or restructuring of exposures, where the payment behaviour is determined by a deterioration in the financial situation, over a specified period.
- **The impairment loss assessment process** aims to accurately estimate inherent losses on the loan portfolio at any point in time.

Within the Salt Bank Group, the credit risk management structure was composed in 2023 of:

- Deputy General Manager Risk, responsible for risk management, subordinated to the Board of Directors of the Bank,
- Risk Division, subordinated to the Deputy Director General Risk. Within this structure, credit risk management is carried out by the Credit Risk and Reporting Department.

Market risk

In the absence of activities belonging to the trading book, the bank treated only currency risk from activities outside the trading book within the market risk.

For the assessment of currency risk, the standard approach for currency risk was used quantitatively (in accordance with Title IV, Chapter III of EU Regulation no. 575/2013).

The Group and the Bank manage currency risk based on internal limits, established as a percentage of own funds.

For 2023, the Bank has established and monitored daily the following currency risk exposure limits:

1) Limits for the bank's daily currency position, individual and total:

- maximum 15% of own funds for the net open position on each of the EUR and USD currencies;
- maximum 10% of own funds for the net open position on GBP;
- maximum 5% of own funds for net open position on each of the currencies other than EUR, USD, and GBP;

- maximum 20% of own funds for the total net currency position.

2) VaR limit for the Bank's total open currency position (1 day, 99.9%) - maximum 0.2% of the Bank's own funds.

Operational risk

Operational Risk Management was based on the principle of total responsibility of operational directions in identifying, evaluating and reporting these risks.

The identification, monitoring and quantification of operational risk was carried out at the level of the bank's departments by using the Documenta application.

The analysis of information security risks was based on in-depth knowledge of the bank's operations and of the business environment, and in this respect the Risk Division implemented the technical recommendations proposed by the information security officer.

The Bank has developed policies for information security, their objective being to protect the organization against unauthorized access, maintaining confidentiality and ensuring the availability of information. Information security policies include physical security, control of access to systems, security training, virus detection and prevention, backup policy.

To ensure the fastest possible resumption of activity in case of natural disasters, the bank has developed a disaster recovery procedure that describes step by step the steps of restoring the bank's activities.

The bank's dependence on information, as well as its vulnerability, have created the need to build an efficient and adequate infrastructure, which would allow quick recovery of information and continuation of activity based on a backup information system.

The monitoring of the legal risk was carried out through the operational risk application, the events regarding litigations being recorded within it in order to manage and calculate possible operational losses, fines, penalties and sanctions.

Compliance risk

In 2023, the compliance function of SALT Bank fulfilled the purpose of monitoring, using a risk-based approach, compliance risk management with respect to the Bank's activities, verifying that internal regulations and work processes are adequate to prevent such risk, as well as ensuring compliance of the credit institution with the provisions of the applicable legal and regulatory framework.

In managing compliance risk, SALT Bank has conducted its activity in accordance with legal and regulatory provisions, as well as with banking prudential principles, while continuing to ensure a strong organizational culture regarding compliance, according to standards of ethics, integrity and honesty.

Concentration risk

In addition to the mentioned types of concentrations, the Bank also monitors concentrations on Top 20 clients/client groups and Top 10 non-performing exposures (determined according to the definition of the European Banking Authority – EBA and the internal methodology for calculating credit impairment losses).

In addition to the internal limits on credit risk, the bank also monitors the limits regulated by NBR Regulation no. 5/2013 and EU Regulation no. 575/2013:

- Maximum limit of a large exposure
- The maximum limit of an exposure to related parties of the bank.

The Risk Division submits monthly to the Management Committee and the Board of Directors of SALT Bank S.A. the situation of internal limits on credit risk. If the recorded values exceed the risk tolerance limits, the Risk Directorate, through the Significant Risks Department, will convene the Management Committee, within maximum 30 days from the reporting of the exceedance.

At the same time, the Risk Division submits monthly to the Management Committee and the Board of Directors of SALT Bank S.A. the situation of the limits within the range between appetite and tolerance so that the bank's management body can decide whether it is appropriate for remedial measures to be applied before risk tolerance is reached.

Risk of excessive leverage

The Risk Directorate monitored monthly the risk associated with excessive leverage through the leverage ratio established in accordance with Art. 429 of Regulation (EU) No 575/2013. If the value of the indicator will approach the materiality threshold established by the Bank's Risk Strategy, inform the Board of Directors about the measures to be taken. On a quarterly basis, the Risk Division calculated the excessive leverage risk capital requirement, according to the internal procedure for assessing capital adequacy to risks.

Leverage is the excessive accumulation of exposures by banks relative to their own funds. The leverage ratio can be considered a simplified solvency ratio since it measures the amount of non-risk-weighted assets compared to Tier 1 capital.

SALT Bank S.A. monitors the level and changes in the leverage ratio as well as leverage risk as part of the internal capital adequacy assessment process (ICAAP).

As of December 31, 2023, the leverage ratio of SALT Bank S.A. at individual level was 19.75% and 18.29% at consolidated level, above the minimum limits provided by Regulation no. Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms.

Non-banking book interest rate risk

The bank's strategy is to maintain the structure of interest-bearing assets and liabilities in such a way that interest rate changes affect approximately the same income and interest expenses.

The bank measured interest rate risk using the standardized methodology for calculating the potential change in the economic value of a credit institution as a result of changing interest rate levels (Annex 1 to NBR Regulation no.5/2013).

To minimize interest rate risk, several objectives are considered, including:

- prospecting of existing offers and demands on the market;
- correlation of passive interest rates of the bank with active interest rates and market trends;
- ensuring liquidity for the bank;
- prospecting the international financial and foreign exchange market, promptly monitoring the evolution of interest rates and exchange rates, as well as the forecasts of specialists in the field.

Liquidity risk

The bank carried out its activity based on a strategy of prevention and management in good conditions of liquidity, in accordance with the regulations in force of the National Bank of Romania.

The purpose of liquidity risk management was to ensure the liquid funds necessary to cover at any time the financial obligations assumed by the bank and to maintain an adequate level of liquidity on all maturity bands.

The supervision of liquidity risk was carried out based on the liquidity ratio and the immediate liquidity ratio, as well as on the basis of the Liquidity Coverage Ratio (LCR) and Net Stable Financing Ratio (NSFR) indicators that are reported to the National Bank of Romania.

The bank's liquidity management was carried out by the Treasury Directorate and the ALCO Committee by implementing mechanisms, processes, monitoring, and control procedures regarding the bank's liquid assets in currencies in which the bank has a business interest.

Settlement risk

In the context of prudent management of settlement risk, the Bank has permanently pursued:

- perform foreign exchange swap or forward currency swap transactions with amounts small enough and/or distributed over several maturities to ensure the settlement and/or renewal of contracts without difficulties at the maturity date;
- negotiate as much as possible the signing of Netting contracts with counterparties, in order to reduce settlement risk.

The settlement risk had no impact on the bank's activity during 2023, given the regular collection on the settlement date of the operations performed on the foreign exchange market or with a delay of no more than 1 day.

Strategic risk

For the analysis of strategic risk, specific capital adequacy indicators were calculated and analyzed monthly (Share of Common Equity Tier 1 capital, Total capital ratio, Tier 1 capital ratio, Retained earnings and reserves/ Total equity, Leverage ratio) and return on a monthly basis (ROA, ROE, Cost of risk, Net interest margin, Administrative and depreciation charges/total net operating income, Share of operating losses in own funds).

Reputational risk

Within the Bank's Risk Profile, the bank's image was assessed on two levels:

- customer feedback - by highlighting the volume and content of observations-suggestions-complaints from customers and how to solve them,
- media feedback - by highlighting the volume and content of press articles referring directly or indirectly to the bank.

The Bank has a Reputation Risk Management Policy that sets out the ways forward in certain situations involving reputational risk and clearly defines the persons or structures involved in reputational risk management.

1.10. Elements of perspective

The beginning of 2024 would mean, on the one hand, the launch of the MVP in the market, while continuing developments and adding new functionalities that contribute to revenue generation to reach the break-even point envisaged in the strategic plan (2025) as a growth base for the future.

The projection of the SALT BANK Balance Sheet for 2024-2026 based on the following assumptions is presented below:

1. Attracting 218,000 individual customers and 1,500 free lancers in 2024, to grow to 1,500,000 individual customers and 100,000 free lancers in 5 years from market launch;

2. Degree of activation of clients (PF and PFA) = 70% of total clients, average balance in current accounts and deposits of EUR 900 equivalent/active customer where deposit penetration is 20% with an average deposit value of EUR 5,000;
3. 40% of customers will make monthly expenses by jumping at least 1,000 lei / month;
4. The penetration rate with PF and PFA consumer loans is estimated from 6% in 2024 to 24% in 2028 for loans up to 30% (in 2028) for overdrafts and BNPL, for an average value per consumer credit of EUR 6,500 for PF and EUR 8,000 for PFA, respectively;
5. Reaching a 1% share in year 5 from launch.

BALANCE SHEET (RON'000)	31-Dec-23	31-Mar-24	30-Jun-24	30-Sep-24	31-Dec-24	31-Dec-25	31-Dec-26
	A/F	budget	budget	budget	budget	est.	est.
ASSETS							
Cash and cash equivalents	191,343	160,462	150,456	160,785	169,703	596,115	1,017,896
Loans and advances to banks	292,072	31,051	75,277	163,915	116,726	115,771	159,010
Debt securities at amortized cost, net	189,973	189,973	185,198	185,198	205,070	681,274	1,357,195
Loans to customers and financial lease receivables (net)	1,159,577	1,018,658	894,822	889,337	958,035	1,685,732	2,611,483
Intangible assets	57,144	78,447	85,725	91,085	120,163	131,574	139,543
Property and equipment	15,837	15,845	15,225	14,684	14,149	12,558	11,454
Right-of-use assets	1,328	785	314	12,410	11,779	9,255	6,731
Investments in other entities	56,465	56,465	56,465	56,465	38,402	35,640	31,397
Other assets	18,971	30,210	40,722	54,187	69,157	125,069	148,697
Total assets	**1,982,708**	**1,581,896**	**1,504,206**	**1,628,067**	**1,703,185**	**3,392,988**	**5,483,407**
LIABILITIES							
Deposits from clients	16,865	68,700	296,796	616,508	881,473	2,542,973	4,673,924
Interbank deposits & Borrowings	1,547,886	1,137,886	837,886	662,886	547,886	432,886	232,886
Subordinated liabilities	37,898	25,462	25,462	25,462	-	-	-
Other liabilities	18,934	18,391	17,920	30,015	29,384	29,995	34,739
Total liabilities	**1,621,583**	**1,250,438**	**1,178,063**	**1,334,871**	**1,458,743**	**3,005,853**	**4,941,549**
EQUITY							
Share capital	491,795	491,795	491,795	491,795	491,795	741,795	874,295
Retained earnings	(115,793)	(141,323)	(141,323)	(141,323)	(141,323)	(258,006)	(365,313)
P&L for the period	(25,530)	(29,667)	(34,983)	(67,929)	(116,683)	(107,307)	22,223
Other reserves	10,653	10,653	10,653	10,653	10,653	10,653	10,653
Total equity	**361,125**	**331,458**	**326,142**	**293,196**	**244,442**	**387,135**	**541,858**
Total liabilities and equity	**1,982,708**	**1,581,896**	**1,504,206**	**1,628,067**	**1,703,185**	**3,392,988**	**5,483,407**

The Profit and Loss Account at individual level, will enter "break-even" in the third year from launch – 2026, is presented as follows:

INCOME STATEMENT INFORMATION (RON'000)	2023	Q1 2024	Q2 2024	Q4 2024	Q4 2024	2024	2025	2026
	A/F	budget	budget	budget	budget	budget	est.	est.
Net interest income	45,043	11,693	11,809	13,368	15,760	52,631	119,097	248,300
Interest income	*135,889*	*28,031*	*24,415*	*24,720*	*26,446*	*103,611*	*166,005*	*306,545*
Interest expense	*(90,846)*	*(16,337)*	*(12,606)*	*(11,352)*	*(10,686)*	*(50,980)*	*(46,908)*	*(58,245)*
Net fees and commissions	5,651	1,000	1,428	2,100	2,833	7,362	27,778	72,055
Net trading result	6,116	929	1,219	1,605	1,916	5,668	14,658	30,840
Other income	51,782	189	36,587	127	(17,936)	18,966	7,294	10,536
Contribution to Deposit Guarantee Fund & Resolution Fu	(15)	-	(157)	-	-	(157)	(1,021)	(2,683)
TOTAL REVENUES	**108,577**	**13,811**	**50,886**	**17,199**	**2,573**	**84,470**	**167,806**	**359,047**
Staff costs	(46,702)	(15,520)	(15,067)	(15,845)	(16,445)	(62,877)	(71,506)	(77,814)
Marketing expenses	(1,869)	(15,266)	(17,139)	(14,751)	(16,393)	(63,550)	(73,040)	(55,832)
Depreciation and amortization	(7,126)	(2,560)	(4,302)	(4,707)	(5,012)	(16,581)	(25,452)	(26,599)
Turnover tax	-	(611)	(1,288)	(593)	(293)	(2,784)	(4,467)	(4,352)
Other operating expenses	(34,622)	(12,933)	(17,483)	(16,634)	(17,716)	(64,766)	(89,159)	(116,924)
TOTAL EXPENSES	**(90,319)**	**(46,890)**	**(55,278)**	**(52,531)**	**(55,858)**	**(210,557)**	**(263,625)**	**(281,520)**
PROFIT BEFORE PROVISIONS	**18,257**	**(33,079)**	**(4,392)**	**(35,332)**	**(53,285)**	**(126,087)**	**(95,819)**	**77,527**
Loans & lease provision (charge)/release	(48,377)	(3,244)	(2,783)	(4,637)	(5,855)	(16,519)	(35,097)	(53,174)
Loans & lease recovery after write offs	5,427	1,087	1,224	1,360	1,466	5,136	5,679	4,855
Provisions for other risks, (charge)/release	(1,161)	(348)	(348)	(348)	(348)	(1,393)	(1,532)	(1,456)
Net impairment charge on treasury financial assets	468	267	(29)	(265)	(18)	(46)	(978)	(1,296)
TOTAL RESULT ON PROVISION	(43,642)	(2,239)	(1,936)	(3,890)	(4,756)	(12,821)	(31,928)	(51,071)
PROFIT BEFORE TAX	**(25,385)**	**(35,317)**	**(6,328)**	**(39,222)**	**(58,040)**	**(138,908)**	**(127,747)**	**26,456**
Income tax	(146)	5,651	1,013	6,276	9,286	22,225	20,440	(4,233)
NET PROFIT AFTER TAXES	**(25,530)**	**(29,667)**	**(5,316)**	**(32,947)**	**(48,754)**	**(116,683)**	**(107,307)**	**22,223**

Strategic objectives 2023

1.0 – MVP – beginning of 2024 (including market launch at the end of March 2024):

- Remote on-boarding and instant issuance of cards in the app (simultaneously with the issuance of physical cards)
- P2P transfers on Alias Pay platform - fast customer acquisition
- Member-get-Member - fast customer acquisition
- FX - including promotions - revenue driver and customer campaigns
- Save in Spaces
- Term deposit in RON
- Round-up
- Invest (in fund units)
- Basic services

2.0 – End of 2024:

- Responsible lending - personal loans - income driver
- Insurance (e.g. MTPL as first product)
- Continuous development of Save & Invest, Trading options
- Personalized offers based on insights
- Further development of payments
- Additional capabilities on the back office side – credit (scoring, EWS-collect.)
- Free lancers - basic functionalities (on-boarding, card, payments)

3.0 – Continuing development:

- Further development of functionalities (especially positioning on financial health, self-service on lending, etc.)
- Enriching offers (e.g. personalization, partnerships) and Back Office capabilities (e.g. risk, fraud, etc.) through advanced analytics (AI/ML)
- Expansion of the free lancers and micro-SME universe, for example:
  - o Invoice split pay in app
  - o Supplier & customer management (including invoicing and tracking)
  - o B2B/C marketplace

The main objective is to build a new type of banking 100% online, based on the following principles:

- The mobile (telephone) is the main communication channel, the easiest tool, which is almost always in the customer's possession;
- Services and products are defined starting from the customer, from his best online experience, and the entire infrastructure adapted to this principle;
- Integrating online customer behaviours into scoring and decision-making models (machine learning);
- Services and systems are available 24/7;
- Increasing the quality of services by attaching a Customer Service to the online channel;
- Differentiation in the market as Online Lender – the main bank that grants online loans to non-customers (the main market addressed), but also to existing customers.

The new bank will be positioned among the top Romanian banks offering innovative digital services, but will differentiate itself, offering the best experience in the process of contracting a loan in the online environment.

2. Tangible assets

Currently SALT Bank S.A. owns tangible assets of the nature of buildings, representing the space in one of the branches in Bucharest functioned and activate as a deposit.

As of 31 December 2023, SALT Bank holds tangible assets valued at RON 30,250,587 representing:

- Buildings in property and facilities evaluated at the amount of RON 11,569,459 and assets representing the right of use – rents RON 9,585,666;
- - Assets held for sale – RON 2,812,247;
- Other movable tangible assets, equipment, furniture and office equipment worth RON 4,265,531, tangible assets in progress amounting to RON 1,144,708 and means of transport worth RON 872,974.

3. The securities issued by SALT Bank S.A.

In December 2018, Idea Bank S.A. issued subordinated bonds, on the Romanian capital market, denominated in Euro, in the amount of EUR 5,000,000, which were admitted to trading in February 2019, on the Alternative Trading System administered by the Bucharest Stock Exchange Company S.A.

The structure of the subordinated bonds issued at 31 December 2023 is as follows:

Shareholder	Origination date	Due date	Number of bonds	Value FCY (thousand)	Currency	Interest rate (%)
Investor 1	18-Dec-18	18-Dec-24	3.000	3.000	EUR	8.50%
Investor 2	18-Dec-18	18-Dec-24	1.250	1.250	EUR	8.50%
Investor 3	18-Dec-18	18-Dec-24	500	500	EUR	8.50%
Investor 4	18-Dec-18	18-Dec-24	250	250	EUR	8.50%
Total amount equivalent RON thousand December 31st 2023				**24,873**		
Total amount equivalent RON thousand December 31st 2022				**24, 685**		

3.1. SALT Bank S.A. dividends policy

SALT Bank Group fully complies with the corporate governance principles of the instruments listed in the ATS-BVB. According to the articles of incorporation, each shareholder is entitled to dividends and they are paid according to the quota of the shareholder in the share capital.

SALT Bank GROUP issues periodic informative reports whereby all group shareholders are informed promptly and fairly of any significant changes in the financial statements, the composition of management or the activity of the Bank.

3.2. Observing payment obligations to bond shareholders

The main activity of the Bank was performed under normal conditions, with no exceptional circumstances. All legal requirements were followed, in terms of the correct and up-to-date organization and management of accounting, in terms of accounting principles, as well as in terms of complying with the accounting rules and regulations in force.

In 2023, the Bank found itself in no such cases as to be unable to meet its financial obligations.

The bank honoured its obligations to the bondholders by paying the coupon half-yearly to the investors according to the assumed memorandum.

4. SALT Bank S.A. Management

Corporate governance is the set of responsibilities and practices of the management, aiming to provide a strategic direction and an assurance that its objectives will be achieved, namely ensuring that the risks are properly managed and that the company's resources are used responsibly. In other words, corporate governance is the set of principles that underpin the management framework through which the bank is run and controlled.

SALT Bank S.A. it is organized and operates in accordance with the Romanian legislation applicable to commercial companies and credit institutions. According to the Articles of Incorporation, the bank's business objects can be summarized as conducting banking activities.

The leasing company, Idea Leasing IFN S.A. it is organized and operates in accordance with the Romanian legislation, applicable to commercial companies and non-banking financial institutions.

Statement of SALT Bank S.A. Group on Corporate Governance

Considering the admission to trading on the Alternative Trading System of the BSE (AeRO) of the series of subordinated bonds worth 5,000,000 euros issued by Idea Bank S.A. In December 2018, the bank prepares the present self-assessment on the fulfilment of the "provisions to be fulfilled" of the Corporate Governance Principles for AeRO, as follows:

4.1. Board of Directors

The Board of Directors is a collective management body that establishes the Bank's core business and development directions and oversees the Bank's and executive management, and also has the ultimate responsibility for the Bank's operations and financial soundness. The Board of Directors decides on the accounting and financial control system and approves the financial plans. The Board of Directors performs the supervisory function and performs all the tasks of monitoring and controlling the fulfilment of the strategy and objectives of the Bank, within the limits of approved risk tolerance.

During the year 2023, the Board of Directors of SALT Bank S.A. was composed of 5 members, each of them obtaining the approval of the National Bank of Romania prior to the beginning the exercise of responsibilities, had a stable structure.

The administration of the conflict of interests at the level of the Board of Directors is regulated both within the Organization and Functioning Regulation and through an internal policy specifically dedicated to this subject.

SALT Bank S.A. keeps the updated records of all the professional commitments of the members of the Board of Directors, obliging them to inform the bank of any changes in the situation of professional commitments.

The independence of the members of the Board of Directors in making the decisions and, in particular, their decision-making independence from the shareholders, is subject to the Policy regarding the management of the conflict of interests at the level of the members of the management body. This Policy also regulates the information and abstention obligations of the members of the Board of Directors regarding possible conflicts of interest arising from their connection with one or more shareholders.

Among the tasks of the Board of Directors we include: approval of the Bank's organizational structure, general and specific policies, appointment and dismissal of executive directors and establishment of their remuneration, effective supervision of the activity of executive directors, preparation of the annual report and organization of the general meeting of shareholders and implementation of the decision of the

Shareholders, approving the purchase of real estate or movable property for the purpose of their use by the Bank for a price not exceeding 20% of the Bank's share capital, etc.

The Board of Directors meets, as a rule, once a month or whenever the Bank's activity requires it.

The calls for meetings of the Board of Directors include the place where the meeting will be held, the date and the draft agenda. At each meeting, a report is drawn up, which includes the names of the participants, the order of the deliberations, the decisions taken, the number of votes taken and the separate opinions.

In 2023, there were 17 meetings of the Board of Directors (2022: 24), a number considered to be sufficient for the efficient performance of the tasks. The assessment of the adequacy of the members of the Board of Directors takes place every two years, in accordance with the provisions of the EBA Guide no. 12/2017 regarding the assessment of the adequacy of the members of the management body and of the persons holding key functions. The results and the situation of the bank are analysed monthly and quarterly based on up-to-date information on the bank's situation and on the basis of the reports of the internal control functions.

The Board of Directors of SALT Bank S.A. approved both at the group level as well as individual bank level, the general business strategy, the risk strategy, the policies regarding the identification and management of the significant risks, the liquidity risk management, the reports on the internal control framework, the report on the Internal Capital Adequacy Assessment Process - ICAAP, reports on financial results.

It also approved the notes regarding changes in the management of the bank and the group, the convening of the GMS, updates of the internal regulations including remuneration policies, reports on the results of the inventory of the assets.

During the meetings, the Board of Directors is regularly informed about the economic, monetary and financial environment, the evolution of local legislation, the significant risks, the main events that took place within the bank, and the activity of the committees set up to support it.

The Bank's Board of Directors structure was the following as at 31 December 2023:

1. **Mioara Popescu**, **President of SALT Bank S.A. Board of Directors** since 28.04.2022 – first mandate,
2. **Ivo Gueorguiev, Independent member of SALT Bank S.A. Board of Directors** since 22.03.2022 – first mandate,
3. **Omer Tetik, member of SALT Bank S.A. Board of Directors** since 08.03.2022 – first mandate,
4. **Costel Lionăchescu, Independent member of SALT Bank S.A. Board of Directors** since 03.10.2022 – first mandate,
5. **Tiberiu Moisă, member of SALT Bank S.A. Board of Directors** since 26.07.2022 – first mandate.

The following committees are directly subordinated to the Board of Directors: the Executive Committee, the Audit and Risk Committee (ARC) and the Remuneration Committee (RC).

There is no family agreement or relationship between the directors and another person due to whom the person has been named administrator. No director owns shares in SALT Bank S.A.

4.2. Management Board

The Management Board is made up of the persons empowered to lead and coordinate the daily activity, being the collective body composed of directors within the meaning of the provisions of Law no. 31/1990 on commercial companies, supported with those of the Government Emergency Ordinance no. 99/2006 on credit institutions and capital adequacy, and fulfils the executive management function within the meaning of the NBR Regulation 5/2013. The Management Board exercises the responsibilities set forth in the Articles of Incorporation and those delegated by the Board of Directors to manage and coordinate the Bank's current business.

Operational management and coordination of the Bank's day-to-day operations is delegated by the Board of Directors to the Management Board whose members are elected by the Board of Directors.

The main tasks of the Management Board concern the effective management of the organization, including the management of assets and liabilities, the management of competences, the relationship with the Board of Directors, but also the management of the internal control system, the activities affected by the risks, the implementation of the recommendations of the internal audit and the external financial auditor, and the accuracy of the financial information provided to stakeholders, ensuring the integrity of accounting and financial reporting systems, compliance with the legal framework, and the rules established by the Board of Directors, compliance with the strategic targets and the risk appetite assumed by the bank.

The members of the Management Board are responsible for taking all measures related to the management of the company, within the scope of the company's activity and respecting the powers that the law or the constitutive act reserves exclusively to the Board of Directors and the General Meeting of Shareholders.

Each member of the Management Board is invested with all the powers to act on behalf of the Bank and to represent it in relations with third parties in any circumstance related to the activities it coordinates, in compliance with the legal provisions of the Constitutive Act and the Organization and Functioning Regulation.

Meetings of the Board of Directors are usually held once per week or whenever needed. During the year 2023, 82 meetings of the Management Board were held (108 in 2022).

Decisions of the Management Board are taken by an absolute majority of its members' votes. In the meetings of the Management Board the vote cannot be delegated. The minutes of the meeting are signed by the members attending the meeting immediately after its drafting.

The Management Board has provided the Board of Directors regularly comprehensive and detailed information on all important aspects of the Bank's activities, including those relating to risk management, the assessment of potential risks and compliance issues, the measures taken and recommended, the implementation of internal controls, irregularities identified in the performance of their duties, developed projects. Any event of major importance is immediately communicated to the Board of Directors.

The management of current activity of SALT Bank is assured by the Executive Committee, respectively by: General Manager and Deputy General Managers, the composition of which, as of 31.12.2023 was the following:

1. **Gabriela Cristina Nistor, General Manager** since October 2022 – first mandate,
2. **Sinan Kircali, Deputy General Manager** since April 2022 - first mandate,
3. **Sorin Dumitrescu, Deputy General Manager** since April 2022 - first mandate,
4. **Daniel Constantin Popescu, Deputy General Manager** since December 2022 – first mandate,
5. **Robert Mihail Anghel, Deputy General Manager** since December 2023 – first mandate.

There is no agreement or understanding or family connection between the members of the executive management and another person for whom the person has been appointed to the executive management. No member of the executive management owns shares in the capital of SALT Bank S.A.

None of the above mentioned persons have been involved in litigation or administrative proceedings, during the last 5 years, regarding their activity within the bank, as well as others concerning the capacity of the respective person to perform their duties within the bank.

The Bank issues current information reports to BVB, through which all the shareholders of the bank are promptly and correctly informed about any significant changes that have occurred in the financial statements, the composition of the management, disputes in which they were involved or disputes related to the bank's activity.

4.3. External Audit

The Bank's external auditor, DELOITTE AUDIT S.R.L., performed the annual audit of the individual and consolidated financial statements for the financial year ended 31 December 2023.

The audit opinion expresses that the individual and consolidated financial statements return a true image, in all significant aspects, of the individual financial position of SALT Bank SA, as well as of the individual result and of the individual cash flows in accordance with the International Financial Reporting Standards adopted by the European Union.

4.4. Internal Audit

The Internal Audit function, independent function reporting to the Audit and Risk Committee, provides for an objective examination of all Bank's activities for the purpose of an independent assessment of risk management, internal control system, management and execution processes to support the achievement of the proposed objectives and makes recommendations for improving the effectiveness of these activities.

4.5. Audit and Risk Committee

The Audit and Risk Committee is a standing committee of the Bank appointed by decision of the Board of Directors, consisting of 3 (three) members, and the President of the ARC is an independent member and is not part of the Bank's executive management.

The main tasks of the ARC are aimed at the functioning of the internal control system, the activities affected by risks to be analysed in that year within the audit commitments and of the external financial auditor, the correctness and credibility of the financial information provided to the executive management and external users, compliance with the provisions of the legal framework, with the constitutive act and with the norms established by the Board of Directors, the compliance with the strategic targets and the risk appetite assumed by the bank for the risk indicators and the significant risks in the risk profile structure.

During 2023, SALT Bank Audit and Risk Committee held 14 meetings (14 meetings in 2022).

The Audit and Risk Committee has responsibilities in accounting and financial statements and in the internal control framework area. Reports and documents presented by the Accounting, Risk, Compliance and Audit functions were analysed, approved, and approved at the committee meetings. As regards reporting to the Board of Directors, the Chairman of the Audit and Risk Committee reports to the Board of Directors the activities undertaken by the committee, the relevant issues and all recommendations based on its evaluation. In accordance with the established schedules, the meetings of the Committee precede the meetings of the Board of Directors

Based on the Organization and Functioning Regulation, the Audit and Risk Committee has the following responsibilities in the area of accounting and financial statements:

- Supervises the establishment of accounting policies by the Bank;
- Review important accounting items, including complex and extraordinary transactions;
- Analyses annual financial statements and quarterly financial reports;
- Discusses, at least annually, with external auditors.

The Audit and Risk Committee evaluated the efficiency and adequacy of the Bank's internal control framework, in particular the risk control, the compliance function, the accounting system and the functioning of the Internal Audit Division. It also analysed and endorsed the recommendations issued by the Internal Audit, as well as the manner and period of their implementation, supporting the Board of Directors and the Management Committee in remedying the deficiencies.

The Audit and Risk Committee examined the robustness of the Bank's internal controls, working in collaboration with both the external auditor and the internal auditor, to closely monitor any identified deficiencies and to monitor the follow-up by carefully maintaining the analyses. In addition, the Audit and Risk Committee closely monitored the implementation of the action plans as a result of the external regulatory controls.

The Audit and Risk Committee is responsible for evaluating the performance, objectivity and independence of the external auditor and delivering quality audit reports. For 2023, the Committee considered that both the main partner and the enlarged teams, as well as the terms of remuneration and employment of the appointed auditor are suitable for approval. Based on the Audit and Risk Committee's declaration of independence of its own auditor evaluation, the Committee concluded that DELOITTE AUDIT S.R.L. is independent in providing audit services for SALT Bank S.A.

4.6. Transactions with Related Parties

Transactions with affiliated parties at both the individual and consolidated levels are presented in the Financial Statements as of 31 December 2023, list of related parties are presented in Annex 2.

5. Financial accounting status – Financial results

The below financial analysis is made based on the audited individual and consolidated financial statements prepared according to the International Financial Reporting Standards, for the period ended 31 December 2023 and the comparative periods.

The Separate and Consolidated Financial Statements were prepared in accordance with the International Financial Reporting Standards as adopted by the European Union ("IFRS") and in force as at 31 December 2023. The data presented regarding 2023 is based on the organisation and accounting rules as stated by the Law no. 82/1991, republished and further amended and completed, with NBR Order no.27/2010 approving the accounting rules under the International Financial Reporting Standards adopted by the European Union, as subsequently amended and supplemented, NBR Order no. 29/29.12.2011, Order no. 2/7.03.2013, Order 7/30.10.2014, Order 7/20.07.2015, 7/3.10.2016, 8/11.08.2017 and 10/31.12.2018 as well as other NBR instructions in the field.

5.1. Financial position

The financial position of the Bank and the Group at the end of 2023, reflected for a retrospective period, is the following:

Balance sheet - GROUP (thousands lei)	Dec-23	% in total	Dec-22	Dec-23 vs Dec-22 (abs.)	Dec-23 vs Dec-22 (%)	Dec-21	Dec-22 vs Dec-21 (abs.)	Dec-22 vs Dec-21 %
Cash and current accounts with Central Bank	85,886	4.5%	182,428	(96,542)	-52.9%	499,448	(317,020)	-63.5%
Placements to banks	220,082	11.6%	245,398	(25,316)	-10.3%	30,792	214,606	696.9%
Net loans and advances to customers	1,241,023	65.3%	1,644,373	(403,350)	-24.5%	1,982,676	(338,303)	-17.1%
out of which, financial leasing receivables	974,479	51.3%	1,140,955	(166,475)	-14.6%	*982,139*	*158,816*	*16.2%*
Other financial instruments	211,519	11.1%	237,562	(26,043)	-11.0%	299,676	(62,114)	-20.7%
Tangible and intangible assets	96,402	5.1%	38,326	58,076	151.5%	51,472	(13,147)	-25.5%
Other assets	45,315	2.4%	59,322	(14,007)	-23.6%	72,617	(13,294)	-18.3%
Total assets	**1,900,227**	**100.0%**	**2,407,409**	**(507,181)**	**-21.1%**	**2,936,681**	**(529,273)**	**-18.0%**
Deposits from banks	1,304,377	68.6%	1,913,752	(609,375)	-31.8%	93,640	1,820,112	1943.7%
Deposits from clients	29,136	1.5%	92,407	(63,271)	-68.5%	2,378,766	(2,286,359)	-96.1%
Loans from banks and other credit institutions (including subordinated debts)	139,411	7.3%	105,524	33,887	32.1%	146,685	(41,160)	-28.1%
Other debts	61,461	3.2%	56,159	5,302	9.4%	69,700	(13,541)	-19.4%
Total liabilities	**1,534,385**	**80.7%**	**2,167,842**	**(633,457)**	**-29.2%**	**2,688,791**	**(520,949)**	**-19.4%**
Share capital	459,151	24.2%	294,150	165,001	56.1%	359,440	(65,290)	-18.2%
Share premiums	32,645	1.7%	32,645	-	0.0%	(32,645)	65,290	-200.0%
Accumulated deficit	(149,270)	-7.9%	(97,848)	(51,422)	52.6%	(94,025)	(3,823)	4.1%
Other reserves	15,241	0.8%	9,116	6,125	67.2%	15,120	(6,004)	-39.7%
Total equity attributable to equity holders of the Bank	**357,767**	**18.8%**	**238,063**	**119,704**	**50.3%**	**247,890**	**(9,827)**	**-4.0%**
Non-controlling interest	8,075	0.4%	1,503	6,572	100.0%	-	1,503	100.0%
Total equity	**365,842**	**19.3%**	**239,566**	**126,276**	**52.7%**	**247,890**	**(8,324)**	**-3.4%**
Total liabilities and equity	**1,900,227**	**100.0%**	**2,407,409**	**(507,181)**	**-21.1%**	**2,936,681**	**(529,273)**	**-18.0%**

Balance sheet - BANK (thousands lei)	Dec-23	% in total	Dec-22	Dec-23 vs Dec-22 (abs.)	Dec-23 vs Dec-22 (%)	Dec-21	Dec-22 vs Dec-21 (abs.)	Dec-22 vs Dec-21 %
Cash and current accounts with Central Bank	85,883	4.9%	182,426	(96,543)	-52.9%	499,445	(317,019)	-63.5%
Placements to banks	163,583	9.2%	238,918	(75,335)	-31.5%	26,434	212,484	803.8%
Net loans and advances to customers	1,136,756	64.2%	1,539,658	(402,902)	-26.2%	1,896,634	(356,976)	-18.8%
out of which, financial leasing receivables	887,635	50.1%	1,054,436	(166,800)	-15.8%	*899,534*	*154,902*	*17.2%*
Other financial instruments	211,519	11.9%	237,562	(26,043)	-11.0%	299,676	(62,114)	-20.7%
Tangible and intangible assets	91,526	5.2%	32,760	58,766	179.4%	49,901	(17,141)	-34.4%
Other assets	81,331	4.6%	61,402	19,929	32.5%	77,370	(15,968)	-20.6%
Total assets	**1,770,598**	**100.0%**	**2,292,726**	**(522,128)**	**-22.8%**	**2,849,460**	**(556,734)**	**-19.5%**
Deposits from banks	1,304,377	73.7%	1,913,752	(609,375)	-31.8%	93,640	1,820,112	1943.7%
Deposits from clients	33,165	1.9%	99,010	(65,845)	-66.5%	2,391,256	(2,292,246)	-95.9%
Loans from banks and other credit institutions (including subordinated debts)	37,327	2.1%	46,070	(8,743)	-19.0%	97,429	(51,359)	-52.7%
Other debts	30,481	1.7%	15,681	14,800	94.4%	29,809	(14,128)	-47.4%
Total liabilities	**1,405,350**	**79.4%**	**2,074,513**	**(669,163)**	**-32.3%**	**2,612,134**	**(537,621)**	**-20.6%**
Share capital	459,151	25.9%	294,150	165,001	56.1%	294,150	-	0.0%
Share premiums	32,645	1.8%	32,645	-	0.0%	32,645	-	0.0%
Accumulated deficit	(140,125)	-7.9%	(115,791)	(24,334)	21.0%	(102,682)	(13,109)	12.8%
Other reserves	13,577	0.8%	7,209	6,368	88.3%	13,213	(6,004)	-45.4%
Total equity	**365,248**	**20.6%**	**218,213**	**147,035**	**67.4%**	**237,326**	**(19,113)**	**-8.1%**
Total liabilities and equity	**1,770,598**	**100.0%**	**2,292,726**	**(522,128)**	**-22.8%**	**2,849,460**	**(556,734)**	**-19.5%**

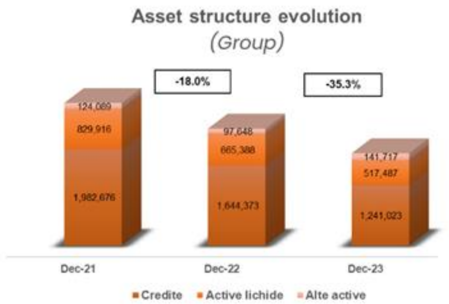
- **Balance sheet composition**. The evolution of assets changed its upward trend to a downward one, following the decision in December 2022 to stop originating loans and the decision to preserve the leasing company starting August 2023, in order to focus the effort on the digital project.

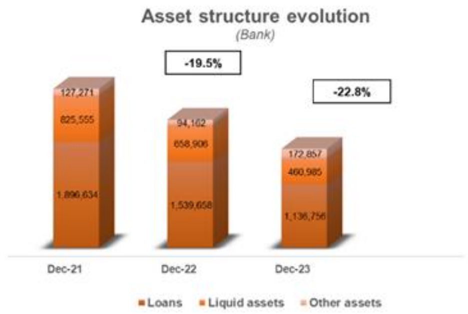
The bank's **total assets** decreased by 22.8% in 2023 (by 21.1% for the Group) as a result of the sale of customers and loans to Banca Transilvania and the cessation of loan origination in order to prepare the bank for the digital project. Thus, **net loans** decreased by 26.2% at individual level (respectively 24.5% at consolidated level), while leasing receivables decreased by 15.8% at individual level and 14.6% at group level, respectively.

The determining share in both the bank's and group's balance sheet is held by loans (64.2% Bank / 65.3% Group), followed by **liquid assets** (26% Bank / 27.2% Group), while other assets hold a small share (4.6% Bank / 2.4% Group).

Cash and current accounts at the central bank decreased by 52.9% at both Bank and Group level compared to December 31, 2023, driven especially by the change in business mode – operationalization without territorial units and without cash.

Tangible and intangible assets accounted for 5.2% of total assets at Bank level, respectively 2.4% at Group level.





- **Asset quality**. The quality of the loan portfolio is in line with the average of the banking system, the performing loans ratio is higher than the average because of the decrease in the generated portfolio.

The non-performing exposures ratio according to the European Banking Authority (EBA) is 11.6% Bank / 11.2% Group as of December 31, 2023, above the average per system, and the Cost of Risk increased compared to 2022 from 1.7% to 3.9% at Bank level and 4.4% at Group level in the context mentioned above.

The provision coverage of non-performing exposures according to EBA is 56% at the level of the Bank, respectively of the Group, a level close to the regulated minimum limit.

- **Liquidity and financing sources.** The liquidity position of the bank is at a comfortable level. The group is mainly financed by deposits from banking and non-banking customers (75.6% of total liabilities).

As of December 31, 2023, **sources attracted from non-banking customers** represent 1.9% of total balance sheet liabilities at bank level (1.5% Group), registering a decrease of 66.5% compared to December 2022, as a result of the change in business model, deposits from banks registering a decrease of 31.8%, representing 73.7% of total liabilities at individual level (68.6% at group level).

During 2023, the Bank maintained its holdings in government bonds at 10% of the bank's total assets and aimed for an immediate liquidity level of 30%. The bank's adequate liquidity profile, mainly supported by deposit flow, is accentuated by an adequate ratio of **liquid assets** to total assets (26%).

- **Capital adequacy.** The capitalization is adequate, the solvency of the bank calculated as of December 31, 2023 was 29.8% at individual level and 26.6% at SALT Bank Group level.

5.2. Profit and Loss Account

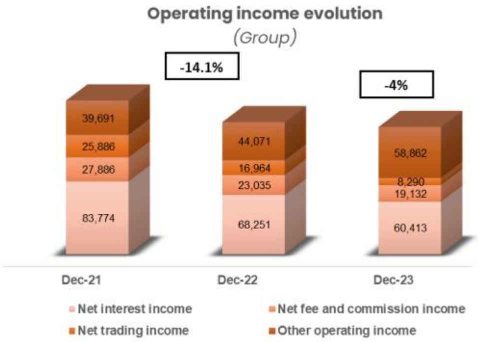
The main items of the individual and consolidated profit and loss account prepared in accordance with the International Financial Reporting Standards adopted by the European Union (IFRS), compared to last year, are as follows:

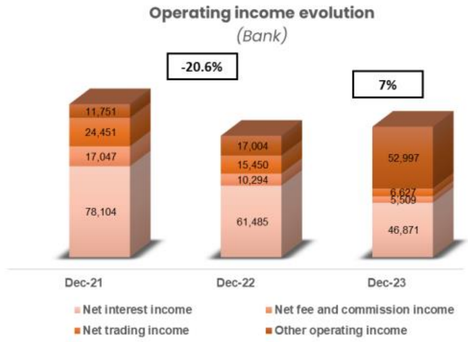
Profit and Loss - GROUP (thousands lei)	Dec-23	Dec-22	Dec-23 vs Dec-22 (abs.)	Dec-23 vs Dec-22 (%)	Dec-21	Dec-22 vs Dec-21 (abs)	Dec-22 vs Dec-21 (%)
Net interest income	60,553	68,251	(7,698)	-11.3%	83,774	(15,523)	-18.5%
Net fee and commission income	14,586	23,035	(8,449)	-36.7%	27,886	(4,851)	-17.4%
Net trading income	9,181	16,964	(7,783)	-45.9%	25,886	(8,922)	-34.5%
Other operating income	57,519	44,071	13,449	30.5%	39,691	4,379	11.0%
Operating income	**141,839**	**152,322**	**(10,482)**	**-6.9%**	**177,238**	**(24,916)**	**-14.1%**
Staff expenses	(57,990)	(59,716)	1,726	-2.9%	(71,370)	11,654	-16.3%
Other operating expenses	(54,212)	(64,274)	10,062	-15.7%	(60,799)	(3,475)	5.7%
Operating expenses	**(112,202)**	**(123,990)**	**11,788**	**-9.5%**	**(132,169)**	**8,178**	**-6.2%**
Operating result	**29,637**	**28,332**	**1,306**	**4.6%**	**45,069**	**(16,738)**	**-37.1%**
Provisions expenses	(64,274)	(31,816)	(32,458)	102.0%	(18,414)	(13,401)	72.8%
Gross result	**(34,637)**	**(3,484)**	**(31,153)**	**894.2%**	**26,655**	**(30,139)**	**-113.1%**
Income tax expense + tax on assets	(6,362)	(4,221)	(2,141)	50.7%	(7,892)	3,671	-46.5%
Net result	**(40,999)**	**(7,705)**	**(33,293)**	**432.1%**	**18,763**	**(26,468)**	**-141.1%**

Profit and Loss - BANK (thousands lei)	Dec-23	Dec-22	Dec-23 vs Dec-22 (abs.)	Dec-23 vs Dec-22 (%)	Dec-21	Dec-22 vs Dec-21 (abs)	Dec-22 vs Dec-21 (%)
Net interest income	46,871	61,485	(14,614)	-23.8%	78,104	(16,619)	-21.3%
Net fee and commission income	5,509	10,294	(4,785)	-46.5%	17,047	(6,753)	-39.6%
Net trading income	6,627	15,450	(8,823)	-57.1%	24,451	(9,001)	-36.8%
Other operating income	52,997	17,004	35,993	211.7%	11,751	5,253	44.7%
Operating income	**112,004**	**104,233**	**7,771**	**7.5%**	**131,353**	**(27,120)**	**-20.6%**
Staff expenses	(40,817)	(36,283)	(4,534)	12.5%	(50,224)	13,941	-27.8%
Other operating expenses	(43,066)	(53,346)	10,280	-19.3%	(46,567)	(6,779)	14.6%
Operating expenses	**(83,883)**	**(89,629)**	**5,746**	**-6.4%**	**(96,791)**	**7,162**	**-7.4%**
Operating result	**28,121**	**14,604**	**13,517**	**92.6%**	**34,562**	**(19,958)**	**-57.7%**
Provisions expenses	(52,384)	(28,484)	(23,900)	83.9%	(17,415)	(11,069)	63.6%
Gross result	**(24,264)**	**(13,880)**	**(10,384)**	**74.8%**	**17,147**	**(31,027)**	**-180.9%**
Income tax expense+ tax on assets	(70)	(225)	155	-68.9%	(4,476)	4,251	-95.0%
Net result	**(24,334)**	**(14,105)**	**(10,229)**	**72.5%**	**12,671**	**(26,776)**	**-211.3%**

- **Profitability**. SALT Bank Group recorded at the end of 2023 a loss of RON 40,999 thousand (RON 24,334 thousand Bank), generating a negative return on capital.

Net interest income, which represents 42% of operating income at Bank level and 41% at Group level, as well as **net fees and commission income**, which contribute 5% to operating income at Bank level and 13% at Group level, recorded negative dynamics because of business decisions to build the digital bank. The **net interest margin** at Bank level was stable compared to 2022 (2.5%) and had an upward trend at Group level, following the update of leasing receivables at EURIBOR 3 months (increased from 2.7% to 3%).





A contribution to operating income of 6% at Bank and Group level was **net trading income**. The **cost/income ratio (CIR)** improved from 86% to 74.9% at Bank level and from 81.4% to 79.1% consolidated level.

5.3. Statement of changes in cash flows

The statement of changes in cash flows from operating, investment and financing activities is presented as follows:

Cash flow	**Bank**			**Group**		
	2023	**2022**	**2021**	**2023**	**2022**	**2021**
Cash and cash equivalents at the beginning of the financial year	**421,344**	**525,879**	**522,969**	**427,826**	**530,147**	**528,361**
Operating cash flows	(341,427)	(117,112)	18,778	(294,082)	(111,688)	110,919
Cash flows from investment activity	**20,301**	**73,834**	**2,128**	**(8,709)**	**65,986**	**(6,955)**
Cash flows from financing activity	149,247	(61,257)	(17,996)	180,933	(56,712)	(102,085)
Cash and cash equivalents at year-end	**249,466**	**421,344**	**525,879**	**305,968**	**427,825**	**530,240**

5.4. Changes in share capital

As of 31 December 2023, the share capital of SALT Bank S.A is RON 416.976.000 and is composed of 4,169,760,000 shares with a nominal value of RON 0.1 each.

On 7th of December 2023, the bank's share capital has been increased by RON 165,000,000, by issuing 1.650.000.000 new shares, with a nominal value of RON 0.1, fully subscribed and paid up by the two existing shareholders Banca Transilvania and BT Investments SRL, as follows:

- Shareholder BT Investments SRL: 20.848.799 shares with total nominal value subscribed and paid up of RON 2,084,.879.9;
- Shareholder Banca Transilvania: 1.629.155.111 shares with a total nominal value subscribed and paid up of RON 162,915,511.1.

The Articles of Incorporation of the Bank were amended on:

- March 6, 2023, to update the formalities for the Board of Directors sessions;
- June 27, 2023, whereby the titles of the executive management positions have been changed from Executive President/ Executive Vice-president to General Manager/ Deputy General Manager;
- November 16, 2023, for changing the bank's name to Salt Bank;
- December 07, 2023, to reflect the increased share capital.

5.5. Subsequent events in 2023

Significant events with an impact on the financial statements are presented in the note 42 to the attached financials, referring to the transfer of leasing portfolio from the bank to the subsidiary.

The annual report is accompanied by the following annexes (which form an integral part of this report):

- the list of the Bank's subsidiaries and the companies controlled by it - ANNEX 1
- list of persons affiliated to the Bank - ANNEX 2

ANNEXES: The present report has attached the copies of the following documents:

1. Consolidated and individual financial statements according to the International Financial Reporting Standards (IFRS) as endorsed by the European Union as at 31 December 2023:
   - Consolidated and Separate Statement of Profit or Loss and Comprehensive Income
   - Separate and consolidated statement of financial position
   - Separate and consolidated statement of changes in equity
   - Separate and consolidated statement of cash flow
   - Notes to the summarized individual and consolidated financial statements.
2. Report of the Board of Directors of SALT Bank S.A. individually and consolidated for 2023;
3. Report of the Independent Auditor DELOITTE Audit S.R.L, for IFRS Individual and Consolidated Financial Statements;
4. The statement of the Executive Finance Director of SALT Bank assuming the responsibility for the annual financial statements for the 2023 exercise.

President of the Board of Directors

Ivo Gueorguiev

Chief Executive Officer

Gabriela Cristina Nistor

Executive Finance Director

Gabriela Andrei

ANNEX 1

Lis of subsidiaries of SALT Bank S.A. at 31.12.2023

Company	Percentage	Value in RON	Number of shares	Nominal value per share
Idea Leasing IFN S.A.	88.6713%	8.000.010	800.001	10

ANNEX 2

List of related parties to SALT Bank S.A. at 31.12.2023

No	Company name
1	Banca Transilvania S.A.
2	BT Investments S.R.L.
3	BT Asset Management S.A.I S.A.
4	Idea Leasing IFN S.A

No	Company name	No
1	Andrei	Gabriela
2	Anghel	Robert Mihai
3	Băiașu	Maria
4	Călinescu	George
5	Caraghiaur	Simona
6	Coraș	Eliza
7	Danci	Anda
8	Doca	Niculae
9	Girea	Andrei
10	Gueorguiev	Ivo
11	Iliescu	Radu
12	Ionescu	Angela
13	Iordache	Aurelia
14	Karpiuk	Mykhailo
15	Kircali	Sinan
16	Lionăchescu	Costel
17	Manolescu	Dan
18	Moisă	Tiberiu
19	Lazăr	Daniela
20	Matei	Bogdan
21	Nistor	Gabriela
22	Palea	Corina
23	Pîslaru	Andrei
24	Popescu	Mioara
25	Popescu	Daniel
26	Portase	Corina
27	Priboi	George-Marin
28	Ruse	Viorel
29	Sava	Mihaela

30	Savu	Mihaela
31	Şerban	Onuț Liviu
32	Talpoş	Andreea
33	Tetik	Omer
34	Vancea	Arnold
35	Vasile	Viorel

BOARD OF DIRECTORS REPORT

SALT BANK GROUP

2023

Content

1. Business model and Top Management

1.1. Business model

This Board Report for financial statements 2023 was drafted in compliance with:

1. National Bank of Romania Order no. 27/2010 related to the approval of accounting rules, according to the International Standards of Financial Reporting, enforceable to credit institutions;
2. Regulation no. 5/2018 on Issuers of Financial Instruments and Market Operations issued by the Financial Supervisory Authority;
3. Law no. 24/2017 on issuers of financial instruments and market operations.

The registered office and SALT Bank S.A. coordinates are:

- Head office: Dimitrie Pompei Boulevard, 5-7, et. 6, sector 2, Bucharest
- Telephone - Fax: 021.318.95.15 - 021.318.95.16
- Email: office@salt.bank
- Tax attribute: R
- Unique Registration Code: 10318789
- Banking Registry: P.J.R .: 40-043, PDCP 769
- No. Trade Registry: J40 / 2416 / 12.03.1998
- Subscribed and paid-up capital: RON 416,976,000.00
- Issuer of subordinated bonds through the Alternative Trading System

The **separate and consolidated** financial statements of the Bank were drafted in compliance with the International Standards of Financial Reporting adopted by the European Union ("IFRS").

On December 31, 2023, the Bank prepared consolidated financial statements, according to the consolidation perimeter, as it holds a direct stake of 88.67% in Idea Leasing IFN SA (former VB Leasing Romania IFN S.A., actual Avant Leasing), the share capital of the leasing company is RON 9,503,146.

From a balance sheet perspective within the group consolidation, SALT Bank Grup represents on 31.12.2023, according to the annual report issued by Banca Transilvania, 1.2% of total assets (SALT Bank total assets RON 1.770.598 thousand, Idea Leasing RON 143.709 thousand, Banca Transilvania RON 140.510.795 thousand/individual and RON 169.169.225 thousand/group).

In terms of contribution to the profit and loss account, SALT Bank and the Group recorded on 31.12.2023 a loss of RON 24.334 thousand, respectively a loss RON 40.999 thousand, compared to the result of Banca Transilvania Group (RON (2.490.572 thousand/individual and RON 2.177.999 thousand/group).

According to statistical data, as of December 31, 2023, SALT Bank held a market share according to assets of 0,22%[1] (31 December 2022: 0,34%).

[1] According to NBR statistical data

Elements of general assessment 2023 SALT Bank SA individual and consolidated level

Key Indicators (RON thousands / %)	Bank		Group	
	Dec-23	Dec-22	Dec-23	Dec-22
Balance sheet composition				
Total assets	1,770,598	2,292,726	1,900,227	2,407,409
Total liabilities	1,405,350	2,074,513	1,534,385	2,167,842
Total equity	365,248	218,213	365,842	239,566
Lending				
Net Interest Margin (NIM)	2.5%	2.5%	3.0%	2.7%
Capital adequacy				
Capital Adequacy Ratio (CAR)	29.8%	16.4%	26.6%	16.4%
Assets quality				
EBA-defined NPL ratio	11.6%	4.2%	11.2%	4.4%
EBA-defined NPL coverage ratio	56.0%	65.2%	56.1%	63.6%
Cost of risk (COR)	3.9%	1.7%	4.5%	1.8%
Liquidity and funding				
Loans / deposits	3427.6%	1555.1%	4259.4%	1779.5%
Profitability				
Return on Assets (ROA)	-1.2%	-0.5%	-1.9%	-0.3%
Return on Equity (ROE)	-8.3%	-6.2%	-13.5%	-3.2%
Cost-to-income ratio (CIR)	74.9%	86.0%	79.1%	81.4%
Operating income	112,004	104,233	141,839	152,322
Provisions expenses	(52,384)	(28,484)	(64,274)	(31,816)
Gross result	(24,264)	(13,880)	(34,637)	(3,484)
Net result	(24,334)	(14,105)	(40,999)	(7,705)
Network				
Number of branches and POSs	-	-	-	9
Number of employees	179	140	221	273

1.2. CEO's message to shareholders

Dear shareholders,

The year 2023 was a special year, which we started as one bank – Idea Bank – and ended as another bank – Salt Bank, and the name is just one facet of the change. Because 2023 was a year of construction, from all points of view. 2023 came with two strategic goals:

1. Building the first 100% digital bank, 100% Made in Romania, implementing the project and preparing the "go live" stage.

2. Positioning of the new bank and rebranding. The birth of Salt Bank.

Building the first 100% digital, 100% Romanian bank.

After 2022 marked the definition of the strategic vision and business plans of what was to become the first digital bank "Made in Romania", as well as identifying technology partners and building the implementation plan, 2023 was the actual year of its implementation.

Basically, the digital bank project meant changing from the ground up all the systems that previously served the activity in SALT Bank. Two partners played here a decisive role in the architecture of the new bank: Engine by Starling (the technological arm of Starling Bank), which is the provider of the core banking and cards platform, based on the "Software-as-a-Service" model, and GFT Technology (UK and Poland), the partner with whom we started building the mobile application and integrating all systems. The entire solution is based on technology in the AWS cloud. In addition to these 2 strategic partners, there were 30 other integrations with various partners, serving payments, remote identification, accounting, reporting, communication, card production, etc.

From a technological point of view, the new bank we have built now, brings not only state-of-the-art technologies, but also concepts that have not yet been applied to our market, at least not at such a scale - Software-as-a-Service, Infrastructure-as-a-Service - concepts that have allowed us a high level of agility, availability, security, and scalability. This technological advantage helped us implement quickly, with excellent responsiveness throughout the project, and we are sure it will become a major competitive advantage in the years to come.

The period from January to March was dedicated to a "discovery" phase, and in early April 2023 the first line of code was written. There followed a period with many sub-projects in parallel, with obtaining certifications and authorizations (some of which extended to the beginning of 2024), but the end of the year caught us with the systems, as well as with the most important part of what was to be the launch MVP, ready in production, and ready for end-to-end testing and moving to the stage pre-production, and "live" output of the new bank.

Positioning of the new bank and rebranding. The birth of Salt Bank.

The year 2023 also meant the cessation of the use of the Idea Bank name and the start of using the Salt Bank name and logo, with a "light launch" in November 2023, the launch of the entire brand concept being thought for the moment of the market launch event of the Salt app, in the first part of 2024.

The start of the project was also the beginning of remodelling the organization to operationalize the future activity, the new business and operational model, as well as putting the first pillars in building a digital culture, based on the bank's values.

Jumpers

The year 2023 brought in the team several talents, both in the top management team and in other key areas of the future activity: cards, technology, project management, preparing and strengthening the team of the future bank.

In 2023, Salt Bank reached 179 employees, of which 41% worked in IT and Call Center.

About results

In December 2023, the first capital increase - of RON 165 million - related to the first capital tranche of what was foreseen in the business plan, took place, thus reaching RON 459 million and ensuring the necessary for investments and activity in the following year.

Thus, last year we built the platform and the new Salt Bank, and 2024 will be the year dedicated to launching the bank.

We thank you for your trust, for your support throughout the year and we trust that the strategy built will be validated by the market.

***Gabriela Cristina Nistor**,*

CEO

SALT BANK

1.3. Managing Board Structure

The Managing Board is formed of individuals authorised to manage and coordinate the daily activity being the collective body formed of administrators in terms of the requirements of Law no. 31/1990 on companies and aligned to those of the Emergency Ordinance of Romanian Government no. 99/2006 on Credit Institutions and Capital Adequacy, exercising the function of executive management in terms of NBR Regulation 5/2013. The Managing Board exercises the responsibilities set forth in the By-Laws and those delegated by the Board of Directors for the management and coordination of current activity of the Bank. The management of the current activity of SALT Bank is assured by the Managing Board, respectively by: General Manager and Deputy General Managers, the composition of which, as of 31.12.2023 was the following:

1. **Gabriela Cristina Nistor** is one of the most experienced leaders in banking, with almost 30 years of career in the field. In October 2022, she was appointed CEO of Salt Bank (formerly Idea::Bank), part of Banca Transilvania Group. Prior to this CEO of Salt Bank position, she coordinated retail, private banking and network at BT, serving as Deputy CEO since 2013. In over 28 years of career at Banca Transilvania, she implemented many innovative projects at that time, set up the card business in BT, set up the call center activity and led the digitization of retail in BT, the last example being the BT Pay digital wallet. Gabriela was and is involved in the development of the financial and banking market, being President of the Executive Board of Visa Romanian Member Forum during 2008 - 2022 and Vice-President of the Romanian Association of Banks since 2021. She holds an EMBA degree from the University of Sheffield, with which she became a finalist on Europe of the Study UK Alumni Awards competition in the Professional Achievements category in 2021.

2. **Sinan Kircali** is the Deputy General Manager responsible for operations since April 2022. He has been working in the international business environment for over 29 years, out of which the last 14 years in Romania in management positions of several financial institutions. Sinan is a graduate of the Faculty of Public Administration Sciences of Istanbul University, since 2012 he holds a Master in Business Administration and since 2016 he has a PhD in financial and banking sciences, obtained at Okan University Turkey. Sinan has a complex experience in the financial and accounting field, in merger processes and in post-merger actions.

3. **Sorin Dumitrescu** is Deputy General Manager responsible for risk since April 2022. He has been working in the financial and banking field for over 20 years, and prior to his position in SALT Bank, he held the position of General Manager and Executive Vice-President of Risk within other financial institutions operating in the financial and banking market in Romania. Sorin is a graduate of the Bucharest Academy of Economic Studies, Faculty of Finance, Insurance, Banks and Stock Exchanges and has gained a complex experience in the financial field, in prestigious commercial banks, where he had a step-by-step evolution in his career. He is an advocate of a managerial style focused on results and efficiency.

4. **Daniel Popescu** is Deputy General Manager responsible for technology since December 2022. He has a experience in digitalization, information and communication technology, acquired in over 18 years of professional activity in banking and consulting. Daniel is a graduate of the Faculty of Mathematics and Computer Science of the University of Bucharest, holds a Master's degree in stochastic processes and statistics specialization and is internationally certified CISA and CISM. Since 2008, Daniel Popescu is a Platinum member of ISACA.

5. **Robert Mihail Anghel** is Deputy General Manager responsible for business since December 2023 and is one of the most experienced professionals in Romania in terms of digital transformation, with over 20 years of career in the banking, telecom and eCommerce industry. He was part of national and international projects, carried out in Europe and Asia. Robert is a graduate of the Polytechnic University of Timișoara and is currently attending the MBA program of the University of Illinois, specializing in Mergers & Acquisitions. Robert is a follower of a participatory management style and AGILE methodology and believes that any activity is measurable.

1.4. Foreword of the President of the Board of Directors

Dear shareholders,

The year 2023 was a year of relative political and economic stability, with a decrease in inflation and stable growth which brought the GDP of Romania to historical highs. It was also an year of increased geo-political tensions globally and regionally, with the Romanian banking market agitated by 3 transactions..

For SALT Bank, part of Banca Transilvania Financial Group, 2023 was the year of the actual construction of the first 100% digital bank in Romania, the year that marked the transition from the plans conceived together with the executive team in 2022, to the implementation of the strategy, whilst at the same time continuously and relentlessly strengthening the bank's team. In November 2023 we marked the birth of the new identity of the future bank – Salt Bank.

Throughout the year, the executive team went through all stages from the design of the new architecture – for the first time in Romania fully in the cloud – to the development of a digital banking platform to ensure a solid and accelerated future growth.

With the support of a strong shareholder, SALT Bank was able to embark and progress towards its complete transformation. The Board of Directors oversaw all these first stages of organizational transformation, design of customer centric products, services, robust processes and operational flows of the new bank and the value proposition, as well as establishment of the new brand and sales strategy.

On behalf of the Board of Directors of SALT Bank, we thank you for your trust and assure you that, at Board level, we will continue to implement the highest ethical and corporate governance standards within the organization as well as support the management team to successfully launch our ambitious strategic project to market.

The launch of the first 100% digital bank "made in Romania" – Salt Bank – took place at the beginning of 2024. It is only the first step on a long journey that will span years to come. I look to the future with great confidence, and I am convinced that Salt Bank will be successful in offering superior customer experience and unique value to its clients, and that it will, with the support of the largest financial group in Romania, forge its own place in the market.

Ivo Gueorguiev,

President of the Board of Directors

SALT BANK GROUP

1.5. Board of Directors Structure

The Board of Directors is a collective managing body determining the main directions of activity and development of the Bank and supervises the activity of the Bank and of executive management, being also liable for the operations and financial stability of the bank. The Board of Directors decides on the accounting system and of financial control and approves the financial plans. The Board of Directors deals with the supervision, respectively undertakes the range of supervision and control responsibilities to meet the strategies and objectives of the Bank, within the limits of approved risk tolerances. The Board of Directors approves the overall strategy of development of the bank, of identification of significant risks and management of such risks and provides the conformity of executive management activity to the strategy and policies approved. As of 31st of December 2023, Bank's Board of Directors was formed by:

1. **Mioara Popescu,** President of the Board of Directors of SALT Bank S.A. since April 2022, has been working in the financial and banking industry for over 28 years and has had a gradual growth in her career, successively occupying the positions of Branch Director, Network Director, Executive Vice President since 2008, Executive President from 2016 to October 2022 and member of the Board of Directors of Idea Bank S.A. since 2019. Mioara Popescu graduated in 1985 from the Bucharest Academy of Economic Studies, Faculty of Economic Planning and Cybernetics and holds a master's degree in Project Management. For the first 12 years he worked as a computer scientist, and in 1997 he accepted the challenge of being a director of a bank branch. The mandate of Mioara Popescu ended on 03.01.2024.
2. **Ivo Gueorguiev**, a non-executive independent member of the SALT Bank Board of Directors since March 2022, is a graduate of the University of Alberta, Canada. He has extensive international experience both as an executive in the management of credit and financial institutions, and as a chairman on boards of directors. He has been a member of the Board of Directors of Banca Transilvania since 2018. Ivo Gueorguiev was appointed Chairman of the Board of Directors of SALT Bank on 19.03.2024.
3. **Ömer Tetik**, non-executive member of the SALT Bank Board of Directors since March 2022, is a graduate of the Middle East Technical University in Ankara, Faculty of Economic Sciences. Ömer Tetik has been CEO of Banca Transilvania since 2013. Under his coordination, BT became the largest bank in Romania and South-Eastern Europe. He is a member of the Board of Directors of BT Capital Partners and a member of the Committee of Representatives at Fondul Proprietatea. He is a strong supporter of the development of the Romanian capital market. He has over 20 years of experience in banking, in Romania, Russia and Turkey.
4. **Costel Lionăchescu**, independent non-executive member of the SALT Bank Board of Directors since October 2022, graduated from the Faculty of Electronics and Telecommunications, Polytechnic Institute of Bucharest, with an MBA issued by the University of Washington in Seattle, USA, in collaboration with the Academy of Economic Studies of Bucharest. He is a graduate of the first promotion of the Executive Master of Business Administration ASEBUSS program. He has a comprehensive experience in various fields of activity including banks and capital markets, being the Founding President and Main Partner in Capital Partners.
5. **Tiberiu Moisă**, non-executive member of the Board of Directors of SALT Bank since July 2022, is a graduate of the Faculty of Banking and Stock Exchange Finance, the Bucharest Academy of Economic Studies and of an Executive MBA run by INDE and another by Sheffield University, UK. For 20 years, Tiberiu Moisă has been contributing to the business story of Banca Transilvania, having responsibilities related to entrepreneurial clients medium, large and small. He has also started and is part of initiatives that mean #maimultdecâtbanking, with impact in different communities: BT Mic, Transilvania Executive Education, BT Club or Cluj Has Soul. Tiberiu Moisă is the Chairman of the Board of Directors of Idea Leasing IFN S.A..

2. Economic milestones 2023

2.1. Macroeconomic climate

The post-pandemic **economic recovery** continued last year, but divergences between the world's main economic blocs are intensifying, in the context of persistent adjustments in international trade and an upward trend for real financing costs.

The International Monetary Fund's winter estimates express a **slowdown in the annual global economic growth rate** from 3.5% in 2022 to 3.1% in 2023, the weakest dynamics since the pandemic year 2020. This development was driven by the slowdown in the annual GDP growth of the developed countries group, from 2.6% in 2022 to 1.6% in 2023, amid the adjustment of international trade and the upward trend in real financing costs. On the other hand, GDP in emerging and developing countries climbed at a consolidated annual rate to 4.1% in 2023, according to estimates by the international financial institution.

The accumulation of signals of stabilization of the global macroeconomic climate at the turn of the year (2023-2024) is highlighted, an evolution influenced by the base effects and the tendency to moderate inflationary pressures, with an impact on expectations regarding short-term monetary policy decisions. Thus, the world economy grew for the third consecutive month in January 2024, with an accelerating pace (the highest since June 2023), according to the Composite PMI indicator (estimated by Markit Economics).

The stagnation in the manufacturing industry is highlighted, after adjustment for 16 consecutive months, driven by the difficult international trade climate, the high level of financing costs and the persistence of uncertainties. The services sector grew for the 12th consecutive month in January, with the best pace since July 2023, according to the PMI.

The **U.S.A.** – the world's leading economy (with a nominal size of more than $27.9 trillion in 2023) grew at an accelerating annual pace of 2.5% in 2023, according to preliminary estimates from the Commerce Department. The evolution was determined by the revival of public consumption – advance by 4.0% y/y. Private consumption (the main component of GDP and also the engine of the world economy) decelerated from 2.5% y/y in 2022 to 2.2% y/y in 2023. On the other hand, the annual rate of gross fixed capital formation decelerated to 0.5% in 2023, amid an upward trend for real financing costs and ongoing uncertainty.

China, the world's second-largest economy (with a nominal GDP of $17.8 trillion in 2023), posted an annual growth rate of 5.2% in 2023, accelerating from 3.0% in 2022, according to estimates by the National Institute of Statistics in Beijing. Gross value-added growth in services is highlighted at an accelerating annual rate of 5.8% in 2023. At the same time, the industry recorded an annual growth rate of 4.7% last year. However, gross value added in the primary sector decelerated from 4.2% in 2022 to 4.1% in 2023, the weakest development since the pandemic year 2020.

The Eurozone, Romania's main economic partner, recorded a moderate annual growth rate from 3.4% in 2022 to 0.5% in 2023, according to preliminary Eurostat estimates. The deteriorating economic climate in Germany is highlighted, with the region's locomotive economy adjusting by 0.3% y/y in 2023.

At the level of the financial size of the economy, the continuation of the trend of **increasing interest rates on the money market and government securities market**, the increase in stock indices and the depreciation of the US dollar exchange rate in 2023 are highlighted, in a context characterized by the restrictive monetary policy implemented by central banks in developed countries. In the United States, the Federal Reserve has decided to raise its benchmark interest rate from (4.25% - 4.50%) in 2022 to (5.25% - 5.50%) in 2023. In the Eurozone, the European Central Bank raised its benchmark interest rate from 2.5% in 2022 to 4.5% in 2023. Thus, in the US, the SOFR level stood at 5.38% at the end of 2023, up 1.08 percentage points compared to that recorded at the end of 2022. In the euro area, the three-month EURIBOR increased by 1.78 percentage points between the end of 2022 and the end of 2023 to 3.909%.

In the government bond market, interest rates on the 10-year maturity remained on an upward trend in 2023, in the context of central banks' monetary policy decisions. According to Federal Reserve (FED) statistics, the barometer for the cost of financing in the economy stood at annual average levels of 3.96% in the United States (up 34.2% y/y) and 2.43% in Germany (plus 113.1% y/y) in 2023.

According to the first estimates of the National Institute of Statistics, **Romania's economy** grew by 2.0% y/y in 2023, a pace decelerating from 4.1% in 2022, driven by the continuation of the post-pandemic investment cycle, in the context of the implementation of European Union programs. Thus, in 2023, the national economy continued to evolve at a higher pace than in the Eurozone. Data released by the National Institute of Statistics indicate that the **average annual unemployment rate decreased** from 5.6% in 2022 to 5.5% in 2023, the lowest level since 2019. Also, the budget deficit-to-GDP ratio adjusted from 5.76% in 2022 to 5.68% in 2023, and the **current account deficit-to-GDP ratio** decreased from 9.2% in 2022 to 7.1% in 2023. Last but not least, data from the National Institute of Statistics indicate **consumer prices growth** at an average annual rate of 10.4% in 2023, decelerating from 13.8% in 2022.

2.2. The Banking System in Romania

The **Romanian banking sector** is going through a favourable period from the perspective of the main financial and prudential indicators, despite the challenges associated with the health crisis and the geopolitical situation in the region, but also the turbulence manifested in the first quarter of the year within the banking sectors in the US and Switzerland. The positive climate in the domestic banking sector strengthened in 2023, supported by a number of factors, including the continuation of the post-pandemic investment cycle, the high policy rate and the downward trend for the NPL ratio.

At the first **monetary policy** meeting of 2023, the National Bank of Romania increased the **reference interest rate** from 6.75% to 7.00%, maintained at this level until the end of last year, in order to counteract inflationary pressures and anchor expectations regarding the annual dynamics of consumer prices in convergence towards the target range. At the money market level, **ROBOR 3M** and **ROBOR 6M** recorded annual averages of 6.62% and 6.78%, respectively, in 2023, up from 6.20% and 6.35% respectively in 2022. The barometer for the cost of financing in the economy, **the interest rate for 10-year government bonds** stood at an average level of 7.0% in 2023, down from 7.6% in 2022. On the foreign exchange market, the EUR/RON exchange rate continued its gradual appreciation trend in 2023, towards an average annual level of 4.95, in the context of the persistence of twin deficits.

According to the statistics of the National Bank of Romania, **the balance of total non-government credit** increased at an average annual rate of 7.2% in 2023, decelerating from 15.4% in 2022, while the balance of non-government credit denominated in RON increased at an average annual rate of 2.4% in 2023, decelerating from 16.1% in 2022, evolution driven by the increase in real financing costs. On the other hand, non-government foreign currency-denominated credit grew at an average annual rate of 19.5% in 2023, accelerating from 13.8% in 2022. The growth of corporate credit by 29.9% y/y on average offset the adjustment at the level of the household component by 10.7% y/y on average in 2023. Thus, in 2023, credit to households and credit directed to companies increased by average annual dynamics decelerating to 1.2% and 13.0%, respectively, amid the trend of increasing real financing costs. At the end of 2023, the balance of total non-government credit recorded a level of 387.1 billion lei, increasing by 6.4% year-on-year.

In 2023, the upward trend for **the balance of non-government deposits** strengthened, amid the positive climate in the labour market and the financial market and the appreciation of the EUR/RON exchange rate, which at the end of 2023 stood at RON 574 billion (historical maximum), up by 11.8% y/y. Last year, non-government deposits increased by 10.3% y/y on average (accelerating from 9.6% y/y in 2022), driven by the increase in lei segment by 18.1% y/y on average (foreign currency deposits decreased by 3.4% y/y on average). The balance of household deposits and the balance of corporate deposits increased by average annual dynamics of 10.4% and 10.0%, respectively, in 2023.

The **loan-to-deposit ratio** increased from 65.7% on December 2022 to 67.4% on December 2023, driven by the decline recorded in the lei component, from 74.1% to 65.9%. In the segment of loans/foreign currency deposits, there was an increase from 64.6% December 2022 to 71.0% December 2023.

The **NPL ratio** in the domestic banking sector continued to decline in 2023 to 2.33% at year-end (from 2.65% at year-end 2022), a historically low level. The financial performance of the domestic banking sector continued to improve in 2023. **Total assets** increased by 12.1% y/y on average between January and December, according to NBR statistics, standing at the end of 2023 at RON 803.4 billion (EUR 161.5 billion), up 14.6% y/y. The aggregate net result at banking sector level increased by 36.0% y/y on average, to RON 13.7 billion between January and December 2023, an evolution supported by the continuation of the post-pandemic investment cycle and the decline in the NPL ratio. ROA and ROE increased to 1.82% and 20.4%, respectively, in 2023. The **solvency ratio** stood at 22.51% at the end of 2023, down from 23.40% at the end of 2022.

Banking profitability in Romania remains high compared to the European market, but in the domestic context, both the return on banking assets and that of capital have been below similar values recorded in the real economy in the last decade. The Romanian authorities included in the fiscal measures the levying of an additional permanent bank tax, applicable to all banks, regardless of the recorded financial result, with the application of differentiated tax rates over time. The annual impact of implementing a **tax of 2% of bank turnover** is equivalent to 1.5% of the total own funds of credit institutions that are Romanian legal entities, which will affect the degree of financial intermediation.

	Romanian banking system						EU	
Indicator	**Dec-21**	**Dec-22**	**Mar-23**	**Jun-23**	**Sep-23**	**Dec-23**	**EU average (Sep. 2023)**	
Structura sistem bancar								
Numar institutii de credit	34	32	32	32	32	32	*n/a*	
Active nete (mld. RON)	639.8	701.0	712.6	737.8	757.3	803.4	*n/a*	
Adecvarea capitalului								
CAR (≥8%)	23.3%	23.4%	21.6%	22.8%	22.3%	22.5%	19.9%	↑
Calitatea activelor								
Credite depreciate (% in total credite)	1.1%	0.9%	0.9%	1.0%	1.0%	0.9%	*n/a*	
Rata NPL	3.4%	2.65%	2.7%	2.7%	2.6%	2.3%	1.8%	↑
Gradul de acoperire cu provizioane a creditelor neperformante	66.1%	65.6%	66.2%	64.1%	65.1%	n/a	42.6%	↑
Lichiditate								
Credite / Depozite	64.0%	65.7%	65.2%	64.9%	64.6%	67.8%	108.6%	↓
LCR	*238.6%*	*209.2%*	*219.5%*	*232.9%*	*248.0%*	*n/a*	160.7%	↑
Profitabilitate								
ROA	1.3%	1.4%	1.8%	1.8%	1.8%	1.8%	0.7%	↑
ROE	12.3%	15.1%	19.7%	19.4%	19.5%	20.4%	10.9%	↑
Costuri / venituri	54.7%	53.3%	52.0%	50.5%	48.8%	47.6%	55.1%	↓

(Data source: National Bank of Romania (NBR), European Banking Authority (EBA))

3. SALT Bank and shareholders

3.1. Communication with shareholders and investors

Since we are a company with bonds listed on the Bucharest Stock Exchange, the shareholders are the main stakeholder / interest group, and our effort is to have the best practices in the relationship with the shareholders.

The conduct of the General Meetings of Shareholders, as well as the regulations regarding the rights and obligations of the shareholders are those regulated by Law no. 31/1990 of the companies, by Law no. 297/2004 on the capital market and by the other relevant legal regulations.

SALT Bank issues periodical informative reports informing the bank's shareholders and investors. SALT Bank announces every year a financial communication calendar, published in January both on the bank's website and on the Bucharest Stock Exchange website. Among the main channels of communication with shareholders are the Investor Relations platform on the bank's website and regular online meetings.

3.2. Financial Communication Calendar

The conduct of the General Shareholders' Meetings, as well as the regulations on the rights and obligations of the shareholders, are those regulated by Law no. 31/1990 of the commercial companies, Law no 297/2004 on the capital market, Regulation No 5/2018 on issuers of financial instruments and market operations issued by the Financial Supervisory Authority, Law no. no. 24/2017 on issuers of financial instruments and market operations, as well as by the other legal regulations in the field.

The Bank shall issue periodical reports, through which all the bank's shareholders and all other interested parties are promptly and correctly informed about any significant changes in the financial statements, the composition of the management or the Bank's activity.

Regarding the Investor Relations, the bank has designated as a contact person: Gabriela Andrei – Financial Executive Director, email: gabriela.andrei@salt.bank

SALT Bank S.A. prepares every year a financial communication calendar, in order to inform its shareholders, this calendar being published both on the Bucharest Stock Exchange's website and on the Bank's website: Currents report(salt.bank).

The calendar for 2024 is as follows:

Event	Date
Presentation of annual financial situations for 2023	26 April 2024
Presentation of semi-annual financial situations for 2024	28 August 2024

4. SALT Bank Group

4.1. Summary of financial results

2023 was the year of conception of the new mobile application, of creating interfaces between various operational systems, of increasing the number of IT specialists and call centers, of creating a digital team.

SALT Bank recorded a cumulative 2023 result of (-) 24,334 thousand lei, compared to the bugged financial loss of (-) 48,203 thousand lei, the loss being generated by credit risk adjustments.

Both net interest income, which represents 42% of operating income at bank level, as well as net income from charges and commissions, 4.9% of operating income at bank level, recorded a negative dynamics of 23.8% and 46.5%, respectively, compared to 2022, in the context of the divestment of an important part of the loan portfolio to Banca Transilvania, but also of the decommissioning of all products offered by the bank in December 2022 and respectively of the purchases of leasing receivables in July 2023.

The net interest margin was affected by the increase in the cost of financing in the inflationary context, with an immediate effect on net interest income, with the policy rate ranging from 4.4% for 2022 to 7% in 2023.

The most important share in total income was held by interest income. Their volume (RON 137,128 thousand, of which RON 80,290 thousand related to leasing receivables) increased by 19% compared to amount registered in 2022 while total portfolio dropped by 26%. (as a result of discontinuation of credit products generated by the bank and purchases of leasing receivables).

At the same time, interest expenses increased by 67% (RON 36,093 million) compared to December 2022, from RON 54,164 million to RON 90,257 million, mainly generated by higher market interest rates and replacement of retail deposits with interbank deposits – financed by the parent bank.

Net revenues from charges and commissions decreased by 46.5% during the reference period (from RON 10,294 thousand to RON 5,509 thousand), because of the divestment of the SME client portfolio producing this type of income.

Cost sources, as of 31.12.2023, represented mainly by personnel expenses (RON 40,817 thousand) increased by 12.5% as a result of hiring technology specialists. Other administrative expenses (RON 43,066 thousand) represented by depreciation expenses and other operational expenses decreased by 19.3% as a result of changes in the structure of expenses (closure of branches, decommissioning of assets and rental contacts).

The ROE (net profit/equity at average value) ratio decreased to -8.3% at December 2023 (compared to -6.2% at December 2022), amid increased impairment adjustment expenses following regulatory compliance. The cost/income ratio (CIR) decreased from 86.0% December 2022 to 74.98% December 2023.

In December 2023, assets decreased by 22.8%, respectively by RON 522,128 thousand, from RON 2,292,834 thousand to RON 1,770,598 thousand, the decrease being determined by the interruption of leasing receivables purchases. Funds and current accounts with the central bank and T-bills represent 16.8% of total assets to ensure immediate liquidity. Tangible and intangible assets accounted for 5.2% of total assets at Bank level, up 179% compared to December 2022, supported by investment in intangible assets (490% increase).

The decrease of the loan portfolio by 26% was part of the implementation plan of the new project, the bank maintaining in its portfolio the leasing receivables as the main income generator, until July 2023. The decisive share in the bank's assets is held by investments in loans (64.2%), followed by liquid assets 26%, while other assets hold a small share of only 4.6%.

The quality of the loan portfolio is in line with the average of the banking system, but influenced by the stagnation of new loan production. In this context, the non-performing exposures ratio is 11.6% as of

December 2023 and the cost of risk is 3.9%. The provision coverage of non-performing exposures, according to EBA, is 56%.

The bank's liquidity position was at an adequate level. The bank is financed mainly by deposits from the parent bank (89.9% of total debt).

The capitalization level is higher than that requested by the National Bank of Romania, so the bank's solvency calculated on September 30, 2023 was 16.5%, and at December 2023, the parent bank made a capital injection that improved the level of total funds to 29.8%.

Impairment adjustment expenses increased by 83.9% year-on-year in the context of regulatory compliance.

4.2. Group structure

The Bank's shareholder is Banca Transilvania Group, the largest financial group in Romania listed on the Bucharest Stock Exchange, holding 99.99% of the total number of shares of the Bank.

As at 31.12.2023, the composition of the SALT Bank Group S.A. is the following:

Shareholders'name	Percentage of holding Dec-23
Banca Transilvania S.A.	99.5%
BT Investments S.R.L.	0.5%
Total	**100.0%**

SALT Bank Group includes on 31.12.2023 the following entities:

Subsidiary	Year of incorporation	Direct and indirect holdings of SALT Bank in subsidiaries	Main line of business
Idea Leasing IFN S.A.	2000	88.6713%	Financial leasing with legal entities

Idea Leasing IFN S.A. (current Avant Leasing)

Idea Leasing IFN S.A., established in 2000, directly owned in a proportion of 88.67% by SALT Bank S.A. and 11.33% by BT Investment S.R.L., has as main activity the loan based on contract – CAEN code 6491 and, especially, financial leasing with legal entities, and on December 31, 2023 it had a number of 42 employees (December 31, 2022: 120 employees).

4.3. Implementation of the 2023 strategy

SALT Bank S.A. had for 2023 the following strategic objectives:

1. **Building the first digital bank "Made in Romania"**: SALT Bank has proposed a process of complete digital transformation, so as to be the first fully digital bank "made in Romania", without banking units, thus offering customers banking services only through digital channels. Specifically, the Bank will offer its services through a mobile banking application (and wallet). As a differentiator from other neo-banks or fintechs that offer such platforms, SALT Bank intends to provide customer support services through its own call center.
2. **Bank positioning – Rebranding:** In 2023, the Bank went through a rebranding process to reposition the brand on the banking market. The rebranding process was a demanding one on 16.11.2023, and the actual launch of the brand will be correlated and conditioned by the launch of the new MVP (minimum

viable product), so that the moment of launching the application is not diluted by the mismatch of the two moments.

Minimum Viable Product (MVP) was designed to address the needs of the target market, to have the basic functionalities without which no digital platform can go on the market – on-boarding, current account, debit card, payments, savings products, basic servicing for accounts and cards – but also some "killer" functionalities – to ensure not only bringing customers to the platform, but also their retention. Some of the functionalities have the role of increasing the customer acquisition rate, and others generate revenue, especially through lending, in order to ensure future growth. During MVP implementation, it is crucial to keep our focus and avoid "cramming" too many features into the MVP, which would not only add complexity and risks to the project, but could also confuse customers if the structure will be too loaded and difficult to digest. It is crucial to keep a realistic time-to-market, and to continue further developments in the coming years.

4.4. New strategic objectives

1.0 – MVP – beginning of 2024 (including market launch at the end of March 2024):

- Remote on-boarding and instant issuance of cards in the app (simultaneously with the issuance of physical cards)
- P2P transfers on Alias Pay platform - fast customer acquisition
- Member-get-Member - fast customer acquisition
- FX - including promotions - revenue driver and customer campaigns
- Save in Spaces
- Term deposit in RON
- Round-up
- Invest (in fund units)
- Basic services

2.0 – End of 2024:

- Responsible lending - personal loans - income driver
- Insurance (e.g. MTPL as first product)
- Continuous development of Save & Invest, Trading options
- Personalized offers based on insights
- Further development of payments
- Additional capabilities on the back office side – credit (scoring, EWS-collect.)
- Free lancers - basic functionalities (on-boarding, card, payments)

3.0 – Continuing development:

- Further development of functionalities (especially positioning on financial health, self-service on lending, etc.)
- Enriching offers (e.g. personalization, partnerships) and Back Office capabilities (e.g. risk, fraud, etc.) through advanced analytics (AI/ML)
- Expansion of the free lancers and micro-SME universe, for example:
  - Invoice split pay in app
  - Supplier & customer management (including invoicing and tracking)
  - B2B/C marketplace

The main objective is to build a new type of banking 100% online, based on the following principles:

- The mobile (telephone) is the main communication channel, the easiest tool, which is almost always in the customer's possession;

- Services and products are defined starting from the customer, from his best online experience, and the entire infrastructure adapted to this principle;
- Integrating online customer behaviours into scoring and decision-making models (machine learning);
- Services and systems are available 24/7;
- Increasing the quality of services by attaching a Customer Service to the online channel;
- Differentiation in the market as Online Lender – the main bank that grants online loans to non-customers (the main market addressed), but also to existing customers.

The new bank will be positioned among the top Romanian banks offering innovative digital services, but will differentiate itself, offering the best experience in the process of contracting a loan in the online environment.

4.5. Development plan 2024

The beginning of 2024 would mean, on the one hand, the launch of the MVP in the market, while continuing developments and adding new functionalities that contribute to revenue generation to reach the break-even point envisaged in the strategic plan (2025) as a growth base for the future.

The projection of the SALT BANK Balance Sheet for 2024-2026 based on the following assumptions is presented below:

1. Attracting 218,000 individual customers and 1,500 free lancers in 2024, to grow to 1,500,000 individual customers and 100,000 free lancers in 5 years from market launch;
2. Degree of activation of clients (PF and PFA) is 70% of total clients. Average balance in current accounts and deposits of EUR 900 equivalent/active customer , where deposit penetration is 20% with an average deposit value of EUR 5,000;
3. 40% of customers will make monthly expenses by jumping at least 1,000 lei / month;
4. The penetration rate with PF and PFA consumer loans is estimated from 6% in 2024 to 24% in 2028 for loans up to 30% (in 2028) for overdrafts and BNPL, for an average value per consumer credit of EUR 6,500 for PF and EUR 8,000 for PFA, respectively;
5. Reaching a 1% share in year 5 from launch.

BALANCE SHEET (RON'000)	31-Dec-23	31-Mar-24	30-Jun-24	30-Sep-24	31-Dec-24	31-Dec-25	31-Dec-26
	A/F	budget	budget	budget	budget	est.	est.
ASSETS							
Cash and cash equivalents	191,343	160,462	150,456	160,785	169,703	596,115	1,017,896
Loans and advances to banks	292,072	31,051	75,277	163,915	116,726	115,771	159,010
Debt securities at amortized cost, net	189,973	189,973	185,198	185,198	205,070	681,274	1,357,195
Loans to customers and financial lease receivables (net)	1,159,577	1,018,658	894,822	889,337	958,035	1,685,732	2,611,483
Intangible assets	57,144	78,447	85,725	91,085	120,163	131,574	139,543
Property and equipment	15,837	15,845	15,225	14,684	14,149	12,558	11,454
Right-of-use assets	1,328	785	314	12,410	11,779	9,255	6,731
Investments in other entities	56,465	56,465	56,465	56,465	38,402	35,640	31,397
Other assets	18,971	30,210	40,722	54,187	69,157	125,069	148,697
Total assets	**1,982,708**	**1,581,896**	**1,504,206**	**1,628,067**	**1,703,185**	**3,392,988**	**5,483,407**
LIABILITIES							
Deposits from clients	16,865	68,700	296,796	616,508	881,473	2,542,973	4,673,924
Interbank deposits & Borrowings	1,547,886	1,137,886	837,886	662,886	547,886	432,886	232,886
Subordinated liabilities	37,898	25,462	25,462	25,462	-	-	-
Other liabilities	18,934	18,391	17,920	30,015	29,384	29,995	34,739
Total liabilities	**1,621,583**	**1,250,438**	**1,178,063**	**1,334,871**	**1,458,743**	**3,005,853**	**4,941,549**
EQUITY							
Share capital	491,795	491,795	491,795	491,795	491,795	741,795	874,295
Retained earnings	(115,793)	(141,323)	(141,323)	(141,323)	(141,323)	(258,006)	(365,313)
P&L for the period	(25,530)	(29,667)	(34,983)	(67,929)	(116,683)	(107,307)	22,223
Other reserves	10,653	10,653	10,653	10,653	10,653	10,653	10,653
Total equity	**361,125**	**331,458**	**326,142**	**293,196**	**244,442**	**387,135**	**541,858**
Total liabilities and equity	**1,982,708**	**1,581,896**	**1,504,206**	**1,628,067**	**1,703,185**	**3,392,988**	**5,483,407**

The Profit and Loss Account at individual level, will enter "break-even" in the third year from launch – 2026, is presented as follows:

INCOME STATEMENT INFORMATION (RON'000)	2023 A/F	Q1 2024 budget	Q2 2024 budget	Q4 2024 budget	Q4 2024 budget	2024 budget	2025 est.	2026 est.
Net interest income	45,043	11,693	11,809	13,368	15,760	52,631	119,097	248,300
Interest income	*135,889*	*28,031*	*24,415*	*24,720*	*26,446*	*103,611*	*166,005*	*306,545*
Interest expense	*(90,846)*	*(16,337)*	*(12,606)*	*(11,352)*	*(10,686)*	*(50,980)*	*(46,908)*	*(58,245)*
Net fees and commissions	5,651	1,000	1,428	2,100	2,833	7,362	27,778	72,055
Net trading result	6,116	929	1,219	1,605	1,916	5,668	14,658	30,840
Other income	51,782	189	36,587	127	(17,936)	18,966	7,294	10,536
Contribution to Deposit Guarantee Fund & Resolution Fu	(15)	-	(157)	-	-	(157)	(1,021)	(2,683)
TOTAL REVENUES	**108,577**	**13,811**	**50,886**	**17,199**	**2,573**	**84,470**	**167,806**	**359,047**
Staff costs	(46,702)	(15,520)	(15,067)	(15,845)	(16,445)	(62,877)	(71,506)	(77,814)
Marketing expenses	(1,869)	(15,266)	(17,139)	(14,751)	(16,393)	(63,550)	(73,040)	(55,832)
Depreciation and amortization	(7,126)	(2,560)	(4,302)	(4,707)	(5,012)	(16,581)	(25,452)	(26,599)
Turnover tax	-	(611)	(1,288)	(593)	(293)	(2,784)	(4,467)	(4,352)
Other operating expenses	(34,622)	(12,933)	(17,483)	(16,634)	(17,716)	(64,766)	(89,159)	(116,924)
TOTAL EXPENSES	**(90,319)**	**(46,890)**	**(55,278)**	**(52,531)**	**(55,858)**	**(210,557)**	**(263,625)**	**(281,520)**
PROFIT BEFORE PROVISIONS	**18,257**	**(33,079)**	**(4,392)**	**(35,332)**	**(53,285)**	**(126,087)**	**(95,819)**	**77,527**
Loans & lease provision (charge)/release	(48,377)	(3,244)	(2,783)	(4,637)	(5,855)	(16,519)	(35,097)	(53,174)
Loans & lease recovery after write offs	5,427	1,087	1,224	1,360	1,466	5,136	5,679	4,855
Provisions for other risks, (charge)/release	(1,161)	(348)	(348)	(348)	(348)	(1,393)	(1,532)	(1,456)
Net impairment charge on treasury financial assets	468	267	(29)	(265)	(18)	(46)	(978)	(1,296)
TOTAL RESULT ON PROVISION	(43,642)	(2,239)	(1,936)	(3,890)	(4,756)	(12,821)	(31,928)	(51,071)
PROFIT BEFORE TAX	**(25,385)**	**(35,317)**	**(6,328)**	**(39,222)**	**(58,040)**	**(138,908)**	**(127,747)**	**26,456**
Income tax	(146)	5,651	1,013	6,276	9,286	22,225	20,440	(4,233)
NET PROFIT AFTER TAXES	**(25,530)**	**(29,667)**	**(5,316)**	**(32,947)**	**(48,754)**	**(116,683)**	**(107,307)**	**22,223**

5. Management Report

5.1. Financial position

The financial position of the Bank and the Group at the end of 2023, reflected for a retrospective period, is the following:

Balance sheet - GROUP (thousands lei)	Dec-23	% in total	Dec-22	Dec-23 vs Dec-22 (abs.)	Dec-23 vs Dec-22 (%)	Dec-21	Dec-22 vs Dec-21 (abs.)	Dec-22 vs Dec-21 %
Cash and current accounts with Central Bank	85,886	4.5%	182,428	(96,542)	-52.9%	499,448	(317,020)	-63.5%
Placements to banks	220,082	11.6%	245,398	(25,316)	-10.3%	30,792	214,606	696.9%
Net loans and advances to customers	1,241,023	65.3%	1,644,373	(403,350)	-24.5%	1,982,676	(338,303)	-17.1%
out of which, financial leasing receivables	974,479	51.3%	1,140,955	(166,475)	-14.6%	*982,139*	*158,816*	*16.2%*
Other financial instruments	211,519	11.1%	237,562	(26,043)	-11.0%	299,676	(62,114)	-20.7%
Tangible and intangible assets	96,402	5.1%	38,326	58,076	151.5%	51,472	(13,147)	-25.5%
Other assets	45,315	2.4%	59,322	(14,007)	-23.6%	72,617	(13,294)	-18.3%
Total assets	**1,900,227**	**100.0%**	**2,407,409**	**(507,181)**	**-21.1%**	**2,936,681**	**(529,273)**	**-18.0%**
Deposits from banks	1,304,377	68.6%	1,913,752	(609,375)	-31.8%	93,640	1,820,112	1943.7%
Deposits from clients	29,136	1.5%	92,407	(63,271)	-68.5%	2,378,766	(2,286,359)	-96.1%
Loans from banks and other credit institutions (including subordinated debts)	139,411	7.3%	105,524	33,887	32.1%	146,685	(41,160)	-28.1%
Other debts	61,461	3.2%	56,159	5,302	9.4%	69,700	(13,541)	-19.4%
Total liabilities	**1,534,385**	**80.7%**	**2,167,842**	**(633,457)**	**-29.2%**	**2,688,791**	**(520,949)**	**-19.4%**
Share capital	459,151	24.2%	294,150	165,001	56.1%	359,440	(65,290)	-18.2%
Share premiums	32,645	1.7%	32,645	-	0.0%	(32,645)	65,290	-200.0%
Accumulated deficit	(149,270)	-7.9%	(97,848)	(51,422)	52.6%	(94,025)	(3,823)	4.1%
Other reserves	15,241	0.8%	9,116	6,125	67.2%	15,120	(6,004)	-39.7%
Total equity attributable to equity holders of the Bank	**357,767**	**18.8%**	**238,063**	**119,704**	**50.3%**	**247,890**	**(9,827)**	**-4.0%**
Non-controlling interest	8,075	0.4%	1,503	6,572	100.0%	-	1,503	100.0%
Total equity	**365,842**	**19.3%**	**239,566**	**126,276**	**52.7%**	**247,890**	**(8,324)**	**-3.4%**
Total liabilities and equity	**1,900,227**	**100.0%**	**2,407,409**	**(507,181)**	**-21.1%**	**2,936,681**	**(529,273)**	**-18.0%**

Balance sheet - BANK (thousands lei)	Dec-23	% in total	Dec-22	Dec-23 vs Dec-22 (abs.)	Dec-23 vs Dec-22 (%)	Dec-21	Dec-22 vs Dec-21 (abs.)	Dec-22 vs Dec-21 %
Cash and current accounts with Central Bank	85,883	4.9%	182,426	(96,543)	-52.9%	499,445	(317,019)	-63.5%
Placements to banks	163,583	9.2%	238,918	(75,335)	-31.5%	26,434	212,484	803.8%
Net loans and advances to customers	1,136,756	64.2%	1,539,658	(402,902)	-26.2%	1,896,634	(356,976)	-18.8%
out of which, financial leasing receivables	887,635	50.1%	1,054,436	(166,800)	-15.8%	*899,534*	*154,902*	*17.2%*
Other financial instruments	211,519	11.9%	237,562	(26,043)	-11.0%	299,676	(62,114)	-20.7%
Tangible and intangible assets	91,526	5.2%	32,760	58,766	179.4%	49,901	(17,141)	-34.4%
Other assets	81,331	4.6%	61,402	19,929	32.5%	77,370	(15,968)	-20.6%
Total assets	**1,770,598**	**100.0%**	**2,292,726**	**(522,128)**	**-22.8%**	**2,849,460**	**(556,734)**	**-19.5%**
Deposits from banks	1,304,377	73.7%	1,913,752	(609,375)	-31.8%	93,640	1,820,112	1943.7%
Deposits from clients	33,165	1.9%	99,010	(65,845)	-66.5%	2,391,256	(2,292,246)	-95.9%
Loans from banks and other credit institutions (including subordinated debts)	37,327	2.1%	46,070	(8,743)	-19.0%	97,429	(51,359)	-52.7%
Other debts	30,481	1.7%	15,681	14,800	94.4%	29,809	(14,128)	-47.4%
Total liabilities	**1,405,350**	**79.4%**	**2,074,513**	**(669,163)**	**-32.3%**	**2,612,134**	**(537,621)**	**-20.6%**
Share capital	459,151	25.9%	294,150	165,001	56.1%	294,150	-	0.0%
Share premiums	32,645	1.8%	32,645	-	0.0%	32,645	-	0.0%
Accumulated deficit	(140,125)	-7.9%	(115,791)	(24,334)	21.0%	(102,682)	(13,109)	12.8%
Other reserves	13,577	0.8%	7,209	6,368	88.3%	13,213	(6,004)	-45.4%
Total equity	**365,248**	**20.6%**	**218,213**	**147,035**	**67.4%**	**237,326**	**(19,113)**	**-8.1%**
Total liabilities and equity	**1,770,598**	**100.0%**	**2,292,726**	**(522,128)**	**-22.8%**	**2,849,460**	**(556,734)**	**-19.5%**

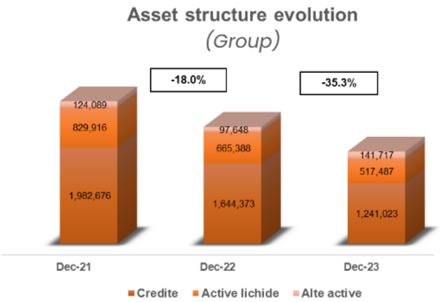
- **Balance sheet composition**. The evolution of assets changed its upward trend to a downward one, following the decision in December 2022 to stop originating loans and the decision to preserve the leasing company starting August 2023, in order to focus the effort on the digital project.

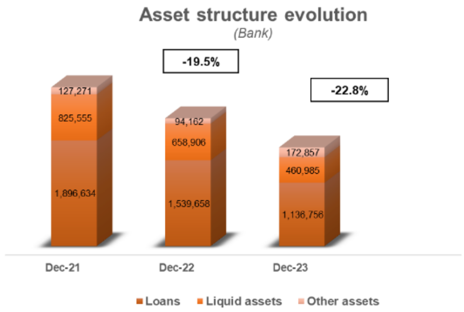
The bank's **total assets** decreased by 22.8% in 2023 (by 21.1% for the Group) as a result of the sale of customers and loans to Banca Transilvania and the cessation of loan origination in order to prepare the bank for the digital project. Thus, **net loans** decreased by 26.2% at individual level (respectively 24.5% at consolidated level), while leasing receivables decreased by 15.8% at individual level and 14.6% at group level, respectively.

The determining share in both the bank's and group's balance sheet is held by loans (64.2% Bank / 65.3% Group), followed by **liquid assets** (26% Bank / 27.2% Group), while other assets hold a small share (4.6% Bank / 2.4% Group).

Cash and current accounts at the central bank decreased by 52.9% at both Bank and Group level compared to December 31, 2022, driven especially by the change in business mode – operationalization without territorial units and without cash.

Tangible and intangible assets accounted for 5.2% of total assets at Bank level, respectively 2.4% at Group level.





- **Asset quality**. The quality of the loan portfolio is in line with the average of the banking system, the performing loans ratio is higher than the average because of the decrease in the generated portfolio.

The non-performing exposures ratio according to the European Banking Authority (EBA) is 11.6% Bank / 11.2% Group as of December 31, 2023, above the average per system, and the Cost of Risk increased compared to 2022 from 1.7% to 3.9% at Bank level and 4.4% at Group level in the context mentioned above.

The provision coverage of non-performing exposures according to EBA is 56% at the level of the Bank, respectively of the Group, a level close to the regulated minimum limit.

- **Liquidity and financing sources.** The liquidity position of the bank is at a comfortable level. The group is mainly financed by deposits from banking and non-banking customers (75.6% of total liabilities).

As of December 31, 2023, **sources attracted from non-banking customers** represent 1.9% of total balance sheet liabilities at bank level (1.5% Group), registering a decrease of 66.5% compared to December 2022, as a result of the change in business model, deposits from banks registering a decrease of 31.8%, representing 73.7% of total liabilities at individual level (68.6% at group level).

During 2023, the Bank maintained its holdings in government bonds at 10% of the bank's total assets and aimed for an immediate liquidity level of 30%. The bank's adequate liquidity profile, mainly supported by deposit flow, is accentuated by an adequate ratio of **liquid assets** to total assets (26%).

- **Capital adequacy.** The capitalization is adequate, the solvency of the bank calculated as of December 31, 2023 was 29.8% at individual level and 26.6% at SALT Bank Group level.

5.2. Profit and Loss

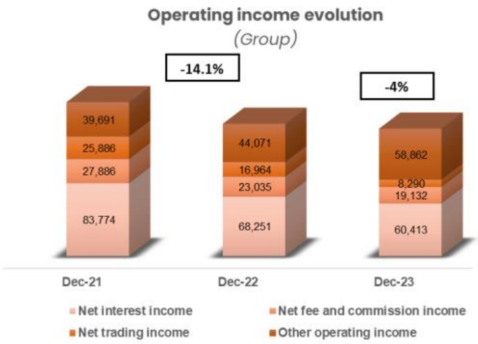
The main items of the individual and consolidated profit and loss account prepared in accordance with the International Financial Reporting Standards adopted by the European Union (IFRS), compared to last year, are as follows:

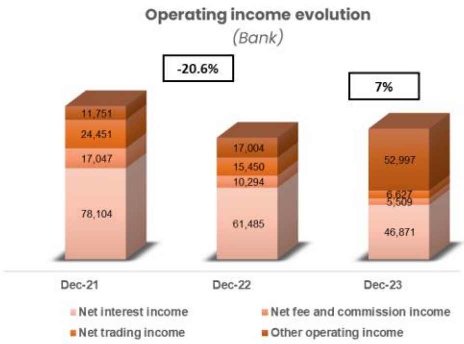
Profit and Loss - GROUP (thousands lei)	Dec-23	Dec-22	Dec-23 vs Dec-22 (abs.)	Dec-23 vs Dec-22 (%)	Dec-21	Dec-22 vs Dec-21 (abs)	Dec-22 vs Dec-21 (%)
Net interest income	60,553	68,251	(7,698)	-11.3%	83,774	(15,523)	-18.5%
Net fee and commission income	14,586	23,035	(8,449)	-36.7%	27,886	(4,851)	-17.4%
Net trading income	9,181	16,964	(7,783)	-45.9%	25,886	(8,922)	-34.5%
Other operating income	57,519	44,071	13,449	30.5%	39,691	4,379	11.0%
Operating income	**141,839**	**152,322**	**(10,482)**	**-6.9%**	**177,238**	**(24,916)**	**-14.1%**
Staff expenses	(57,990)	(59,716)	1,726	-2.9%	(71,370)	11,654	-16.3%
Other operating expenses	(54,212)	(64,274)	10,062	-15.7%	(60,799)	(3,475)	5.7%
Operating expenses	**(112,202)**	**(123,990)**	**11,788**	**-9.5%**	**(132,169)**	**8,178**	**-6.2%**
Operating result	**29,637**	**28,332**	**1,306**	**4.6%**	**45,069**	**(16,738)**	**-37.1%**
Provisions expenses	(64,274)	(31,816)	(32,458)	102.0%	(18,414)	(13,401)	72.8%
Gross result	**(34,637)**	**(3,484)**	**(31,153)**	**894.2%**	**26,655**	**(30,139)**	**-113.1%**
Income tax expense + tax on assets	(6,362)	(4,221)	(2,141)	50.7%	(7,892)	3,671	-46.5%
Net result	**(40,999)**	**(7,705)**	**(33,293)**	**432.1%**	**18,763**	**(26,468)**	**-141.1%**

Profit and Loss - BANK (thousands lei)	Dec-23	Dec-22	Dec-23 vs Dec-22 (abs.)	Dec-23 vs Dec-22 (%)	Dec-21	Dec-22 vs Dec-21 (abs)	Dec-22 vs Dec-21 (%)
Net interest income	46,871	61,485	(14,614)	-23.8%	78,104	(16,619)	-21.3%
Net fee and commission income	5,509	10,294	(4,785)	-46.5%	17,047	(6,753)	-39.6%
Net trading income	6,627	15,450	(8,823)	-57.1%	24,451	(9,001)	-36.8%
Other operating income	52,997	17,004	35,993	211.7%	11,751	5,253	44.7%
Operating income	**112,004**	**104,233**	**7,771**	**7.5%**	**131,353**	**(27,120)**	**-20.6%**
Staff expenses	(40,817)	(36,283)	(4,534)	12.5%	(50,224)	13,941	-27.8%
Other operating expenses	(43,066)	(53,346)	10,280	-19.3%	(46,567)	(6,779)	14.6%
Operating expenses	**(83,883)**	**(89,629)**	**5,746**	**-6.4%**	**(96,791)**	**7,162**	**-7.4%**
Operating result	**28,121**	**14,604**	**13,517**	**92.6%**	**34,562**	**(19,958)**	**-57.7%**
Provisions expenses	(52,384)	(28,484)	(23,900)	83.9%	(17,415)	(11,069)	63.6%
Gross result	**(24,264)**	**(13,880)**	**(10,384)**	**74.8%**	**17,147**	**(31,027)**	**-180.9%**
Income tax expense+ tax on assets	(70)	(225)	155	-68.9%	(4,476)	4,251	-95.0%
Net result	**(24,334)**	**(14,105)**	**(10,229)**	**72.5%**	**12,671**	**(26,776)**	**-211.3%**

- **Profitability**. SALT Bank Group recorded at the end of 2023 a loss of RON 40,999 thousand (RON 24,334 thousand Bank), generating a negative return on capital.

Net interest income, which represents 42% of operating income at Bank level and 41% at Group level, as well as **net fees and commission income**, which contribute 5% to operating income at Bank level and 13% at Group level, recorded negative dynamics because of business decisions to build the digital bank. The **net interest margin** at Bank level was stable compared to 2022 (2.5%) and had an upward trend at Group level, following the update of leasing receivables at EURIBOR 3 months (increased from 2.7% to 3%).





A contribution to operating income of 6% at Bank and Group level was **net trading income**. The **cost/income ratio (CIR)** improved from 86% to 74.9% at Bank level and from 81.4% to 75.3% consolidated level.

5.3. Banking prudential indicators

	Group		Bank	
	31-Dec-23	31-Dec-22	31-Dec-23	31-Dec-22
Tier 1 equity				
Share capital	459,151	294,150	459,151	294,150
Share premiums	32,645	32,645	32,645	32,645
(Deficit)/retain earning	-108,272	-91,139	-115,791	-102,683
Profit/Loss	-40,999	-7,705	-24,334	-14,105
Other reserves	8,366	230	6,437	-1,676
Funds for general banking risks	6,358	6,358	6,358	6,358
Intangible assets	-13,603	-13,393	-13,220	-12,805
Deferred tax assets	0	-	0	-
Other regulatory adjustments	944	9,446	196	8,317
Total Tier 1 equity	**344,588**	**230,592**	**351,440**	**210,201**
Tier 2 equity				
Subordinated debts	5,408	14,590	5,408	14,590
Other regulatory adjustments	-	-	-	-
Total Tier 2 equity	**5,408**	**14,590**	**5,408**	**14,590**
Total equity	**349,996**	**245,182**	**356,848**	**224,791**
Calculated capital requirements:				
Calculated capital requirement for credit risk	81,510	96,133	76,196	90,750
Calculated capital requirement for operational risk	23,903	20,267	17,404	17,804
Calculated capital requirement for market risk	0	4,250	2,349	834
Calculated capital requirement for credit valuation adjustment risk	0	0	0	0
Total capital requirements	**105,413**	**120,650**	**95,949**	**109,388**
Capital indicators				
Total equity ratio	**26.6%**	**16.3%**	**29.8%**	**16.4%**
Tier 1 equity ratio	**26.2%**	**15.3%**	**29.3%**	**15.4%**

6. Human resources management

6.1. Human resources activity

The Group ended 2023 with a staff of 221 employees on the payroll (31st of December 2022: 273 employees). In 2023, the priorities of HR activities focused on identifying talents relevant to the digital bank, increasing team engagement and loyalty and, through this, serving our clients at high standards. In terms of strengthening organizational culture, the approach is complex, starting with defining the vision, mission and values of the new digital bank.

6.2. Motivating and involving employees

The motivational system implemented at the bank level was designed to increase the adherence and commitment of colleagues to SALT Bank Group brand culture and values, through an integrated structure of motivational factors, starting from remuneration and continuing with training opportunities, growth and development, as well as various activities designed to support team spirit, merit recognition, community involvement, and hobby sharing.

The increase in the staff retention rate as well as the internal and dynamic mobility rate of the personnel in the organization in 2023 compared to the previous year was a priority objective pursued by the human resources activity and its fulfilment was reflected in the results obtained at the bank level.

By using internal transfers and promotions as tools for staff growth and development, applying the principle of priority promotion from internal resources especially to higher vacancies, an increase in the degree of motivation and involvement of employees has been achieved

Employee engagement and involvement in the decisions regarding the benefits offered by the bank through the use of internal opinion polls improved the direct communication with all the colleagues and contributed to the democratization of the decisions at the bank level.

6.3. Organisational culture and work environment

The Human Resources Department has set out to offer an optimal experience to colleagues, making SALT Bank an appreciated workplace where colleagues can come and feel that they are developing both professionally and personally.

Creating an organizational culture and a motivating working environment achieved through initiatives aimed at rewarding the performance of colleagues by awarding prizes for various achievements, have helped to develop a meritocratic culture.

Characteristic of the leadership culture of SALT Bank Group, the proximity of the executive team to the operational teams contributed to the strengthening of the collaboration, the creation of empathic relationships and support, of growth at both professional and personal level.

6.4. Employees training and development

Employee training and development have taken the lead in further developing leadership skills by implementing group and individual coaching sessions; continuing to invest in employee training programs aimed at developing technical and sales skills; organizing annual events to assimilate business strategy and objectives, working sessions to share good practice among all colleagues involved.

Continuing development of leadership skills has contributed to the organizational culture, based on transparency, openness and involvement in the fulfilment of business strategy.

The development of managerial skills supported the performance of the bank by motivating the employees, creating a meritocratic, committed and responsible work environment.

6.5. Remuneration policy in SALT Bank Group

The remuneration policy is approved by the Board of Directors of SALT Bank, based on the recommendations of the Remuneration Committee. The Remuneration Committee is subordinated to the Board of Directors and has a consultative role, providing advice and advice to the Board of Directors on the fulfilment of responsibilities related to remuneration policies and practices.

The remuneration policy is in line with the business strategy, objectives, values and interests of the SALT Bank Romania Group. The remuneration policy of SALT Bank Group is correlated with both the group's overall business strategy and the strategic lines for subsequent years approved by the Board of Directors of the Bank.

The total remuneration of employees is composed of fixed and variable remuneration. The fixed and variable components of the total remuneration balanced and the fixed component represents a sufficiently large proportion of the total remuneration so as to allow the application of a fully flexible policy on variable remuneration components.

The fixed component of the remuneration system reflects primarily relevant professional experience and organizational responsibility, taking into account the importance of the objectives and their position.

The variable component of the remuneration system reflects the sustained and risk-adjusted performance as well as results that meet or exceed the performance required to perform the tasks set out in the job description.

Under the legal provisions, the Bank annually performs a self-assessment to identify all staff members whose professional activities have or may have a major impact on the institution's risk profile.

7. Risk management

The Board of Directors of the Bank is responsible for establishing and monitoring the risk management framework within the SALT Bank Group. The Bank's Board of Directors has established the Management Board, the Assets and Liabilities Committee (ALCO), the Credit Committee and the Audit and Risk Committee, which are responsible for developing and monitoring the Bank's risk management policies in the areas specified by them. All committees report to the Board of Directors and / or the Executive Committee.

The Board of Directors collaborates to manage the credit risk with the Audit and Risk Committee, which has an advisory, consultative and investigative function vis-à-vis the Board of Directors of the Bank, with reference to the periodic evaluation of the adequacy and effectiveness of the Bank's internal control framework, with main attributions regarding:

- Evaluation of the efficiency and adequacy of the framework related to the internal control of the Bank, in particular the risk control, the accounting system and the functioning of the Internal Audit Department.
- Verifying the effectiveness of the internal control framework and its compliance with applicable laws and local regulations, obtaining regular updates from the Executive Committee;
- Verifying the independence and adequately preparing all the control functions (Risk, Internal Audit, Compliance) to perform their duties;
- Verifying the compliance with the independence and competence requirements of the external auditor and any other relevant aspects;

- Examine the activities performed by the external auditor and evaluate the results presented in the report and in the management letter, discussing the relevant issues;
- Examine the results of any audit activity performed by the supervisory authority;
- Examining the process of communicating to the employees the Code of Conduct and monitoring its compliance;
- Monitoring and promoting the initiative for the development of a corporate culture based on control and on principles of honesty, fairness and compliance with regulations.
- Advising the management body on the risk appetite and the overall strategy regarding the current and future risk management of the Bank and assisting the management body in overseeing the implementation of the respective strategy by the senior management. The overall responsibility for risk management remains with the management body.
- Checking the prices of the liabilities and assets products offered to the customers, taking full account of the business model and the risk management strategy of the credit institution. If the prices do not adequately reflect the risks, in accordance with the business model and risk management strategy, the Committee must submit to the management body a plan to remedy the situation

Also, within the Bank operates the Risk Division, which reports to the Board of Directors and the Audit and Risk Committee and is subordinated to the Executive Vice President of Risk.

The main objective of the risk management activity is to ensure that all risks are properly managed to respond to the interests of all parties involved. The governance of risk management is based on the model of the three levels, based on the separation of responsibilities between the various control functions:

1. The first level is represented by the permanent supervision, responsibility of all the structures and operational units.
2. The second level is represented by the functions with the role of risk oversight, which provides support to the operational structures in the exercise of their responsibilities. The departments with responsibilities in risk management are: Risk Division through the two departments, respectively the Significant Risk Management Department and the Credit Risk Department, the Compliance Division, the Legal Division. The results of the risk management process are formalized within the reports provided to the Board of Directors, the Executive Committee, the Audit and Risk Committee and the regulatory authorities.
3. The third level is the independent control provided by the Internal Audit function. The Internal Audit function reports to and operates under the mandate of the Board of Directors. The principles, procedures and measures of risk management and their implementation are independently analysed and monitored by the Internal Audit.

The Group's risk management policies are established to identify and analyse the risks to which the Bank is exposed, to establish appropriate risk and control limits, and to monitor risks and compliance with risk limits. The policies and risk management system are periodically reviewed to reflect changes in market conditions, products and services offered. The Bank aims through training programs to appropriate standards and management procedures, to develop a disciplined and constructive control environment, in which all employees understand their roles and responsibilities.

The significant risks identified by the Bank and applicable to the Group are: credit risk, interest rate risk (banking book), market risk (currency risk), liquidity risk, operational risk, compliance risk, reputational risk and strategic risk.

Credit risk

The objectives of credit risk management in SALT BANK are:

- to implement solid credit approval processes for informed risk taking and procedures for efficient identification, monitoring and measurement of risks;
- manage and control credit risk exposures within acceptable parameters, while optimizing profitability.

To reduce the credit risk of SALT Bank, the bank adopts specific approaches for prudent and efficient credit risk management.

Interest rate risk (banking book)

The interest rate risk is due to possible changes in the market interest rates that may adversely affect the value of the financial assets and liabilities of SALT Bank. This risk may result from the mismatch between the maturities between assets and liabilities, as well as from the re-evaluation characteristics of these assets and liabilities.

The objectives of managing the interest rate risk within SALT Bank are:

- to implement solid processes for taking informed risks and procedures for identifying, monitoring and measuring the interest rate efficiently;
- manage and control interest rate risk exposures in acceptable parameters, while optimizing profitability.

Market risk (currency risk)

SALT Bank is exposed to the currency risk that results from the potential change of exchange rates, which may affect the value of a financial instrument. This risk stems from the open currency positions created due to mismatches between assets and liabilities in foreign currency.

The objectives of currency risk management within SALT Bank are:

- to put in place solid processes for taking informed risks and procedures for efficiently identifying, monitoring and measuring currency risk;
- manage and control foreign currency risk exposures within acceptable parameters, while optimizing profitability.

Liquidity risk

The objectives of liquidity risk management in SALT Bank are:

- to ensure the availability of funds to cover all liabilities and off-balance sheet commitments, both effective and contingent, at an economic price;
- to recognize any structural inconsistency in the financial situation of SALT Bank and to establish monitoring indicators to manage financing in accordance with the bank's balanced growth;
- constantly monitor liquidity and financing to ensure that the approved business objectives are met without compromising the Bank's Risk Profile.

Operational risk

Operational risk is the risk of loss resulting from inadequate or defective processes, persons or systems or from external events.

The objectives of operational risk management within SALT Bank Romania are:

- to put in place solid processes and procedures for efficiently identifying, monitoring, measuring and mitigating operational risks;
- manage and control operational risk exposures within acceptable parameters, while ensuring an internal control level.

Compliance risk

The compliance risk refers to the losses generated by the non-compliance with the regulatory framework related to banking activities, with its own strategy, rules and standards.

The objectives of managing compliance risk within SALT Bank are:

- ensuring full compliance with applicable law, cooperating with relevant authorities, ensuring the protection of the Bank's reputation, its financial soundness, mitigating the potential negative impact generated by AML / CTF risk factors;
- ensuring that the AML / CTF risk indicators are maintained at the approved levels;
- ensuring the protection of the Bank's reputation against this risk;
- protecting shareholders' equity;
- protecting the interests of the stakeholders.

Reputational risk

The Bank's policies will closely monitor the complaints made by customers, negative and / or positive articles in the media, as well as fines applied to the Bank.

Strategic risk

The level of strategic risk that the bank is willing to accept is established through the Bank's strategic business objectives, the following measures being monitored:

- Ensuring the human resources necessary to meet the budgetary plans;
- Launching some credit products that will ensure the estimated profitability in the budget of incomes and expenses, by carefully controlling the risk indicators;
- Careful monitoring of costs.

For all the significant risks identified, as well as for the Group companies considered significant (if the total assets represent more than 10% of the total consolidated assets), the Bank applies, through the process of assessing the adequacy of internal capita, stress scenarios in order to ensure financial soundness and continuity of the Bank's activity.

Internal Capital Adequacy Assessment Process (ICAAP)

In accordance with Article 148 of the Emergency Ordinance no. 99/2006 on credit institutions and capital adequacy, as subsequently amended and supplemented, and the NBR Regulation no. 5/2013 regarding the prudential requirements for credit institutions, SALT Bank Group has implemented an internal process for assessing the adequacy of risk capital.

The bank periodically performs an assessment of the capital adequacy by comparing the available own funds with the internal capital requirements. The general framework regarding ICAAP is updated annually, and the capital adequacy monitoring is carried out quarterly.

The risk assessment process takes place quarterly, and involves evaluating all the risks to which the Bank may be exposed and identifying significant risks.

The internal adequacy of the risk capital requirement is determined using the "Pillar I Pillar II +" approach, which involves adding to the regulated capital requirements, the capital requirements for the risks arising from applying less sophisticated approaches, underestimating the loss accentuated in the case of non-repayment, residual risk related to credit risk mitigation techniques, risks arising from the lending of debtors exposed to foreign exchange risk, interest rate risk from activities outside the trading portfolio, concentration risk, interest risk liquidity, risk of excessive leverage, reputational risk and strategic risk.

For the purpose of assessing the adequacy of capital, the available own funds are considered to coincide with the regulated own funds, excluding prudential filters.

In accordance with the Strategy for Business and Risk Management and according to the risk appetite, the Group develops projections for its own funds and regulated and internal capital requirements over a one year time horizon, to ensure maintaining an adequate level, both under normal conditions and in stressful situations.

8. Corporate governance

Corporate governance is the set of responsibilities and practices of management to provide a strategic direction and assurance that its objectives will be attained, ensuring that risks are properly managed and that company resources are used responsibly. In other words, corporate governance is the set of principles underlying the management framework by which the bank is run and controlled.

SALT Bank S.A. is organized and operates in accordance with Romanian law applicable to commercial companies and credit institutions. According to the Articles of Incorporation, the objects of the Bank's activity can be summarized as the conduct of banking activities.

The leasing company, Avant Leasing IFN S.A. (formerly Idea Leasing) is organized and operates in accordance with the Romanian legislation, applicable to commercial companies and non-banking financial institutions.

Statement by SALT Bank S.A. Group on Corporate Governance

Taking into account the admission to trading on the Alternative Trading System of the BVB (AeRO) of the series of subordinated bonds in the amount of EUR 5,000,000 issued by Idea Bank S.A. in December 2018, the bank prepares the present self-assessment of the degree of fulfilment of the "provisions to be fulfilled" of the Corporate Governance Principles for AeRO, as follows:

8.1. Board of Directors

The Board of Directors of SALT Bank S.A. carries out its activity in accordance with the provisions of the applicable regulatory framework and, internally, in accordance with the provisions of the Articles of Incorporation. Also, the bank developed and approved an Organization and Functioning Regulation that shows the clear separation of responsibilities between the Board of Directors and the executive management and, at the same time, details the responsibilities of each structure of the bank and their organizational hierarchy.

During the year 2023, the Board of Directors of SALT Bank S.A. was composed of 5 members, each of them obtaining the approval of the National Bank of Romania prior to the beginning the exercise of responsibilities, had a stable structure.

The administration of the conflict of interests at the level of the Board of Directors is regulated both within the Organization and Functioning Regulation and by an internal policy specifically dedicated to this subject.

SALT Bank S.A. keeps updated records of all the professional commitments of the members of the Board of Directors, who are obliged to inform the bank of any change in the situation of professional commitments.

The independence of the members of the Board of Directors in decision-making, and in particular their decision-making independence from shareholders, shall be subject to the Conflict-of-Interest Management Policy at the level of the members of the management body. This Policy also governs the information and abstention obligations of the members of the Board of Directors regarding possible conflicts of interest resulting from their connection with one or more shareholders.

Among the tasks of the Board of Directors we include: approval of the Bank's organizational structure, general and specific policies, appointment and dismissal of executive directors and establishment of their remuneration, effective supervision of the activity of executive directors, preparation of the annual report and organization of the general meeting of shareholders and implementation of the decision of the Shareholders, approving the purchase of real estate or movable property for the purpose of their use by the Bank for a price not exceeding 20% of the Bank's share capital, etc.

The Board of Directors meets, as a rule, once a month or whenever the Bank's activity requires it.

The calls for meetings of the Board of Directors include the place where the meeting will be held, the date and the draft agenda. At each meeting, a report generated, which includes the names of the participants, the order of the deliberations, the decisions taken, the number of votes taken and the separate opinions.

In 2023, there were 17 meetings of the Board of Directors (2022: 24), a number considered to be sufficient for the efficient performance of the tasks. The assessment of the adequacy of the members of the Board of Directors takes place every two years, in accordance with the provisions of the EBA Guide no. 12/2017 regarding the assessment of the adequacy of the members of the management body and of the persons holding key functions. The results and the situation of the bank are analysed monthly and quarterly based on up-to-date information on the bank's situation and on the basis of the reports of the internal control functions.

The Board of Directors of SALT Bank S.A. approved both at the group level as well as individual bank level, the general business strategy, the risk strategy, the policies regarding the identification and management of the significant risks, the liquidity risk management, the reports on the internal control framework, the report on the Internal Capital Adequacy Assessment Process - ICAAP, reports on financial results.

It also approved the notes regarding changes in the management of the bank and the group, the convening of the GMS, updates of the internal regulations including remuneration policies, reports on the results of the inventory of the assets.

During the meetings, the Board of Directors is regularly informed about the economic, monetary and financial environment, the evolution of local legislation, the significant risks, the main events that took place within the bank, and the activity of the committees set up to support it.

There is no agreement or agreement or family relationship between the administrators and another person due to whom that person has been appointed administrator. No administrator holds any shareholdings in SALT bank S.A.

Under the direct subordination of the Board of Directors are: the Management Committee, the Audit and Risk Committee (CAR) and the Remuneration Committee (CR).

8.2. Management Board

The operational management and coordination of the bank's daily activity shall be delegated by the Board of Directors to the executive management whose members are elected by the Board of Directors, from among the directors or from outside the Board, and together form the Management Committee.

The Management Board is made up of the persons empowered to lead and coordinate the daily activity, being the collective body composed of directors within the meaning of the provisions of Law no. 31/1990 on commercial companies, supported with those of the Government Emergency Ordinance no. 99/2006 on credit institutions and capital adequacy, and fulfils the executive management function within the meaning of the NBR Regulation 5/2013. The Management Board exercises the responsibilities set forth in the Articles of Incorporation and those delegated by the Board of Directors to manage and coordinate the Bank's current business.

The main tasks of the Management Board concern the effective management of the organization, including the management of assets and liabilities, the management of competences, the relationship with the Board of Directors, but also the management of the internal control system, the activities affected by the risks, the implementation of the recommendations of the internal audit and the external financial auditor, and the accuracy of the financial information provided to stakeholders, ensuring the integrity of accounting and financial reporting systems, compliance with the legal framework, and the rules established by the Board of Directors, compliance with the strategic targets and the risk appetite assumed by the bank.

The members of the Management Board are responsible for taking all measures related to the management of the company, within the scope of the company's activity and respecting the powers that the law or the constitutive act reserves exclusively to the Board of Directors and the General Meeting of Shareholders.

Each member of the Management Board is invested with all the powers to act on behalf of the Bank and to represent it in relations with third parties in any circumstance related to the activities it coordinates, in compliance with the legal provisions of the Constitutive Act and the Organization and Functioning Regulation.

Meetings of the Board of Directors are usually held once per week or whenever needed. During the year 2023, 82 meetings of the Management Board were held (108 in 2022).

Decisions of the Management Board are taken by an absolute majority of its members' votes. In the meetings of the Management Board the vote cannot be delegated. The minutes of the meeting are signed by the members attending the meeting immediately after its drafting.

The Management Board has provided the Board of Directors regularly comprehensive and detailed information on all important aspects of the Bank's activities, including those relating to risk management, the assessment of potential risks and compliance issues, the measures taken and recommended, the implementation of internal controls, irregularities identified in the performance of their duties, developed projects. Any event of major importance is immediately communicated to the Board of Directors.

There is no agreement or agreement or family connection between the members of the executive management and another person due to whom that person has been appointed to the executive management.

No member of the executive management holds any share in the capital of SALT Bank S.A.. No person mentioned above has been involved in litigations or administrative procedures, in the last 5 years, related to their activity within the bank, as well as others concerning the ability of that person to perform his duties within the bank.

The Bank issues current informative reports to BVB, through which all the bank's shareholders are promptly and correctly informed about any significant changes in the financial statements, the composition of the management, disputes in which they were involved, or disputes related to the bank's activity.

8.3. External audit

The External Auditor of the Bank, DELOITTE AUDIT S.R.L., carried out the annual audit of the individual and consolidated financial statements for the financial year ended 31 December 2023. The audit opinion expresses that the individual and consolidated financial statements give a true and fair view, in all material respects, of the individual financial position of SALT Bank S.A., as well as the individual result and individual cash flows in accordance with the International Financial Reporting Standards adopted by the European Union.

8.4. Internal audit

The Internal Audit function, independent function reporting to the Audit and Risk Committee, provides for an objective examination of all Bank's activities for the purpose of an independent assessment of risk management, internal control system, management and execution processes to support the achievement of the proposed objectives and makes recommendations for improving the effectiveness of these activities.

8.5. Audit and Risk Committee

The Audit and Risk Committee (ARC) is made up of members of the Board of Directors who do not also perform executive functions and carry out their activity on the basis of International Standards on Auditing, Law 31/1990 of Companies, Terms of Reference of the Audit and Risk Committee. The Audit and Risk Committee is a Standing Committee of the Bank appointed by decision of the Board of Directors, composed of 3 (three) members and the ARC President is an independent member, not part of the Bank's executive management.

The main tasks of the ARC are aimed at the functioning of the internal control system, the activities affected by risks to be analysed in that year within the audit commitments and of the external financial auditor, the correctness and credibility of the financial information provided to the executive management and external users, compliance with the provisions of the legal framework, with the constitutive act and with the norms established by the Board of Directors, the compliance with the strategic targets and the risk appetite assumed by the bank for the risk indicators and the significant risks in the risk profile structure.

During 2023, the SALT Bank Audit and Risk Committee held 14 meetings (14 meetings in 2022).

The Audit and Risk Committee has responsibilities in the area of accounting and financial statements and in the area of the internal control framework. Reports and documents presented by the Accounting, Risk, Compliance and Audit functions were analysed, approved and approved at the committee meetings. The Chairman of the Audit and Risk Committee reports to the Board of Directors the activities undertaken by the committee, the relevant issues and all recommendations based on its evaluation. In accordance with the established schedules, the meetings of the Committee precede the meetings of the Board of Directors.

Based on the Organization and Functioning Regulation, the Audit and Risk Committee has the following attributions in the area of accounting and financial statements:

- Supervises the establishment of accounting policies by the Bank;
- Reviews important accounting elements, including complex and or extraordinary transactions;
- Analyses the annual financial statements and quarterly financial reports;
- Discuss, at least annually, with external auditors.

The Audit and Risk Committee assessed the efficiency and adequacy of the Bank's internal control framework, in particular the control of risk, the compliance function, the accounting system and the functioning of the Internal Audit Directorate. It also analysed and endorsed the recommendations issued by the Internal Audit, as well as the manner and period of their implementation, supporting the Board of Directors and the Management Committee in remedying the deficiencies.

The Audit and Risk Committee examined the robustness of the Bank's internal controls, working in collaboration with both the external auditor and the internal auditor, to closely follow any identified deficiencies and to control the follow-up by carefully maintaining the analyses. In addition, the Audit and Risk Committee closely monitored the implementation of the action plans as a result of external regulatory controls.

The Audit and Risk Committee is responsible for assessing the performance, objectivity and independence of the external auditor and the delivery of quality audit reports by him or her. For 2023, the Board considered that both the lead partner and the expanded teams, as well as the terms of remuneration and employment of the appointed auditor, were appropriate for approval. Based on the declaration of independence obtained by the Audit and Risk Committee of its own auditor's assessment, the Committee concluded that DELOITTE Audit S.R.L. is independent in providing audit services to SALT Bank S.A.

8.6. Remuneration Committee

The Remuneration Committee (RC) is a committee subordinated to the Board of Directors having the composition, attributions, competencies and operating rules set out in the Terms of Reference (Own Rules of Procedure).

The main responsibilities of the Remuneration Committee are:

- In relation to remuneration:

a. Provide assistance and advice to the Board of Directors by issuing competent and independent opinions on remuneration policies and practices and on the incentives created for managing risk, capital and liquidity.
b. Analyses and ensures that the general principles of remuneration policies and benefits of staff are in line with the business strategy, objectives, values and interests of SALT Bank;
c. Performing an independent, centralized assessment of the implementation of the remuneration policy;
d. Supervises the remuneration of executive management and coordinators of independent control functions directly, including risk management, auditing and compliance functions.

- In connection with the nomination: Provide guidance and advice to the Board of Directors on the nomination and assessment of the suitability of the members of the Board of Directors and the Executive Committee.

During 2023, the Remuneration Committee met in 8 sessions (7 sessions in 2022).

8.7. Assets and Liability Committee (ALCO)

ALCO is a permanent Committee of the Bank, composed of the 6 members appointed by the Bank's Management Board. ALCO is responsible for optimizing the balance sheet structure by developing financing strategies and investment strategies to earn profit at the accepted risk level and in line with the Bank's strategic goals. ALCO's activity mainly concerns the Bank's resources and placements, its liquidity, foreign currency position, interest rates for both assets and liabilities, transfer prices, benchmark interest rate, interest rate risk and liquidity. In 2023 there were 12 ALCO meetings (10 in 2022).

8.8. Credit Committee

The Credit Committee is a permanent Committee of the Bank set up by decision of the Management Board. The Credit Committee is authorized to approve or approve the credit operations as defined in the specific procedures, in accordance with the powers and within the limits of competence delegated to it by the Management Board. In 2023, 5 meetings of the Credit Committee were held (19 meetings in 2022), as SALT Bank has not granted new loans since December 2022.

8.9. Non-performing Loans Committee

The NPL Committee is a permanent Committee of the Bank, responsible for tracking the level of recoveries of SME clients and Retail clients, for updating and eventually changing recovery strategies. In 2023 there were 50 meetings of the Non-performing Loans Committee (26 in 2022).

8.10. Conflict of interest

In 2023, there were no conflicts of interest between the members of the Board of Directors and the Management Board.

The main obligations respected by the members of the Board of Directors and of the Management Committee, imposed at the Bank level for the prevention and avoidance of conflicts of interest, are:

a) the obligation to act only in the interest of the Bank and to make decisions without being influenced by any potential interests that may occur in the activity;

b) the obligation to keep confidential any facts, data or information that they have knowledge of while exercising their responsibilities and understand that they have no right to use or disclose them during or after the activity;

c) the obligation to notify other members of the Board of Directors and internal auditors of any operation in which he has, directly or indirectly, interests contrary to the interests of the Bank and not to take part in any decision concerning that operation;

d) the members of the management body abstain when decisions are made on the agenda of the Board of Directors and the Management Committee with regard to third parties, which by their nature are in a conflict of interest.

8.11. Internal control framework

The internal control framework of SALT Bank Group is structured on three levels:

1. The first level of control is carried out by the operational units, which are responsible for ensuring that at each level of each structure / activity a risk control and prevention environment is established as part of day-to-day operations.
2. The second level is represented by the risk management function and the compliance function;
3. The third level is represented by the internal audit function which ensures an independent examination of the applied controls.

Control Levels 2 and 3 are performed through three independent control functions, reporting to the Board of Directors and the Audit and Risk Committee as follows:

a) The risk management function ensures the management and control of risks identified through specific evaluation processes. Significant risks to the risk management function are: credit risk (including concentration risk and residual risk), market risk, market risks (interest rate risk and foreign exchange risk, settlement risk, concentration risk), liquidity risk, operational risk and strategic risk.

b) The compliance function ensures the management of the risk of non-compliance;

c) The Internal Audit function provides for an objective examination of all Bank's activities for the purpose of an independent assessment of risk management, internal control system, management and execution processes to support the achievement of the proposed objectives and makes recommendations for improving the effectiveness of these activities.

The main tools implemented within SALT Bank for ensuring an efficient internal control system are:

a) Transposing the Bank's strategies / policies / processes into written regulations (rules, policies, instructions, working procedures) and their periodic review;

b) Raising awareness of each operational level on the need to control operations and to implement work procedures tailored to the nature and volume of activity, taking into account all types of risks;

c) Defining decision-making process and a clear allocation of responsibilities and authority limits, on hierarchical levels and organizational structures, including the proper division of tasks at all organizational levels;

d) Identifying, evaluating, measuring, diminishing, monitoring and reporting of significant risks;

e) Implementing compliance program;

f) Implementing risk-based audit plan to coincide with the strategic objectives of the Bank;

g) Informing persons with adequate management positions on the deficiencies identified in connection with the internal control system, which will take steps to remedy the deficiencies;

h) Informing the management structure of the Bank about the major weaknesses of the internal control system.

8.12. Principles of diversity

SALT Bank Group promotes diversity in governing bodies (Board of Directors and Management Board) through recruitment and management policies, recognizing and embracing the benefits of a diversified management body to enhance the quality of its performance.

SALT Bank Group perceives increased leadership diversity as an essential element in supporting the achievement of its strategic objectives. In designing the structure of the governing body, taking into account the diversity considerations, including but not limited to gender, age, cultural and educational profile, ethnicity, professional experience, skills, knowledge, and seniority in work, it was considered. All appointments within the governing body are based on meritocracy, and candidates will be considered on the basis of objective criteria, taking into account the benefits of the diversity of this body.

The members of the Board of Directors and the SALT Bank directors occupy leading positions within the bank or have previous experience in the local and international banking system, demonstrating their ability to exercise management responsibilities at top management positions or management of the Bank.

These skills, as well as the experience gained, allow them to provide a sound judgment, ensuring the supervision of banking activities. All members of the management body also have significant experience in corporate governance and complex business supervision through their status of executive directors, directors, directors, or other relevant functions within other large institutions.

Some of the Bank's directors have relevant experience in areas specific to financial-banking institutions, such as audit, risk, capital market. All of these skills and experiences are relevant to current strategies as well as to encourage the development of the Bank, allowing directors and members of the Board of Directors to provide diverse perspectives, valuable advice and critical views on new business opportunities, product launches, addressing new markets, solutions for the problems faced by the institution as well as the banking system at local level.

8.13. Human rights principles

To comply with the human rights standards set out in the Universal Declaration of Human Rights and the International Covenant on Civil and Political Rights ratified by all countries in which SALT Bank Group operates, as well as the European Convention on Human Rights, the bank complies with the highest standards legal, accountability and integrity standards. We also support the principles embodied in the ILO Conventions and the OECD Guidelines for Multinational Enterprises.

We are committed to respecting universally recognized human rights, in particular the human rights specified in the international regulations set out in their preamble. We commit to respect human dignity and equality. We protect people's lives and health by providing a healthy and safe working environment. SALT Bank Group opposes the violation of fundamental human rights, especially for the benefit of forced or forced labour or indirect benefits, or to support the abuse of human rights.

We ensure equal treatment for every employee that offers equal chances and opportunities and makes it possible for our employees to associate freely. The core principles for recruitment, employment, placement, development, training, compensation and improvement at SALT Bank Group are the qualifications, skills, experience and performance.

8.14. Practices on combating corruption and bribery

SALT Bank Group does not tolerate any form of bribery and / or corruption. No employee / member of the governing bodies of SALT Bank will accept or grant any inappropriate advantage of any kind (incentives), regardless of whether the person offering or seeking such an advantage works in the public or private sector. It is also forbidden to offer or receive any form of bribe, or to practice the influence of trafficking, directly or through interference.

The Bank applies the above requirements in accordance with the legal provisions as well as in accordance with the applicable internal rules and regulations.

8.15. AML prevention

SALT Bank Group ensures transaction monitoring through the core banking applications according to Law 129/2019 and Regulation no 2/2019. Appropriate scenarios that provide immediate protection against money laundering are implemented within the application through appropriate monitoring of:

a) high risk entities;

b) rapid transfers of funds;

c) high value transactions;

d) networks of accounts, entities and customers;

e) structuring / avoiding the reporting threshold.

The way in which money laundering prevention and control is carried out is also pursued through an internal control process of the client portfolio based on predefined criteria.

President of Board of Directors

IVO GUEORGUIEV

Salt Bank S.A.
LEI CODE: 213800B6NFUNHBD4J569

CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

Prepared in accordance with the International Financial Reporting Standards as adopted by the European Union

For the year ended 31 December 2023

CONTENTS

The English version of the consolidated and separate financial statements is a translation from the Romanian official version. In case of discrepancies, the Romanian official version will prevail.

Consolidated and Separate Statement of Profit or Loss

For the year ended 31 December

	Notes	Group 2023	Group 2022	Bank 2023	Bank 2022
		RON thousand	***RON thousand***	***RON thousand***	***RON thousand***
Interest income calculated using the effective interest method	8	60,401	69,297	137,128	115,649
Other interest income related to lease receivables		94,800	54,584	-	-
Interest expense calculated using the effective interest method		(94,602)	(55,515)	(90,231)	(54,069)
Other interest expense		(46)	(115)	(26)	(95)
Net interest income	8	**60,553**	**68,251**	**46,871**	**61,485**
Fee and commission income		21,047	26,901	7,312	14,052
Fee and commission expense		(6,461)	(3,866)	(1,803)	(3,758)
Net fee and commission income	9	**14,586**	**23,035**	**5,509**	**10,294**
Net trading income	10	9,181	16,964	6,627	15,450
Net gain / loss (-) from financial assets which are required to be measured at fair value through profit or loss	11	-	29	13,290	3,795
Contribution to the Bank Deposit Guarantee Fund and to the Resolution Fund	12	-	(2,235)	-	(2,235)
Other operating income	13	57,519	46,277	39,707	15,444
Operating income		**141,839**	**152,322**	**112,004**	**104,233**
Impairment or reversal of impairment on financial assets not measured at fair value through profit or loss	14(a)	(64,133)	(31,620)	(52,595)	(28,576)
Other (expenses)/reversal from other provisions	14(b)	(141)	(196)	210	92
Personnel expenses	15	(57,990)	(59,716)	(40,817)	(36,283)
Depreciation and amortization		(9,327)	(11,354)	(7,092)	(9,339)
Other operating expenses	16	(44,885)	(52,920)	(35,974)	(44,007)
Operating expenses		**(176,476)**	**(155,806)**	**(136,268)**	**(118,113)**
Profit/Loss before income tax		**(34,637)**	**(3,484)**	**(24,264)**	**(13,880)**
Income tax expense (-)	17	(6,362)	(4,221)	(70)	(225)
Net loss for the year		**(40,999)**	**(7,705)**	**(24,334)**	**(14,105)**
Net Loss of the Group attributable to:					
Equity holders of the Bank		(47,104)	(7,705)	-	-
Non-controlling interests		6,105	-	-	-
Net Loss for the year		**(40,999)**	**(7,705)**	**(24,334)**	**(14,105)**

Consolidated and Separate Statement of Comprehensive Income

For the year ended 31 December

	Notes	Group		Bank	
		2023	**2022**	**2023**	**2022**
		RON thousand	***RON thousand***	***RON thousand***	***RON thousand***
Net Profit/net Loss for the year		**(40,999)**	**(7,705)**	**(24,334)**	**(14,105)**
Items that will not be reclassified as profit or loss, net of tax		**1,075**	**263**	**1,075**	**263**
Increase from property and equipment		1,229	-	1,229	-
Tax related to items that will not be reclassified to profit or loss		(154)	263	(154)	263
Items which are or may be reclassified to profit or loss		**5,293**	**(5,271)**	**5,293**	**(5,271)**
Fair value reserve (financial assets measured at fair value through other comprehensive income), of which:		**6,321**	**(6,346)**	**6,321**	**(6,346)**
Net gain / loss (-) from disposal of financial assets measured at fair value through other comprehensive income, transferred to profit or loss account		-	3,795	-	3,795
Fair value changes of financial assets measured at fair value through other comprehensive income		6,321	(10,141)	6,321	(10,141)
Income tax on items which are or may be reclassified to profit or loss		**(1,028)**	**1,075**	**(1,028)**	**1,075**
Total comprehensive income for the period		**(34,631)**	**(12,713)**	**(17,966)**	**(19,113)**
Total comprehensive income attributable to:					
Equity holders of the Bank		(40,736)	(12,713)	-	-
Non-controlling interests		6,105	-	-	-
Total comprehensive income for the period		**(34,631)**	**(12,713)**	**(17,966)**	**(19,113)**

The financial statements were approved by the Board of Directors on 26th of April 2024 and were signed on its behalf by:

Gabriela NISTOR,
Chief Executive Officer

Gabriela ANDREI,
Executive Financial Director

Consolidated and Separate Statement of Financial Position

At 31 December		Group		Bank	
	Note	2023	2022	2023	2022
Assets		*RON thousand*	*RON thousand*	*RON thousand*	*RON thousand*
Cash and current accounts with Central Banks	18	85,886	182,428	85,883	182,426
Financial assets measured at fair value through other comprehensive income	22	211,519	237,562	211,519	237,562
Financial assets at amortized cost - of which:		514,615	790,220	1,314,094	1,787,750
- Placements with banks and public institutions	19	220,082	245,398	163,583	238,918
- Loans and advances to customers	20	266,544	503,418	1,136,756	1,539,658
- Other financial assets	28	27,989	41,404	13,755	9,174
Finance lease receivables	21	974,479	1,140,955	-	-
Investments in subsidiaries	23	-	-	56,469	43,179
Property and equipment	24	19,706	17,932	17,853	16,409
Intangible assets	25	64,470	13,667	64,087	13,079
Right-of-use assets	26	12,226	6,727	9,586	3,272
Current tax receivables	27	4,882	2,473	4,882	2,473
Deferred tax assets	27	336	1,365	-	-
Other non-financial assets	29	12,108	14,080	6,225	6,576
Total assets		**1,900,227**	**2,407,409**	**1,770,598**	**2,292,726**

The explanatory notes to the financial statements from page 11 to page 154 are an integral part of these financial statements.

Consolidated and Separate Statement of Financial Position

At 31 December	Notes	Group		Bank	
		2023	2022	2023	2022
Liabilities		*RON thousand*	*RON thousand*	*RON thousand*	*RON thousand*
Deposits from banks	30	1,304,377	1,913,752	1,304,377	1,913,752
Deposits from customers	31	29,136	92,407	33,165	99,010
Loans from banks and other financial institutions	32	102,084	59,454	-	-
Subordinated liabilities	33	37,327	46,070	37,327	46,070
Lease liabilities	26	12,441	3,638	9,808	3,638
Other financial liabilities	35	21,526	33,701	7,697	7,498
Current tax liability		41	1,096	-	-
Deferred tax liability	27	1,667	414	1,667	414
Provisions for other risks and loan commitments	34	9,304	8,367	6,747	3,047
Other non-financial liabilities	36	16,482	8,943	4,562	1,084
Total liabilities		**1,534,385**	**2,167,842**	**1,405,350**	**2,074,513**
Equity					
Share capital	37	459,151	294,150	459,151	294,150
Share premiums		32,645	32,645	32,645	32,645
Retained earnings		(149,270)	(97,848)	(140,125)	(115,791)
Revaluation reserves from tangible assets		9,435	8,360	9,435	8,360
Reserves on financial assets measured at fair value through other comprehensive income		(2,687)	(7,980)	(2,687)	(7,980)
Other reserves		8,493	8,736	6,829	6,829
Total equity attributable to equity holders of the Bank		**357,767**	**238,063**	**365,248**	**218,213**
Non-controlling interest		**8,075**	**1,503**	-	-
Total equity		**365,842**	**239,566**	**365,248**	**218,213**
Total liabilities and equity		**1,900,227**	**2,407,409**	**1,770,598**	**2,292,726**

The financial statements were approved by the Board of Directors on 26th of April 2024 and were signed on its behalf by:

Gabriela NISTOR,
Chief Executive Officer

Gabriela ANDREI,
Executive Financial Director

The explanatory notes to the financial statements from page 11 to page 154 are an integral part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2023

Group

In RON thousand	Note				**Attributable to the equity holders of the Bank**					
		Share capital	**Share premiums**	**Revaluation reserves**	**Reserves from financial assets measured at fair value through other comprehensive income**	**Other reserves**	**Retained earnings**	**Total attributable to the equity holders of the Bank**	**Non-controlling interest**	**Total**
Balance as at 01 January 2023		**294,150**	**32,645**	**8,360**	**(7,980)**	**8,736**	**(97,848)**	**238,063**	**1,503**	**239,566**
Loss for the year		-	-	-	-	-	(47,104)	(47,104)	6,105	**(40,999)**
Gain from fair value changes of financial assets measured at fair value through other comprehensive income, net of deferred tax		-	-	-	5,293	-	-	5,293	-	5,293
Revaluation of property and equipment, intangible assets, net of tax		-	-	1,075	-	-	-	1,075	-	1,075
Total comprehensive income for the period		**-**	**-**	**1,075**	**5,293**	**-**	**(47,104)**	**(40,736)**	**6,105**	**(34,631)**
Contributions of/distributions to the shareholders										
Increase in share capital(*)	37	165,001	-	-	-	-	-	165,001	-	165,001
Own shares payments		-	-	-	-	-	298	298	-	298
Dividends distributed to shareholders		-	-	-	-	-	(4,531)	(4,531)	-	(4,531)
Other items		-	-	-	-	(243)	(85)	(328)	467	139
Total contributions of/distributions to the shareholders		**165,001**	**-**	**-**	**-**	**(243)**	**(4,318)**	**160,440**	**467**	**160,907**
Balance at 31 December 2023		**459,151**	**32,645**	**9,435**	**(2,687)**	**8,493**	**(149,270)**	**357,767**	**8,075**	**365,842**

(*) In 2023 the Bank increased share capital by RON 165,001 thousand through issuing of 1,650,003,900 new shares at a nominal value of RON 0,1 /share

Consolidated Statement of Changes in Equity *(continued)*

For the year ended 31 December 2022

Group

In RON thousand	Notes	Share capital	Share premiums	Revaluation reserves	Reserves from financial assets measured at fair value through other comprehensive income	Other reserves	Retained earnings	Total attributable to the equity holders of the Bank	Non-controlling interest	Total
		Attributable to the equity holders of the Bank								
Balance as at 01 January 2022		**294,150**	**32,645**	**9,093**	**(2,709)**	**8,736**	**(94,025)**	**247,890**	**-**	**247,890**
Loss for the year		-	-	-	-	-	(7,705)	(7,705)	-	(7,705)
Losses from fair value changes of financial assets measured at fair value through other comprehensive income, net of deferred tax		-	-	-	(5,271)	-	-	(5,271)	-	(5,271)
Revaluation of property and equipment, net of tax		-	-	263	-	-	-	263	-	263
Retained earnings from revaluation reserves		-	-	(996)	-	-	996	-	-	-
Total comprehensive income for the period		**-**	**-**	**(733)**	**(5,271)**	**-**	**(6,709)**	**(12,713)**	**-**	**(12,713)**
Contributions of/distributions to the shareholders										
Increase in share capital	37	-	-	-	-	-	-	-	-	-
Dividends distributed to shareholders	37	-	-	-	-	-				
Other items (*)		-	-	-	-	-	2,866	2,866	1,503	4,389
Total contributions of/distributions to the		**-**	**-**	**-**	**-**	**-**	**2,866**	**2,866**	**1,503**	**4,389**
Balance at 31 December 2022		**294,150**	**32,645**	**8,360**	**(7,980)**	**8,736**	**(97,848)**	**238,063**	**1,503**	**239,566**

(*) Other Items represents equity of Idea Investment that has been sold to BT Investment and has been excluded from consolidation perimeter

Separate Statement of Changes in Equity

For the year ended 31 December 2023

Bank		Attributable to the equity holders of the Bank						
In RON thousand	**Notes**	**Share capital**	**Share premiums**	**Revaluation reserves**	**Reserves from financial assets measured at fair value through other comprehensive income**	**Other reserves**	**Retained earnings**	**Total**
Balance as at January 1, 2023		**294,150**	**32,645**	**8,360**	**(7,980)**	**6,829**	**(115,791)**	**218,213**
Loss for the year		-	-	-	-	-	(24,334)	**(24,334)**
Gain from fair value changes of financial assets measured at fair value through other comprehensive income, net of deferred tax		-	-	-	5,293	-	-	5,293
Revaluation of property and equipment, intangible assets, net of tax		-	-	1,075	-	-	-	1,075
Retained earnings from revaluation reserves		-	-	-	-	-	-	-
Statement of comprehensive income for the period		**-**	**-**	**1,075**	**5,293**	**-**	**(24,334)**	**(17,966)**
Contributions of/distributions to the shareholders		-	-	-	-	-		
Increase in share capital (*)		165,001	-	-	-	-		165,001
Total contributions of/distributions to the shareholders		**165,001**	**-**	**-**	**-**	**-**	**-**	**165,001**
Balance at 31 December 2023		**459,151**	**32,645**	**9,435**	**(2,687)**	**6,829**	**(140,125)**	**365,248**

(*) In 2023 the Bank increased share capital by RON 165,001 thousand through issuing of 1,650,003,900 new shares at a nominal value of RON 0,1 /share

The explanatory notes to the financial statements from page 11 to page 154 are an integral part of these financial statements.

Separate Statement of Changes in Equity *(continued)*
For the year ended 31 December 2022

Bank		Attributable to the equity holders of the Bank						
In RON thousand	**Notes**	**Share capital**	**Share premiums**	**Revaluation reserves**	**Reserves from financial assets measured at fair value through other comprehensive income**	**Other reserves**	**Retained earnings**	**Total**
Balance as at January 1, 2022		**294,150**	**32,645**	**9,093**	**(2,709)**	**6,829**	**(102,682)**	**237,326**
Loss for the year		-	-	-	-	-	(14,105)	**14,105**
Losses from fair value changes of financial assets measured at fair value through other comprehensive income, net of deferred tax		-	-	-	(5,271)	-	-	**(5,271)**
Revaluation of property and equipment, net of income tax		-	-	263	-	-	-	**263**
Retained earnings from revaluation reserves		-	-	(996)	-	-	996	**-**
Statement of comprehensive income for the period		**-**	**-**	**(733)**	**(5,271)**	**-**	**(13,109)**	**(19,113)**
Contributions of/distributions to the shareholders								
Increase in share capital	37	-	-	-	-	-	-	**-**
Total contributions of/distributions to the shareholders		**-**	**-**	**-**	**-**	**-**	**-**	**-**
Balance at 31 December 2022		**294,150**	**32,645**	**8,360**	**(7,980)**	**6,829**	**(115,791)**	**218,213**

The financial statements were approved by the Board of Directors on 26th of April 2024 and were signed on its behalf by:

Gabriela NISTOR,
Chief Executive Officer

Gabriela ANDREI,
Executive Financial Director

The explanatory notes to the financial statements from page 11 to page 154 are an integral part of these financial statements.

Consolidated and Separate Statement of Cash Flows

For the year ended 31 December

In RON thousand	Note	Group 2023	Group 2022 restated	Bank 2023	Bank 2022 restated
Cash-flow from operating activities					
Profit for the year		**(40,999)**	**(7,705)**	**(24,334)**	**(14,105)**
Adjustments for:					
Depreciation and amortization	24,25, 26	9,327	11,354	7,092	9,339
Impairment allowance, expected losses and write-offs of financial assets, provisions for other risks and loan commitments		69,527	33,473	57,962	30,141
Adjustment of financial assets at fair value through profit or loss		-	(29)	(13,290)	(3,795)
Income tax expense	17	6,362	4,221	70	225
Interest income	8	(155,201)	(123,881)	(137,128)	(115,649)
Interest expense	8	94,648	55,630	90,257	54,164
Other adjustments		(28,852)	(28,953)	(49,331)	(29,554)
Net profit adjusted with non-monetary elements		**(45,188)**	**(55,890)**	**(68,702)**	**(69,234)**
Changes in operating assets and liabilities					
Change in financial assets at amortized cost and placements with banks		-	(73)	-	-
Change in loans and advances to customers		227,180	173,958	352,248	332,803
Change in finance lease receivables		121,565	137,998	-	-
Change in financial assets held for trading and measured at fair value through profit or loss - derivatives		-	1,086	-	1,086
Change in other financial assets		(883)	20,199	(4,516)	16,043
Change in other assets		5,887	(3,394)	534	1,851
Change in customers deposits		(62,660)	(2,276,693)	(65,234)	(2,282,580)
Change in deposits from banks		(609,427)	1,807,654	(601,345)	1,807,654
Changes in financial liabilities held for trading		-	(490)	-	(490)
Changes in other financial liabilities		306	15,338	199	(497)
Changes in other liabilities		4,101	(14,346)	3,226	(1,741)
Income tax paid		(7,703)	(6,942)	(2,409)	-
Interest collected		155,119	131,687	139,517	123,443
Interest paid		(94,944)	(45,310)	(94,944)	(45,310)
Cash-flow used in operating activities		**(306,646)**	**(115,219)**	**(341,426)**	**(116,972)**

The explanatory notes to the financial statements from page 11 to page 154 are an integral part of these financial statements.

Consolidated and Separate Statement of Cash Flows

For the year ended 31 December

In RON thousand	Notes	Group 2023	Group 2022 restated	Bank 2023	Bank 2022 restated
Cash-flow used in investment activities					
Acquisition of financial assets measured at fair value through other comprehensive income		(114,341)	(119,017)	(114,341)	(119,017)
Outflows of financial assets measured at fair value through other items of result		147,507	169,921	147,507	169,921
Net acquisitions of property and equipment		(3,735)	6,947	(2,688)	7,959
Net acquisitions intangible assets		(54,346)	(3,487)	(54,345)	(2,927)
Proceeds from disposal of property and equipment and intangible assets		-	1,226	-	1,226
Proceeds from sale of participation		20,071	-	-	-
Dividends collected	13	1,008	1,447	36,477	6,444
Interest received		7,691	10,228	7,691	10,228
Net cash-flow used in investment activities		**3,855**	**67,265**	**20,301**	**73,834**
Proceeds from share capital increase		165,001	-	165,001	-
Gross proceeds from loans from banks and other financial institutions	40	117,576	108,437	-	-
Gross payments from loans from banks and other financial institutions	40	(75,679)	(124,365)	-	(26,199)
Gross payments from subordinated loans from banks and other financial institutions	40	(9,055)	(24,700)	(9,055)	(24,700)
Repayment of the principal portion of the lease liabilities		(3,502)	(5,733)	(2,090)	(4,410)
Dividend payments		(4,531)	(638)	-	-
Interest paid		(8,877)	(7,367)	(4,609)	(6,088)
Net cash-flow from / (used in) financing activities		**180,933**	**(54,366)**	**149,247**	**(61,397)**

In RON thousand		**2023**	**2022**	**2023**	**2022**
Cash and cash equivalents at January 1		**427,826**	**530,147**	**421,344**	**525,879**
The impact of exchange rate variations on cash and cash equivalents		(1,880)	(1,053)	(1,880)	(1,053)
Net increase/decrease (-) in cash and cash equivalents		(119,978)	(101,268)	(169,998)	(103,482)
Cash and cash equivalents as at December 31	18	**305,968**	**427,826**	**249,466**	**421,344**

The financial statements were approved by the Board of Directors on 26th of April 2024 and were signed on its behalf by:

Gabriela NISTOR,
Chief Executive Officer

Gabriela ANDREI,
Executive Financial Director

The explanatory notes to the financial statements from page 11 to page 154 are an integral part of these financial statements.

Notes to the consolidated and separate financial statements

1. Reporting entity

Salt Bank S.A. (the “Bank”) is a bank established in 1998, which, during 2021, was acquired by Banca Transilvania S.A., a credit institution in Romania, which became the sole shareholder (directly and indirectly) as of October 29, 2021.

Currently, Salt Bank S.A. carries out banking operations and other financial services with individuals and legal entities. These include, according to the articles of incorporation, but are not limited to: current accounts, attracting deposits, granting loans, financing for current activity, medium and long-term financing, letters of guarantee and documentary letters of credit, internal and external payment services, currency exchange operations, depository services.

Starting with 2023, the Bank operates only online, through its registered office in Dimitrie Pompei Boulevard, number 5-7, et. 6, sector 2, Bucharest, Romania (in 2022 the Bank operated through its registered office, located in Bucharest, as well as the network of 33 branches and agencies plus 3 working points, located in Bucharest and the other counties of Romania).

As of December 31, 2023, the Bank had 163 active employees (2022: 130 active employees).

31 December 2023		**31 December 2022**	
Shareholder name, citizenship	**% stake**	**Shareholder name, citizenship**	**% stake**
Banca Transilvania S.A., România	99,5	Banca Transilvania S.A., România	99,99999996031
B.T. Investments S.R.L., România	0,5	B.T. Investments S.R.L., România	0,00000003969
Total	**100,00**	**Total**	**100,00**

The Bank and its subsidiaries form Salt Group (the “Group”).The Group’s subsidiaries are represented by the following entities:

Subsidiary	**Field of activity**	**% of direct and indirect stake 2023**	**% of direct and indirect stake 2022**
Idea Leasing IFN S.A.	Financial leasing	88.67	88.67
Idea Broker de Asigurare S.R.L.	Activities of insurance agents and brokers	-	88.67

IDEA Leasing IFN S.A.

IDEA Leasing IFN S.A. (“Idea Leasing”) is a Romanian entity founded in 2000. The main activity of Idea Leasing represents crediting based on contract - CAEN code 6491 and mostly financial leasing for legal entities, having under the lease agreements vehicles and equipment.

Starting with September 9, 2014, Idea Leasing is part of the Salt Group. As of December 31, 2023, it is 88.67% owned by Salt Bank S.A. and 11.33% by BT Investment S.A., which acquired Idea Investment S.R.L. in 2022. The headquarter of Idea Leasing is located on 19-21 București-Ploiești Street, 2nd floor, Sector 1, Bucharest, Romania. As of 31 December 2023, Idea Leasing had 97 employees (2022: 120 employees).

1. Reporting entity *(continued)*

IDEA Broker de Asigurare S.R.L.

IDEA Broker de Asigurare S.R.L. ("Idea Broker") is a Romanian company founded in 2004. Idea Broker is 100% owned by Idea Leasing. The main activity of Idea Broker is the activities of insurance agents and brokers.
Starting with November 2023, Idea Broker is no any longer part of Salt Group, following the sale of participation to BT Leasing IFN S.A. The details of the sale are presented in the note 23.

2. Basis of preparation

a) Statement of compliance

The consolidated and separate financial statements of the Group and of the Bank have been prepared in accordance with the International Financial Reporting Standards ("IFRS") as endorsed by the European Union and with the National Bank of Romania's Order no. 27/2010 for the approval of the accounting regulations in accordance with IFRS, with subsequent changes („NBR Order no. 27/2010"), effective as at the Group's and Bank's annual reporting date, 31 December 2023. The consolidated and separate financial statements of the Group and the Bank have been prepared in accordance with the going concern principle, which assumes the continuity of the activity in the foreseeable future.

Management of Salt Bank consider that going concern of bank will not be impacted by the transfer of leasing portfolios from Salt Bank to Idea Leasing IFN S.A., portfolio that represents 50,1% of total bank assets. The transfer is planned to be performed in May – June 2024, with an estimated impact on P&L which will trigger a decrease compared to the budgeted result for 2024 of aprox. 18% (i.e. the budget not including the planned transfer). Management believes that the planned transfer is not jeopardizing the stability, liquidity and capital adequacy of the bank and financial indicators. Based on analysis performed by Management of Salt Bank capitalization (29,75% December 2023) is expected to be in line with requirements 19,4% and liquidity indicators will improve from 32% to 52%, creating opportunities to concentrate on the new digital project and using capitalization for diversification of assets, sustaining financial stability to meet its obligations and to continue its business for the foreseeable future. As at 31st December 2023, bank's funding has been ensured in a portion of 73,7% by deposits from banks out of which 100% from BT and 1,9% deposits from clients.

When assessing the capital needs estimated for 2024, the Bank is relying on recent share capital increase performed by its shareholder during December 2023 in amount of Euro 33 mil (Ron 165 mil Ron), cash flows generated by the sale of its lease receivable portfolio and funding will be available through regular customers accounts operations (current accounts and term deposits).

The parent Bank has committed to support all the necessary investment capital needed by Salt Bank for the next 3 years, which relates significantly to investments in technology and development of new products. Therefore, the consolidated and separate financial statements are prepared on a going concern basis.

2. Basis of preparation *(continued)*

b) Basis of measurement

The consolidated and separate financial statements were prepared on the basis of the historical cost convention, with the exception of financial assets recognized at fair value through the profit or loss account, financial assets recognized at fair value through other comprehensive income, and the re-measurement of property, plant and equipment.

c) Functional and presentation currency – "RON"

The items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The functional currency of the entities within the Group is the Romanian leu "RON". The separate and consolidated financial statements are presented in Romanian lei "RON", rounded to the nearest thousand.

d) Use of estimates and judgements

The preparation of the consolidated and separate financial statements in accordance with the IFRS Accounting Standards as endorsed by the European Union implies that the management uses estimations and judgements that affect the application of accounting policies, as well as the reported value of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical data and various other factors that are believed to be relevant under the given circumstances. The result of which forms the basis of the judgements used in assessing the carrying value of the assets and liabilities for which no other evaluation sources are available. Actual results may differ from these estimates. The estimates and assumptions are reviewed on an ongoing basis. The review of the accounting estimates is recognized in the period in which the estimate is reviewed, if the review affects only that period, or in the period of the review and future periods if the review affects both current and future periods. The Group and the Bank make estimates and assumptions that affect the amounts of assets and liabilities reported within the next financial year. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are considered to be reasonable under the given circumstances.

Information on those judgements used in the application of accounting policies that have a significant effect on the consolidated and separate financial statements, as well as estimates involving a significant degree of uncertainty, are presented in Note 5.

e) Changes in material accounting policies

Material accounting policy information

Starting January 1, 2023, the Group and the Bank adopted the Amendments to IAS 1 and IFRS Practice Statement 2. Although the amendments did not result in any changes in accounting policies, these had an impact on the information on accounting policies presented in the consolidated and separate financial statements. The amendments require the disclosure of "material", rather than "significant", accounting policy presentation. Moreover, these provide guidance on the concept of materiality in the presentation of accounting policies and guide entities in providing useful information, with reference to the specific accounting policies that users need to understand other information presented in the consolidated and separate financial statements. The Group and the Bank reviewed the accounting policies and updated the information disclosed in Note 3 Significant accounting policies in certain instances in line with the amendments.

3. Material accounting policies

The Group and the Bank has consistently applied the following accounting policies to all periods presented in these consolidated and standalone financial statements, except if mentioned otherwise. In addition, the Group and the Bank adopted Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2) from 1 January 2023. The amendments require the disclosure of "material", rather than "significant", accounting policies.

a) Basis for consolidation

According to IFRS 10, control means that an investor has: 1) power over the investee; 2) exposure, or rights to variable returns from its involvement within the investee; 3) the ability to use its power over the investee to affect the amount of the investor's returns. The list of the Group's subsidiaries is presented in Note 1.

(i) Subsidiaries

The Group's subsidiaries are the entities under the Group's direct and indirect management. The management of an entity is reflected by the Group's capacity to exercise its authority in order to influence any variable return to which the Group is exposed based on its involvement in the entity.

The factors that the Group must consider when deciding to include an entity in the consolidation are the following:

- the purpose and relevant activity of the entity;
- the entity's relevant activities and the manner in which they are determined;
- whether the Group's rights ensure its capacity to manage the entity's relevant activities;
- whether the Group is exposed or entitled to variable returns;
- whether the Group can use its capacity in order to influence returns.

Subsidiaries are consolidated from the date on which the management power is transferred to the Group. The Group shall continuously assess control over the investees in, at least at each quarterly reporting date. Therefore, any change in the structure that leads to a change in one or more control factors leads to a reassessment. These include changes in decision-making rights, changes in contractual arrangements, changes in financial or capital structure, as well as changes that occurred following a triggered event that was anticipated in the initial documentation.

(ii) Loss of control

.If the parent loses the control of a subsidiary, it derecognizes the assets, the liabilities and the book value of any non-controlling interest at the date such control is lost. Any gain or loss arising from the loss of control is recognized in the profit or loss account.
Upon the loss of control over a subsidiary, the Group: a) derecognizes the assets and liabilities of the subsidiary at their book value, b) derecognizes the book value of any non-controlling interests held in the former subsidiary, c) recognizes the consideration received at fair value, as well as any distribution of the subsidiary's shares, d) recognizes any investment in the former subsidiary at fair value and e) recognizes any difference resulting from the above elements as gain or loss in the income statement. Any amounts recognized in the previous periods as other items of comprehensive income in relation to the respective subsidiary, shall be either reclassified in the consolidated statement of profit or loss or transferred to retained earnings, if required by other IFRS standards.

3. Material accounting policies *(continued)*

a) Basis of consolidation *(continued)*

(iii) Transactions eliminated from consolidation

Intra-group settlements and transactions, as well as any unrealized gains resulted from the intra-group transactions have been fully eliminated in the preparation of the consolidated financial statements. Unrealized gains resulted from transactions with equity accounted investees are eliminated in correlation with the investment in the related entity. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

b) Foreign currency transactions

Transactions in foreign currency are recorded in RON at the official exchange rate at the date of the transaction. The exchange rate differences resulting from such transactions denominated in foreign currency are reflected in the statement of profit or loss at the transaction date and using the exchange rate valid at the respective date.

Monetary assets and liabilities denominated in foreign currencies at the date of the consolidated and separate statement of financial position are translated to the functional currency at the exchange rate valid at that date. FX differences are recognized in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in foreign currency are translated in the functional currency by using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to the functional currency at the exchange rate valid at the date when the fair value is determined.

The exchange rates for the major foreign currencies were:

Currency	31 December 2023	31 December 2022	Variation %
Euro ("EUR")	1: RON 4,9746	1:RON 4,9474	0.0099%
United States Dollar ("USD")	1: RON 4,4958	1: RON 4,6346	0.01%

c) Interest income and expenses

Recognition of interest income and expenses

Interest income and expense are recorded for all loans and debt instruments, other than those at FVTPL, on an accrual basis using the effective interest method. This method defers, as part of interest income or expense, all fees paid or received between the parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

Fees integral to the effective interest rate include origination fees received or paid by the entity relating to the creation or acquisition of a financial asset or issuance of a financial liability, for example fees for evaluating creditworthiness, evaluating and recording guarantees or collateral, negotiating the terms of the instrument and for processing transaction documents. Commitment fees received by the Group to originate loans at market interest rates are integral to the effective interest rate if it is probable that the Group will enter into a specific lending arrangement and does not expect to sell the resulting loan shortly after origination.

The Group does not designate loan commitments as financial liabilities at FVTPL.

Notes to the consolidated and separate financial statements

3. Material accounting policies *(continued)*

c) Interest income and expenses *(continued)*

Recognition of interest income and expenses

For financial assets that are originated or purchased credit-impaired, the effective interest rate is the rate that discounts the expected cash flows (including the initial expected credit losses) to the fair value on initial recognition (normally represented by the purchase price).

As a result, the effective interest is credit-adjusted. Interest income is calculated by applying the effective interest rate to the gross carrying amount of financial assets, except for (i) financial assets that have become credit impaired (Stage 3), for which interest revenue is calculated by applying the effective interest rate to their amortized cost and (ii) financial assets that are purchased or originated credit impaired, for which the original credit adjusted effective interest rate is applied to the amortized cost.

d) Fee and commission income

Fee and commission income is recognized over time on a straight line basis as the services are rendered, when the customer simultaneously receives and consumes the benefits provided by the Group's performance. Such income includes fee income in the banking units (*transactional fees, and execution fees*), fee income in wealth management, fee income related to leasing activity, etc.

Variable fees are recognized only to the extent that management determines that it is highly probable that a significant reversal will not occur.

Other fee and commission income is recognized at a point in time when the Group satisfies its performance obligation, usually upon execution of the underlying transaction. The amount of fee or commission received or receivable represents the transaction price for the services identified as distinct performance obligations. Such income includes fees for arranging a sale or purchase of foreign currencies on behalf of a customer, fees for processing payment transactions, fees for cash settlements, collection or cash disbursements.

e) Net trading income

Net trading income represents the difference between the gain and loss related to financial assets held-for trading, foreign exchange transactions, derivatives and foreign exchange position revaluation.

f) Net loss/gain from financial assets which are required to be measured at fair value through profit or loss

The net loss/ gain from financial assets which are required to be measured at fair value through profit or loss includes the gain and loss both from the revaluation at fair value and the sale of financial assets which are required to be measured at fair value through profit or loss.

g) Dividend income

Dividend income is recognized in profit or loss at the date when the right to receive such income is established and it is probable that the dividends will be collected. Dividends are reflected as a component of other operating income.
For some of the Bank's subsidiaries, the only profit available for distribution is the profit for the year recorded in the Romanian statutory accounts, which differs from the profit in these consolidated and separate financial statements prepared in accordance with IFRS, as endorsed by European Union, due to the differences between the applicable Romanian Accounting Standards and IFRS, as endorsed by the European Union.

3. Material accounting policies *(continued)*

h) Contribution to the Bank Deposit Guarantee Fund and to the Resolution Fund

The retail deposits and certain legal entity deposits, including SME deposits, are guaranteed up to EUR 100,000 by the Bank Deposit Guarantee Fund (the "FGDB") according to the regulations in force (Law 311/2015 regarding the deposit guarantee scheme and the Deposit Guarantee Fund).

The Romanian credit institutions are obliged to pay an annual contribution to the Deposit Guarantee Fund ("FGBD-Fondul de Garantare a Depozitelor Bancare"), in order to guarantee the clients' deposits in case of the credit institution's insolvency, as well as an annual contribution to the Resolution Fund ("Fondul de Rezolutie").

The Group and the Bank applied IFRIC 21 "Levies", as this contribution to the FGDB corresponds to a tax that needs to be fully recognized as an expense at the time the obligating event occurs. In this case, the obligation arises annually, as the Bank performs activities related to deposits received.

i) Lease assets and liabilities

The Group presents in this financial statements, lease assets and liabilities for the following types of transactions:

a) as a lessee:

- Lease of properties used for financial activities;
- Lease of vehicles;
- Lease of other low-value items.

b) as a lessor:

- Finance lease of vehicles and equipment.

Identification of a lease contract

A contract is, or contains a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Group reassess whether a contract is, or contains, a lease only if the terms and conditions of the contract are changed.

To assess whether a contract conveys the right to control the use of an identified asset for a period of time, the Group shall assess whether, throughout the period of use, the customer has both of the following:

(a) the right to obtain substantially all of the economic benefits from use of the identified asset and
(b) the right to direct the use of the identified asset.

a) The Group as a lessee

As per IFRS 16 provisions, a lessee is required to recognize a right-of-use asset and a lease liability at the initial recognition of the contract.

Right of use – initial measurement

The right-of-use asset shall comprise:

(a) the amount of the initial measurement of the lease liability;
(b) any lease payments made at or before the commencement date, less any lease incentives received;
(c) any initial direct costs incurred by the lessee; and

Notes to the consolidated and separate financial statements

3. Material accounting policies *(continued)*

Right of use – initial measurement *(continued)*

(d) an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Utility costs and non-recoverable taxes (VAT) are not a component of the debt arising from the leasing contract, being recognized as a cost as the invoices issued by the lessor are received.

Lease liability – initial measurement

Represents the present value of the lease payments that are not paid at commencement date. The lease payments shall be discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the lessee shall use the lessee's incremental borrowing rate. The lease payments included in the measurement of the lease liability comprise the following payments for the right to use the underlying asset during the lease term that are not paid at the commencement date:

(a) fixed payments, less any lease incentives receivable;
(b) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
(c) amounts expected to be payable by the lessee under residual value guarantees;
(d) the exercise price of a purchase option if the lessee is reasonably certain to exercise that option (assessed considering all the relevant factors); and
(e) payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

The Group measures the right-of-use asset using the cost model, less any accumulated depreciation and impairment losses adjusted for any revaluations of the liability arising from the lease.

If the lease transfers ownership of the underlying asset to the Group as lessee until the lease term ends, or the cost of the right-of-use asset reflects that the Group will exercise a purchase option, the Group will depreciate the right-of-use asset from the commencement date until the end of the useful life of the underlying asset. Otherwise, the Group will amortise the right-of-use asset from the commencement date until the first date between the end of the useful life of the right-of-use asset and the end of the lease term.

b) The group as lessor

Initial assessment

At the commencement date of a lease, the Group, as the lessor, recognises in the statement of financial position the assets held in the finance lease system and presents them as a claim at an amount equal to the net investment in the lease. The group uses the effective interest rate in the lease to measure the net investment in the lease. The effective interest rate in the lease is defined in such a way that the initial direct costs are automatically included in the net investment in the lease. The lease payments included in the measurement of the net lease investment comprise the following payments relating to the right to use the underlying asset during the lease term, which are not paid at the commencement of the lease:

- fixed payments minus any debts related to incentives arising from leases;
- variable lease payments that depend on an index or rate, initially measured on the basis of the index or rate at the start date of the lease;

3. Material accounting policies *(continued)*

i) Lease assets and liabilities *(continued)*

b) The group as lessor *(continued)*

Initial assessment ***(continued)***

- any guarantees relating to the residual value provided to the lessor by the lessee, a party associated with the lessee or a third party not associated with the lessor who is financially capable of paying the obligations associated with the guarantee;
- the strike price of a purchase option if the lessee has a reasonable certainty that he will exercise the option;
- payments of penalties for terminating the lease, if the lease term reflects the lessee's exercise of an option to terminate the lease.

Subsequent measurement

The Group recognizes finance income over the lease term, based on a pattern reflecting a constant periodic rate of return on the lessor's net investment in the lease. The Group aims to allocate finance income over the lease term on a systematic and rational basis and shall apply the lease payments relating to the period against the gross investment in the lease to reduce both the principal and the unearned finance income.

The Group applies the derecognition and impairment requirements in IFRS 9 to the net investment in the lease. It reviews regularly estimated unguaranteed residual values used in computing the gross investment in the lease. If there has been a reduction in the estimated unguaranteed residual value, the Group reviews the income allocation over the lease term and recognizes immediately any reduction in respect of amounts accrued.

j) Income tax expense

Income tax for the year includes the current tax and the deferred tax. The income tax is recognized in the result for the year or in the shareholders' equity, if the tax is related to shareholders' equity items.

Current tax is the tax payable with respect to the profit for the period, determined based on the percentages applied at the date of the consolidated and separate statement of financial position and all the adjustments related to the previous periods. The adjustments which influence the fiscal base of the current tax are: non-deductible expenses, non-taxable income, similar expense/ income items and other tax deductions.

Deferred tax is determined based on the balance sheet liability method for the temporary differences between the fiscal base for the calculation of the tax on assets and liabilities and their accounting value used for reporting under the consolidated and separate financial statements. The initial recognition exemption does not apply to transactions in which both deductible and taxable temporary differences arise on initial recognition that result in the recognition of equal deferred tax assets and liabilities.

To report the unutilized fiscal losses, the deferred tax claims are recognized only to the extent to which it is probable to obtain taxable profit in the future after compensation with the tax loss from the previous years and with the recoverable tax on profit. Deferred tax claims are diminished to the extent to which the related tax benefits are unlikely to be achieved.

For the Bank and its local entities the tax rate used to calculate the current and deferred tax position at December 31, 2023 is 16% (2022: 16%).

Notes to the consolidated and separate financial statements

3. Material accounting policies *(continued)*

k) Financial assets

The Group and the Bank classify the financial assets based on the cash flow characteristics of each instrument and the business model within which an asset is held. A business model reflects how the Group and the Bank manage the financial assets in order to achieve its business objectives.

In accordance with the requirements set out in IFRS 9, all financial instruments will be classified according to the following criteria:

- business model of the Bank for the management of the financial asset;
- characteristics of cash flows (SPPI test – Solely Payment of Principal and Interest).

Based on the above criteria, IFRS 9 requires that all financial assets within its scope be measured at:

- amortized Cost ("AC")
- fair value by other comprehensive income ("FVTOCI");
- fair value through profit or loss ("FVTPL")

Business model

Through the Business Strategy, the Bank has identified five types of business models on each type of portfolio, as follows:

- Code of business model 1- New lending products/Individuals
- Code of business model 2- New credit products/Legal entities
- Code of business model 3 - Purchased receivables/Legal entities
- Code of business model 4 - Credit products for legal entities
- Business model code 5- Credit products for individuals

This assessment of the business model details the supporting evidence and rationale underlying the evaluation of the IFRS 9 business model completed for each portfolio mentioned above.
Each business model will be developed by the Division responsible for the respective portfolio, will be guided by the Risk Director and the Financial Manager - Accountant and approved by the Steering Committee.
After the date of the initial application, all business models will be reviewed/confirmed at least annually or earlier, if circumstances indicate a change in the business model, as follows:

- Modification of the Bank's business strategy;
- Launch of new non-classifiable products, already identified business models and create a new business model;
- The Financial-accounting Division shall identify classified assets;
- Other cases identified by the Executive Vice President of Business.

The annual review will take place until January 31, for each year and previous review within maximum 1 month from the date of finding the change of business model.

Reclassifications
Reclassifications between measurement categories will only be allowed when the business model for a group of assets is changed. These changes are expected to be very rare or non-existent.

Further measurement
The measurement will be reviewed annually by the end of January or earlier in the event of a review of the business model or update of the SPPI tests.

3. Material accounting policies (continued)

k) Financial assets *(continued)*

The determination of the business model and the result of the SPPI test together determine the measurement of a financial asset, as follows:

Determination of business model	***SPPI Test Result***	***Masurare IFRS 9***
Held to collect	Passes the test	Amortised cost
Held to collect	Fails the test	FVPL
Held to collect and sold	Passes the test	FVOCI
Held to collect and sold	Fails the test	FVPL
Others	It isn't applied	FVPL

At initial recognition, a financial asset can be classified as:

a) measured at amortized cost, provided that the following conditions are cumulatively fulfilled:

- the asset is held under a business model in which the primary objective is to collect contractual cash flows;
- the contractual terms of the financial asset generate cash flows at specific dates, representing solely payments of principal and interest.

b) measured at fair value through other comprehensive income are provided that the following conditions are cumulatively fulfilled:

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets;
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

c) measured at fair value through profit or loss, if financial assets do not meet the criteria according to which the contractual cash flows need to be Solely Payments of Principal and Interest (the SPPI test) or if the assets are held for trading (for example derivatives or fund units).

Investments in equity instruments are measured at fair value through profit or loss, However, provided that such instruments are not held for trading, the Group and Bank management can make an irrevocable election to present changes in fair value in other comprehensive income (except for dividend income which is recognized in profit or loss).

Therefore, if equity instruments are measured at fair value through other comprehensive income, such instruments will not be classified as monetary items and the accumulated profit or loss, including that resulting from currency exchange, will be transferred to the entity's equity upon the derecognition of such instruments.

If the equity instrument is held for trading, changes in fair value are presented in profit or loss.
The gains and losses from investments in equity instruments measured at fair value through profit or loss are included in the statement of profit or loss under "Net trading income" for held for trading equity instruments.

Investments in equity instruments, representing usually strategic investments which are not planned to be disposed of in the foreseeable future and are not included in the trading portfolio, have been classified as financial assets required to be measured at fair value through other comprehensive income.

Notes to the consolidated and separate financial statements

3. Material accounting policies *(continued)*

k) Financial assets *(continued)*

In this case, the Group and the Bank have irrevocably decided to present fair value changes under comprehensive income, whereas the gains or losses related to the respective instruments will be transferred directly to the Group's equity, without being reclassified (or recycled) to profit or loss.

Government bonds, municipal bonds and other bonds issued by financial and non-financial institutions are measured at fair value through other comprehensive income, under the provisions of the SPPI test criteria and the "hold to collect and sell" business model. The Group and the Bank recognize an allowance for expected credit losses related to such assets measured at fair value through other comprehensive income. This provision will be recognized under other comprehensive income and does not diminish the book value of the financial asset.

Bonds issued by credit institutions and other financial institutions which meet the SPPI test criteria and the "hold to collect" business model are measured at amortized cost. The Group and the Bank recognize impairment allowances related to financial assets measured at amortized cost.

In the separate financial statement, equity instruments representing investments in subsidiaries are measured at fair value through the profit and loss account.

A financial asset classified as impaired upon initial recognition will be maintained as such until its derecognition. The expected credit losses are calculated at each reporting date and they reflects:

- an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- the time value of money;
- reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

Some financial instruments include both a loan and an undrawn commitment component and the Group's and the Bank's contractual ability to demand repayment and cancel the undrawn commitment does not limit the Group's and the Bank's exposure to credit losses to the contractual notice period.

For such financial instruments, and only those financial instruments, the Group and the Bank shall measure expected credit losses over the period that the Group and the Bank are exposed to credit risk and expected credit losses would not be mitigated by credit risk management actions, even if that period extends beyond the maximum contractual period. Also, the Group and the Bank recognize a loss allowance for expected credit losses also for financial guarantee accordingly to IFRS9 principles.

Provisions for credit risk associated with loan commitments are considered and recognized at the time when the Group and the Bank records in their off balance sheet records a commitment with the risk of being converted into a loan. The calculation basis for these provisions includes exposures from commitments related to letters of credit, letter of guarantee, uncommitted amount of the loans granted by the Group and the Bank. The expected credit loss calculation is made according to IFRS 9 and is based on the probability of conversion into credit, the probability of default and loss given default.

3. Material accounting policies (continued)

k) Financial assets *(continued)*

Derecognition policy for assets and leasing receivables

Financial assets and leasing receivables or a portion thereof, are derecognised when the contractual rights to receive the cash flows from the assets have expired, or when they have been transferred and

- the Group and the Bank transfer substantially all the risks and rewards of ownership, or
- the Group and the Bank neither transfer nor retain substantially all the risks and rewards of ownership and the Group and the Bank did not retain control.

The Group and the Bank shall directly reduce the gross carrying amount of a financial asset when they have no reasonable expectations of recovering this financial asset in its entirety or a portion thereof. A write-off constitutes a derecognition event The recovery procedures for these assets are not stopped, the loans being highlighted in off-balance sheet accounts, until the full collection of the receivables or until a definitive deletion.

Other events that lead to a derecognition are:

- Debt forgiveness or receivable write-off;
- Sale/assignment of receivables to a third party;
- Sale of loan portfolios.

During the year 2023, the Group contractual amount outstanding in loans and advances to customers and financial lease receivables that were written off and are still subject to enforcement activity was in the amount of RON 21,332 thousand. The total outstanding amount as at December 31, 2023 was RON 84,620 thousand.

During the year 2022, the Group contractual amount outstanding in loans and advances to customers and financial lease receivables that were written off and are still subject to enforcement activity was in the amount RON 24,367 thousand. The total outstanding amount as at December 31, 2022 was RON 75,227 thousand.

During the year 2023, the Bank contractual amount outstanding in loans and advances to customers that were written off and are still subject to enforcement activity was in the amount of RON 21,323 thousand. The total outstanding amount as at December 31, 2023 was RON 76,042 thousand.

During the year 2022, the Bank contractual amount outstanding in loans and advances to customers that were written off and are still subject to enforcement activity was in the amount of RON 24,203 thousand. The total outstanding amount as at December 31, 2022 was RON 63,180 thousand

The Group and the Bank enter into transactions where they retain the contractual rights to receive cash flows from assets but assume a contractual obligation to pay those cash flows to other entities and transfer substantially all of the risks and rewards.

The transactions are accounted for as 'pass through' transfers that result in derecognition if the Group and the Bank:

- Have no obligation to make payments unless they collect equivalent amounts from the assets;
- Are prohibited from selling or pledging the assets; and
- Have an obligation to remit any cash they collect from the assets without material delay.

The Group derecognizes a transferred financial asset if it transfers substantially all the risks and rewards of ownership of the financial asset.

3. Material accounting policies (continued)

k) Financial assets *(continued)*

The criteria set at Group level to evaluate modifications leading to derecognition of financial assets, are developed having in mind that they must reflect modifications that are substantial enough (either quantitatively or qualitatively) to satisfy the derecognition requirements. On the quantitative side, these criteria refer to a significance threshold of 10% by analogy to the de-recognition trigger set by IFRS 9 for modifications of financial liabilities. On the qualitative side, these criteria refer to contractual modifications that are substantially changing the nature of lender's risks associated with the pre-existing loan contract.

l) Financial liabilities

A financial liability is any debt that represents:

a) A contractual obligation to deliver cash or another financial asset to another entity; or to exchange financial asset or financial liability with another entity under conditions that are potentially unfavourable to the entity or
b) A contract that could be or can be settled in an entity's own equity instruments and is a non -derivative instrument for which the entity is or maybe obliged to deliver a variable number of its own equity instruments.

Financial liabilities of the Group and the Bank are classified at amortized cost and include deposits drawn from customers, from banks, subordinated loans, bonds issued as well as other amounts in transit from customers and banks or amounts to be paid to suppliers. These financial liabilities are recognized at the initial settlement date at fair value, which is, normally the consideration received minus the transaction cost directly attributable to the financial liability. Subsequently, these instruments are valued at amortized costs, using the effective interest method.
The Group and the Bank do not hold financial liabilities designated at fair value through profit or loss. Financial liabilities cannot be reclassified.

m) Cash and cash equivalents

Cash and cash equivalents include: unrestricted balances held with National Bank of Romania, other highly liquid financial assets with original maturities of less than three months, which are subject to insignificant risk of fair value changes.

Cash and cash equivalents are carried at amortized cost in the consolidated and separate statement of financial position.

n) Tangible assets

(i) Recognition and measurement

All tangible assets are stated at cost less accumulated depreciation, with the exception of buildings which are stated at revaluated value less accumulated depreciation.

Measurement upon initial recognition
The cost of a fixed asset item consists in:

a) the acquisition price, including customs charges and non-refundable acquisition costs, after the deduction of all commercial discounts;
b) any costs directly incurred in order to bring the asset at the adequate location or condition required by the management for proper functioning.

3. Material accounting policies (continued)

n) Tangible assets *(continued)*

(ii) Subsequent measurement

All tangible assets are stated at cost, less the accumulated depreciation with the exception of buildings which are stated at revaluated value less accumulated depreciation.
The costs of tangible assets under construction are capitalized if the criteria for tangible asset recognition are met, notably: they generate future economic benefits, they can be measured reliably and they lead to the improvement of technical parameters, ensuring an ongoing use of the assets under normal conditions. The costs for maintenance and current repairs are not recognized under assets.

Tangible assets under construction are starting to be depreciated when they are in the location and condition necessary for it to be capable of operating in the manner intended by management. This condition is fulfilled when there is a sign-off for reception and deployment by the asset's users.

The Group and the Bank annually revalue the buildings with an external valuator, who is not an employee of the Group or the Bank. In the case of revalued assets, if the carrying amount of an asset is increased, the increase will be recognized in other comprehensive income. If an assets carrying amount is decreased as result of revaluation, the decrease shall be recognized in the profit or loss account, except the case when the decrease shall be recognized in other comprehensive income to the extent of any credit balance existing in the revaluation surplus in respect of that assets.
When an item of property are revalued, the accumulated depreciation on the revaluation date is recalculated in proportion to the change in the gross carrying amount of the asset, so that the carrying amount of the asset after the revaluation is equal to its revalued amount. The revaluation reserve for properties included in equity is transferred directly to retained earnings when the revaluation surplus is realized on the retirement or disposal of the asset.

(iii) Depreciation

Depreciation is calculated on a straight-line basis over the estimated useful life of each item of tangible assets. Land is not depreciated.

The estimated useful lives are as follows:

Buildings	50 years
Leasehold improvements (average)	6 years
Computers	4 years
Equipment	2 - 24 years
Furniture	3 - 20 years
Vehicles	4 - 5 years

The leasehold improvements are depreciated over the lease term, which varies between 1 and 15 years. Depreciation methods, useful lives and residual values are reassessed at the reporting date.

o) Intangible assets

Upon their initial recognition, intangible assets are measured at cost.

The cost elements of intangible assets under construction are capitalized if criteria for intangible asset recognition is being met: future economic benefits associated with the item will flow to the entity, cost of the item can be reliably measured, the result will increase the future performance rate and the asset is separately identifiable within an economic activity.

Maintenance costs and technical support are recognized in profit or loss as these are being incurred. Intangible assets in progress are recognized as intangible assets at the moment of reception and deployment.

3. Material accounting policies *(continued)*

o) Intangible assets *(continued)*

(i) Software

Costs associated with the development of software programs are capitalized if the capitalisation criteria are fulfilled.
Costs that are directly associated with the production of identifiable and unique software products controlled by the Group and the Bank, and that will probably generate economic benefits exceeding production costs for a period exceeding one year, are recognized as intangible assets.
Subsequent expenditure on software assets is capitalized only if it increases the future performance of such assets, beyond initial specifications and lifespan. All other expenditure is reflected as an expense as incurred.
Amortization is recognized in the income statement on a straight-line basis over the estimated useful life of the intangible asset. The estimated useful lives of intangible assets are reviewed at the reporting date and range between 1 and 7 years. The useful life of intangible assets derived from contractual rights should not exceed the validity period of such contractual rights, but it may be shorter depending on the estimated period of use of such assets by the entity.

Intangible assets in progress are not amortized before they are put into service.

(ii) Subsequent measurement

After initial recognition, an intangible asset is carried at cost deducting the depreciation.

p) Impairment of non-financial assets

An impairment loss is recognized if the carrying amount of the asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable group generating cash flows and largely independent from other assets and groups.

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

In respect of other non-financial assets, impairment losses are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss in other non-financial assets is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss on assets is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

q) Deposits from customers

Customer deposits are initially measured at fair value, minus incremental direct transaction costs, and are subsequently measured at amortized cost by using the effective interest method.

r) Issued bonds, loans from banks and financial institutions

Borrowings such as loans from banks and other financial institutions and issued bonds are initially recognized at fair value, notably as proceeds resulting from such instruments (fair value of consideration received), net of transaction costs incurred. Issued bonds and loans from banks and other financial institutions are subsequently carried at amortized cost. The Group and the Bank classify these instruments as financial liabilities or equity instruments in accordance with the contractual terms of the instrument.

3. Material accounting policies *(continued)*

s) Provisions

Provisions for other risks are recognized in the consolidated and separate statement of financial position when the Group and the Bank acquire an obligation as a result of a past event and it is probable that an outflow of economic resources may be required in the future to settle the obligation, such obligation being measured reliably.
The provisions' value is determined by discounting the expected future cash flows at a pre-tax rate that reflects current market conditions and the risks specific to the respective liability.

t) Financial guarantees

Financial guarantees are contracts that require the Group and the Bank to make specific payments to reimburse the holder of the guarantee for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument. Financial guarantees are registered in off balance sheet accounts at the fair value when the guarantee is issued. The subsequent recognition respects the accounting principles of loans and advances to clients. Financial guarantees are initially recognized in the consolidated and separate financial statement at fair value on the date granted. After the initial recognition, the Group and the Bank 's obligations under such guarantees are measured at the higher of the initial measurement, less amortization calculated recognized in the income statement and the expected credit loss provisions.

u) Employee benefits

(i) Short-term benefits

Short-term employee benefits include wages, salaries and social security contributions. Short-term employee benefits are recognized as expense as the services are rendered.

v) Segment reporting

An operational segment is a component of the Group:

- that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses related to transactions with other components of the same entity);
- whose operating results are reviewed regularly by the entity's decision maker in order to make decisions about resources to be allocated to the segment and to assess its performance;
- for which discrete financial information is available.

The Group's format for segment reporting is presented in note 6.

Notes to the consolidated and separate financial statements

3. Material accounting policies *(continued)*

Implementation of new or reviewed standards and interpretations

I. New and amendments IFRS Accounting Standards that are effective for the current year

This year, the Group and the Bank applied a number of amendments to IFRS Accounting Standards issued by the International Accounting Standards Board (IASB) that are mandatory for reporting periods starting on or after 1 January 2023.

Their adoption did not have a material impact on the information to be disclosed or on the amounts reported in these financial statements.

The following new standards, as well as updates to existing standards, are in force for the current year:

IFRS 17 "Insurance Contracts" issued by IASB on 18 May 2017. The new standard requires insurance liabilities to be measured at a current fulfilment value and provides a more uniform measurement and presentation approach for all insurance contracts. These requirements are designed to achieve the goal of a consistent, principle-based accounting for insurance contracts. IFRS 17 supersedes IFRS 4 "Insurance Contracts" and related interpretations while applied. Amendments to IFRS 17 "Insurance Contracts" issued by IASB on 25 June 2020 defer the date of initial application of IFRS 17 by two years to annual periods beginning on or after 1 January 2023. Additionally, the amendments issued on 25 June 2020 introduce simplifications and clarifications of some requirements in the Standard and provide additional reliefs when applying IFRS 17 for the first time.

Amendments to IAS 1 "Presentation of Financial Statements" - Disclosure of Accounting Policies issued by IASB on 12 February 2021. Amendments require entities to disclose their material accounting policies rather than their significant accounting policies and provide guidance and examples to help preparers in deciding which accounting policies to disclose in their financial statements.

Amendments to IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors" - Definition of Accounting Estimates issued by IASB on 12 February 2021. Amendments focus on accounting estimates and provide guidance how to distinguish between accounting policies and accounting estimates.

Amendments to IAS 12 "Income Taxes" - Deferred Tax related to Assets and Liabilities arising from a Single Transaction issued by IASB on 6 May 2021. According to amendments, the initial recognition exemption does not apply to transactions in which both deductible and taxable temporary differences arise on initial recognition that result in the recognition of equal deferred tax assets and liabilities.

Amendments to IAS 12 "Income Taxes" - International Tax Reform — Pillar Two Model Rules issued by IASB on 23 May 2023. The amendments introduced a temporary exception to the accounting for deferred taxes arising from jurisdictions implementing the global tax rules and disclosure requirements about company's exposure to income taxes arising from the reform, particularly before legislation implementing the rules is in effect. Is not applicable for Bank and Group.

Notes to the consolidated and separate financial statements

3. Material accounting policies (continued)

II. New and revised IFRS Accounting Standards in issue and adopted by EU but not yet effective

At the date of approval of these financial statements, the Group did not apply the following amended IFRS accounting standards that were issued but have not yet entered into force:

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

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

III. New IFRS accounting standards and amendments to existing standards issued but not yet adopted by the EU

Amendments to IAS 7 "Statement of Cash Flows" and IFRS 7 "Financial Instruments: Disclosures" - Supplier Finance Arrangements issued by IASB on 25 May 2023. Amendments add disclosure requirements, and 'signposts' within existing disclosure requirements to provide qualitative and quantitative information about supplier finance arrangements.

Amendments to IAS 21 "The Effects of Changes in Foreign Exchange Rates" - Lack of Exchangeability issued by IASB on 15 August 2023. Amendments contain guidance to specify when a currency is exchangeable and how to determine the exchange rate when it is not.

Amendments to IFRS 10 "Consolidated Financial Statements" and IAS 28 "Investments in Associates and Joint Ventures" - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture issued by IASB on 11 September 2014. The amendments address a conflict between the requirements of IAS 28 and IFRS 10 and clarify that in a transaction involving an associate or joint venture the extent of gain or loss recognition depends on whether the assets sold or contributed constitute a business.

IFRS 14 "Regulatory Deferral Accounts" issued by IASB on 30 January 2014. This standard is intended to allow entities that are first-time adopters of IFRS, and that currently recognise regulatory deferral accounts in accordance with their previous GAAP, to continue to do so upon transition to IFRS.

IFRS 18 - Presentation and Disclosures in Financial Statements (IASB effective date: 1 January 2027) **-** IFRS 18 Presentation and Disclosures in Financial Statements issued by IASB on 9 April 2024 will replace IAS 1 Presentation of Financial Statements. Standard introduces three sets of new requirements to improve companies' reporting of financial performance and give investors a better basis for analysing and comparing companies. The main changes in the new standard compared with IAS 1 comprise:
(a) The introduction of categories (operating, investing, financing, income tax and discontinued operations) and defined subtotals in the statement of profit or loss;

3. Material accounting policies (continued)

III. New IFRS accounting standards and amendments to existing standards issued but not yet adopted by the EU *(continued)*

IFRS 18 - Presentation and Disclosures in Financial Statement *(continued)*
(b) the introduction of requirements to improve aggregation and disaggregation;
(c) The introduction of disclosures on Management-defined Performance Measures (MPMs) in the notes to the financial statements.

The Group and the Bank anticipate that the adoption of these new standards and amendments to existing standards will not have a material impact on the Bank's/Group's financial statements in the future.
Hedge accounting for a portfolio of financial assets and liabilities whose principles have not been adopted by the EU remains unregulated. According to the Bank's/Group's estimates, the use of hedge accounting for a portfolio of financial assets and liabilities under IAS 39: "Financial instruments: recognition and measurement" would not materially affect the financial statements if applied at the balance sheet date.

4. Financial risk management

a) *Introduction*

The Group and the Bank have exposures to the following risks derived from the use of financial instruments:

- Credit Risk;
- Liquidity risk;
- Market risk;

This note presents information about the Group's and the Bank's exposure to each of the above risks. The Group's and the Bank's objectives, policies and processes for measuring and managing risk. The most important types of financial risk to which the Group and the Bank are exposed: credit risk, liquidity risk and market risk. Market risk includes currency risk, interest rate risk and equity instruments' price risk.
Risk management is part of all decisional and business processes that take place in the Group's and the Bank's activity. The Board of Directors has the responsibility regarding the definition and monitoring of the general risk management framework for the Group and the Bank.

The risk management in Salt Bank S.A. is performed at 2 levels: a strategic level represented by the Board of Directors, Audit and Risk Committee and Remuneration Committee and operational level represented by: Management Board ("MB") and Assets - Liabilities Committee ("ALCO"), Credit Committee, Nonperforming Credit Committee, Leaders and Executive Directors and risk management structures within the Bank that are responsible for the definition and/or monitoring of risk management policies in their field of expertise. The Board of Directors periodically reviews the activity of these committees.

The Board of Directors monitors the compliance with the Group's and the Bank's risk policies and the adequacy of the general risk management framework in connection with the risks to which the Group and the Bank are exposed to.

The Risk Management Committee advises the Board of Directors regarding the risk appetite and the global strategy regarding the management of the current and future risks and assists the Board of Directors in overseeing the implementation of the strategy by the Leaders' Committee.

Notes to the consolidated and separate financial statements

4. Financial risk management *(continued)*

The Group's and the Bank's objective in terms of risk management is to integrate the assumed medium-risk appetite in the decision-making process, by promoting a proper alignment between assumed risks, available capital and performance targets, while also considering the tolerance to financial and non-financial risks.

In determining the risk appetite and tolerance, the Group and the Bank take into consideration all the material risks it is exposed to, given its specific activity and being mainly influenced by the credit risk.

Risk management policies and systems are reviewed regularly (mainly annually) with the participation of the Management Board and the responsible persons from different Departments involved, in order to reflect the changes in the market conditions, the products and services provided.

The crisis simulation program (stress testing) is an integral part of the risk management framework and of the internal risk capital adequacy assessment process.

The Bank reviews the crisis simulation program regularly, at least semi-annually, and assesses its efficiency and adequacy to the defined purposes/objectives.

b) *Credit risk*

The Group's and the Bank's Audit and Risk Committees reports to the Board of Directors and are responsible for monitoring compliance with the Bank's risk management procedures.

The Audit and Risk Committees is assisted in these functions by the Internal Audit. The Internal Audit department undertakes both regular and ad-hoc reviews of risk management controls and procedures. The results of which are reported to the Audit and Risk Committee.

The Board of Directors and the Management of the subsidiaries which constitute the Group have responsibilities regarding significant risk management in correlation with their specific business characteristics and applicable laws and regulations.

(i) Credit risk management

The objective of the Group and of the Bank as concerns the management of credit risk is to ensure a balanced distribution of capital among various business lines, which allows the achievement of comfortable RAROC (Risk-adjusted return on capital) levels considering the proportion of the lending activity in the Bank's assets and its commercial bank profile.

The Group and the Bank are exposed to credit risk through the trading, lending, investment and guarantee issuing activities. The credit risk arising from trading and investment activities is mitigated by selecting only counterparties with good credit standing and by monitoring their activities and ratings, by using exposure limits and, when necessary, by requesting collaterals.

The Group's and the Bank's primary exposure to credit risk arises from loans and advances to customers. The amount of credit risk exposure is represented by the carrying amounts of the assets on the separate and consolidated statement of financial position.

The Group and the Bank are exposed to credit risk derived from other financial assets, including derivative instruments and debt investments; the current credit risk exposure in respect of these instruments is equal to the carrying amount of the assets in the consolidated and separate statement of financial position.

In addition, the Group and the Bank are exposed to off balance sheet credit risk from credit and guarantee commitments.

4. Financial risk management *(continued)*

In order to minimize the risk, the Group and the Bank have defined procedures to assess customers before loan granting, to monitor their capacity to reimburse the principal and related interest during the entire loan period and to define exposure limits. In addition, the Group and the Bank have implemented procedures for monitoring the risks related to the loan portfolio and have defined exposure limits by types of loans, economic sectors, types of collateral, maturity, etc.

b) *Credit risk (continued)*

The Board of Directors has assigned the responsibility for credit risk management to the Management Board, Credit Committee, and Nonperforming Credit Committee. Moreover, several departments with risk attributions operate within the Bank, reporting to the Head Office Committees with respect to:

- The analysis, assessment and monitoring of specific risks within the lending activity;
- The risk analysis of the loan portfolio/large exposures, with recommendations submitted to the Leaders' Committee/Board of Directors;
- Monitoring the observance of internal policies specific to the lending activities;
- Elaborating proposals for the reduction of specific risks, in order to maintain healthy standards in the lending activity;
- Elaborating an efficient credit risk rating process capable of rendering the variable level, nature and determining factors related to credit risk, which could occur in time, so as to ensure in a reasonable manner that all the credit exposures are properly monitored and the ECL-related allowances are properly measured;
- Monitoring the granted loans, in accordance with the client's financial performance, loan type, collateral type and debt service, in accordance with the internal lending policies and procedures;
- The approval and monitoring of ratios related to the establishment/modification of the branches' lending competences, according to specific internal policies;
- The periodic reviews and recommendations to the Leaders' Committee on the risk levels accepted by the Group and the Bank;
- Identifying, monitoring and controlling the credit risk at branch level and subsidiary level;
- The risk analysis with respect to new lending products/changes of loan products, including recommendations to the involved Departments;
- The periodical reporting to the Deputy CEO - Chief Risk Officer, Leaders' Committee, Risk Management Committee and the Board of Directors on the evolution of significant risks (the implications of risk correlation, forecasts etc.);
- Elaborating the methodology for the early identification of credit risks deterioration (early warning system);
- Elaborating processes to be systematically and consistently applied in order to establish proper allowances for the loss in accordance with the applicable accounting regulations in the field of credit risk;
- Establishing and reviewing the back-testing methodology regarding the adequacy of the default probability parameter, the non-repayment status and the provision level related to the Bank's loan portfolio.

4. Financial risk management *(continued)*

b) *Credit risk (continued)*

Concentrations of credit risk that arise from financial instruments exist for groups of counterparties when they have similar economic characteristics that would cause their ability to meet contractual obligations to be similarly affected by changes in economic or other conditions.

The major concentrations of credit risk arise by individual counterparty and by type of customer in relation to the Group's and the Bank's loans and advances, loan commitments, finance lease and guarantees issued.

(ii) Credit risk exposure

The table below contains the on-balance and off-balance sheet exposures (loans and advances to customers and financial lease receivables), split by economic sector concentration:

	Group		**Bank**	
In RON thousand	**2023**	**2022**	**2023**	**2022**
Retail	94.13%	96.39%	24.34%	33.65%
Trading	1.26%	1.35%	15.55%	14.25%
Production	0.00%	0.00%	5.63%	4.93%
Constructions	0.00%	0.00%	10.39%	8.63%
Agriculture	0.40%	0.00%	2.22%	1.70%
Services	0.21%	0.15%	9.05%	8.05%
Real estate	0.00%	0.19%	1.13%	1.10%
Transportation	3.81%	1.52%	22.76%	19.57%
Others	0.00%	0.40%	5.13%	4.51%
Self-employed	0.20%	0.00%	1.10%	0.95%
Financial institutions	0.00%	0.00%	0.81%	0.75%
Energy	0.00%	0.00%	0.06%	0.07%
Telecommunications	0.00%	0.00%	1.20%	1.31%
Mining	0.00%	0.00%	0.30%	0.33%
Chemical industry	0.00%	0.00%	0.24%	0.15%
Public institutions	0.00%	0.00%	0.02%	0.01%
Fishing	0.00%	0.00%	0.06%	0.03%
	100.00%	**100.00%**	**100.00%**	**100.00%**

4. Financial risk management *(continued)*

b) *Credit risk (continued)*

(ii) Credit risk exposure (continued)

The table below presents the concentration by class of the on-balance sheet exposures related to the Bank's and Group's loan and leasing portfolio:

	Group		Bank	
RON thousand	**2023**	**2022**	**2023**	**2022**
Corporate and public institutions	-	-	100,072	139,624
Small and medium enterprises	-	710	842,276	928,807
Consumer loans and card loans granted to retail customers	303,080	541,932	303,080	541,932
Loans and finance lease receivables granted by non-banking financial institutions	1,056,160	1,178,028	-	-
Other	18	23	18	23
Total loans and advances to customers and financial lease receivables before impairment allowance	**1,359,258**	**1,720,693**	**1,245,446**	**1,610,386**
Allowances for impairment losses on loans and financial lease receivables	(118,235)	(76,320)	(108,690)	(70,728)
Total loans and advances to customers and financial lease receivables net of impairment allowance	**1,241,023**	**1,644,373**	**1,136,756**	**1,539,658**

At 31 December 2023, the total on-balance and irrevocable off-balance sheet exposure was of 1,384,094 RON thousand (2022: RON 1,784,035 thousand) for the Group and RON 1.270.163 thousand (2022: 1,659,391 RON thousand) for the Bank.

As of end of 2023, Bank had a total credit exposure of RON 1,245,446 thousand with a loss allowance of RON 108,690 thousand, out of which RON 1,231,485 thousand exposure collectively analysed with a loss allowance of RON 101.974 thousand (2022: total exposure RON 1.610.384 thousand with a loss allowance of RON 70,728 thousand, out of which RON 1.605.610 thousand exposure collectively analysed with a loss allowance of RON 68.469 thousand).

As of end of 2023, Group had a total credit exposure of RON 1,359,260 thousand with a loss allowance of RON 118,234 thousand, out of which RON 1,320,195 thousand exposure collectively analysed with a loss allowance of RON 109,864 thousand (2022: total exposure 1,720,693 RON thousand with a loss allowance of RON 76.320 thousand RON, out of which RON 1.717.145 thousand RON, exposure collectively analysed with a loss allowance of RON 72.741 thousand RON).

The Group and the Bank hold guarantees for loans and advances to customers in the form of pledge over cash deposits, mortgage over property, guarantees and other pledges over equipment and/or receivables.

The Group and the Bank use degrees of risk for both individually tested and collectively assessed loans. According to the policies applied by the Group and the Bank, a loan can be associated with an appropriate degree of risk, based on a classification on 6 levels: very low risk, low risk, moderate risk, sensitive risk, high risk and the highest risk degree represented by non-performing loans (default).

Notes to the consolidated and separate financial statements

4. Financial risk management *(continued)*

b) *Credit risk (continued)*

(ii) Credit risk exposure (continued)

The group classification of loans is mainly based on the rating systems of the Group's and the Bank's clients, where the classes of performing exposures (classified in the categories below, thus in "very low risk", "low risk", "moderate risk", "sensitive risk", "high risk") are defined in the range R1 - R6 where R6 is considered default rating. The rating is a combination between financial performance and service debt. The classification of loans and advances to customers and financial lease receivables by these categories are presented in the below tables.

Very low risk: financial instruments with low default risk, considered to be of the highest quality, and the borrower has a strong ability to meet contractual obligations within a short period of time.

Low risk: financial instruments are judged to be of good quality and are subject to low credit risk. The borrower has a strong ability to perform contractual obligations.

Moderate risk: financial instruments are considered to be of standard quality. The borrower has an average solvency and has the ability to meet the obligations to pay the debts, but it can be sensitive to negative changes in economic conditions.

Sensitive risk: financial instruments are judged to be of substandard quality and the borrower shows a financial deterioration but has sufficient cash flows to cope with debt payment obligations; may be more vulnerable to negative economic conditions than the moderate risk category.

High risk: financial instruments are considered to be of poor quality. The borrower presents an increase in credit risk or a financial deterioration and is vulnerable to a negative economic situation. The repayment of the debt on time is uncertain and depends on a favourable economic and financial environment to avoid default.

Default: financial instruments in which borrowers do not meet their financial repayment commitments in accordance with contractual agreements. More information about non-performing loans can be found below in the paragraph "Definition of defaulted assets and impaired assets as a result of credit risk".

Notes to the consolidated and separate financial statements

4. Financial risk management *(continued)*

b) *Credit risk (continued)*

(ii) Credit risk exposure (continued)

The exposures to credit risk for loans and advances to customers and financial lease receivables at Group consolidated level, as at 31 December 2023, are presented below:

At amortized cost	**Assets for which the credit risk has not increased significantly since the initial recognition (Stage 1)**	**Assets for which the credit risk has significantly increased since the initial recognition, but which are not impaired (Stage 2)**	**Assets impaired at the reporting date (Stage 3)**	**Total 2023**
In RON thousand				
Consumer loans and card loans granted to retail customers	221,844	17,302	63,934	303,080
Loans and finance lease receivables granted to non-banking financial institutions	762,486	170,606	123,068	1,056,160
Other	17	-	1	18
Total loans and advances to customers and financial lease receivables before impairment allowance	**984,347**	**187,908**	**187,003**	**1,359,258**
Allowances for impairment losses on loans and financial lease receivables	(6,342)	(6,521)	(105,372)	**(118,235)**
Total loans and advances to customers and financial lease receivables net of impairment allowance	**978,005**	**181,387**	**81,631**	**1,241,023**

Notes to the consolidated and separate financial statements

4. Financial risk management (*continued*)

b) *Credit risk (continued)*

(ii) Credit risk exposure (continued)

Gross value of loans and advances, lease receivables granted to clients, not impaired, Stage 1	**Very low risk**	**Low risk**	**Moderate risk**	**Sensitive risk**	**Total 2023**
Corporate and public institutions					
Small and medium enterprises					
Consumer loans and card loans granted to retail customers	179,591	19,035	13,916	9,302	221,844
Loans and finance lease receivables granted by non-banking financial institutions	415,990	187,532	128,726	30,239	762,486
Other	13	3	-	1	17
Total loans and advances to customers and financial lease receivables before impairment allowance	**595,594**	**206,570**	**142,642**	**39,542**	**984,347**
Allowances for impairment losses on loans and financial lease receivables	(3,272)	(1,234)	(659)	(1,177)	(6,342)
Total loans and advances to customers and financial lease receivables net of impairment allowance	**592,322**	**205,336**	**141,983**	**38,365**	**978,005**

Gross value of loans and advances, lease receivables granted to clients, not impaired, Stage 1	**0 days**	**1-15 days**	**16-30 days**	**Total 2023**
Corporate and public institutions	-	-	-	-
Small and medium enterprises	-	-	-	-
Consumer loans and card loans granted to retail customers	207,040	14,264	540	**221,844**
Loans and finance lease receivables granted by non-banking financial institutions	629,224	118,522	14,740	**762,486**
Other	17	-	-	**17**
Total loans and advances to customers and financial lease receivables before impairment allowance	**836,281**	**132,786**	**15,280**	**984,347**
Allowances for impairment losses on loans and financial lease receivables	(5,551)	(690)	(101)	(6,342)
Total loans and advances to customers and financial lease receivables net of impairment allowance	**830,731**	**132,096**	**15,178**	**978,005**

4. Financial risk management *(continued)*

b) *Credit risk (continued)*

(ii) Credit risk exposure (continued)

Gross value of loans and advances, lease receivables granted to clients, not impaired, Stage 2	**Low-moderate risk**	**Sensitive risk**	**High risk**	**Total 2023**
Small and medium enterprises	-	-	-	-
Consumer loans and card loans granted to retail customers	5,748	6,799	4,755	17,302
Loans and finance lease receivables granted by non-banking financial institutions	66,858	86,058	17,691	170,606
Other	-	-	-	-
Total loans and advances to customers and financial lease receivables before impairment allowance	**72,606**	**92,857**	**22,446**	**187,908**
Allowances for impairment losses on loans and financial lease receivables	**(828)**	**(2,851)**	**(2,843)**	**(6,521)**
Total loans and advances to customers and financial lease receivables net of impairment allowance	**71,778**	**90,006**	**19,603**	**181,387**

Gross value of loans and advances, lease receivables granted to clients, not impaired, Stage 2	**0-30 days**	**31-60 days**	**61-90 days**	**Total 2023**
Corporate and public institutions	-	-	-	-
Small and medium enterprises	-	-	-	-
Consumer loans and card loans granted to retail customers	13,074	3,336	892	17,302
Loans and finance lease receivables granted by non-banking financial institutions	158,911	11,494	202	**170,606**
Other	-	-	-	-
Total loans and advances to customers and financial lease receivables before impairment allowance	**171,985**	**14,830**	**1,094**	**187,908**
Allowances for impairment losses on loans and financial lease receivables	**(4,046)**	**(1,936)**	**(540)**	**(6,521)**
Total loans and advances to customers and financial lease receivables net of impairment allowance	**167,939**	**12,894**	**554**	**181,387**

Notes to the consolidated and separate financial statements

4. Financial risk management *(continued)*

b) *Credit risk (continued)*

(ii) Credit risk exposure (continued)

Gross value of loans and advances, lease receivables granted to clients, impaired, Stage 3	**0-30 days**	**31-60 days**	**61-90 days**	**Over 90 days**	**Total 2022**
Corporate and public institutions	-	-	-	-	-
Small and medium enterprises	-	-	-	-	-
Consumer loans and card loans granted to retail customers	4,473	2,935	2,876	53,650	63,934
Loans and finance lease receivables granted by non-banking financial institutions	57,459	30,920	8,217	26,472	123,068
Other	1	-	-	-	1
Total loans and advances to customers and financial lease receivables before impairment allowance	**61,933**	**33,855**	**11,093**	**80,122**	**187,003**
Allowances for impairment losses on loans and financial lease receivables	**(24,687)**	**(14,903)**	**(5,859)**	**(59,923)**	**(105,372)**
Total loans and advances to customers and financial lease receivables net of impairment allowance	**37,246**	**18,953**	**5,233**	**20,199**	**81,631**

Notes to the consolidated and separate financial statements

4. Financial risk management *(continued)*

b) *Credit risk (continued)*

(ii) Credit risk exposure (continued)

The exposures to credit risk for loans and advances to customers and financial lease receivables at Group consolidated level, as at 31 December 2022, are presented below:

At amortized cost	Assets for which the credit risk has not increased significantly since the initial recognition (Stage 1)	Assets for which the credit risk has significantly increased since the initial recognition, but which are not impaired (Stage 2)	Assets impaired at the reporting date (Stage 3)	Total 2022
In RON thousand				
Corporate and public institutions	-	-	-	**-**
Small and medium enterprises	11	95	604	**710**
Consumer loans and card loans granted to retail customers	461,982	14,568	65,382	**541,932**
Loans and finance lease receivables granted to non-banking financial institutions	1,092,701	56,778	28,549	**1,178,028**
Other	17	6	-	**23**
Total loans and advances to customers and financial lease receivables before impairment allowance	**1,554,711**	**71,447**	**94,535**	**1,720,693**
Allowances for impairment losses on loans and financial lease receivables	(14,562)	(1,808)	(59,950)	**(76,320)**
Total loans and advances to customers and financial lease receivables net of impairment allowance	**1,540,149**	**69,639**	**34,585**	**1,644,373**

Notes to the consolidated and separate financial statements

4. Financial risk management (*continued*)

b) *Credit risk (continued)*

(ii) Credit risk exposure (continued)

Gross value of loans and advances, lease receivables granted to clients, not impaired, Stage 1	Very low risk	Low risk	Moderate risk	Sensitive risk	Total 2022
Corporate and public institutions	-	-	-	-	**-**
Small and medium enterprises	5	-	-	6	**11**
Consumer loans and card loans granted to retail customers	357,597	40,704	28,027	35,654	**461,982**
Loans and finance lease receivables granted by non-banking financial institutions	553,285	237,310	139,459	162,648	**1,092,701**
Other	11	3	-	3	**17**
Total loans and advances to customers and financial lease receivables before impairment allowance	**910,898**	**278,017**	**167,486**	**198,311**	**1,554,711**
Allowances for impairment losses on loans and financial lease receivables	(8,389)	(1,595)	(1,066)	(3,512)	(14,562)
Total loans and advances to customers and financial lease receivables net of impairment allowance	**902,509**	**276,422**	**166,420**	**194,798**	**1,540,149**

Gross value of loans and advances, lease receivables granted to clients, not impaired, Stage 1	0 days	1-15 days	16-30 days	Total 2022
Corporate and public institutions				**-**
Small and medium enterprises	5	6	-	**11**
Consumer loans and card loans granted to retail customers	421,796	33,166	7,020	**461,982**
Loans and finance lease receivables granted by non-banking financial institutions	895,960	131,495	65,246	**1,092,701**
Other	17	-	-	**17**
Total loans and advances to customers and financial lease receivables before impairment allowance	**1,317,778**	**164,667**	**72,266**	**1,554,711**
Allowances for impairment losses on loans and financial lease receivables	(12,558)	(1,377)	(628)	(14,562)
Total loans and advances to customers and financial lease receivables net of impairment allowance	**1,305,220**	**163,290**	**71,639**	**1,540,149**

Notes to the consolidated and separate financial statements

4. Financial risk management *(continued)*

b) *Credit risk (continued)*

(ii) Credit risk exposure (continued)

Gross value of loans and advances, lease receivables granted to clients, not impaired, Stage 2	**Low-moderate risk**	**Sensitive risk**	**High risk**	**Total 2022**
Corporate and public institutions	-	-	-	**-**
Small and medium enterprises	-	-	95	**95**
Consumer loans and card loans granted to retail customers	574	488	13,506	**14,568**
Loans and finance lease receivables granted by non-banking financial institutions	8,051	7,441	41,286	**56,778**
Other	6	0	0	**6**
Total loans and advances to customers and financial lease receivables before impairment allowance	**8,631**	**7,929**	**54,887**	**71,447**
Allowances for impairment losses on loans and financial lease receivables	(76)	(73)	(1,659)	**(1,808)**
Total loans and advances to customers and financial lease receivables net of impairment allowance	**8,555**	**7,856**	**53,228**	**69,639**

Gross value of loans and advances, lease receivables granted to clients, not impaired, Stage 2	**0-30 days**	**31-60 days**	**61-90 days**	**Total 2022**
Corporate and public institutions	-	-	-	**-**
Small and medium enterprises	1	-	94	**95**
Consumer loans and card loans granted to retail customers	2,918	7,687	3,963	**14,568**
Loans and finance lease receivables granted by non-banking financial institutions	35,101	19,543	2,133	**56,778**
Other	6	-	-	**6**
Total loans and advances to customers and financial lease receivables before impairment allowance	**38,026**	**27,230**	**6,190**	**71,447**
Allowances for impairment losses on loans and financial lease receivables	(566)	(835)	(407)	**(1,808)**
Total loans and advances to customers and financial lease receivables net of impairment allowance	**37,460**	**26,395**	**5,783**	**69,639**

Notes to the consolidated and separate financial statements

4. Financial risk management *(continued)*

b) *Credit risk (continued)*

(ii) Credit risk exposure (continued)

Gross value of loans and advances, lease receivables granted to clients, impaired, Stage 3	**0-30 days**	**31-60 days**	**61-90 days**	**Over 90 days**	**Total 2022**
Corporate and public institutions	-	-	-	-	**-**
Small and medium enterprises	-	-	-	604	**604**
Consumer loans and card loans granted to retail customers	2,449	1,647	1,984	59,302	**65,382**
Loans and finance lease receivables granted by non-banking financial institutions	8,364	1,599	1,205	17,381	**28,549**
Other	-	-	-	-	**-**
Total loans and advances to customers and financial lease receivables before impairment allowance	**10,813**	**3,246**	**3,189**	**77,287**	**94,535**
Allowances for impairment losses on loans and financial lease receivables	(3,191)	(1,272)	(1,402)	(54,084)	**(59,950)**
Total loans and advances to customers and financial lease receivables net of impairment allowance	**7,622**	**1,973**	**1,787**	**23,203**	**34,585**

Notes to the consolidated and separate financial statements

4. Financial risk management *(continued)*

b) *Credit risk (continued)*

(ii) Credit risk exposure (continued)

The exposures to credit risk for loans and advances to customers at Bank level, as at 31 December 2023, are presented below:

At amortized cost	**Assets for which the credit risk has not increased significantly since the initial recognition (Stage 1)**	**Assets for which the credit risk has significantly increased since the initial recognition, but which are not impaired (Stage 2)**	**Assets impaired at the reporting date (Stage 3)**	**Total 2023**
In RON thousand				
Corporate and public institutions	76,062	20,680	3,330	100,072
Small and medium enterprises	615,255	119,519	107,502	842,276
Consumer loans and card loans granted to retail customers	221,844	17,302	63,934	303,080
Other	17	-	1	18
Total loans and advances to customers before impairment allowance	**913,178**	**157,501**	**174,767**	**1,245,446**
Allowances for impairment losses on loans	(5,644)	(5,351)	(97,695)	(108,690)
Total loans and advances to customers net of impairment allowance	**907,534**	**152,150**	**77,072**	**1,136,756**

Notes to the consolidated and separate financial statements

4. Financial risk management (*continued*)

b) *Credit risk (continued)*

(ii) Credit risk exposure (continued)

Gross value of loans and advances granted to clients, not impaired, Stage 1	**Very low risk**	**Low risk**	**Moderate risk**	**Sensitive risk**	**Total 2023**
Corporate and public institutions	42,888	25,493	6,055	1,626	76,062
Small and medium enterprises	346,581	140,248	103,476	24,950	615,255
Consumer loans and card loans granted to retail customers	179,591	19,035	13,916	9,302	221,844
Other	13	3	-	1	17
Total loans and advances to customers before impairment allowance	**569,073**	**184,779**	**123,447**	**35,879**	**913,178**
Allowances for impairment losses on loans	**(3,096)**	**(851)**	**(575)**	**(1,122)**	**(5,644)**
Total loans and advances to customers net of impairment allowance	**565,977**	**183,928**	**122,872**	**34,757**	**907,534**

Gross value of loans and advances granted to clients, not impaired, Stage 1	**0 days**	**1-15 days**	**16-30 days**	**Total 2023**
Corporate and public institutions	70,005	6,057	-	76,062
Small and medium enterprises	509,430	95,515	10,310	615,255
Consumer loans and card loans granted to retail customers	207,040	14,264	540	221,844
Other	17	-	-	17
Total loans and advances to customers before impairment allowance	**786,492**	**115,836**	**10,850**	**913,178**
Allowances for impairment losses on loans	**(4,964)**	**(610)**	**(70)**	**(5,644)**
Total loans and advances to customers net of impairment allowance	**781,528**	**115,226**	**10,780**	**907,534**

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Notes to the consolidated and separate financial statements

4. Financial risk management *(continued)*

b) *Credit risk (continued)*

(ii) Credit risk exposure (continued)

Gross value of loans and advances granted to clients, not impaired, Stage 2	**Low-moderate risk**	**Sensitive risk**	**High risk**	**Total 2023**
Corporate and public institutions	16,296	3,631	753	20,680
Small and medium enterprises	38,277	67,843	13,399	119,519
Consumer loans and card loans granted to retail customers	5,748	6,799	4,755	17,302
Other	-	-	-	-
Total loans and advances to customers before impairment allowance	**60,321**	**78,273**	**18,907**	**157,501**
Allowances for impairment losses on loans	(549)	(2,168)	(2,634)	**(5,351)**
Total loans and advances to customers net of impairment allowance	**59,772**	**76,105**	**16,273**	**152,150**

Gross value of loans and advances granted to clients, not impaired, Stage 2	**0-30 days**	**31-60 days**	**61-90 days**	**Total 2023**
Corporate and public institutions	20,631	49	-	20,680
Small and medium enterprises	113,095	6,252	172	119,519
Consumer loans and card loans granted to retail customers	13,074	3,336	892	17,302
Other	-	-	-	-
Total loans and advances to customers before impairment allowance	**146,800**	**9,637**	**1,064**	**157,501**
Allowances for impairment losses on loans	**(3,165)**	**(1,649)**	**(537)**	**(5,351)**
Total loans and advances to customers net of impairment allowance	**143,635**	**7,988**	**527**	**152,150**

Notes to the consolidated and separate financial statements

4. Financial risk management *(continued)*

b) *Credit risk (continued)*

(ii) Credit risk exposure (continued)

Gross value of loans and advances granted to clients, impaired, Stage 3	**0-30 days**	**31-60 days**	**61-90 days**	**over 90 days**	**Total 2023**
Corporate and public institutions	1,814	909	-	607	3,330
Small and medium enterprises	56,673	20,534	7,687	22,608	107,502
Consumer loans and card loans granted to retail customers	4,473	2,935	2,876	53,650	63,934
Other	1	-	0	-	1
Total loans and advances to customers before impairment allowance	**62,961**	**24,378**	**10,563**	**76,865**	**174,767**
Allowances for impairment losses on loans	**(24,737)**	**(10,809)**	**(5,520)**	**(56,629)**	**(97,695)**
Total loans and advances to customers net of impairment allowance	**38,224**	**13,569**	**5,043**	**20,236**	**77,072**

The exposures to credit risk for loans and advances to customers at Bank level, as at 31 December 2022, are presented below:

At amortized cost	**Assets for which the credit risk has not increased significantly since the initial recognition (Stage 1)**	**Assets for which the credit risk has significantly increased since the initial recognition, but which are not impaired (Stage 2)**	**Assets impaired at the reporting date (Stage 3)**	**Total 2022**
In RON thousand				
Corporate and public institutions	134,827	2,719	2,078	139,624
Small and medium enterprises	862,879	47,728	18,200	928,807
Consumer loans and card loans granted to retail customers	461,982	14,568	65,382	541,932
Other	17	6	-	23
Total loans and advances to customers before impairment allowance	**1,459,705**	**65,021**	**85,660**	**1,610,386**
Allowances for impairment losses on loans	**(13,420)**	**(1,623)**	**(55,685)**	**(70,728)**
Total loans and advances to customers net of impairment allowance	**1,446,285**	**63,398**	**29,975**	**1,539,658**

4. Financial risk management (*continued*)

b) *Credit risk (continued)*

(ii) Credit risk exposure (continued)

Gross value of loans and advances granted to clients, not impaired, Stage 1	**Very low risk**	**Low risk**	**Moderate risk**	**Sensitive risk**	**Total 2022**
Corporate and public institutions	74,815	37,803	14,877	7,332	134,827
Small and medium enterprises	458,366	186,533	115,317	102,662	862,878
Consumer loans and card loans granted to retail customers	357,597	40,704	28,027	35,654	461,982
Other	11	3	-	3	17
Total loans and advances to customers before impairment allowance	**890,789**	**265,043**	**158,221**	**145,651**	**1,459,704**
Allowances for impairment losses on loans	**(8,189)**	**(1,496)**	**(960)**	**(2,775)**	**(13,420)**
Total loans and advances to customers net of impairment allowance	**882,600**	**263,547**	**157,261**	**142,876**	**1,446,284**

Gross value of loans and advances granted to clients, not impaired, Stage 1	**0 days**	**1-15 days**	**16-30 days**	**Total 2022**
Corporate and public institutions	116,933	14,730	3,162	134,825
Small and medium enterprises	693,950	108.553	60,376	862,879
Consumer loans and card loans granted to retail customers	421,796	33,166	7,020	461,982
Other	17	-	-	17
Total loans and advances to customers before impairment allowance	**1,232,696**	**156,449**	**70,558**	**1,459,703**
Allowances for impairment losses on loans	(11,529)	(1,291)	(601)	**(13,421)**
Total loans and advances to customers net of impairment allowance	**1,221,167**	**155,158**	**69,957**	**1,446,282**

Notes to the consolidated and separate financial statements

4. Financial risk management *(continued)*

b) *Credit risk (continued)*

(ii) Credit risk exposure (continued)

Gross value of loans and advances granted to clients, not impaired, Stage 2	**Low-moderate risk**	**Sensitive risk**	**High risk**	**Total 2022**
Corporate and public institutions	1,395	390	934	2,719
Small and medium enterprises	6,624	6,951	34,153	47,728
Consumer loans and card loans granted to retail customers	574	488	13,506	14,568
Other	6	0	0	6
Total loans and advances to customers before impairment allowance	**8,599**	**7,829**	**48,593**	**65,021**
Allowances for impairment losses on loans	**(76)**	**(71)**	**(1,476)**	**(1,623)**
Total loans and advances to customers net of impairment allowance	**8,523**	**7,758**	**47,117**	**63,398**

Gross value of loans and advances granted to clients, not impaired, Stage 2	**0-30 days**	**31-60 days**	**61-90 days**	**Total 2022**
Corporate and public institutions	2,569	10	140	2,719
Small and medium enterprises	28,766	17,125	1,837	47,728
Consumer loans and card loans granted to retail customers	2,918	7,687	3,963	14,568
Other	6	-	-	6
Total loans and advances to customers before impairment allowance	**34,259**	**24,822**	**5,940**	**65,021**
Allowances for impairment losses on loans	(433)	(789)	(402)	**(1,624)**
Total loans and advances to customers net of impairment allowance	**33,826**	**24,033**	**5,538**	**63,397**

Notes to the consolidated and separate financial statements

4. Financial risk management *(continued)*

b) *Credit risk (continued)*

(ii) Credit risk exposure (continued)

Gross value of loans and advances granted to clients, impaired, Stage 3	**0-30 days**	**31-60 days**	**61-90 days**	**over 90 days**	**Total 2022**
Corporate and public institutions	259	20	21	1,777	2,077
Small and medium enterprises	3,860	1,409	789	12,141	18,199
Consumer loans and card loans granted to retail customers	2,449	1,647	1,984	59,302	65,382
Other	-	-	-	-	-
Total loans and advances to customers before impairment allowance	**6,568**	**3,076**	**2,794**	**73,220**	**85,658**
Allowances for impairment losses on loans	(2,360)	(1,240)	(1,324)	(50,761)	**(55,685)**
Total loans and advances to customers net of impairment allowance	**4,208**	**1,836**	**1,470**	**22,459**	**29,973**

4. Financial risk management (*continued*)

b) *Credit risk (continued)*

(ii) Credit risk exposure (continued)

Impairment allowances

Based on future scenarios, the Group and the Bank assess the expected credit loss ("ECL") related to the loans and advances to customers and financial lease receivables, assets in the form debt instruments measured at amortized cost.

Loan collateral policy

The Group and the Bank hold collateral against loans and advances to customers and leasing receivables in the form of mortgages over land and buildings, pledges on equipment and inventories, letter of guarantees, insurance policies and other guarantees. The Group and the Bank have ownership rights over these guarantees until the end of the contract. The estimates of fair value are based on the collateral value assessed on the loan granting date and periodically updated during the lifespan of the loan, at least annually, regardless of the collateral type.

Property includes land, residential and commercial buildings, "Security interests in movable property" includes pledges on movable assets (cars, equipment, inventories etc.) and the category "Other collateral" includes collateral deposits and other guarantees received.

An analysis of the collateral values split per types of loans and advances and lease receivables granted to customers is presented below:

	Group		Bank	
In RON thousand	**2023**	**2022**	**2023**	**2022**
Collaterals related to loans and lease receivables with moderate, sensitive and high risk and impaired loans				
Property	281	1,085	281	1,085
Security interests in movable property	321,063	76,073	317,772	74,058
Other collateral	51,827	14,615	2	-
Total	**373,171**	**91,773**	**318,055**	**75,143**
Collaterals related to loans and lease receivables with very low risk and low risk				
Property	-	702	-	702
Security interests in movable property	914,455	1,158,058	899,761	1,141,586
Other collateral	75,150	97,093	233	565
	989,605	**1,255,853**	**899,994**	**1,142,853**
Total	**1,362,776**	**1,347,626**	**1,218,049**	**1,217,996**

The effect of the Group's and Bank's collateral is presented separately highlighting the collateral values, as follows:
(i) for those assets in which the market value of collateral is equal to or higher than the book value of the asset ("over-collateralization of assets");
(ii) for those assets in which the collateral is lower than the book value of the asset ("under-collateralization of assets").

Notes to the consolidated and separate financial statements

4. Financial risk management (*continued*)

b) *Credit risk (continued)*

(ii) Credit risk exposure (continued)

The effect of the Group guarantee as at 31 December 2023 is the following:

	Exposures stage 1		**Exposures stage 2**		**Exposures stage 3**	
In RON thousand	**Under-collateralization**	**Over-collateralization**	**Under-collateralization**	**Over-collateralization**	**Under-collateralization**	**Over-collateralization**
Corporate						
- Gross exposure	-	-	-	-	-	-
- Collateral	-	-	-	-	-	-
Small and medium enterprises						
- Gross exposure	-	-	-	-	-	-
- Collateral	-	-	-	-	-	-
Consumer loans and card loans granted to retail customers						
- Gross exposure	221,831	13	17,235	67	63,865	69
- Collateral	118	115	-	122	2	159
Loans and finance lease receivables granted by non-banking financial institutions						
- Gross exposure	171,168	591,318	35,322	135,285	49,268	73,800
- Collateral	159,103	830,270	32,068	198,925	37,033	104,861
Other						
- Gross exposure	17	-	-	-	1	-
- Collateral	-	-	-	-	-	-

4. Financial risk management (*continued*)

b) *Credit risk (continued)*

(ii) Credit risk exposure (continued)

The effect of the Group guarantee as at 31 December 2022 is the following:

	Group 2022					
	Exposures stage 1		Exposures stage 2		Exposures stage 3	
In RON thousand	Under-collateralization	Over-collateralization	Under-collateralization	Over-collateralization	Under-collateralization	Over-collateralization
Corporate						
- Gross exposure	-	-	-	-	-	-
- Collateral	50	100	-	-	-	-
Small and medium enterprises						
- Gross exposure	11	-	95	-	105	499
- Collateral	-	706	-	-	-	554
Consumer loans and card loans granted to retail customers						
- Gross exposure	461,926	56	14,552	16	65,232	150
- Collateral	186	224	-	250	-	281
Loans and finance lease receivables granted by non-banking financial institutions						
- Gross exposure	541,479	551,222	28,370	28,408	20,958	7,591
- Collateral	482,073	772,621	25,253	39,914	12,733	12,680
Other						
- Gross exposure	17	-	6	-	-	-
- Collateral	-	-	-	-	-	-

Notes to the consolidated and separate financial statements

4. Financial risk management (*continued*)

b) *Credit risk (continued)*

(ii) Credit risk exposure (continued)

The effect of the Bank guarantee as at 31 December 2023 is the following:

	Bank 2023					
	Exposures stage 1		**Exposures stage 2**		**Exposures stage 3**	
In RON thousand	**Under-collateralization**	**Over-collateralization**	**Under-collateralization**	**Over-collateralization**	**Under-collateralization**	**Over-collateralization**
Corporate						
- Gross exposure	16,537	59,525	4,899	15,781	818	2,512
- Collateral	15,173	91,048	4,544	25,083	502	3,713
Small and medium enterprises						
- Gross exposure	130,056	485,199	21,648	97,871	43,662	63,840
- Collateral	120,965	672,576	20,132	140,890	33,529	89,378
Consumer loans and card loans granted to retail customers						
- Gross exposure	221,831	13	17,235	67	63,865	69
- Collateral	118	115	-	122	2	159
Other						
- Gross exposure	17	-	-	-	1	-
- Collateral	-	-	-	-	-	-

Notes to the consolidated and separate financial statements

4. Financial risk management (*continued*)

b) *Credit risk (continued)*

(ii) Credit risk exposure (continued)

The effect of the Bank guarantee as at 31 December 2022 is the following:

	Bank 2022					
	Exposures stage 1		**Exposures stage 2**		**Exposures stage 3**	
In RON thousand	**Under-collateralization**	**Over-collateralization**	**Under-collateralization**	**Over-collateralization**	**Under-collateralization**	**Over-collateralization**
Corporate						
- Gross exposure	63,074	71,753	1,090	1,629	1,584	494
- Collateral	56,309	106,301	960	2,357	1,075	1,100
Small and medium enterprises						
- Gross exposure	426,858	436,021	24,520	23,208	12,664	5,536
- Collateral	380,524	599,416	21,683	31,763	7,415	8,152
Consumer loans and card loans granted to retail customers						
- Gross exposure	461,926	56	14,552	16	65,232	150
- Collateral	186	224	-	250	-	281
Other						
- Gross exposure	16	1	6	-	-	-
- Collateral	-	-	-	-	-	-

Notes to the consolidated and separate financial statements

4. Financial risk management (*continued*)

b) *Credit risk (continued)*

(ii) Credit risk exposure (continued)

The exposure representing credit risk refers to the following balance-sheet and off balance-sheet items:

- Cash with Central Banks and Deposits with banks and public institutions;
- Financial assets measured at amortized cost - loans and advances to customers;
- Financial assets measured at amortized cost - finance lease receivables
- Contingent liabilities representing credit risk (irrevocable financial guarantees and uncommitted irrevocable loan commitments).

The tables below show the reconciliation between the gross carrying amount and the net carrying amount of the individual components, of the risk exposure, consolidated as at 31 December 2023 and 31 December 2022:

		Group					
In RON thousand		2023			2022		
Assets	Notes	**Gross carrying amount**	**Loss allowance(*)**	**Carrying amount(*)**	**Gross carrying amount**	**Loss allowance(*)**	**Carrying amount(*)**
Cash and current accounts with Central Banks	19	85,971	92	85,886	182,702	274	182,428
Placements with banks and public institutions	20	220,655	573	220,082	245,887	489	245,398
Loans and advances to customers	22	322,014	55,469	266,544	562,232	58,814	503,418
Finance lease receivables	23	1,037,245	62,766	974,480	1,158,461	17,506	1,140,954
Total on-balance sheet		**1,665,886**	**118,899**	**1,546,991**	**2,149,282**	**77,083**	**2,072,199**
Irrevocable commitments given		24,834	682	24,152	63,342	1,540	61,802
Irrevocable financial guarantees given		1,256	-	1,256	1,371	-	1,371
Total off-balance sheet		**26,090**	**682**	**25,408**	**64,713**	**1,540**	**63,173**
Total on and off-balance sheet		**1,691,976**	**119,582**	**1,572,399**	**2,213,995**	**78,623**	**2,135,372**

** For off-balance sheet items the carrying amount represent the maximum exposure committed in case of default and a for a loss allowance is the higher of unamortized balance and ECL*

Notes to the consolidated and separate financial statements

4. Financial risk management (*continued*)

b) *Credit risk (continued)*

(ii) Credit risk exposure (continued)

The tables below show the reconciliation between the gross carrying amount and the net book value of the individual components, of the risk exposure, separate as at 31 December 2023 and 31 December 2022:

In RON thousand		**Bank**					
		2023			**2022**		
Assets	Notes	**Gross carrying amount**	**Loss allowance(*)**	**Carrying amount(*)**	**Gross carrying amount**	**Loss allowance(*)**	**Carrying amount(*)**
Cash and current accounts with Central Banks	19	85,968	92	85,883	182,700	274	182,426
Placements with banks and public institutions	20	164,156	573	163,583	239,407	489	238,918
Loans and advances to customers	22	1,245,446	108,690	1,136,756	1,610,384	70,728	1,539,658
Total on-balance sheet		**1,495,570**	**109,355**	**1,386,222**	**2,032,491**	**71,491**	**1,961,002**
Irrevocable commitments given		24,717	682	24,035	49,007	1,414	47,594
Irrevocable financial guarantees given		1,256	-	1,256	1,371	-	1,371
Total off-balance sheet		**25,973**	**682**	**25,291**	**50,378**	**1,414**	**48,964**
Total on and off-balance sheet		**1,521,543**	**110,037**	**1,411,513**	**2,082,869**	**72,905**	**2,009,966**

** For off-balance sheet items the carrying amount represent the maximum exposure committed in case of default and a for a loss allowance is the higher of unamortized balance and ECL*

4. Financial risk management (*continued*)

b) *Credit risk (continued)*

(ii) Credit risk exposure (continued)

The Group and the Bank present the off balance sheet exposure for irrevocable facilities and the provisions related to the exposure of off-balance sheet risk as of December 31, 2023:

	Group				Bank			
In RON thousand	**Stage 1**	**Stage 2**	**Stage 3**	**Total**	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Irrevocable commitments given								
- Maximum exposure committed in case of "default"	23,459	878	497	24,834	23,342	878	497	**24,717**
- Loss allowance(*)	297	175	210	682	297	175	210	**682**
Irrevocable financial guarantees given	-	-	-	-	-	-	-	**-**
- Gross carrying amount	1,256	-	-	1,256	1,256	-	-	**1,256**
- Loss allowance	-	-	-	-	-	-	-	**-**

The Group and the Bank present the off-balance sheet exposure for irrevocable facilities and the provisions related to the exposure of off-balance sheet risk as of December 31st 2022:

	Group				Bank			
In RON thousand	**Stage 1**	**Stage 2**	**Stage 3**	**Total**	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Irrevocable commitments given								
- Maximum exposure committed in case of "default"	61,482	612	1,248	63,341	47,148	612	1,248	**49,007**
- Loss allowance(*)	981	66	493	1,540	855	66	493	**1,414**
Irrevocable financial guarantees given								
- Maximum exposure committed in case of "default"	1,371	-	-	1,371	1,371	-	-	**1,371**

(*) Higher of unamortized balance and ECL

Notes to the consolidated and separate financial statements

4. Financial risk management (*continued*)

b) *Credit risk (continued)*

Measurement of the expected credit loss allowance

The measurement of the expected credit loss allowance for financial assets is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behaviour (e.g. the likelihood of customers defaulting and the resulting losses). The financial assets that are the subject of this chapter are:

- Loans and advances to customers at amortized cost;
- Finance lease receivables;
- lending commitments and financial guarantees offered by the Group and the Bank (e.g. letter of credit, letter of guarantees);
- placements made in other banks, including mandatory minimum reserves (RMO) and loans to other bank institutions;
- portfolio of financial instruments measured at FVOCI (e.g. government bonds, corporate or municipal bonds, etc.);
- financial instrument portfolio measured at amortized cost (corporate bonds).

A number of significant judgements are also required in applying the accounting requirements for measuring ECL, such as:

- Establishing groups of similar financial assets for the purposes of measuring ECL;
- Determining criteria for significant increase in credit risk;
- Choosing appropriate models and assumptions for the measurement of ECL;
- Establishing the number and relative weightings of forward-looking scenarios for ECL.

IFRS 9 outlines a 'three-stage' model for impairment based on changes in credit quality since initial recognition as summarized below:

- A financial instrument that is not credit-impaired on initial recognition or, for that assets there are no indicators fulfilled to presume that has been "an increase in credit risk" is classified in 'Stage 1';
- If a significant increase in credit risk ('SICR') since initial recognition is identified. The financial instrument is moved to 'Stage 2' but is not yet deemed to be credit-impaired;
- If the financial instrument is credit-impaired. The financial instrument is then moved to 'Stage 3'.

Financial instruments in Stage 1 have their ECL calculated based on expected credit losses over a period of 12 months Instruments in Stages 2 or 3 have their ECL measured based on expected credit losses on a lifetime basis.

A general approach in measuring ECL in accordance with IFRS 9 is that it should consider forward-looking information.

Purchased or originated credit-impaired financial assets are those financial assets that are credit-impaired on initial recognition. Their ECL is always measured on a lifetime basis.

The following diagram summarizes the impairment requirements under IFRS 9 (other than purchased or originated credit-impaired financial assets):

Notes to the consolidated and separate financial statements

4. Financial risk management (*continued*)

b) ***Credit risk (continued)***

Measurement of the expected credit loss allowance (continued)

Change in credit quality since initial recognition:

Stage 1	Stage 2	Stage 3
(Initial recognition)	(Significant increase in credit risk since initial recognition)	(Credit-impaired assets)
12-month expected credit losses	Lifetime expected credit losses	Lifetime expected credit losses

Expected credit losses are the discounted product of the Probability of Default (PD), Exposure at Default (EAD), and Loss Given Default (LGD), defined as follows:

The PD represents the likelihood of a borrower defaulting on its financial obligation (as per "Definition of default and credit-impaired "above), either over the next 12 months (12M PD), or over the remaining lifetime (Lifetime PD) of the obligation.
EAD is based on the amounts the Group expects to be owed at the time of default, over the next 12 months (12M EAD) or over the remaining lifetime (Lifetime EAD).

Loss Given Default (LGD) represents a Group's expectation of the extent of loss on a defaulted exposure. LGD varies by type of counterparty and availability of collateral or other credit support.
The ECL is determined by projecting the PD, LGD and EAD for each future month and for each individual exposure. The ECL for each future month is then discounted back to the reporting date and summed. Parameters used in the calculation of ECL are determined by considering the grouping of financial asset portfolios according to similar characteristics considered decisive in originating and monitoring credit risk, respectively the type of counterparty (debtor), products and currencies.

The discount rate used in the calculation of the ECL is the effective interest rate.

Significant increase in Credit Risk
In determining whether a significant increase in credit risk occurred since initial recognition the Group considers reasonable and supportable information that is relevant and can be obtained without undue cost and effort. The assessment of the significant increase of the risk is made at individual level, analysing the criteria of each asset.
The Group considers a financial instrument to have experienced a significant increase in credit risk when one or more of the following quantitative, qualitative or backstop criteria have been met:

Quantitative criteria:
- DPD 30+ with overdue debts over 30 RON (materiality threshold)
- Deterioration of the PD from the originating to the reporting date, by exceeding a observed default rate of 10%, at a specific rating;

4. Financial risk management (*continued*)

b) *Credit risk (continued)*

Measurement of the expected credit loss allowance (continued)

Qualitative criteria:

- High-performance restructured credits, classified according to the curing rules.
- Customers from the observation list (watch list), as defined in the bank's internal regulations. The bank has defined a complete set of qualitative indicators that trigger risk monitoring, in accordance with the specific Watch list procedure. Also, in the observation list will be included the clients identified with a major credit risk in the monitoring process, evaluation applied in accordance with the "Procedure for monitoring the portfolio of credit facilities and leasing receivables purchased by the bank - performing legal entities".

For exposures to credit institutions/investments in government securities, the triggering events are:

- 15 days DPD
- Deterioration of the internal / external rating by 2 classes, from the date of the placement.

In particular for restructured loans (i.e. the operation carried out for borrowers in financial difficulties), the Bank considers that a "significant increase in credit risk" has been observed. These types of transactions lead to the classification of assets in stage 2 or stage 3 and the calculation of the ECL over the entire lending period (lifetime). The classification at stage 3 is made according to the type and nature of restructuring, taking into account in this respect the provisions of prudential regulations (EBA Guide 2016-07 on the definition of default determines when a restructuring is considered to be in a state of "default"). At the same time, where a new restructuring or debt service exceeds 30 days is applied to an exposure in the probationary period, that exposure will be reclassified to Stage 3.

For performing restructured financial assets, the Bank establishes a curing period (at least 2 years after the operation), during which the calculation of the ECL is maintained. After those two years mentioned, the Bank analyses the financial situation of the borrower and the payments made after the event (frequency and volume) and, if it concludes that the statutes should be changed, then only the next 12 months (for stage 1) are considered in the ECL computation.

30 days rebuttable presumption

If the debtor is more than 30 days late in making the contractual payments, the rebuttable presumption of arrears applies and the financial instrument is considered to have a significant increase in credit risk.

Definition of default and credit impaired assets

The Group and the Bank define a financial instrument as defaulting, which means that in terms of definition it is fully aligned with an asset impaired as a result of credit risk, when it meets one or more of the following criteria:

• The exposure is overdue with more than 90 days in making the contractual payments;

• Exposures for which the debtor is unlikely to fully fulfil its payment obligations without the execution of the collaterals, regardless of the existence of outstanding amounts or the number of days of delay in payment. Indices of unlikeliness to pay shall include the following:

4. Financial risk management (*continued*)

b) *Credit risk (continued)*
Measurement of the expected credit loss (continued)

- the credit institution ceases to account for interest on the credit liability;
- the credit institution recognizes a specific adjustment for credit risk resulting from the perception of a significant deterioration in the quality of the credit subsequent to the moment when the institution became exposed to the risk;
- the credit institution sells the credit liability with a significant economic loss;
- the credit institution agrees to restructure the loan obligation as a matter of urgency, where this may lead to a reduction in the financial obligation as a result of the cancellation or deferral of payment of a significant part of the principal, interest or, where appropriate, fees.

Test portofolio stages	TEST (UTP) Payment improbability	Type of restructuring operation	Ability to pay	Status of the restructuring facility	Remapping stage
S1	Passed	Viable	Probable to be payed	Not restructuring	S1
	Not passed	Non-viable	Improbable to be payed	Non-performing restructuring	S3
S2	Passed	Viable	Probable to be payed	Not restructuring	S2
	Not passed	Non-viable	Improbable to be payed	Non-performing restructuring	S3
S3	Passed	Viable	Probable to be payed	Not restructuring	S3
	Not passed	Non-viable	Improbable to be payed	Non-performing restructuring	S3

In the case of exposures measured according to the probability of default/default loss method, this includes the emergency restructuring of the exposure itself:

- The emergency restructuring resonates a change in the structure of the loan agreement, which can be considered viable or non-viable, depending on the result of the impossibility to pay test.
- The test of improbability to pay is caused by the cancellation or deferral of payment of principal, interest and fees using the following formula:

$$\boldsymbol{DO} = \frac{NPV0 - NPV1}{NPV0}$$, where

DO = diminished financial obligation

NPV0 is the net present value of cash flow (including unpaid interest and fees) expected under contractual obligations before changes in the terms and conditions of the updated contract using the original effective interest rate;

NPV1 is the net present value of the cash flow expected under the new provisions of the contract using the initial effective interest rate.

The materiality threshold of unlikely restructuring operations is 1%.

If DO<1% and the client does not register any default event, the restructuring operation is considered viable and the exposure is considered "likely to pay".

If DO<1% and the client experiences other default events, the exposure will be kept "unlikely to pay".

4. Financial risk management (*continued*)

b) *Credit risk (continued)*

Measurement of the expected credit loss (continued)

If DO>1% restructuring operation is considered non-viable, the exposure is considered "unlikely to pay" and is classified as default.

The institution has made an application seeking the opening of bankruptcy proceedings against the debtor or the application of a similar measure for a credit liability of the debtor towards the institution, the parent undertaking or any of its subsidiaries.

The debtor has applied for bankruptcy proceedings or is subject to bankruptcy proceedings or is subject to similar protection where this would lead to the avoidance or deferment of payment of a loan obligation to the institution, its parent undertaking or any of its subsidiaries.

The events of the **default state** that classifies a loan in stage 3 are:

- **DPD 90+ in the last 6M**, the amount of arrears greater than 1% of the total exposure (balance sheet and off-balance sheet) and arrears higher than 1000 RON for corporate clients and 150 RON for the rest;
- Non-viable restructuring operations (any restructuring operation that does not pass the UTP test);
- **insolvency** or **bankruptcy** proceedings;
- exposure to **forced execution**;
- customers eligible under the "**datio in solutium**" law, who have notified the bank of their intention to give in payment their residential property for the purpose of covering the debt;
- loans with **stopped interest** rates;
- in the case of the **sale of the credit obligation**, which leads to the maintaining a part of the exposure sold on the bank's balance sheet;
- suspicion of **fraud** - The Risk Division will analyse at each reporting date, the potential recovery related to the newly set facilities with the fraud attribute in the operational risk application. If recoveries are expected, the adjustments for expected losses will be calculated according to the methodology in force, and if it is found that there will be no (partial, full) recoveries of the damage, the credit facilities will be fully provisioned. The Risk Division will review, with biannual frequency, the values to be recovered for the reported frauds.
- **individually analysed credits** due to other identified problematic events, other than the events of the default state.

Estimating the expected losses from credit risk implies forecasting future macroeconomic conditions for the next 3 years. The incorporation of forward-looking elements reflects the Bank's expectations and involves the creation of scenarios including an assessment of the probability of concretizing each scenario.

As a rule, the Bank uses 3 types of scenarios: the baseline scenario (which is most likely to manifest itself), the optimistic scenario and the pessimistic scenario (which is not necessarily a stress scenario). The coefficients of the scenario are determined on the basis of both a statistical analysis and the opinion of an expert, taking into account the possible results representative of each scenario.

The macroeconomic scenarios applied in 2023 have been modified compared to those previously used, within the methodological alignment process with Banca Transilvania.

Notes to the consolidated and separate financial statements

4. Financial risk management (*continued*)

b) *Credit risk (continued)*

Measurement of the expected credit loss (continued)

At the same time, given the economic conditions, the model was updated with post-model adjustments ("PMA"), which is related to the application of standard deviation over the historical losses and overlay was considered by incorporating uplift of inflation into the PDs.

	CLP (consumer loan)	**LEAS (leasing receivables)**
PMA	1STD	0.5STD

The weights allocated to the scenarios used by the Bank:

	Optimist	Central	Pesimist_1	Pesimist_2
Y2022	10%	55%	35%	-
Y2023	10%	55%	35%	-

The macroeconomic scenarios applied in 2023 reflect a macroeconomic environment characterized by the persistence of uncertainties amid ongoing geopolitical tensions. Additionally, the conflict in the Middle East, with direct implications for the population and economic agents, is causing a rising trend in the prices of raw materials and agro-food products. This is compounded by existing pressures in the labour market, all of which will complicate economic growth.

Even though energy and gas prices have temporarily stabilized in European markets due to state support through price-capping programs for both residential and industrial consumers, the situation may be negatively influenced by a reconfiguration of current capping schemes. This is particularly concerning given the macroeconomic imbalance Romania is currently facing. Any additional shocks to energy prices or persistent internal inflation resulting from the most recent fiscal measures adopted could negatively environment for 2024.

Volatility from macroeconomic and geopolitical factors has dominated the business environment in the last period, and there are no significant developments in the economy during 2023. The path and influence of central banks' monetary policy tightening has dampened consumption and investment. Even energy prices have fallen, there are still questions about geopolitical tensions, supply chain disruptions and labour-market pressures. The macroeconomic outlook remains challenging and the conflict in the Middle East has added to uncertainty – disruption to the Suez Canal shipping route is affecting supply chains, particularly container and oil transport.

Inflationary pressure also manifested itself in 2023, eroding the economies of the population and the profit margins of companies. The economic activity is likely to be impacted in the shorter term and it is yet unknown to which extent governments will continue to support the economies.

Further credit deterioration remains to be seen, as the effect is currently limited and mitigated by the continued government support packages. Despite the slowdown in the economy and turmoil in the financial markets in 2022, the Bank and the Group remain cautiously optimistic, considering the fact that the Romania's economy has become more and more resistant to shocks and challenges, an aspect also confirmed by the better evolution of the GDP compared to the Eurozone area dynamics from the incidence of the pandemic until now.

4. Financial risk management (*continued*)

b) *Credit risk (continued)*

Measurement of the expected credit loss (continued)

In the base case macroeconomic scenario, the Group and the Bank anticipate a slightly positive economic growth with no additional global downside risks materialize, but the interest rates remain high in the first half of 2024, with a downward trend for interest rates in the following quarters.

The expectation for the end of 2024 is that the Romanian inflation rate will decrease combined with the downward momentum in energy and food prices, in the context of the implementation of European programs.

The consumption prices could increase with annual dynamics of 5.5% in 2024, 5.2% in 2025 and 4.8% in 2026. The relaxation of inflationary pressures to a moderate level and the continuation of the economic recovery process will lead the central bank to recalibrate monetary policy by reducing the reference interest rate.

The adverse (pessimistic) scenario sets out paths for key economic and financial variables in a hypothetical adverse situation triggered by the materialization of risks to which the economy is exposed: the persistently of high inflation, a tightening of financial conditions and a perceptible deteriorating in the economic outlook, driven by surging energy prices, supply shortages and geopolitical tensions. There is a risk of a deeper and more prolonged uncertainties, materialized in extremely high inflation, pressure on national currency or financial deterioration of companies because of production and supply chains disruptions which could conclude in an upward shift in the number of insolvencies.

In the optimistic macroeconomic scenario, growth it is expected of the Romanian economy with annual dynamics of 4.1% in 2024, 4.3% in 2025 and 4.5% in 2026, against the background of the evolution of productive investments with higher rates, with favourable consequences for the labour market and private consumption. The inflation rate is under control and falls above the expectations, while economic growth surprises on the upside. Current global headwinds get resolved and supply-chain issues ease.

The adverse (pessimistic) scenario sets out paths for key economic and financial variables in a hypothetical adverse situation triggered by the materialization of risks to which the economy is exposed: the persistently of high inflation, a tightening of financial conditions and a perceptible deteriorating in the economic outlook, driven by surging energy prices, supply shortages and geopolitical tensions. There is a risk of a deeper and more prolonged uncertainties, materialized in extremely high inflation, pressure on national currency or financial deterioration of companies because of production and supply chains disruptions which could conclude in an upward shift in the number of insolvencies.

In the optimistic macroeconomic scenario, we expect the growth of the Romanian economy with annual dynamics of 3.8% in 2023, 4.9% in 2024 and 5.8%% in 2025, against the background of the evolution of productive investments with higher rates, with favourable consequences for the labour market and private consumption. The inflation rate is under control and falls above the expectations, while economic growth surprises on the upside. Current global headwinds get resolved and supply-chain issues ease.

For the Bank and its subsidiaries the most important assumption affecting the ECL allowance are as follows:

Notes to the consolidated and separate financial statements

4. Financial risk management (*continued*)

b) *Credit risk (continued)*

Measurement of the expected credit loss (continued)

- *For Retail loans:* GDP, Unemployment Rate, ROBOR 3M
- *For Companies:* GDP and Unemployment rate, EUR/RON rate, Inflation

For retail loans (Pool CLP):

Optimistic Scenario – Macroeconomic indicators	T4 23	T4 24	T4 25	T3 26
Real GDP (%, YoY)	3.8	4.3	4.2	4.5
Unemployment rate (%)	5.5	5.5	5.5	5.3
ROBOR 3M (%)	6.4	4.6	3.8	3.8

Central Scenario – Macroeconomic indicators	T4 23	T4 24	T4 25	T3 26
Real GDP (%, YoY)	2.5	3.3	3.9	3.8
Unemployment rate (%)	5.6	5.5	5.5	5.4
ROBOR 3M (%)	6.4	4.8	4.0	3.9

Pesimistic Scenario – Macroeconomic indicators	T4 23	T4 24	T4 25	T3 26
Real GDP (%, YoY)	0.1	0.5	1.2	1.6
Unemployment rate (%)	5.6	5.6	5.5	5.5
ROBOR 3M (%)	6.7	8.7	6.1	6.6

For loans granted to companies (Pool LEAS):

Optimistic Scenario – Macroeconomic indicators	T4 23	T4 24	T4 25	T3 26
Unemployment rate (%)	5.5	5.5	5.5	5.3
EUR/RON	5.0	5.0	5.1	5.1
Inflation (HICP) (%)	7.7	4.3	5.1	4.4

Central Scenario – Macroeconomic indicators	T4 23	T4 24	T4 25	T3 26
R Unemployment rate (%)	5.6	5.5	5.5	5.4
EUR/RON	5.0	5.0	5.1	5.1
Inflation (HICP) (%)	7.7	4.5	5.2	4.6

Pesimistic Scenario –Macroeconomic indicators	T4 23	T4 24	T4 25	T3 26
Unemployment rate (%)	5.6	5.6	5.5	5.5
EUR/RON	5.0	5.1	5.2	5.2
Inflation (HICP) (%)	8.0	8.4	7.3	7.3

4. Financial risk management (*continued*)

b) *Credit risk (continued)*

Measurement of the expected credit loss (continued)

As with any economic forecast, estimates and probabilities of happening are subject to an inherent high degree of uncertainty and therefore the actual results may be significantly different from those projected. The Group and the Bank consider these forecasts to be the best estimate of possible outcomes and analysed the non-linearities and asymmetries within the different portfolios of the Group and the Bank to establish that the scenarios chosen are the most representative in the range of possible scenarios.

c) *Liquidity risk*

Liquidity risk represents the current or future risk that the profit and capital may be negatively affected as a result of the Bank's incapacity to pay its due and payable debts when they become due.

Liquidity risk has 2 components: the difficulty in procuring funds at maturity in order to refinance current assets or the inability to convert an asset into cash at a value near its fair value in a reasonable period of time.

The purpose of the liquidity risk management is to obtain the expected return on assets, through a proper management of the liquidities, consciously assumed and adapted to the domestic and international market conditions, the growth of the institution and the general current legal framework.

The Group and the Bank are continuously acting to manage this type of risk.

The Group and the Bank have access to a diverse funding base. Funds are raised by using a broad range of instruments, including deposits from customers or from banks, loans from development institutions and financial institutions and share capital. Access to diverse funding sources improves the flexibility to attract funds, limiting the dependence on one type of financing and on one type of partner and leading to an overall decrease of financing costs.

The Group and the Bank try to maintain a balance between continuity and flexibility in attracting funds, by signing financing contracts with different maturities and in different currencies. The Group and the Bank continually assess liquidity risk by identifying and monitoring changes in the financing contracts, and by diversifying the funding sources.

The operational liquidity management is also performed intraday, so as to ensure all the settlements/payments assumed by the Group and the Bank, on their own behalf or on behalf of their clients, in RON or FCY, on account or in cash, within the internal, legal and mandatory limits.

The Assets and Liabilities Management Committee of the Bank is responsible with the periodic review of liquidity indicators and with the establishment of corrective measures regarding balance sheet figures, so as to eliminate unacceptable deviations in terms of liquidity risk.

Crisis simulation scenarios have been elaborated by considering various severity levels, various probabilities and different periods of occurrence. Their purpose is to identify/assess potential losses and the potential impact of events or the factors that may generate a liquidity crisis. Additionally, they offer information regarding the impact of liquidity risk determinants on the Group's and Bank's capacity to provide liquidity to its customers and to maintain adequate liquidity levels.

Notes to the consolidated and separate financial statements

4. Financial risk management (*continued*)

c) *Liquidity risk (continued)*

The assets and liabilities of the Group as at 31 December 2023, analysed as per the period remaining until the contractual maturity, on models based on the contractual maturity related to the liquidity band, are the following:

Group - *In RON thousand*	**Carrying amount**	**Gross value (inflow /outflow)**	**Up to 3 months**	**3-6 months**	**6-12 months**	**1-3 years**	**3 - 5 years**	**Over 5 years**	**No maturity**
Financial liabilities									
Deposits from banks	1,304,377	(1,370,904)	(124,893)	(25,432)	(254,009)	(966,570)	-	-	-
Deposits from customers	29,136	(29,169)	(27,394)	(1,360)	(404)	(11)	-	-	-
Loans from banks and other financial institutions	102,084	(112,702)	(9,943)	(9,664)	(17,302)	(53,098)	(22,695)	-	-
Subordinated liabilities and issued bonds	37,327	(39,795)	(12,841)	(1,074)	(25,880)	-	-	-	-
Lease liabilities	12,441	(12.464)	(848)	(630)	(1,455)	(3,349)	(5,272)	(910)	-
Other financial liabilities	21,526	(21,526)	(19,161)	-	-	(2,365)	-	-	-
Total financial liabilities	**1,506,891**	**(1,586,560)**	**(195,080)**	**(38,160)**	**(299,050)**	**(1,025,393)**	**(27,967)**	**(910)**	**-**
Financial assets									
Cash and current accounts with Central Banks	85,886	85,886	85,886	-	-	-	-	-	-
Placements with banks and public institutions	220,082	220,082	219,689	-	-	-	393	-	-
Loans and advances to customers	266,544	355,303	34,375	32,076	56,378	154,820	29,507	2,923	45,224
Finance lease receivables	974,479	1,151,522	113,323	110,289	205,879	549,634	154,574	584	17,239
Financial assets measured at fair value through other income	211,519	211,519	-	80,263	39,369	82,187	7,173	-	2,527
Other financial assets	27,989	27,989	23,039	45	59	90	-	4,756	-
Total financial assets	**1,786,499**	**2,052,301**	**476,312**	**222,673**	**301,685**	**786,731**	**191,647**	**8,262**	**64,991**
Net balance sheet position		**465,741**	**281,232**	**184,513**	**2,635**	**(238,662)**	**163,680**	**7,352**	**64,991**

Notes to the consolidated and separate financial statements

4. Financial risk management (*continued*)

c) *Liquidity risk (continued)*

Group - *In RON thousand*	**Carrying amount**	**Gross value (inflow /outflow)**	**Up to 3 months**	**3-6 months**	**6-12 months**	**1-3 years**	**3 - 5 years**	**Over 5 years**	**No maturity**
31 December 2023									
Off-balance sheet									
Irrevocable commitments given	24,152	24,834	241	276	976	10,808	12,091	-	443
Irrevocable financial guarantees given	1,256	1,256	1	62	1,193	-	-	-	-
Total off-balance sheet	**25,408**	**26,090**	**242**	**338**	**2,169**	**10,808**	**12,091**	**-**	**443**
Total net on- and off-balance sheet position		**439,651**	**280,991**	**184,175**	**466**	**(249,470)**	**151,588**	**7,352**	**64,548**

The assets and liabilities of the Group as at 31 December 2022, analysed based on the period remaining until the contractual maturity, on models reflecting the customer's historic behaviour typologies and on conventional assumptions concerning certain balance sheet items are the following:

Group - *In RON thousand*	**Carrying amount**	**Gross value (inflow /outflow)**	**Up to 3 months**	**3-6 months**	**6-12 months**	**1-3 years**	**3 - 5 years**	**Over 5 years**	**No maturity**
Financial liabilities									
Deposits from banks	1,913,752	(1,986,908)	(402,357)	(368,872)	(358,992)	(856,687)	-	-	-
Deposits from customers	92,407	(92,509)	(78,404)	(12,506)	(1,561)	(33)	(5)	-	-
Loans from banks and other financial institutions	59,454	(61,467)	(7,176)	(6,138)	(15,705)	(23,759)	(8,690)	-	-
Subordinated liabilities and issued bonds	46,070	(52,810)	(563)	(1,614)	(11,179)	(39,454)	-	-	-
Lease liabilities	3,638	(3,638)	(526)	(526)	(1,051)	(1,518)	(17)	-	-
Other financial liabilities	33,701	(35,424)	(35,424)	-	-	-	-	-	-
Total financial liabilities	**2,149,023**	**(2,232,756)**	**(524,450)**	**(389,656)**	**(388,488)**	**(921,451)**	**(8,712)**	**-**	**-**

Notes to the consolidated and separate financial statements

4. Financial risk management (*continued*)

c) *Liquidity risk (continued)*

Group - *In RON thousand*	**Carrying amount**	**Gross value (inflow /outflow)**	**Up to 3 months**	**3-6 months**	**6-12 months**	**1-3 years**	**3 - 5 years**	**Over 5 years**	**No maturity**
Financial assets									
Cash and current accounts with Central Banks	182,428	182,428	182,428	-	-	-	-	-	-
Placements with banks and public institutions	245,398	245,398	245,398	-	-	-	391	-	-
Loans and advances to customers	503,418	641,515	52,632	52,388	88,402	271,093	124,468	4,843	47,690
Finance lease receivables	1,140,955	1,264,447	120,357	116,769	217,704	591,801	204,711	2,242	10,863
Financial assets measured at fair value through other comprehensive income	237,562	237,562	-	-	146,106	47,357	41,824	-	2,275
Other financial assets	41,404	41,404	36,542	-	11	-	-	4,852	-
Total financial assets	**2,351,164**	**2,612,755**	**637,357**	**169,157**	**452,222**	**910,251**	**371,394**	**11,937**	**60,828**
Net balance sheet position		**379,999**	**112.907**	**(220,499)**	**63,735**	**(11,200)**	**362,682**	**11,937**	**60,828**
Off-balance sheet (restated)									
Irrevocable commitments given	61,802	63,342	14,379	112	51	7,473	40,877	152	298
Irrevocable financial guarantees given	1,371	1,371	261	-	1,107	3	0	0	0
Total off-balance sheet	**-**	**64,713**	**14,640**	**112**	**1,158**	**7,476**	**40,877**	**152**	**298**
Total net on- and off-balance sheet position	**63,173**	**444,712**	**127,547**	**(220,387)**	**64,893**	**(3,724)**	**403,599**	**12,089**	**61,126**

Notes to the consolidated and separate financial statements

4. Financial risk management (*continued*)

c) *Liquidity risk (continued)*

The assets and liabilities of the Bank as at 31 December 2023, analysed based on the period remaining until the contractual maturity, on models reflecting the customer's historic behaviour typologies and on conventional assumptions concerning certain balance sheet items are the following:

Bank – *In RON thousand*	**Carrying amount**	**Gross value (inflow /outflow)**	**Up to 3 months**	**3-6 months**	**6-12 months**	**1-3 years**	**3 - 5 years**	**Over 5 years**	**No maturity**
Financial liabilities									
Deposits from banks	1,304,377	(1,370,904)	(124,893)	(25,432)	(254,009)	(966,570)	-	-	-
Deposits from customers	33,165	(33,198)	(31,423)	(1,360)	(404)	(11)	-	-	-
Loans from banks and other financial institutions	-	-	-	-	-	-	-	-	-
Subordinated liabilities and issued bonds	37,327	(39,795)	(12,841)	(1,074)	(25,880)	-	-	-	-
Lease liabilities	9,808	(9,808)	(521)	(521)	(935)	(1,730)	(5,191)	(910)	
Other financial liabilities	7,697	(7,697)	(5,332)	-	-	(2,365)	-	-	-
Total financial liabilities	**1,392,374**	**(1,461,402)**	**(175,010)**	**(28,387)**	**(281,228)**	**(970,676)**	**(5,191)**	**(910)**	**-**
Financial assets									
Cash and current accounts with Central Banks	85,883	85,883	85,883	-	-	-	-	-	-
Placements with banks and public institutions	163,583	163,583	163,583	-	-	-	-	-	-
Loans and advances to customers	1,136,756	1,385,793	136,862	131,438	243,133	647,895	160,523	3,466	62,476
Financial assets measured at fair value through other comprehensive income	211,519	211,519	-	80,263	39,369	82,187	7,173	-	2,527
Equity investments	56,469	56,469	-	-	-	-	-	-	56,469
Other financial assets	13,755	13,755	8,805	45	59	90	-	4,756	-
Total financial assets	**1,667,965**	**1,917,002**	**395,133**	**211,746**	**282,561**	**730,172**	**167,696**	**8,222**	**121,472**
Net balance sheet position	**-**	**455,600**	**220,123**	**183,359**	**1,333**	**(240,504)**	**162,505**	**7,312**	**121,472**

4. Financial risk management (*continued*)

c) *Liquidity risk (continued)*

Bank – *In RON thousand*	**Carrying amount**	**Gross value (inflow /outflow)**	**Up to 3 months**	**3-6 months**	**6-12 months**	**1-3 years**	**3 - 5 years**	**Over 5 years**	**No maturity**
31 December 2023									
Off-balance sheet									
Irrevocable commitments given	24,035	24,717	124	276	976	10,808	12,091	-	443
Irrevocable financial guarantees given	1,256	1,256	1	62	1,193	-	-	-	-
Total off-balance sheet	**-**	**25,973**	**125**	**338**	**2,169**	**10,808**	**12,091**	**-**	**443**
Total net on- and off-balance sheet position	**25,291**	**429,627**	**219,998**	**183,021**	**(836)**	**(251,312)**	**150,414**	**7,312**	**121,030**

The negative gaps between various balance sheet and off-balance sheet items, as they are presented above, are easy to manage due to the financial assets measured at fair value through other of comprehensive income, which ensure a high level of flexibility through their diversification and possibility of trading on an active and liquid market.

Liquidity management is adapted and permanently adjusted to the conditions of the Romanian and international financial-banking market, as well as the general economic context. In order to cover currency gaps, the Group and the Bank can carry out the following measures:

- maintain indicators: LCR, NSFR, quick liquidity in the regulatory ranges.
- high rollover rate of the outstanding and maturing money market borrowed depos.
- keeping a high-quality liquid assets in percentage of at least 30% in total debts.
- relying on BT group assistance (access to funding , even for tenors >1 year)

Notes to the consolidated and separate financial statements

c) *Liquidity risk (continued)*

The assets and liabilities of the Bank as at 31 December 2022, analysed based on the period remaining until the contractual maturity, on models reflecting the customer's historic behaviour typologies and on conventional assumptions concerning certain balance sheet items are the following:

Financial assets									
Cash and current accounts with Central Banks	182,426	182,426	182,426	-	-	-	-	-	-
Placements with banks and public institutions	238,918	238,918	238,918	-	-	-	-	-	-
Loans and advances to customers	1,539,658	1,786,491	155,513	153,971	286,866	819,405	305,673	6,517	58,545
Financial assets measured at fair value through other comprehensive income	237,562	237,562	-	-	146,106	47,357	41,824	-	2,275
Equity investments	43,179	43,179	-	-	-	-	-	-	43,179
Other financial assets	9,174	9,174	4,322	-	-	-	-	4,852	-
Total financial assets	**2,250,917**	**2,497,749**	**581,179**	**153,971**	**432,972**	**866,762**	**347,497**	**11,369**	**103,999**
Net balance sheet position		**347,783**	**85,228**	**(229,547)**	**60,189**	**(30,930)**	**347,475**	**11,369**	**103,999**
Off-balance sheet									
Irrevocable commitments given	47.594	49.007	44	112	51	7.473	40.877	152	298
Irrevocable financial guarantees given	1.371	1.371	261	-	1.107	3	-	-	-
Total off-balance sheet		**50,378**	**305**	**112**	**1.158**	**7.476**	**40.877**	**152**	**298**
Total net on- and off-balance sheet position		**297,405**	**84,922**	**(229,659)**	**59,031**	**(38,406)**	**306,599**	**11,217**	**103,702**

Bank - *In RON thousand*	**Carrying amount**	**Gross value (inflow /outflow)**	**Up to 3 months**	**3-6 months**	**6-12 months**	**1-3 years**	**3 - 5 years**	**Over 5 years**	**No maturity**
Financial liabilities									
Deposits from banks	1,913,752	(1,986,908)	(402,357)	(368,872)	(358,992)	(856,687)	-	-	-
Deposits from customers	99,010	(99,112)	(85,007)	(12,506)	(1,561)	(33)	(5)	-	-
Loans from banks and other financial institutions	-	-	-	-	-	-	-	-	-
Subordinated liabilities and issued bonds	46,070	(52,810)	(563)	(1,614)	(11,179)	(39,454)	-	-	-
Lease liabilities	3,638	(3,638)	(526)	(526)	(1,051)	(1,518)	(17)	-	-
Other financial liabilities	7,498	(7,498)	(7,498)	-	-	-	-	-	-
Total financial liabilities	**2,069,968**	**(2,149,966)**	**(495,951)**	**(383,518)**	**(372,783)**	**(897,692)**	**(22)**	**-**	**-**

Notes to the consolidated and separate financial statements

4. Financial risk management (*continued*)

d) *Market risk*

Market risk represents the risk that the earnings of the Group and the Bank or the value of financial instruments held may be negatively affected by adverse market changes in interest rates, foreign exchange rates or other financial ratios. The objective of market risk management is to monitor and maintain financial instrument portfolio exposures within acceptable risk parameters, while optimizing the return on investments.

d1) Interest rate risk from the banking book

Interest rate risk represents the current or future risk for profit and capital to be negatively affected as a result of adverse changes in interest rates.

The Group and the Bank undertake the interest rate risk resulting from funds raised and placed in relation to non-bank customers (interest rate risk from banking activities).
The main sources of interest rate risk are represented by the imperfect correlation between maturity dates (for fixed interest rates) or pricing reset dates (for variable interest rates) with respect to interest bearing assets and liabilities, the adverse changes of the yield curve (un-parallel shift of interest rate curves related to interest bearing assets and liabilities).

The management of interest bearing assets and liabilities is carried out in the context of the Group's/the Bank's exposure to interest rate fluctuations. The Group and the Bank use a mix of fixed and variable interest bearing instruments to control the mismatch between the dates on which the interest on assets and liabilities is adjusted to the market rates or the maturity mismatch between assets and liabilities.

Interest rate risk is managed by monitoring the interest rate GAP (mismatch) and by means of a system of limits and indicators well diversified. The Assets and Liabilities Management Committee is the body that monitors the compliance with these limits, being assisted in the daily monitoring by the Treasury Department. Interest rate risk management within the limits is accompanied by a sensitivity analysis of the Group's/the Bank's financial assets and liabilities to various standard interest rate scenarios.
On December 31, 2023 and December 31, 2022, the interest rate risk exposure of the Group and the Bank is presented below:

	Group		**Bank**	
	Weight in total assets/liabilities-banking book			
	2023	**2022**	**2023**	**2022**
Assets with fixed IR	42.05%	46.88%	43.02%	49.21%
Assets with floating IR	57.95%	53.12%	56.98%	50.79%
Liabilities with fixed IR	9.76%	51.92%	3.11%	50.56%
Liabilities with floating IR	90.24%	48.08%	96.89%	49.44%

	Group		**Bank**	
Structure, RON thousand	**2023**	**2022**	**2023**	**2022**
Assets with fixed IR	808,156	1,165,597	747,830	1,160,592
Assets with floating IR	1,113,680	1,320,516	990,383	1,197,766
Liabilities with fixed IR	43,004	1,066,726	43,004	1,066,726
Liabilities with floating IR	1,442,527	1,102,528	1,340,527	1,043,055

Notes to the consolidated and separate financial statements

4. Financial risk management (*continued*)

d1) Interest rate risk from the banking book (continued)

The structure of the assets at consolidated and indiviual level according to the the benchmarks interest rates on December 31, 2023 and December 31, 2022 is presented below:

	Group		Bank	
	Weight in total assets - banking book			
	2023	**2022**	**2023**	**2022**
EURIBOR	93.64%	89.07%	93.19%	88.84%
IRCC/ROBOR	6.36%	10.93%	6.81%	11.16%

	Group		Bank	
Structure, RON thousand	**2023**	**2022**	**2023**	**2022**
EURIBOR	1,042,837	1,176,243	922,914	1,064,145
IRCC/ROBOR	70,843	144,272	67,468	133,621

An analysis of the interest bearing assets' and liabilities' sensitivity to interest rate increases or decreases on the market is set out below at Group/Bank level:

	Group				**Bank**			
In RON thousand	**200 basis points**	**200 basis points**	**100 basis points**	**100 basis points**	**200 basis points**	**200 basis points**	**100 basis points**	**100 basis points**
	Increase	**Decrease**	**Increase**	**Decrease**	**Increase**	**Decrease**	**Increase**	**Decrease**
31 December 2023								
Average for the period	1,991	(1,991)	995	(995)	1,743	(1,743)	871	(871)
Minimum for the period	34	(5,613)	17	(2,807)	29	(5,225)	15	(2,612)
Maximum for the period	5,613	(34)	2,807	(17)	5,225	(29)	2,612	(15)
31 December 2022								
Average for the period	2,743	(2,743)	1,371	(1,371)	2,507	(2,507)	1,253	(1,253)
Minimum for the period	(3,552)	(16,036)	(1,776)	(8,018)	(3,548)	(15,093)	(1,774)	(7,546)
Maximum for the period	16,036	3,552	8,018	1,776	15,093	3,548	7,546	1,774

4. Financial risk management (*continued*)

d1) Interest rate risk from the banking book (continued)

In the sensitivity analysis regarding interest rate variation, the Group and the Bank have calculated the impact of potential market interest rate changes on the interest margin for the future financial periods, by taking into consideration the interest rate resetting/re-fixing date with respect to the balance sheet assets and liabilities.

The potential change of the Bank's economic value due to changes of the interest rate levels based on the standardized method is presented in the table below:

In RON thousand	**2023**	**2022**
Own funds	356,848	224,791
Potential decline in economic value +/- 200bp	-	-
Absolute value	8,931	41,435
Impact on own funds	2.50%	18.43%

The potential change of the Group's economic value based on the standardized method is presented in the table below:

In RON thousand	**2023**	**2022**
Own funds	356,303	245,182
Potential decline in economic value +/- 200bp	-	-
Absolute value	12,254	44,435
Impact on own funds	3.44%	18.12%

By undertaking GAP analyses, the Group and the Bank intended to reduce the gap between assets and liabilities that are sensitive to interest rate fluctuations, both overall and on various time intervals, so that the impact of interest rate fluctuations on the net incomes should be minimized.

4. Financial risk management (*continued*)

d) *Market risk (continued)*

d1) Interest rate risk from the banking book (continued)

The table below presents the aggregated amounts of the Group's banking book at carrying amounts, categorized based on the earlier date between the interest modification date and the maturity date, as at 31 December 2023:

In RON thousand	Up to 6 months	6 - 12 months	1-3 years	3 - 5 years	Over 5 years	Non-interest bearing	Total
Financial assets							
Cash and current accounts with Central Banks	85,883	-	-	-	-	3	**85,886**
Placements with banks and public institutions	215,581	-	-	-	-	4,501	**220,082**
Financial assets measured at fair value through other comprehensive income	80,263	39,369	82,187	7,173	-	2,527	**211,519**
Loans and advances to customers	99,182	27,227	85,783	19,139	26	35,187	**266,544**
Finance lease receivables	974,479	-	-	-	-	-	**974,479**
Other financial assets	-	-	-	-	-	27,989	**27,989**
Total financial assets	**1,455,389**	**66,596**	**167,970**	**26,312**	**26**	**70,207**	**1,786,500**
Financial liabilities							
Deposits from banks	149,305	60,056	181,011	914,005	-	-	**1,304,377**
Deposits from customers	28,729	98	298	11	-	-	**29,136**
Loans from banks and other financial institutions, subordinated debt and issued bonds	114,606	24,805	-	-	-	-	**139,411**
Lease liabilities	2,633	-	-	-	9,808	-	**12,441**
Other financial liabilities	-	-	-	-	-	21,526	**21,526**
Total financial liabilities	**295,273**	**84,959**	**181,309**	**914,016**	**9,808**	**21,526**	**1,506,891**
Net position	**1,160,116**	**(18,364)**	**(13,339)**	**(887,705)**	**(9,782)**	**48,681**	**279,608**
Irrevocable commitments given	391	732	10,379	12,091	-	559	**24,152**
Irrevocable financial guarantees given	63	1,193	-	-	-	-	**1,256**
Total off-balance sheet	**454**	**1,925**	**10,379**	**12,091**	**-**	**559**	**25,408**
Net position on- and off-balance sheet	**1,160,570**	**(16,439)**	**(2,960)**	**(875,613)**	**(9,782)**	**49,240**	**305,017**

Notes to the consolidated and separate financial statements

4. Financial risk management (*continued*)

d) *Market risk (continued)*

d1) Interest rate risk from the banking book (continued)

The table below presents the aggregated amounts of the Group's banking book at carrying amounts, categorized based on the earlier date between the interest modification date and the maturity date, as at 31 December 2022:

In RON thousand	Up to 6 months	6 - 12 months	1-3 years	3 - 5 years	Over 5 years	Non-interest bearing	Total
Financial assets							
Cash and current accounts with Central Banks	182,425	-	-	-	-	3	182,428
Placements with banks and public institutions	238,592	-	-	-	-	6,806	245,398
Financial assets measured at fair value through other comprehensive income	-	146,106	47,357	41,824	-	2,275	237,562
Loans and advances to customers	174,107	45,947	151,037	91,254	80	40,994	503,418
Finance lease receivables	1,140,955	-	-	-	-	-	1,140,955
Other financial assets	-	-	-	-	-	41,404	41,404
Total financial assets	**1,736,079**	**192,053**	**198,394**	**133,078**	**80**	**91,482**	**2,351,164**
Financial liabilities							
Deposits from banks	754,932	74,687	272,299	811,835	-	-	1,913,752
Deposits from customers	90,834	861	673	33	5	-	92,407
Loans from banks and other financial institutions, subordinated debt and issued bonds	80,915	-	24,609	-	-	-	105,524
Lease liabilities	-	-	-	-	3,638	-	3,638
Other financial liabilities	-	-	-	-	-	33,701	33,701
Total financial liabilities	**926,681**	**75,549**	**297,581**	**811,868**	**3,643**	**33,701**	**2,149,023**
Net position	**809,397**	**116,504**	**(99,187)**	**(678,790)**	**(3,563)**	**57,781**	**202,141**
Irrevocable commitments given	139	51	7,341	39,614	151	14,506	61,802
Irrevocable financial guarantees given	261	1,107	3	-	-	-	1,371
Total off-balance sheet	**400**	**1,158**	**7,344**	**39,614**	**151**	**14,506**	**63,172**
Net position on- and off-balance sheet	**809,797**	**117,662**	**(91,843)**	**(639,176)**	**(3,412)**	**72,287**	**265,313**

Notes to the consolidated and separate financial statements

4. Financial risk management (*continued*)

d) *Market risk (continued)*

d1) Interest rate risk from the banking book (continued)

The table below presents the aggregated amounts of the Bank's banking book at carrying amounts, categorized based on the earlier date between the interest modification date and the maturity date, as at 31 December 2023:

In RON thousand	Up to 6 months	6 - 12 months	1-3 years	3 - 5 years	Over 5 years	Non-interest bearing	Total
Financial assets							
Cash and current accounts with Central Banks	85,883	-	-	-	-	-	**85,883**
Placements with banks and public institutions	163,583	-	-	-	-	-	**163,583**
Financial assets measured at fair value through other comprehensive income	80,263	39,369	82,187	7,173	-	2,527	**211,519**
Loans and advances to customers	969,394	27,227	85,783	19,139	26	35,187	**1,136,756**
Other financial assets	-	-	-	-	-	13,755	**13,755**
Total financial assets	**1,299,123**	**66,596**	**167,970**	**26,312**	**26**	**51,469**	**1,611,496**
Financial liabilities							
Deposits from banks	149,305	60,056	181,011	914,005	-	-	**1,304,377**
Deposits from customers	32,758	98	298	11	-	-	**33,165**
Loans from banks and other financial institutions, subordinated debt and issued bonds	12,522	24,805	-	-	-	-	**37,327**
Lease liabilities	-	-	-	-	9,808	-	**9,808**
Other financial liabilities	-	-	-	-	-	7,697	**7,697**
Total financial liabilities	**194,585**	**84,959**	**181,309**	**914,016**	**9,808**	**7,697**	**1,392,374**
Net position	**1,104,539**	**(18,364)**	**(13,339)**	**(887,705)**	**(9,782)**	**43,772**	**219,122**
Irrevocable commitments given	391	732	10,379	12,091	-	442	**24,035**
Irrevocable financial guarantees given	63	1,193	-	-	-	-	**1,256**
Total off-balance sheet	**454**	**1,925**	**10,379**	**12,091**	**-**	**442**	**25,290**
Net position on- and off-balance sheet	**1,104,993**	**(16,439)**	**(2,960)**	**(875,613)**	**(9,782)**	**44,214**	**244,413**

Notes to the consolidated and separate financial statements

4. Financial risk management (*continued*)

The table below presents the aggregated amounts of the Bank's banking book at carrying amounts, categorized based on the earlier date between the interest modification date and the maturity date, as at 31 December 2022:

In RON thousand	Up to 6 months	6 – 12 months	1-3 years	3 – 5 years	Over 5 years	Non-interest bearing	Total
Financial assets							
Cash and current accounts with Central Banks	182,426	-	-	-	-	-	**182,426**
Placements with banks and public institutions	238,918	-	-	-	-	-	**238,918**
Financial assets measured at fair value through other comprehensive income	-	146,106	47,357	41,824	-	2,275	**237,562**
Loans and advances to customers	1,210,347	45,947	151,037	91,254	80	40,994	**1,539,658**
Net lease investments	-	-	-	-	-	-	**-**
Other financial assets	-	-	-	-	-	9,174	**9,174**
Total financial assets	**1,631,691**	**192,053**	**198,394**	**133,078**	**80**	**52,443**	**2,207,738**
Financial liabilities							
Deposits from banks	754,932	74,687	272,299	811,835	-	-	**1,913,752**
Deposits from customers	97,437	861	673	33	5	-	**99,010**
Loans from banks and other financial institutions, subordinated debt and issued bonds	21,461	-	24,609	-	-	-	**46,070**
Lease liabilities	-	-	-	-	3,638	-	**3,638**
Other financial liabilities	-	-	-	-	-	7,498	**7,498**
Total financial liabilities	**873,830**	**75,549**	**297,581**	**811,868**	**3,643**	**7,498**	**2,069,969**
Net position	**757,861**	**116,504**	**(99,187)**	**(678,790)**	**(3,563)**	**44,945**	**137,769**
Irrevocable commitments given	139	51	7,341	39,614	151	298	**47,594**
Irrevocable financial guarantees given	261	1,107	3	-	-	-	**1,371**
Total off-balance sheet	**400**	**1,158**	**7,344**	**39,614**	**151**	**298**	**49,964**
Net position on- and off-balance sheet	**758,261**	**117,662**	**(91,843)**	**(639,176)**	**(3,412)**	**45,243**	**186,733**

4. Financial risk management (*continued*)

d) *Market risk (continued)*

d2) Currency risk

The Group and the Bank are exposed to currency risk through open positions generated by FX transactions. There is also a risk that the net values of monetary assets and liabilities in foreign currency may change, as a result of exchange rate variation.

The Group and the Bank manage the currency risk based both on classic approach as strict currency position and "stop-loss" limits monitored in real time but also based on VaR type calculations to assess possible changes in the assets and liabilities values.

The Group's monetary assets and liabilities denominated in RON and FCY at 31 December 2023 are presented below:

In RON thousand	RON	EUR	USD	Other currencies	Total
Monetary assets					
Cash and current accounts with Central Banks	51,257	34,629	-	-	85,886
Placements with banks and public institutions	34,687	179,824	4,510	1,060	220,082
Derivatives					
Loans and advances to customers	248,842	17,423	279	-	266,544
Finance lease receivables	-	974,479	-	-	974,479
Financial assets measured at fair value through other comprehensive income	167,416	44,103	-	-	211,519
Other financial assets	18,010	4,680	5,299	-	27,989
Total monetary assets	**520,213**	**1,255,138**	**10,088**	**1,060**	**1,786,499**
Monetary liabilities					
Deposits from banks	191,303	1,104,076	8,998	-	1,304,377
Deposits from customers	24,595	3,129	1,039	373	29,136
Loans from banks and other financial institutions, subordinated debt	-	139,411	-	-	139,411
Lease liabilities	-	12,441	-	-	12,441
Other financial liabilities	20,067	1,355	69	35	21,526
Total monetary liabilities	**235,965**	**1,260,413**	**10,106**	**408**	**1,506,891**
Net currency position	**284,248**	**(5,274)**	**(18)**	**652**	**279,608**
Net on- and off-balance sheet position	**284,248**	**(5,274)**	**(18)**	**652**	**279,608**

4. Financial risk management (*continued*)

d) *Market risk (continued)*

d2) Currency risk (continued)

The Group's monetary assets and liabilities denominated in RON and FCY at 31 December 2022 are presented below:

In RON thousand	**RON**	**EUR**	**USD**	**Other currencies**	**Total**
Monetary assets					
Cash and current accounts with Central Banks	54,597	127,403	382	46	182,428
Placements with banks and public institutions	6,693	232,214	5,198	1,293	245,398
Financial assets held for trading and measured at fair value through profit or loss	-	-	-	-	-
Derivatives	-	-	-	-	-
Loans and advances to customers	484,698	18,248	472	-	503,418
Finance lease receivables	25,007	1,115,948	-	-	1,140,955
Financial assets measured at fair value through other comprehensive income	168,440	69,122	-	-	237,562
Other financial assets	33,079	3,099	5,226	-	41,404
Total monetary assets	**772,512**	**1,566,034**	**11,278**	**1,339**	**2,351,164**
Monetary liabilities					
Deposits from banks	533,904	1,370,574	9,275	-	1,913,752
Deposits from customers	46,575	43,250	1,643	939	92,407
Loans from banks and other financial institutions, subordinated debt	-	105,524	-	-	105,524
Financial liabilities held-for-trading	-	-	-	-	-
Lease liabilities	-	3,638	-	-	3,638
Other financial liabilities	24,696	8,751	254	1	33,702
Total monetary liabilities	**605,147**	**1,531,765**	**11,172**	**940**	**2,149,023**
Net currency position	**167,365**	**34,269**	**106**	**399**	**202,141**
Net on- and off-balance sheet position	**167,365**	**34,269**	**106**	**399**	**202,141**

4. Financial risk management (*continued*)

d) *Market risk (continued)*

d2) Currency risk (continued)

The Bank's monetary assets and liabilities denominated in RON and foreign currencies at 31 December 2023 are presented below:

In RON thousand	RON	EUR	USD	Other currencies	Total
Monetary assets					
Cash and current accounts with Central Banks	51,255	34,629	-	-	**85,883**
Placements with banks and public institutions	248	157.766	4,510	1,059	**163,583**
Loans and advances to customers	248,842	887,635	279	-	**1,136,756**
Financial assets measured at fair value through other comprehensive income	167,416	44,103	-	-	**211,519**
Other financial assets	4,277	4,179	5,299	-	**13,755**
Total monetary assets	**472,038**	**1,128,311**	**10,088**	**1,059**	**1,611,496**
Monetary liabilities					
Deposits from banks	191,303	1,104,076	8,998	-	**1,304,377**
Deposits from customers	27,905	3,830	1,039	391	**33,165**
Loans from banks and other financial institutions, subordinated debt	-	37,327	-	-	**37,327**
Lease liabilities		9,808	-	-	**9,808**
Other financial liabilities	6,820	773	69	35	7,697
Total monetary liabilities	**226,028**	**1,155,814**	**10,106**	**426**	**1,392,374**
Net currency position	**246,010**	**(27,503)**	**(18)**	**633**	**219,122**
Net on- and off-balance sheet position	**246,010**	**(27,503)**	**(18)**	**633**	**219,122**

4. Financial risk management (*continued*)

d) *Market risk (continued)*

d2) Currency risk (continued)

The Bank's monetary assets and liabilities denominated in RON and foreign currencies at 31 December 2022 are presented below:

In RON thousand	**RON**	**EUR**	**USD**	**Other currencies**	**Total**
Monetary assets					
Cash and current accounts with Central Banks	54,596	127,402	382	46	**182,426**
Placements with banks and public institutions	683	231,744	5,198	1,293	**238,918**
Loans and advances to customers	484,749	1,054,437	472	-	**1,539,658**
Financial assets measured at fair value through other comprehensive income	168,440	69,122	-	-	**237,562**
Financial assets which are required to be measured at fair value through profit or loss	-	-	-	-	-
Other financial assets	2,632	1,316	5,226	-	**9,174**
Total monetary assets	**711,099**	**1,484,021**	**11,278**	**1,339**	**2,207,738**
Monetary liabilities					
Deposits from banks	533,904	1,370,574	9,275	-	**1,913,752**
Deposits from customers	52,370	44,058	1,643	939	**99,010**
Loans from banks and other financial institutions, subordinated debt	-	46,070	-	-	**46,070**
Lease liabilities	-	3,638	-	-	**3,638**
Other financial liabilities	5,420	1,823	254	1	**7,498**
Total monetary liabilities	**591,693**	**1,466,163**	**11,172**	**940**	**2,069,969**
Net currency position	**119,406**	**17,858**	**106**	**399**	**137,769**
Net position of derivatives	**-**	**-**	**-**	**-**	**-**
Net on- and off-balance sheet position	**119,406**	**17,858**	**106**	**399**	**137,769**

By determining and monitoring the net FCY positions and the exchange rate volatility, the Bank has aimed to create a portfolio that is optimally correlated in terms of FCY assets and liabilities, as well as a balanced approach to trading operations on the foreign exchange market.

4. Financial risk management (continued)

d) Market risk (continued)

d3) Market risk related to trading activity

The table below presents the Profit/Loss sensitivity in the event of potential changes of the exchange rates applicable at the end of the reporting period in relation to the functional currency of the Group entities, considering that all the other variables remain constant:

	Impact on Profit or Loss	
In RON thousand	**2023**	**2022**
EUR increase by up to 20%	(5,501)	3,572
EUR decrease by up to 20%	5,501	(3,572)
USD increase by up to 20%	(4)	21
USD decrease by up to 20%	4	(21)

The risk exposure on a consolidated and separate basis as at 31 December 2023, respectively 31 December 2022 is presented below:

		Group		Bank	
In RON thousand		**2023**	**2022**	**2023**	**2022**
Assets	Note	**Carrying amount**	**Carrying amount**	**Carrying amount**	**Carrying amount**
Financial assets measured at fair value through other comprehensive income	24	211,519	237,562	211,519	237,562
Total on-balance sheet		**211,519**	**237,562**	**211,519**	**237,562**

e) *Capital management*

The Bank's Board of Directors approves the conceptual design of the internal process for the assessment of the capital adequacy to risks, at least the scope, methodology and general objectives, and establishes the strategy regarding the planning of the capital, own funds and the capital adequacy to risks in Salt Bank S.A..

The Board of Directors makes decisions regarding the directions to be followed within the capital adequacy process, establishes the main projects in the field to be implemented, as well as the main objectives to be met for the best control of the correlation of the risks to which the Bank is exposed and the necessary shareholders' equity required to cover them and the development of sound risk management systems. The National Bank of Romania monitors capital requirements both at Group and Bank level.

Capital adequacy is determined according to the Regulation (EU) No 575/2013 of the European Parliament and of the Council and requires a minimum mandatory own funds level of:

- 4.5% for core tier 1 own funds;
- 6.0% for tier 1 own funds;
- 8.0% for total own funds.

Likewise, pursuant to the regulated approaches for the determination of the minimum capital requirements and the EU Regulation 575/2013 corroborated with the provisions of the NBR Regulation 5/2013 and considering the capital buffers required by the NBR, the Group and the Bank maintain:

- a capital preservation buffer of 2.5% of the total value of the risk-weighted exposures
- an anticyclical buffer of 0.5% of the total value of the risk-weighted exposures.

4. Financial risk management (*continued*)

e) *Capital management (continued)*

Own funds adequacy

The Group and the Bank use the following calculation methods in order to determine own fund requirements:

- Credit risk: standardized method;
- Market risk: capital requirements with respect to the foreign exchange risk and the trading portfolio are calculated based on the standard method;
- Operational risk: own fund requirements for the coverage of operational risk are calculated according to the base method.

The Group and the Bank comply with the above regulations. The level of the capital adequacy ratio exceeding the minimum mandatory requirements imposed by the law.
As at 31 December 2023 and 31 December 2022, as well as during the years 2023 and 2022, the Group and the Bank complied with all the capital adequacy requirements.

Under the current capital requirements set by the European Banking Authority, banks have to maintain a ratio of regulatory capital to risk weighted assets ("statutory capital ratio") above a prescribed minimum level.

Own funds of the Group - RON 353,783 thousand as of 31 December 2023 (2022: RON 245,182 thousand), was higher than regulatory capital RON 193,682 thousand as of December 2023 (2022: RON 213,549 thousand) and the Group and the Bank have complied with all externally imposed capital requirements throughout 2023 and 2022.

According to the applicable legal requirements on regulatory capital, the Group's and the Bank's own funds include:

- Tier I, which includes subscribed and paid in capital, share premiums, eligible reserves, retained earnings and deductions laid down in the applicable legal provisions;
- Tier II own funds, which include subordinated loans and deductions laid down in the applicable legal provisions.

The Group and the Bank manage its capital base in a flexible manner, by monitoring regulatory capital requirements, by anticipating the adequate adjustments required for the achievement of its objectives as well as by optimizing the structure of assets and shareholders' equity.

The planning and monitoring activity takes into consideration the total own funds, on the one hand and the requirements of own funds, on the other hand.

The level and the requirements of own funds as at 31 December 2023 and 31 December 2022 are as follow:

	Group		Bank	
In RON thousand	**2023**	**2022**	**2023**	**2022**
Tier 1 own funds	344.588	230,592	351,440	210,200
Tier 2 own funds	5.408	14,590	5,408	14,590
Total own funds	**349.996**	**245,182**	**356,848**	**224,791**
Credit risk exposure	1,018,877	1,201,662	952,445	1,134,375
Market risk, FX risk, delivery risk exposure	-	53,121	29,360	10,425
Operational risk exposure	298,782	253,335	217,554	222,546
Risk exposure for the adjustment of credit assessment	-	-	-	-
Total risk exposure	**1,317,659**	**1,508,118**	**1,199,360**	**1,367,346**

4. Financial risk management (*continued*)

e) Capital management (continued)

The capital adequacy ratio (CAR) is calculated as a ratio between own funds and total risk-weighted assets:

	Group		Bank	
In %	**2023**	**2022**	**2023**	**2022**
Core tier one ratio	26.15%	15.29%	29,30%	15.37%
Tier 1 ratio	26.15%	15.29%	29,30%	15.37%
CAR	26.56%	16.26%	29,75%	16.44%

Note: The calculation of the Group's and the Bank's own funds takes into account the statutory loss of the Group, respectively of the Bank for the financial years ended on 31 December 2023 and on 31 December 2022. Regulatory capital as at 31 December 2023 and 31 December 2022 was calculated according to the IFRS endorsed by the European Union.

f) *Operational risk*

Operational risk is the risk that considers those inadequate practices, policies and systems unable to prevent a loss due to market conditions or operational difficulties.

The objective of the operational risk management is to ensure the general framework and action directions for establishing a complete risk management in Salt Bank Group, by integrating a specific management system in the current risk management processes. Salt Bank S.A. aims to continuously improve the risk management processes by working towards an integrated risk management system to support the decision-making process.

The operational risk management framework implemented at the level of the entire group is in accordance with the established business objectives and the assumed risk appetite, as well as with the observance with the provisions of the legislation in the field and of the internal regulations in force.

In order to identify, evaluate, monitor and reduce the banking operational risk, Salt Bank S.A.:

- continuously assesses exposures to operational risk, based on historical data, monitoring and managing the conduct risk, as a subcategory of the operational risk, as well as the risk determinants associated with this category, paying particular attention to its scope, relevance and the possible prudential impact;
- evaluates and monitors products, processes and systems aimed for developing new markets, products and services, as well as significant changes to existing ones and the conduct of exceptional transactions, from the perspective of product consistency and changes in line with the risk strategy;
- identifies, assesses, monitors and manages the risks associated with information technology (ICT), the bank has appropriate processes and controls in place to ensure that all risks are identified, analysed, measured, monitored, managed, reported and maintained within the risk appetite and that the projects and systems they deliver and the activities they perform are in line with the external and internal requirements;

The Bank also defines and assigns relevant roles, key responsibilities and reporting lines to ensure the effectiveness of the ICT and Security Risk Management Framework, which is integrated into its own regulatory framework, operational framework for ICT security and into the risk management framework.

4. Financial risk management (*continued*)

f) *Operational risk*

In order to reduce the risks inherent in the bank's operational activity, it is necessary to constantly monitor the controls implemented at different levels, to evaluate their efficiency, as well as to introduce methods to reduce the effects of the operational risk events.

The strategy of the Group to diminish the exposure to operational risks is mainly based on:

- constant compliance of the normative documents with the legal regulations and to the market conditions;
- personnel training;
- efficiency of the internal control systems (organization and implementation);
- continuous improvement of the IT solutions and strengthening of Salt Bank S.A. information security systems;
- using complementary means to reduce risks: concluding specific insurance policies against risks, outsourcing activities;
- the implementation of the measures for the limitation and reduction of the effects of the identified operational risk incidents, such as: standardization of the current activity, automation of most processes with permanently monitored control points; reduction of redundant data volumes collected at the level of different entities of the bank; assessment of the products, processes and systems in order to determine the associated risks and measures to eliminate / mitigate them;
- the application of the recommendations and the conclusions resulting from on-going supervision;
- the update, evaluation and testing of business continuity plans on a regular basis, in particular of those systems that support the critical operational processes of the Group and the Bank.

The operational risk assessment process is closely correlated with the overall risk management process. Its outcome is part of the operational risk monitoring and control processes and is constantly compared to the risk appetite established by the risk management strategy.

5. Accounting estimates and significant judgements *(continued)*

a) Impairment losses on loans and advances to customers (continued)

The Group and the Bank make estimates and assumptions that affect the amounts of assets and liabilities reported within the next financial year. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are considered to be reasonable under the given circumstances.

The incorporation of forward-looking elements reflects the expectations of the Group and the Bank and involves the creation of scenarios, including an assessment of the probability of concretizing each scenario. The main consideration for the introduction and preservation of post-model adjustments is that internal rating models can be altered by aid measures offered by governments, signifying default rates in the sense of their delay in occurrence.

Given the geopolitical tensions – Russia's invasion of Ukraine on February 24, 2022 – which triggered uncertainties in the global economy, economic sanctions against Russia, the contraction in Western markets and the collapse of some markets because Russia and Ukraine are no longer able to deliver goods, the global economy is subject to a chain of challenges.

5. Accounting estimates and significant judgements *(continued)*

a) Impairment losses on loans and advances to customers (continued)

Russia's invasion of Ukraine continues to this day, and it is difficult to estimate the impact of this event on the future affairs of the Group's clients. The process of identifying the potential effect on the Romanian economy is ongoing and estimating the effect of the military conflict on the economic environment will represent a continuous challenge in 2022. The Bank remains vigilant in monitoring geo-political and economic relations.

As requested by the National Bank of Romania, by the First Deputy Governor's Order no. 180/20.12.2022, the bank must take into account the higher risk associated with the portfolio of exposures for which payment deferrals have been granted under private and legislative moratoria, in order to ensure adequate provisioning coverage of these exposures.

The Bank also holds, in addition to the trading book (banking book), financial instruments (securities) held primarily for liquidity purposes and as a source of collateral for Lombard and stand-by facilities, as well as to provide a secure source of income.

6. Segment reporting

The Group segment reporting is compliant with the management requirements use of Banca Transilvania. The reporting segments are presented in a manner which is consistent with the internal reporting documentation submitted to the Leaders' Committee of Banca Transilvania. The Leaders' Committee, with the assistance of the Board of Directors, is responsible for the allocation of resources and the assessment of the reporting segments' performance, being considered as an operational decision making factor.

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

The reporting segments are organized and managed separately, depending on the nature of products and services provided, each segment being specialized on certain products and operating on different markets.

The reporting segment of the Group as described below:

Large Corporate Clients („LaCo"): The Group and the Bank include in this category mainly companies/group of companies with an annual turnover exceeding RON 100 million, as well as legal entities created to serve a particular function (SPV), public entities and financial institutions included in this category based on specific classification criteria. The companies in this category usually have specific and sophisticated needs. Through its centralized and customized approach, the Bank seeks to ensure high operational efficiency, a prompt assessment of the specific needs of this type of clients in order to offer the appropriate customized solutions, but also an in-depth perspective of the risk profile in order to maintain a high quality loan portfolio.

6. Segment reporting *(continued)*

The Large Corporate clients have access to an all-inclusive package of banking products and services. The incomes generated by this segment resulting from lending operations, current business operations (transaction banking, Treasury, trade finance and retail products) and other related services (leasing, asset management, consultancy on mergers and acquisitions, capital market advisory services). Through the services provided, the Bank aims at extending its cooperation to the business partners of the LaCo segment - clients/suppliers/employees - by focusing on the increase of non-risk income.

Medium Corporate Customers („MidCo"): The Group and the Bank include in this category mainly the companies with an annual turnover between 9 and 100 million RON. By setting such value thresholds in the classification of MidCo clients, the Bank is able to address the most frequent requests coming from this category of clients: tailored financing solutions, access to a wide range of banking services, pricing based on financial performance, dedicated and flexible relationship management, operational agility. Depending on the activity type, the customized approach related to customers is supported by two existent specializations, notably Agribusiness and Healthcare.
The MidCo segment includes also entities operating in the public sector, financial institutions or legal entities serving particular functions, included in this category based on specific classification criteria.
Medium Corporate Customers („MidCo")

The Bank offers a full array of financial services to its Mid Corporate clients, including lending facilities, current operations, treasury services, but also additional services such as bonus packages for employees, structured finance, co-financing of EU funded projects; the Bank also facilitates the access to the services provided by the Group subsidiaries, such as bancassurance, consultancy on mergers and acquisitions, asset management, financial and operating lease, with the purpose to increase its profitability and non-risk income.

SME clients - companies with an annual turnover between 2 and 9 million RON. These are companies that have undergone the incipient growth stages and whose business activity requires further attention. Consequently, the needs of such companies become more specific, with priority for financing.

Micro Business clients – company customers with an annual turnover up to 2 million RON.
This category comprises the largest number of companies and the most diverse types of entities, such as limited liability companies, freelancers, sole proprietorships, etc.
The business lifespan (many such clients are fresh companies), the entrepreneur's expertise and the market on which the company operates generate certain needs that the Group and the Bank attempt to serve through product and service packages dedicated to this category of customers, which have become a hallmark in the banking sector over the years.

Lending products are accessed more frequently as the Micro or SME business takes shape: loans for working capital or investments, letters of guarantee, EU project co-financing, credit cards, leasing, invoice discounting or factoring.
Another important category of products refers to general operations, incoming and outgoing payments, cheques, promissory notes, FX operations, salary payment agreements or bancassurance services. Increased attention is given to the digitalization of our products and services, our clients showing more and more interest in internet & mobile banking, e-commerce, last generation POSs and the integration of financial data in the proprietary accounting systems.

Notes to the consolidated and separate financial statements

6. Segment reporting *(continued)*

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

Treasury: The Group and the Bank comprise in this category the treasury services.

Leasing and consumer finance granted by non-banking financial institutions: the Group includes in this category financial products and services such as lease facilities, consumer loans and microfinance provided by the non-banking financial institutions of the Group.

Other: The Group and the Bank incorporate in this category the services offered by other financial entities within the Group: asset management, brokerage, factoring and real estate, as well as elements that do not fall into the existing categories and result from financial and strategic decisions taken centrally.

As at 31 December 2023 and 31 December 2022, the Bank or the Group did not record income exceeding 10% of total incomes in relation to a single customer.

Notes to the consolidated and separate financial statements

6. Segment reporting *(continued)*

The table below presents financial information per segments regarding the consolidated statement of financial position and the operating profit before net expenses with the impairment allowance for loans and advances to customers, for the financial year ended at 31 December 2023, and comparative data for 2022:

Reporting segments as at 31 December 2023

Group *In RON thousand*	**Large Corporate**	**Mid Corporate**	**SME**	**Micro**	**Retail**	**Treasury**	**Leasing and consumer loans granted by non-banking financial institutions**	**Other - Group**	**Intra-group eliminations & adjustments**	**Total**
Gross loans and finance lease receivables	-	-	-	-	303,100	-	942,349	124,260	(10,451)	1,359,258
Loss allowance	-	-	-	-	(53,979)	-	(54,714)	(9,542)	-	(118,234)
Loans and finance lease receivables net of provisions	-	-	-	-	249,121	-	887,635	114,718	(10,451)	1,241,024
Portfolio of Debt instruments, Equity instruments and Derivative instruments, net of provisions	-	-	-	-	-	211,519	-	-	-	211,519
Treasury and inter-bank operations	-	-	-	-	-	249,466	-	60,529	(4,027)	305,968
Property and equipment and Intangible assets	1	8	35	135	20,485	8,194	53,083	2,236	-	84,176
Right-of-use assets	-	1	4	16	2,396	959	6,210	2,640	-	12,226
Other assets	-	-	-	-	4,452	-	20,410	20,453	-	45,315
Total assets	**2**	**8**	**39**	**151**	**276,454**	**470,138**	**967,338**	**200,576**	**(14,478)**	**1,900,227**
Deposits from customers and banks	5,204	10,535	-	6	17,421	1,304,377	-	-	(4,029)	1,333,513
Loans from banks and other financial institutions	-	-	-	-	-	-	-	102,084	-	102,084
Subordinated liabilities	-	-	-	-	-	37,327	-	-	-	37,327
Lease liabilities	-	-	-	-	2,387	-	7,421	2,633	-	12,441
Other liabilities	-	-	-	-	3,924	-	16,750	28,346	-	49,020
Total liabilities	**5,204**	**10,535**	**-**	**6**	**23,732**	**1,341,704**	**24,171**	**133,063**	**(4,029)**	**1,534,385**
Equity and related items	-	-	-	-	-	308,779	-	67,512	(10,449)	365,842
Total liabilities and equity	**5,204**	**10,535**	**-**	**6**	**23,732**	**1,650,483**	**24,171**	**200,575**	**(14,478)**	**1,900,227**

Notes to the consolidated and separate financial statements

6. Segment reporting *(continued)*

Reporting segments as at 31 December 2022

Group *In RON thousand*	**Large Corporate**	**Mid Corporate**	**SME**	**Micro**	**Retail**	**Treasury**	**Leasing and consumer loans granted by non-banking financial institutions**	**Other - Group**	**Intra-group eliminations & adjustments**	**Total**
Gross loans and finance lease receivables	-	-	604	106	541,955	-	1,067,720	112,884	(2,575)	1,720,692
Loss allowance	-	-	(154)	(3)	(57,287)	-	(13,284)	(5,594)	-	(76,322)
Loans and finance lease receivables net of provisions	-	-	451	103	484,668	-	1,054,436	107,290	(2,575)	1,644,373
Portfolio of Debt instruments, Equity instruments and Derivative instruments, net of provisions	-	-	-	-	-	237,562	-	-	-	237,562
Treasury and inter-bank operations	-	-	-	-	-	421,344	-	13,085	(6,603)	427,826
Property and equipment and Intangible assets	37	228	1,004	1,153	12,503	2,241	12,322	2,111	-	31,599
Right-of-use assets	4	25	111	128	1,388	249	1,367	3,455	-	6,727
Other assets	-	-	7	1	6,240	-	11,975	41,095	2	59,320
Total assets	**41**	**254**	**1,573**	**1,385**	**504,799**	**661,396**	**1,080,100**	**167,037**	**(9,176)**	**2,407,408**
Deposits from customers and current accounts	10,811	56,345	125	138	31,591	1,913,752	-	-	(6,603)	2,006,159
Loans from banks and other financial institutions	-	-	-	-	-	-	-	59,454	-	59,454
Subordinated liabilities	-	-	-	-	-	46,070	-	-	-	46,070
Lease liabilities	37	278	1,282	816	1,224	-	-	3,420	-	7,058
Other liabilities	105	781	3,601	2,290	5,266	-	-	37,058	-	49,101
Total liabilities	**10,954**	**57,404**	**5,008**	**3,245**	**38,081**	**1,959,822**	**-**	**99,932**	**(6,603)**	**2,167,842**
Equity and related items	-	-	-	-	-	175,033	-	67,106	(2,573)	**239,566**
Total liabilities and equity	**10,954**	**57,404**	**5,008**	**3,245**	**38,081**	**2,134,855**	**-**	**167,039**	**(9,176)**	**2,407,409**

Notes to the consolidated and separate financial statements

6. Segment reporting *(continued)*

Reporting segments as at 31 December 2023

Group *In RON thousand*	**Large Corporate**	**Mid Corporate**	**SME**	**Micro**	**Retail**	**Treasury**	**Leasing and consumer loans granted by non-banking financial institutions**	**Other - Group**	**Intra-group eliminations & adjustments**	**Total**
Net interest income	-	-	-	-	15,466	(43)	31,448	11,351	2,332	**60,553**
Net commission income	1	6	25	99	3,676	(34)	1,736	9,077	-	**14,586**
Net trading income	-	-	-	-	122	841	5,664	2,554	-	**9,181**
Net loss / gain (-) from financial assets which are required to be measured through profit or loss	-	-	-	-	-	-	-	-	-	**-**
Contribution to the Bank Deposit Guarantee Fund and to the Resolution Fund	-	-	-	-	-	-	-	-	-	**-**
Other operating income	-	-	-	-	-	52,997	-	66,225	(61,703)	**57,519**
Total income	**1**	**6**	**25**	**99**	**19,263**	**53,761**	**38,849**	**89,207**	**(59,371)**	**141,839**
Personnel expenses	(1)	(4)	(17)	(67)	(10,204)	(4,082)	(26,442)	(17,173)	-	**(57,990)**
Other operating expenses	(1)	(3)	(14)	(54)	(8,899)	(3,640)	(23,364)	(11,630)	2,719	**(44,885)**
Depreciation and amortization	-	(1)	(3)	(12)	(1,773)	(709)	(4,594)	(2,235)	-	**(9,327)**
Total Expenses	**(2)**	**(7)**	**(34)**	**(133)**	**(20,876)**	**(8,430)**	**(54,400)**	**(31,038)**	**2,719**	**(112,202)**
Operating profit before net expense from impairment allowance, expected losses on assets, provisions for other risks and loan commitments	**(1)**	**(2)**	**(9)**	**(34)**	**(1.613)**	**45.330**	**(15,551)**	**58,169**	**(56,652)**	**29,637**
Net expense from impairment allowance, expected losses on assets, provisions for other risks and loan commitments	**-**	**-**	**(453)**	**918**	**(11,838)**	**206**	**(41,217)**	**(11,889)**	**-**	**(64,273)**
Profit before income tax	**(1)**	**(2)**	**(462)**	**884**	**(13,451)**	**45,536**	**(56,769)**	**46,280**	**(56,652)**	**(34,636)**

The explanatory notes to the financial statements from page 11 to page 154 are an integral part of these financial statements.

Notes to the consolidated and separate financial statements

6. Segment reporting *(continued)*

Reporting segments as at 31 December 2022

Group *In RON thousand*	Large Corporate	Mid Corporate	SME	Micro	Retail	Treasury	Leasing and consumer loans granted by non-banking financial institutions	Other - Group	Intra-group eliminations & adjustments	Total
Net interest income	29	214	1,006	631	24,119	249	35,237	6,630	136	**68,251**
Net commission income	12	16	71	2,919	6,000	(253)	1,527	12,773	(32)	**23,035**
Net trading income	29	583	765	3,247	1,918	2,197	6,710	1,514	-	**16,964**
Net loss / gain (-) from financial assets which are required to be measured through profit or loss	-	-	-	-	-	29	-	-	-	**29**
Contribution to the Bank Deposit Guarantee Fund and to the Resolution Fund	(244)	(1,272)	(3)	(3)	(713)	-	-	-	-	**(2,235)**
Other operating income	388	509	1,558	1,860	4,685	1,317	-	45,154	(9,195)	**46,276**
Total income	**214**	**50**	**3,398**	**8,654**	**36,010**	**3,540**	**43,475**	**66,072**	**(9,091)**	**152,321**
Personnel expenses	(17)	(14)	(442)	(1,614)	(15,384)	(2,757)	(16,055)	(23,433)	-	**(59,716)**
Other operating expenses	(818)	(3,877)	(4,692)	(5,172)	(15,086)	(3,345)	(11,016)	(11,644)	2,731	**(52,920)**
Depreciation and amortization	(12)	(72)	(318)	(365)	(3,960)	(710)	(3,903)	(2,015)	-	**(11,354)**
Total Expenses	**(847)**	**(3,963)**	**(5,452)**	**(7,151)**	**(34,430)**	**(6,812)**	**(30,974)**	**(37,092)**	**2,731**	**(123,990)**
Operating profit before net, expense from impairment allowance, expected losses on assets, provisions for other risks and loan commitments	**(633)**	**(3,913)**	**(2,054)**	**1,503**	**1,580**	**(3,272)**	**12,501**	**28,981**	**(6,360)**	**28,332**
Net expense from impairment allowance, expected losses on assets, provisions for other risks and loan commitments	**(306)**	**38**	**(745)**	**(609)**	**(21,109)**	**(1,079)**	**(4,679)**	**(3,328)**	**-**	**(31,816)**
Profit before income tax	**(939)**	**(3,875)**	**(2,800)**	**894**	**(19,529)**	**(4,350)**	**7,822**	**25,653**	**(6,360)**	**(3,484)**

Notes to the consolidated and separate financial statements

7. Financial assets and liabilities

a) Accounting classifications and fair value

Group, as at 31 December 2023					**Retail**						**Non-Retail**			
					in RON		**in FCY**				**in RON**		**in FCY**	
In RON thousand	**Total carrying amount 2023**	**Total fair value 2023**	**Total carrying amount retail customers**	**Total fair value retail customers**	**Carrying amount**	**Fair value**	**Carrying amount**	**Fair value**	**Total carrying amount companies**	**Total fair value companies**	**Carrying amount**	**Fair value**	**Carrying amount**	**Fair value**
Financial assets														-
Financial assets carried at amortized cost (*)	1,574,980	1,592,124	249,124	251,221	249,124	251,221	-	-	1,325,856	1,340,903	103,121	103,121	1,222,735	1,237,782
Financial assets measured at fair value through other comprehensive income	211,519	211,519	-	-	-	-	-	-	211,519	211,519	167,416	167,416	44,103	44,103
- Equity instruments	2,527	2,527	-	-	-	-	-	-	2,527	2,527	2,527	2,257	270	270
- Debt instruments	208,992	208,992	-	-	-	-	-	-	208,992	208,992	165,159	165,159	43,833	43,833
- Loans and advances	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total financial assets	**1,786,499**	**1,803,643**	**249,124**	**251,221**	**249,124**	**251,221**	**-**	**-**	**1,537,375**	**1,552,422**	**270,537**	**270,537**	**1,266,838**	**1,281,885**
Financial liabilities														
Financial liabilities measured at amortized cost	1,506,891	1,538,893	17,418	17,435	12,875	12,888	4,543	4,547	1,489,473	1,521,458	223,083	231,430	1,266,390	1,290,028
Total financial liabilities	**1,506,891**	**1,538,893**	**17,418**	**17,435**	**12,875**	**12,888**	**4,543**	**4,547**	**1,489,473**	**1,521,458**	**223,083**	**231,430**	**1,266,390**	**1,290,028**

(*) Financial assets carried at amortized cost are reflected at carrying amount, due to the fact leasing receivables will be sold at s estimated book value

Notes to the consolidated and separate financial statements

7. Financial assets and liabilities *(continued)*

a) Accounting classifications and fair value (continued)

Group, as at 31 December 2022					**Retail**						**Non-Retail**			
					in RON		**in FCY**				**in RON**		**in FCY**	
In RON thousand	**Total carrying amount 2022**	**Total fair value 2022**	**Total carrying amount retail customers**	**Total fair value retail customers**	**Carrying amount**	**Fair value**	**Carrying amount**	**Fair value**	**Total carrying amount companies**	**Total fair value companies**	**Carrying amount**	**Fair value**	**Carrying amount**	**Fair value**
Financial assets														
Financial assets carried at amortized cost	2,113,603	2,119,554	484,672	468,859	484,672	468,858	-	-	1,628,931	1,650,695	120,031	120,024	1,508,900	1,532,671
Financial assets measured at fair value through other comprehensive income	237,562	237,562	-	-	-	-	-	-	237,562	237,562	168,440	168,440	69,122	69,122
- Equity instruments	2,275	2,275	-	-	-	-	-	-	2,275	2,275	2,023	2,023	252	252
- Debt instruments	235,287	235,287	-	-	-	-	-	-	235,287	235,287	166,417	166,417	68,870	68,870
- Loans and advances	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total financial assets	**2,351,165**	**2,537,116**	**484,672**	**468,859**	**484,672**	**468,858**	**-**	**-**	**1,866,493**	**1,888,257**	**288,471**	**288,611**	**1,578,022**	**1,599,793**
Financial liabilities														
Financial liabilities measured at amortized cost	2,149,022	2,161,880	31,586	31,626	22,130	22,158	9,456	9,468	2,118,298	2,131,116	583,873	582,651	1,534,424	1,548,464
Total financial liabilities	**2,149,022**	**2,161,880**	**31,586**	**31,626**	**22,130**	**22,158**	**9,456**	**9,468**	**2,118,298**	**2,131,116**	**583,873**	**582,651**	**1,534,424**	**1,548,464**

7. Financial assets and liabilities *(continued)*

a) Accounting classifications and fair value (continued)

Bank, as at 31 December 2023 *In RON thousand*					**Retail**						**Non-Retail**			
					in RON		**in FCY**				**in RON**		**in FCY**	
Financial assets	**Total carrying amount 2023**	**Total fair value 2023**	**Total carrying amount retail customers**	**Total fair value retail customers**	**Carrying amount**	**Fair value**	**Carrying amount**	**Fair value**	**Total carrying amount companies**	**Total fair value companies**	**Carrying amount**	**Fair value**	**Carrying amount**	**Fair value**
Financial assets carried at amortized cost	1,399,977	1,414,130	249,121	251,218	249,121	251,218	-	-	1,150,856	1,162,912	54,951	54,951	1,095,905	1,107,961
Financial assets measured at fair value through other comprehensive income	211,519	211,519	-	-	-	-	-	-	211,519	211,519	167,416	167,416	44,103	44,103
- Equity instruments	2,527	2,527	-	-	-	-	-	-	2,527	2,527	2,527	2,527	270	270
- Debt instruments	208,992	208,992	-	-	-	-	-	-	208,992	208,992	165,159	165,159	43,833	43,833
- Loans and receivables	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total financial assets	**1,611,496**	**1,625,649**	**249,121**	**251,218**	**249,121**	**251,218**	**-**	**-**	**1,362,375**	**1,374,431**	**222,367**	**222,367**	**1,140,008**	**1,152,064**
Financial liabilities														
Financial liabilities measured at amortized cost	1,392,374	1,424,343	17,418	17,435	12,875	12,888	4,543	4,547	1,374,956	1,406,922	213,150	221,497	1,161,806	1,185,440
Total financial liabilities	**1,392,374**	**1.424.343**	**17,418**	**17,435**	**12,875**	**12,888**	**4,543**	**4,547**	**1,374,956**	**1,406,922**	**213,150**	**221,497**	**1,161,806**	**1,185,440**

Notes to the consolidated and separate financial statements

7. Financial assets and liabilities *(continued)*

a) Accounting classifications and fair value (continued)

Bank, as at 31 December 2022					**Retail**						**Non-Retail**			
					in RON		**in FCY**				**in RON**		**in FCY**	
In RON thousand	**Total carrying amount 2022**	**Total fair value 2022**	**Total carrying amount retail customers**	**Total fair value retail customers**	**Carrying amount**	**Fair value**	**Carrying amount**	**Fair value**	**Total carrying amount companies**	**Total fair value companies**	**Carrying amount**	**Fair value**	**Carrying amount**	**Fair value**
Financial assets														
Financial assets carried at amortized cost	1,970,176	2,121,220	484,668	613,016	484,668	613,016	-	-	1,485,508	1,508,204	58,466	58.606	1,427,042	1,449,598
Financial assets measured at fair value through other comprehensive income	237,562	237,562	-	-	-	-	-	-	237,562	237,562	168,440	168,440	69,122	69,122
- Equity instruments	2,275	2,275	-	-	-	-	-	-	2,275	2,275	2,023	2,023	252	252
- Debt instruments	235,287	235,287	-	-	-	-	-	-	235,287	235,287	166,417	166,417	68,870	68,870
- Loans and receivables	-	-	-	-	-	-	-	-	-	-				
Total financial assets	**2,207,738**	**2,358,782**	**484,668**	**613,016**	**484,668**	**613,016**	**-**	**-**	**1,723,070**	**1.745.766**	**226,906**	**227.046**	**1,496,164**	**1,518,720**
Financial liabilities														
Financial liabilities measured at amortized cost	2,069,968	2,082,826	31,586	31,626	22,130	22,158	9,456	9,468	2,038,382	2,051,200	569,559	568,337	1,468,823	1,482,863
Total financial liabilities	**2,069,968**	**2,082,826**	**31,586**	**31,626**	**22,130**	**22,158**	**9,456**	**9,468**	**2,038,382**	**2,051,200**	**569,559**	**568,337**	**1,468,823**	**1,482,863**

Notes to the consolidated and separate financial statements

7. Financial assets and liabilities *(continued)*

b) Fair value of financial assets and liabilities

The Group and the Bank measure the fair value of financial instruments by using the following fair value hierarchy:

Level 1 in the fair value hierarchy

The fair value of financial assets and liabilities included in Level 1 in the fair value hierarchy is determined based on quoted prices in active markets for identical assets or liabilities. Quoted prices that are being applied must be readily and regularly available from an exchange or active index/market location and prices must represent actual and regularly occurring market transactions on an arm's length basis.

Level 2 in the fair value hierarchy

The fair value of financial assets and liabilities included in Level 2 in the fair value hierarchy is determined by using evaluation methods which contain observable market data when market prices are not available. Level 2 evaluations generally use observable market parameters, such as interest rates and yield curves observable at commonly quoted intervals, present volatilities and credit spreads.

Level 3 in the fair value hierarchy

The fair value of financial assets and liabilities included in Level 3 in the fair value hierarchy is determined by using input data that are not based on observable market information (unobservable data inputs shall reflect the assumptions made by the market participants to establish the price of an asset or a liability, including risk assumptions).

The objective of valuation techniques is to determine fair value reflecting the price that would result from a transaction under normal market conditions for the financial instrument at the date of preparation of the consolidated and separate financial statements.

The availability of observable market data and models reduces the need for the Management to operate judgements and estimations and also reduces the uncertainty associated with the determination of the fair value. 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. 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 makes assumptions that are mainly based on market conditions existing at the date of the consolidated and separate financial statements.

The assessment techniques used may include, but are not limited to, the following:

• prices/quotes extracted from Calypso, valuation platforms such as Bloomberg, Refinitiv or quotes received on request from third parties;

• models based on the price of instruments with similar characteristics;

• models based on the interest/price curve considered representative;

• calculation of discounted cash flow;

• generally accepted economic methodologies.

Notes to the consolidated and separate financial statements

7. Financial assets and liabilities *(continued)*

Their hierarchy will consider IFRS 13 specifications, the choice of alternative technique is substantiated and approved by the competent committees.

At level 1 of the fair value hierarchy, the Group and the Bank classified assets as: financial instruments held at fair value.

At level 2 of the fair value hierarchy, the Group and the Bank classified into the asset category: debt instruments.

At level 3 of the fair value hierarchy, the Group and the Bank classified as assets: equity instruments, and tangible assets.

Significant non-observable inputs affecting the valuation of debt instruments are credit spreads - the first over the reference instrument needed to compensate for the lower credit quality; higher spreads lead to lower fair value.

i) Fair value hierarchy analysis of financial instruments carried at fair value

To establish the hierarchy of the fair value of debt instruments, Salt Bank uses classification criteria in one of the three levels mentioned by the International Financial Reporting Standard 13. For the purpose of classification, the methodology takes into account the aggregation of results from two sources of observations:

• direct observations of transactions, indicative or executable prices of the respective instrument;
• observations of transactions, indicative and executable prices of comparable instruments, with the aim of deriving a price for the respective instrument, when it considered that direct observations support additions.

ii) Financial instruments that are not carried at fair value

At level 1 of the fair value hierarchy, the group and the bank do not have items classified into the category of assets that are not held at fair value.

At level 2 of the fair value hierarchy, the Group and the Bank classified into assets that are not held at fair value: placements at banks and public institutions, and, financial assets valued at amortized cost - debt instruments, and in the debt category: deposits from banks and customers.

The fair value of deposits from customers was determined as the difference between interest rates related to the current portfolio at the end of the reporting period and prevailing interest rates offered by the Group and the Bank, as well, the financial period ended. For term deposits, a calculation of the discounted cash flows was made using the margins related to the new deposits, taking into account the characteristics of each deposit, product type, currency, interest rate type, interest rate type, customer segmentation.

The fair value of current accounts and savings accounts from customers has been estimated to be equal to the carrying amount, there is no evidence of product characteristics that requires a different value from the one currently in accounting.

7. Financial assets and liabilities *(continued)*

ii) Financial instruments that are not carried at fair value (continued)

At level 3 of the fair value hierarchy, the Group and the Bank classified into the asset category: loans, advances and receivables from financial leasing contracts granted to clients and other financial assets, as well as, and in the debt category: loans from banks and other financial institutions, subordinated debts, debts from leasing contracts and other financial liabilities.

The fair value of the non-decided loans and lease claims was determined on the basis of the estimated cash flows generated by the portfolio. These amounts have been updated using interest rates that would currently be offered to customers for similar products (the offer available at the reporting date) taking into account the characteristics of each credit and leasing contract, namely product type, currency, interest rate type, customer segmentation.

For the impaired credit portfolio, a similar discounted cash flow calculation resulted in a fair value calculation that can be approximated by the net carrying amount.

For loans, fair value is determined by using discounted cash flows on the basis of interest rates offered for similar products and comparable time horizons. Calculations of the fair value of loans have resulted in a fair value result that may be approximately the same as the net carrying amount.

In the case of debt instruments, Tier 3 covers all cases not found at previous levels: no price, price provided by a single entity or derivative, interpolation or spread, from one of the level 2 prices.

Notes to the consolidated and separate financial statements

7. Financial assets and liabilities *(continued)*

b) Fair value of financial assets and liabilities (continued)

i) Financial instruments that are not carried at fair value

The table below presents the financial instruments measured at fair value in the statement of financial position, at the end of the reporting period, by fair value levels:

***Group** - In RON thousand*	**Notes**	**Level 1 - Quoted market prices in active markets**	**Level 2 - Valuation techniques – observable inputs**	**Level 3 - Valuation techniques – unobservable inputs**	**Total**
31 December 2023					
Financial assets measured at fair value through other comprehensive income	*24*	**208,992**	**-**	**2,527**	**211,519**
- Equity instruments		-	-	**2,527**	**2,527**
- Debt instruments		**208,992**	**-**	-	**208,992**
- Loans and advances		-	-	-	-
Total financial assets measured at fair value in the statement of financial position		**208,992**	**-**	**2,527**	**211,519**
Non-financial assets at fair value		1,853	-	**17,853**	**19,706**
- Tangible assets and real estate investments	*26*	**1,853**	**-**	**17,853**	**19,706**
Total assets measured at fair value in the statement of financial position		**210,845**	**-**	**20,380**	**231,225**

***Group** - In RON thousand*	**Notes**	**Level 1 - Quoted market prices in active markets**	**Level 2 - Valuation techniques – observable inputs**	**Level 3 - Valuation techniques – unobservable inputs**	**Total**
31 December 2022					
Financial assets measured at fair value through other comprehensive income	*24*	173,188	62,099	2,275	**237,562**
- Equity instruments		-	-	2,275	**2,275**
- Debt instruments		173,188	62,099	-	**235,287**
- Loans and advances		-	-	-	-
Total financial assets measured at fair value in the statement of financial position		**173,188**	**62,099**	**2,275**	**237,562**
Non-financial assets at fair value		-	-	**17,932**	**17,932**
- Tangible assets and real estate investments				**17,932**	**17,932**
Total assets measured at fair value in the statement of financial position		**173,188**	**62,099**	**20,207**	**255,494**

Notes to the consolidated and separate financial statements

7. Financial assets and liabilities (continued)

b) Fair value of financial assets and liabilities (continued)

i) Fair value hierarchy analysis of financial instruments carried at fair value (continued)

Bank - *In RON thousand*	Notes	Level 1 - Quoted market prices in active markets	Level 2 - Valuation techniques – observable inputs	Level 3 - Valuation techniques – unobservable inputs	Total
31 December 2023					
Financial assets measured at fair value through other comprehensive income	24	**208.992**	**-**	**2,527**	**211,519**
- Equity instruments		-	-	2,527	**2,527**
- Debt instruments		**208.992**	-	-	**208,992**
- Loans and receivables		-	-	-	**-**
Total financial assets measured at fair value in the statement of financial position		**208.992**	**-**	**2,527**	**211,519**
Non-financial assets at fair value		**-**	**-**	**17,853**	**17,853**
Tangible assets and real estate investments		**-**	**-**	17,853	**17,853**
Total assets measured at fair value in the statement of financial position		**208.992**	**-**	**20,380**	**`229,372**

	Notes	Level 1 - Quoted market prices in active markets	Level 2 - Valuation techniques – observable inputs	Level 3 - Valuation techniques – unobservable inputs	Total
31 December 2022					
Financial assets measured at fair value through other comprehensive income	24	**173,188**	**62,099**	**2,275**	**237,562**
- Equity instruments		-	-	*2,275*	**2,275**
- Debt instruments		173,188	62,099	-	**235,287**
- Loans and receivables		-	-	-	**-**
Total financial assets measured at fair value in the statement of financial position		**173,188**	**62,099**	**2,275**	**237,562**
Non-financial assets at fair value		**-**	**-**	**16,409**	**16,409**
- Tangible assets and real estate investments		**-**	**-**	**16,409**	**16,409**
Total assets measured at fair value in the statement of financial position		**173,188**	**62,099**	**18.684**	**253.971**

Notes to the consolidated and separate financial statements

7. Financial assets and liabilities *(continued)*

b) Fair value of financial assets and liabilities (continued)

ii) Financial instruments not carried at fair value

At level 2 in the fair value hierarchy, the Group and the Bank included in the category of assets that are not held at fair value: placements with banks and public institutions, financial assets measured at amortized cost - debt instruments and in the category of liabilities: deposits from banks and from customers. At level 3 in the fair value hierarchy, the Group and the Bank included in the category of assets: loans and advances and finance lease receivables and other financial assets; and in the category of liabilities: loans from banks and other financial institutions, subordinated loans and other financial liabilities.

The table below presents the fair value and the fair value hierarchy for the financial assets and liabilities that are not measured at fair value in the statement of financial position at 31 December 2023:

		Group					Bank				
RON thousand	Note	Carrying amount	Fair value	Fair value hierarchy Level 1	Level 2	Level 3	Carrying amount	Fair value	Fair value hierarchy Level 1	Level 2	Level 3
Assets											
Placements with banks and public institutions	20	220,082	220,082	-	220,082	-	163,583	163,583	-	163,583	-
Loans and advances to customers	22	266,544	268,890	-	-	268,890	1,136,756	1,150,909	-	-	1,150,909
Finance lease receivables	23	974,479	989,263	-	-	989,263	-	-	-	-	-
Other financial assets	30	27,989	27,989	-	-	27,989	13,755	13,755	-	-	13,755
Total assets		**1,489,094**	**1,506,224**	**-**	**220,082**	**1,286,142**	**1,314,094**	**1,328,247**	**-**	**163,583**	**1,164,664**
Liabilities											
Deposits from banks	32	1,304,377	1,336,323	-	1,336,323	-	1,304,377	1,336,323	-	**1,336,323**	-
Deposits from customers	33	29,136	29,170	-	29,170	-	33,165	33,198	-	33,198	-
Loans from banks and other financial institutions	34	102,084	102,084	-	-	102,084	-	-	-	-	-
Subordinated liabilities	35	37,327	37,350	-	-	37,350	37,327	37,350	-	-	37,350
Lease liabilities		12,441	12,441	-	-	12,441	9,808	9,808	-	-	9,808
Other financial liabilities	37	21,526	21,526	-	-	21,526	7,697	7,697	-	-	7,697
Total liabilities		**1,506,891**	**1,538,894**	**-**	**1,365,493**	**173,401**	**1,392,374**	**1,424,376**	**-**	**1,369,521**	**54,855**

Notes to the consolidated and separate financial statements

7. Financial assets and liabilities *(continued)*

b) Fair value of financial assets and liabilities (continued)

ii) Financial instruments not carried at fair value (continued)

The table below presents the fair value and the fair value hierarchy for the financial assets and liabilities that are not measured at fair value in the statement of financial position at 31 December 2022:

		Group					Bank				
RON thousand	Note	Carrying amount	Fair value	Fair value hierarchy Level 1	Level 2	Level 3	Carrying amount	Fair value	Fair value hierarchy Level 1	Level 2	Level 3
Assets											
Placements with banks and public institutions	20	245,398	245,398	-	245,398	-	238,918	238,918	-	238,918	-
Loans and advances to customers	22	503,418	631,803	-	-	631,803	1,539,658	1,690,702	-	-	1,690,702
Finance lease receivables	23	1,140,955	1,165,144	-	-	1,165,144	-	-	-	-	-
Other financial assets	30	41,404	41,404	-	-	41,404	9,174	9,174	-	-	9,174
Total assets		**1,931,174**	**2,083,749**	**-**	**245,398**	**1,838,351**	**1,787,750**	**1,938,794**	**-**	**238,918**	**1,699,876**
Liabilities											
Deposits from banks	32	1,913,752	1,926,388	-	1,926,388	-	1,913,752	1,926,388	-	1,926,388	-
Deposits from customers	33	92,407	92,531	-	92,531	-	99,010	99,134	-	99,134	-
Loans from banks and other financial institutions	34	59,454	59,454	-	-	59,454	-	-	-	-	-
Subordinated liabilities	35	46,070	46,168	-	-	46,168	46,070	46,168	-	-	46,168
Lease liabilities		3,638	3,638	-	-	3,638	3,638	3,638	-	-	3,638
Other financial liabilities	37	33,701	33,701	-	-	33,701	7,498	7,498	-	-	7,498
Total liabilities		**2,149,023**	**2,161,881**	**-**	**2,018,919**	**142,962**	**2,069,968**	**2,082,826**	**-**	**2,025,522**	**57,304**

8. Net interest income

In RON thousand	Group 2023	Group 2022	Bank 2023	Bank 2022
Interest income calculated using the effective interest method	**60,401**	**69,297**	**137,128**	**115,649**
- Cash and current accounts with Central Banks at AC	7,690	237	7,690	237
- Placements with banks and public institutions at AC	3,910	1,089	2,359	849
- Loans and advances to customers at AC	40,977	61,110	119,255	107,701
- Debt instruments at FVOCI	7,824	6,862	7,824	6,862
Other similar income				
- Finance lease receivables	94,800	54,584	-	-
Total interest income	**155,201**	**123,881**	**137,128**	**115,649**
Interest expense related to financial liabilities measured at amortized cost	**94,602**	**55,515**	**90,231**	**54,069**
- Cash and current accounts with Central Banks	-	303	-	303
- Deposits from banks	85,373	36,829	85,373	36,829
- Deposits from customers	223	11,122	223	11,270
- Loans from banks and other financial institutions	9,006	7,261	4,635	5,667
Other similar expense	**46**	**115**	**26**	**95**
- Lease liabilities	46	115	26	95
Total interest expense	**94,648**	**55,630**	**90,257**	**54,164**
Net interest income	**60,553**	**68,251**	**46,871**	**61,485**

(i) Interest income for the year ended at 31 December 2023 includes the net interest income on impaired financial assets amounting RON 3,448 thousand (2022: RON 1,742 thousand) for the Group and RON 2,604 thousand (2022: RON 1.116 thousand) for the Bank.

Notes to the consolidated and separate financial statements

9. Net fee and commission income

	Group		Bank	
In RON thousand	**2023**	**2022**	**2023**	**2022**
Fee and commission income				
Commissions from treasury and inter-bank operations	24	811	24	811
Client transactions	4,424	8,632	4,424	8,632
Lending activity *(i)*	4,177	5,617	2,864	4,609
Finance lease management	12,422	11,723	-	-
Other fee and commission income	-	118	-	-
Total fee and commission income	**21,047**	**26,901**	**7,312**	**14,052**
Fee and commission expense				
Commissions from treasury and inter-bank operations	1,811	1,654	1,688	1,546
Client transactions	69	2,146	69	2,146
Lending activity (i)	46	66	46	66
Other fees and commissions	4,535	-	-	-
Total fee and commission expense	**6,461**	**3,866**	**1,803**	**3,758**
Net fee and commission income	**14,586**	**23,035**	**5,509**	**10,294**

(i) *Lending-related fees include fees for guarantees valuation and change of guarantee, commissions for early repayment of loan, debt recovery fees*

10. Net trading income

	Group		Bank	
In RON thousand	**2023**	**2022**	**2023**	**2022**
Net income from foreign exchange transactions	3,351	17,569	650	16,235
Net expense from derivatives	125	(652)	125	(652)
Net income/(expense) from financial assets held-for-trading	-	-	-	-
Net income from foreign exchange position revaluation	5,705	48	5,852	(133)
Net trading income	**9,181**	**16,964**	**6,627**	**15,450**

11. Net gain/loss (-) from financial assets which are required to be measured at fair value through profit or loss

	Group		Bank	
In RON thousand	**2023**	**2022**	**2023**	**2022**
Losses from financial assets which are required to be measured at fair value through profit or loss	-	-	-	(5,127)
Income from financial assets which are required to be measured at fair value through profit or loss	-	29	13,290	8,922
Net gain/loss(-) from financial assets which are required to be measured at fair value through profit or loss	**-**	**29**	**13,290**	**3,795**

The loss of RON 5,127 thousand recorded in 2022 was generated by derecognition of shareholding titles in Idea Investment according to the shares that were sold to BT Investment S.R.L.

12. Contribution to the Bank Deposit Guarantee Fund and to the Resolution Fund

The impact of the breakdown of the annual contribution to the two funds, as reflected in the separate and consolidated statement of profit or loss, is the following:

	Group		Bank	
	2023	**2022**	**2023**	**2022**
Contribution to the Bank Deposit Guarantee Fund	-	2,032	-	2,032
Bank Resolution Fund	-	203	-	203
Total	**-**	**2,235**	**-**	**2,235**

13. Other operating income

	Group		Bank	
In RON thousand	**2023**	**2022**	**2023**	**2022**
Dividend income	1,008	1,447	36,477	6,444
Income from insurance intermediation	22,492	18,000	-	6
Income from MASTERCARD	2,754	396	2,754	396
Income from indemnities, fines and penalties	3,186	2,689	-	4
Other operating income *(i)*	28,079	23,744	476	8,594
Total	**57,519**	**46,277**	**39,707**	**15,444**

(i) In the line Other operating income – Group are included the following types of income: registrations, closing contracts, registrations in the archive in the total amount of RON 6.117 thousand (2022: RON 10,339 thousand); debt recovery from leasing contracts in the amount of RON 4,290 thousand (2022: RON 2,692 thousand);net income from sale of the Idea Broker entity in amount of RON 13,530 thousand, representing the sale price less the derecognition of net accounting assets.

(ii) In the line Other operating income – Bank the variation is due to amounts representing income from the transfer of the portfolio of loans and deposits to Banca Transilvania in the amount of RON 5,891 thousand during the year 2022.

14. Net expense from impairment allowance, expected losses on assets, provisions for other risks and loan commitments

(a) Impairment or reversal of impairment on financial assets not measured at fair value through profit or loss

In RON thousand	Group		Bank	
	2023	**2022**	**2023**	**2022**
Net impairment allowance on assets (i)	69,577	30,955	58,054	28,741
Loans written off	851	422	851	422
Finance lease receivables written off	142	724	-	-
Provisions for other risks and loan commitments	(859)	1,176	(732)	1,070
Recoveries from loans written off	(5,578)	(1,657)	(5,578)	(1,657)
Impairment or reversal of impairment on financial assets not measured at fair value through profit or loss	**64,133**	**31,620**	**52,595**	**28,576**

(i) Net impairment losses on assets include the following

In RON thousand	Group		Bank	
	2023	**2022**	**2023**	**2022**
Loans and advances to customers	16,887	21,270	57,968	26,472
Treasury and inter-bank operations	(98)	709	(98)	709
Finance lease receivables	45,976	6,309	-	-
Investment securities	(108)	370	(108)	370
Other financial assets	6,920	2,298	292	1,190
Net impairment allowance on assets	**69,577**	**30,955**	**58,054**	**28,741**

(b*)* Other (expenses)/reversal from other provisions

In RON thousand	Group		Bank	
	2023	**2022**	**2023**	**2022**
Other non-financial assets	(151)	(105)	(211)	(72)
Litigation and other risks	292	301	1	(20)
(Other) Provisions and reversal of provisions	**141**	**196**	**(210)**	**(92)**

15. Personnel expenses

In RON thousand	Group 2023	Group 2022	Bank 2023	Bank 2022
Gross salaries	52,620	54,919	34,229	35,104
Social protection contribution	1,473	1,578	966	991
Other staff expenses	2,326	1,808	1,173	891
Net income/(expense) with provisions for untaken holiday and other benefits	1,571	1,411	4,449	(703)
Total	**57,990**	**59,716**	**40,817**	**36,283**

The average number of new employees within the Group and the Bank during 2023 and 2022 was:

Category	**Monthly average number of persons employed during 2023**		**Monthly average number of persons employed during 2022**	
	Group	**Bank**	**Group**	**Bank**
Management positions	0.50	0.50	0.83	0.83
Operational positions	11.50	6.08	8.75	0.92
Total	**12.00**	**6.58**	**9.58**	**1.75**

16. Other operating expenses

In RON thousand	Group 2023	Group 2022 restated	Bank 2023	Bank 2022
Rent and lease expense	1,080	1,099	1,044	1,047
Repairs and maintenance expenses	1,972	2,020	436	725
Advertising, marketing, entertainment and sponsorship expenses	2,922	1,000	2,121	370
Mail, telecommunication and SMS traffic expenses	2,205	2,554	1,942	2,238
Materials and stationery	721	840	343	333
Other professional fees, including legal expenses	534	578	41	81
Expenses regarding movable and immovable assets resulting from debt enforcement	813	2,247	813	2,247
Electricity and heating	1,726	2,106	1,108	1,587
Business travel, transportation and temporary relocation expenses	267	1,057	197	988
Insurance costs	435	547	201	343
Taxes	2,267	1,716	740	631
Security and protection	2	152	2	152
Expenses related to archiving services	645	659	521	521
Expenses related to database queries from the Trade Register and the Credit Bureau	361	767	7	163
Expenses with foreclosed assets	3,652	-	-	-
Audit, advisory and other services provided by the independent auditor	2,078	1,426	1,601	967
- statutory and group audit fees	1,102	798	1,102	798
- special audit services or other non-audit services as required by the local rules or legislation	499	133	499	133
Net expenses from the sale of leased goods	-	1,534	-	-
Software maintenance services	8,391	8,554	7,340	4,819
Other IT services	4,396	-	4,396	-
Loss of transferred assets		14,984	-	14,984
Other operating expenses	10,418	9.080	13,121	11,811
Total other operating expenses	**44,885**	**52,920**	**35,974**	**44,007**

Notes to the consolidated and separate financial statements

17. Income tax expense

In RON thousand	Group 2023	Group 2022 restated	Bank 2023	Bank 2022 restated
Gross loss before income tax	**(34,637)**	**(3,484)**	**(24,264)**	**(13,880)**
Statutory tax rate (2023: 16%; 2022: 16%)	**5,542**	**557**	**3,882**	**2,221**
Fiscal effect of income tax on the following elements:	**(412)**	**(3,422)**	**(7,539)**	**(1,090)**
- *Non-taxable income*	5,352	2,599	9,754	3,364
- *Non-deductible expense*	(6,906)	(6,493)	(3,150)	(3,820)
- *Tax deductions*	1,334	2,142	984	1,037
- *Income like items*	(241)	(1,672)	(50)	(1,672)
- *Expense like items*	50	-	-	-
Unrecognised DTA	**(11,492)**	**(1,356)**	**(11,421)**	**(1,356)**
Income tax expense	**(6,362)**	**(4,221)**	**(70)**	**(225)**
- Current tax expenses	(5,649)	(3,596)	-	-
- Deferred tax expenses	(713)	(624)	(70)	(225)

The Bank has a fiscal loss on 31.12.2023 and has not constituted DTA for it because it did not expect profit in the next period and at this time it cannot be quantified when profit will be made.

Fiscal loss generated since 2021 is presented in the following table*:*

Year of booking the loss	Fiscal loss thousands RON	Year of recovery
2021	(19,232)	2028
2022	(7,290)	2029
2023	(71,453)	2030
Total fiscal loss	(97,975)	

SALT Bank has an unrecognised potential deferred tax claim in the statement of financial position arising from unused reported fiscal tax losses of RON 97,975 thousand amount.

18. Cash and current accounts with Central Banks

	Group		Bank	
In RON thousand	**2023**	**2022**	**2023**	**2022**
Minimum reserve requirement	44,428	138,729	44,428	138,729
Cash on hand and other values	41,458	43,699	41,455	43,697
Total	**85,886**	**182,428**	**85,883**	**182,426**

During 2023, the minimum reserve requirements ratio at the National Bank of Romania was 8% for RON denominated balances and 5% for EUR denominated balances (2022: 8% for funds denominated in RON and 5% for EUR). The minimum reserve balance may fluctuate on a daily basis.

The minimum required reserve can be used by the Bank for its daily activities as long as the average monthly balance is maintained within the required limits. Reconciliation of cash and cash equivalents with the separate and consolidated statement of financial position:

	Group		Bank	
In RON thousand	**2023**	**2022**	**2023**	**2022**
Cash and current accounts with Central Banks(*)	85,886	182,428	85,883	182,426
Placements with banks - maturity below 3 months	220,082	245,398	163,583	238,918
Reverse-repo transactions	-	-	-	-
Loans and advances to credit institutions	-	-	-	-
Financial assets measured at fair value through other comprehensive income	-	-	-	-
Cash and cash equivalents in the cash flow statement	**305,968**	**427,826**	**249,466**	**421,344**

19. Placements with banks and public institutions

	Group		Bank	
In RON thousand	**2023**	**2022**	**2023**	**2022**
Current accounts with other banks	30,257	189,641	29,784	189,438
Sight, collateral and term deposits with other banks	189,825	55,757	133,799	49,480
Total	**220,082**	**245,398**	**163,583**	**238,918**

As at December 31, 2023, placements with banks include nostro accounts, demand deposits and term deposits with maturity under 3 months, which are also included in the statement of individual and consolidated cash flows, so nostro accounts in the amount of RON 30,257 thousand and in the amount of RON 189,825 thousand at the Group; nostro accounts in the amount of RON 29,784 thousand and deposits in amount of RON 133,799 thousand at the Bank. As at December 31, 2022 nostro accounts in amount of RON 189,641 thousand and deposits in amount of RON 55,757 thousand at the Group and at the Bank, nostro accounts in amount of RON 189,438 thousand and sight deposits in amount of RON 49,480 thousand.

The quality analysis of the placements with banks as at 31 December 2023 and 31 December 2022, according to the rating agencies is detailed below:

19. Placements with banks and public institutions *(continued)*

Group	**2023**		**2022**	
In RON thousand	**Placements with banks**	**Reverse repo transactions**	**Placements with banks**	**Reverse repo transactions**
Investment grade	99,077	-	163,171	-
Non-investment grade	121,005	-	82,227	-
Total	**220,082**	**-**	**245,398**	**-**

Bank	**2023**		**2022**	
In RON thousand	**Placements with banks**	**Reverse repo transactions**	**Placements with banks**	**Reverse repo transactions**
Investment grade	42,578	-	156,691	-
Non-investment grade	121,005	-	82,227	-
Total	**163,583**	-	**238,918**	-

The qualitative analysis regarding the placements with banks was based on the credit ratings issued by Standard & Poor's, Moody's and Fitch, if available. As concerns the Group's/Bank's placements with credit institutions that are not rated by Standard & Poor's, Moody's or Fitch, The Standard & Poor's and Moody's has been used the internal methodology for setting counterparty limits by credit institutions based on the annual financial statements.

For the ECL calculation of exposures to credit institutions / government bonds, Salt Bank classifies credit institutions / government bonds according to the available external ratings and in the calculation of the expected loss adjustments will be used the values of the PDFs and LGDs provided by the group for each type of rating. As of 31 of December 2023, ECL for exposures to credit institutions / government bonds amounts to RON 665 thousand.

20. Loans and advances to customers

The structure of the credit portfolio of the Group and the Bank as at 31 December 2023 and 31 December 2022 is the following:

	Group		**Bank**	
In RON thousand	**2023**	**2022**	**2023**	**2022**
Corporate and government institutions	-	-	100.072	139,623
Small and medium enterprises	-	710	842,276	928,807
Consumer loans and card loans granted to retail customers	303,079	541,931	303,079	541,931
Loans granted by non-banking financial institutions	18,915	19,568	-	-
Other	19	23	19	23
Total loans and advances to customers before impairment allowance	**322,013**	**562,232**	**1,245,446**	**1,610,384**
Allowances for impairment losses on loans	(55,469)	(58,814)	(108,690)	(70,726)
Total loans and advances to customers net of impairment allowance	**266,544**	**503,418**	**1,136,756**	**1,539,658**

20. Loans and advances to customers (continued)

The Group's and Bank's commercial lending is concentrated on Romanian companies and individuals. The risk distribution of the credit portfolio per sectors, as at 31 December 2023 and 31 December 2022, is the following:

	Group		Bank	
In RON thousand	**2023**	**2022**	**2023**	**2022**
Retail	303,099	541,955	303,099	541,956
Trading	4,067	7,598	193,721	229,409
Manufacturing	-	-	70,111	79,441
Agriculture	1,281	1	27,698	27,399
Services	668	865	112,769	129,680
Real Estate	-	1,044	14,095	17,773
Constructions	-	3	129,443	139,012
Transportation	12,272	8,530	283,489	315,131
Self-employed	626	-	13,737	15,281
Others	-	2,236	63,870	72,638
Financial Institutions	-	-	10,096	12,058
Telecommunications	-	-	14,940	21,024
Energy	-	-	703	1,117
Mining	-	-	3,752	5,347
Chemical Industry	-	-	3,004	2,471
Government Institutions	-	-	232	163
Fishing	-	-	687	485
Total loans and advances to customers before impairment allowance (*)	**322,013**	**562,232**	**1,245,446**	**1,610,384**
Allowances for impairment losses on loans	(55,469)	(58,814)	(108,690)	(70,726)
Total loans and advances to customers, net of impairment allowance	**266,544**	**503,418**	**1,136,756**	**1,539,658**

Notes to the consolidated and separate financial statements

20. Loans and advances to customers *(continued)*

The movement in impairment allowances on loans and advances to customers at Group level in 2023 was the following:

	Allowances for expected credit losses on loans and advances for which the credit risk has not significantly increased since the initial recognition, and which are not impaired (Stage 1)	Allowances for expected credit losses on loans and advances for which the credit risk has significantly increased since the initial recognition, but which are not impaired (Stage 2)	Allowances for expected credit losses on loans and advances to customers which are impaired (Stage 3)	Total
Opening balance as at January 1, 2023	**(10,008)**	**(1,189)**	**(47,617)**	**(58,814)**
Increase due to issue or acquisition	(41)	(45)	(97)	**(183)**
Decrease due to derecognition	2,468	81	3,500	**6,049**
Increase or decrease due to the change in credit risk (net) and transfers	1,235	(1,380)	(11,708)	**(11,853)**
Increase or decrease due to changes without derecognition (net)	3,733	(213)	(9,301)	**(5,781)**
Changes due to update in the institution's methodology for estimation	-	9	(5,128)	**(5,119)**
Decrease of impairment allowances due to write-offs	-	-	20,232	**20,232**
Other adjustments	(1)	1	-	-
Closing balance as at 31 December 2023	**(2,614)**	**(2,736)**	**(50,119)**	**(55,469)**

20. Loans and advances to customers *(continued)*

The movement in impairment allowances on loans and advances to customers at Bank level in 2023 was the following:

	Allowances for expected credit losses on loans and advances for which the credit risk has not significantly increased since the initial recognition, and which are not impaired (Stage 1)	Allowances for expected credit losses on loans and advances for which the credit risk has significantly increased since the initial recognition, but which are not impaired (Stage 2)	Allowances for expected credit losses on loans and advances to customers which are impaired (Stage 3)	Total
Opening balance as at January 1, 2023	**(13,420)**	**(1,623)**	**(55,685)**	**(70,728)**
Increase due to issue or acquisition	(1,167)	(768)	(6,075)	**(8,010)**
Decrease due to derecognition	2,653	121	4,279	**7,053**
Increase or decrease due to the change in credit risk (net) and transfers	2,063	(2,835)	(19,847)	**(20,619)**
Increase or decrease due to changes without derecognition (net)	4,241	(242)	(11,992)	**(7,993)**
Changes due to update in the institution's methodology for estimation	-	-	(28,399)	**(28,399)**
Decrease of impairment allowances due to write-offs	-	-	20,072	**20,072**
Other adjustments	(14)	(4)	(48)	**(66)**
Closing balance as at 31 December 2023	**(5,644)**	**(5,351)**	**(97,695)**	**(108,690)**

20. Loans and advances to customers *(continued)*

The movement in impairment allowances on loans and advances to customers at Group level in 2022 was the following:

	Allowances for expected credit losses on loans and advances for which the credit risk has not significantly increased since the initial recognition, and which are not impaired (Stage 1)	Allowances for expected credit losses on loans and advances for which the credit risk has significantly increased since the initial recognition, but which are not impaired (Stage 2)	Allowances for expected credit losses on loans and advances to customers which are impaired (Stage 3)	Total
Opening balance as at January 1, 2022	**(7,563)**	**(2,332)**	**(51,320)**	**(61,215)**
Increase due to issue or acquisition	(3,865)	(643)	(3,343)	(7,852)
Decrease due to derecognition	(1,489)	70	1,876	3,436
Increase or decrease due to the change in credit risk (net) and transfers	411	1,414	(15,048)	(13,220)
Increase or decrease due to changes without derecognition (net)	(2,289)	155	(1,500)	(3,634)
Changes due to update in the institution's methodology for estimation	-	-	-	-
Decrease of impairment allowances due to write-offs	-	-	19,859	19,859
Other adjustments	1,808	148	1,859	3,811
Closing balance as at 31 December 2022	**(10,008)**	**(1,189)**	**(47,617)**	**(58,814)**

20. Loans and advances to customers *(continued)*

The movement in impairment allowances on loans and advances to customers at Bank level in 2022 was the following:

	Allowances for expected credit losses on loans and advances for which the credit risk has not significantly increased since the initial recognition, and which are not impaired (Stage 1)	Allowances for expected credit losses on loans and advances for which the credit risk has significantly increased since the initial recognition, but which are not impaired (Stage 2)	Allowances for expected credit losses on loans and advances to customers which are impaired (Stage 3)	Total
Opening balance as at January 1, 2022	**(9,667)**	**(2,783)**	**(57,199)**	**(69,649)**
Increase due to issue or acquisition	(5,627)	(884)	(3,681)	**(10,192)**
Decrease due to derecognition	1,728	152	4,066	**5,946**
Increase or decrease due to the change in credit risk (net) and transfers	508	1,493	(17,722)	**(15,721)**
Increase or decrease due to changes without derecognition (net)	(2,164)	251	(4,592)	**(6,505)**
Decrease of impairment allowances due to write-offs	-	-	21,589	**21,589**
Other adjustments	1,802	148	1,854	**3,804**
Closing balance as at 31 December 2022	**(13,420)**	**(1,623)**	**(55,685)**	**(70,728)**

21. Finance lease receivables

The Group acts as a lessor under finance lease agreements, concluded mainly for financing motor vehicles and equipment. The lease agreements are denominated in EUR and typically run for a period between 2 and maximum 10 years, with the transfer of ownership over the leased assets upon the termination of the lease agreement.

The lease receivables are secured by the underlying assets and by other collateral. The breakdown of finance lease receivables according to their maturity is presented below:

In RON thousand	**2023**	**2022 restated**
Finance lease receivables with maturity below 1 year, gross	451,165	465,693
Finance lease receivables with maturity between 1-2 years, gross	328,517	348,826
Finance lease receivables with maturity between 2-3 years, gross	222,357	242,840
Finance lease receivables with maturity between 3-4 years, gross	124,043	144,344
Finance lease receivables with maturity between 4-5 years, gross	31,825	60,504
Finance lease receivables with maturity above 5 years, gross	585	2,240
Total finance lease receivables, gross	**1,158,492**	**1,264,447**
Future interest related to finance lease receivables	(121,247)	(105,986)
Total finance lease receivables, net of future interest	**1,037,245**	**1,158,461**
Impairment allowances for finance lease receivables	(62,766)	(17,506)
Total finance lease receivables	**974,479**	**1,140,955**

The leasing contracts are generated and managed through Idea Leasing IFN S.A.

21. Finance lease receivables *(continued)*

The movement in impairment allowances on finance lease receivable at Group level in 2023 was the following:

	Allowances for expected credit losses related to lease receivables for which the credit risk has not significantly increased since the initial recognition, and which are not impaired (Stage 1)	Allowances for expected credit losses related to lease receivables for which the credit risk has significantly increased since the initial recognition, but which are not impaired (Stage 2)	Allowances for expected credit losses on finance lease receivable to customers which are impaired (Stage 3)	Total
Opening balance as at January 1, 2023	**(4,556)**	**(619)**	**(12,331)**	**(17,506)**
Increase due to issue or acquisition	(1,719)	(1,315)	(7,083)	**(10,117)**
Decrease due to derecognition	492	48	1,186	**1,726**
Increase or decrease due to the change in credit risk (net) and transfers	1,552	(2,090)	(8,690)	**(9,228)**
Increase or decrease due to changes without derecognition (net)	508	(29)	(2,691)	**(2,212)**
Changes due to update of impairment estimation methodology (net)	9	224	(26,378)	**(26,145)**
Decrease of impairment allowances due to write-offs	-	-	782	**782**
Other adjustments	(14)	(4)	(48)	**(66)**
Closing balance as at 31 December 2023	**(3,728)**	**(3,785)**	**(55,253)**	**(62,766)**

21. Finance lease receivables *(continued)*

The movement in impairment allowances on finance lease receivable at Group level in 2022 was the following:

	Allowances for expected credit losses related to lease receivables for which the credit risk has not significantly increased since the initial recognition, and which are not impaired (Stage 1)	Allowances for expected credit losses related to lease receivables for which the credit risk has significantly increased since the initial recognition, but which are not impaired (Stage 2)	Allowances for expected credit losses on finance lease receivable to customers which are impaired (Stage 3)	Total
Opening balance as at January 1, 2022	**(2,304)**	**(478)**	**(10,152)**	**(12,934)**
Increase due to issue or acquisition	(2,709)	(405)	(738)	**(3,851)**
Decrease due to derecognition	299	86	2,583	**2,969**
Increase or decrease due to the change in credit risk (net) and transfers	26	82	(3,094)	**(2,986)**
Increase or decrease due to changes without derecognition (net)	125	96	(2,662)	**(2,441)**
Decrease in the impairment allowance account due to write-offs	-	-	1,730	**(1,730)**
Other adjustments	6	-	1	7
Closing balance as at 31 December 2022	**(4,556)**	**(619)**	**(12,331)**	**(17,506)**

22. Investment securities

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

In RON thousand	Group 2023	Group 2022	Bank 2023	Bank 2022
Debt instruments, of which	**208,992**	**235,287**	**208,992**	**235,287**
- Central administrations	208,992	235,287	208,992	235,287
Equity instruments, of which:	**2,527**	**2,275**	**2,527**	**2,275**
- Other financial companies	2,246	2,006	2,246	2,006
- Non-financial institutions	281	269	281	269
Loans and advances to customers	-	-	-	-
- Central administrations	-	-	-	-
Total	**211,519**	**237,562**	**211,519**	**237,562**

As at 31 December 2023, for these categories of securities, the Group and the Bank hold equity instruments valued at fair value through other comprehensive income under the form of participations in Transfond, Biroul de Credit, Swift Belgium and CCP RO BUCHAREST S.A.

The investment in such equity instruments as at 31 December 2023 at Group level amounted to RON 2,527 thousand (2022: RON 2,275 thousand) and at Bank level RON 2,527 thousand (2022: RON 2,275 thousand).

The Bank also includes in this category bonds, that are held for the purpose of collecting future cashflows or sale, in order to obtain certain returns or manage liquidity.

22. Investment securities *(continued)*

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

Qualitative analysis of the bonds held by the Group and the Bank as at 31 December 2023 and as at 31 December 2022, classified as "Financial assets measured at fair value through other comprehensive income", depending on the issuer's rating:

In RON thousand	Group and Bank 2023 Central administrations	Credit institutions	Other financial corporations	Non-financial corporations	Total	Group and Bank 2022 Central administrations	Credit institutions	Other financial corporations	Non-financial corporations	Total
Debt instruments, of which	**208,992**	-	-	-	**208,992**	**235,287**	-	-	-	**235,827**
A	-	-	-	-	-	-	-	-	-	-
A-	-	-	-	-	-	-	-	-	-	-
A+	-	-	-	-	-	-	-	-	-	-
AAA	-	-	-	-	-	-	-	-	-	-
B	-	-	-	-	-	-	-	-	-	-
B-	-	-	-	-	-	-	-	-	-	-
BB+	-	-	-	-	-	-	-	-	-	-
BBB	-	-	-	-	-	-	-	-	-	-
BBB-	208,992	-	-	-	208,992	235,287	-	-	-	**235,827**
BBB+	-	-	-	-	-	-	-	-	-	-
Loans and advances, of which	-	-	-	-	-	-	-	-	-	-
BB-	-	-	-	-	-	-	-	-	-	-

22. Investment securities *(continued)*

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

Evolution of securities in the category "Financial assets measured at fair value through other comprehensive income":

	Group		Bank	
In RON thousand	**2023**	**2022**	**2023**	**2022**
As at January 1	**237,562**	**298,590**	**237,562**	**298,590**
Acquisitions	114,341	119,017	114,341	119,017
Asset outflow at maturity	(147,507)	(169,921)	(147,507)	(169,921)
Coupon and amortization in P&L during the year (Note 8)	7,824	6,862	7,824	6,862
Coupon collected, at term, during the year	(7,691)	(10,228)	(7,691)	(10,228)
Gain/(Loss) from the measurement at fair value	6,429	(6,716)	6,429	(6,716)
Exchange rate differences	561	(42)	561	(42)
As at 31 December	**211,519**	**237,562**	**211,519**	**237,562**

22. Investment securities *(continued)*

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

The interest rates on financial assets measured at fair value through other comprehensive income were within the following ranges:

	Group and Bank 2023		Group and Bank 2022	
	Minimum	**Maximum**	**Minimum**	**Maximum**
EUR	0.70%	2.38%	0.70%	2.38%
RON	3.25%	5.90%	3.65%	4.40%

23. Investments in subsidiaries

On 31 December 2023, the bank owned direct equity in subsidiaries, in amount of RON 56,469 thousand (2022: RON 43,179 thousand).

In RON thousand	**2023**	**2022**
Holdings:		
- Gross holdings	56,469	43,179
Total net holdings	56,469	43,179

23. Investments in subsidiaries *(continued)*

As at 31 December 2023 the Bank had direct stakes in subsidiaries in amount of RON 56,469 thousand (2022: RON 43,179 thousand).

On 31 December 2023 the Bank has subsidiaries which directly and indirectly holdings are:

Entity	Head Office	% of shares owned	Share capital	Reserves	Profit/(Loss) as at 31 December 2023
Idea Leasing IFN S.A.	București, sector 1, 19-21 București-Ploiești Boulevard, Băneasa Business Center, 2nd floor	88,67%	9,503	1,877	48,034
Total			**9,503**	**1,877**	**48,034**

On November 2023, Idea Leasing IFN S.A. sold to BT Leasing IFN S.A. the holdings in Idea Broker de Asigurare S.R.L. at the price of RON 20,071 thousand, representing the price agreed between the parties according to the contract, with a net impact in the profit and loss account of RON 13,530 thousand representing the sale price less the derecognition of net accounting assets.

On 31 December 2022 the Bank has subsidiaries which directly and indirectly holdings were:

Entity	Head Office	% of shares owned	Share capital	Reserves	Profit/(Loss) as at 31 December 2022
Idea Leasing IFN S.A.	București, sector 1, 19-21 București-Ploiești Boulevard, Băneasa Business Center, 2nd floor	88,67%	9,503	1,877	23,273
Idea Broker de Asigurare S.R.L.	București, sector 1, 19-21 București-Ploiești Boulevard, Băneasa Business Center, 2nd floor	88,67%	150	30	7,540
Total			**9,653**	**1,907**	**30,813**

In October 2022, Idea Bank sold to BT Investment S.R.L. the holdings in Idea Investment S.R.L. at the price of RON 5,156 thousand , representing the net asset value at 30.09.2022, with an impact in the profit and loss account of RON 29,493. On 31.12.2022, Idea Investment S.R.L. was absorbed by BT Investment S.R.L.

Notes to the consolidated and separate financial statements

24. Property and equipment

Group** - In RON thousand* ***Gross carrying amount	Land & buildings	Computers and equipment	Vehicles	Fixed assets in progress	Total
Balance as at 1 January 2022	**18,999**	**23,755**	**8,477**	**5**	**51,237**
Acquisitions of tangible assets	-	138	874	682	1,694
Reclassification from investments in progress	-	263	349	(612)	-
Disposals	(5,276)	(6,393)	(3,168)	-	(14,837)
Tangible assets from IFRS 16 leasing	-	-	368	-	**368**
Balance at 31 December 2022	**13,723**	**17,763**	**6,900**	**75**	**38,461**
Balance as at 1 January, 2023	**13,723**	**17,763**	**6,900**	**75**	**38,461**
Acquisitions of tangible assets	-	189	858	2,688	3,735
Reclassification from investments in progress	-	1,070	549	(1,619)	-
Revaluation (impact on reserve)	(1,164)	-	-	-	(1,164)
Disposals	(276)	(2,588)	(2,306)	-	**(5,170)**
Balance at 31 December 2023	**12,284**	**16,434**	**6,001**	**1,144**	**35,862**

24. Property and equipment *(continued)*

Amortization and depreciation

Group - *In RON thousand*	**Land & buildings**	**Computers and equipment**	**Vehicles**	**Fixed assets in progress**	**Total**
Balance as at 1 January 2022	**5,853**	**15,173**	**7,596**	**-**	**28,622**
Charge for the year	772	2,319	669	-	3,759
Accumulated depreciation of disposals	(3,809)	(5,173)	(2,870)	-	(11,852)
Amortization related to revaluation (impact on profit or loss statement)	-	-	-	-	-
Balance at 31 December 2022	**2,816**	**12,318**	**5,394**	**-**	**20,529**
Balance as at 1 January, 2023	**2,816**	**12,318**	**5,394**	**-**	**20,529**
Charge for the year	541	1,962	501	-	3,003
Accumulated depreciation of disposals	(250)	(2,459)	(2,273)	-	(4,982)
Amortization related to revaluation (impact on reserve)	(2,393)	-	-	-	(2,393)
Balance at 31 December 2023	**715**	**11,821**	**3,622**	**-**	**16,157**
Net carrying amount					
As at 1 January 2023	**10,907**	**5,445**	**1,505**	**75**	**17,932**
As at 31 December 2023	**11,569**	**4,613**	**2,379**	**1,144**	**19,706**

24. Property and equipment *(continued)*

Bank *- In RON thousand*	Land & buildings	Computers and equipment	Vehicles	Fixed assets in progress	Total
Gross carrying amount					
Balance as at 1 January 2022	**18,647**	**21,603**	**4,971**	**5**	**45,226**
Direct acquisitions	-	-	-	682	682
Reclassification from investments in progress	-	263	349	(612)	-
Tangible assets from IFRS 16 leasing	-	-	368	-	368
Disposals	(5,276)	(6,384)	(3,168)	-	(14,828)
Balance at 31 December, 2022	**13,371**	**15,482**	**2,520**	**75**	**31,448**
Balance as at 1 January, 2023	**13,371**	**15,482**	**2,520**	**75**	**31,448**
Direct acquisitions	-	-	-	2,688	2,688
Reclassification from investments in progress	-	1,070	549	(1,619)	-
Revaluation (impact on reserve)	(1,164)	-	-	-	(1,164)
Disposals	(265)	(2,517)	(560)	-	(3,342)
Balance at 31 December 2023	**11,942**	**14,035**	**2,509**	**1,144**	**29,630**

24. Property and equipment *(continued)*

***Bank** - In RON thousand*	Land & buildings	Computers and equipment	Vehicles	Fixed assets in progress	Total
Balance as at 1 January 2022	**5,501**	**13,707**	**4,413**	**-**	**23,621**
Amortization expense during the year	772	2,023	475	-	3,270
Accumulated depreciation of disposals	(3,809)	(5,173)	(2,870)	-	(11,852)
Balance at 31 December 2022	**2,464**	**10,557**	**2,018**	**-**	**15,039**
Balance as at 1 January, 2023	**2,464**	**10,557**	**2,018**	**-**	**15,039**
Amortization expense during the year	541	1,620	161	-	(2,322)
Accumulated depreciation of disposals	(239)	(2,407)	(545)	-	(3,191)
Amortization related to revaluation (impact on reserve)	(2,393)	-	-	-	(2,393)
Balance at 31 December 2023	**373**	**9,770**	**1,634**	**-**	**11,777**
Net carrying amount					
As at 1 January 2023	**10,907**	**4,925**	**502**	**75**	**16,409**
As at 31 December 2023	**11,569**	**4,265**	**875**	**1,144**	**17,853**

25. Intangible assets

In RON thousand	Group			Bank		
Gross carrying amount	**Software**	**Intangible assets in progress**	**Total**	**Software**	**Intangible assets in progress**	**Total**
Balance as at 1 January 2022	**29,692**	**926**	**30,618**	**25,634**	**926**	**26,560**
Acquisitions	560	1,460	2,020	-	1,460	1,460
Transfer from intangible assets in progress	2,113	(2,113)	-	2.113	(2.113)	-
Disposals	(5,346)	-	(5,346)	(5,201)	-	(5,201)
Balance at 31 December 2022	**27,019**	**273**	**27,292**	**22,546**	**273**	**22,819**
Balance as at January 1, 2023	**27,019**	**273**	**27,292**	**22,819**	**273**	**22,819**
Acquisitions	1	54,347	54,348	-	54,347	54,347
Transfer from intangible assets in progress	3,753	(3,753)	-	3,753	(3,753)	-
Disposals	(1,554)	-	(1,554)	(1,003)	-	(1,003)
Balance at 31 December 2023	**29,220**	**50,867**	**80,087**	**25,296**	**50,867**	**76,163**
Accumulated amortization						
Balance as at 1 January 2022	**16,034**	**-**	**16,034**	**12,206**	**-**	**12,206**
Charge for the year	2,441	-	2,441	2,238	-	2,238
Disposals	(4,849)	-	(4,849)	(4,704)	-	(4,704)
Balance at 31 December 2022	**13,626**	**-**	**13,626**	**9,740**	**-**	**9,740**
Balance as at January 1, 2023	**13,626**	**-**	**13,626**	**9,740**	**-**	**9,740**
Charge for the year	3,045	-	3,045	2,865	-	2,865
Disposals	(1,053)	-	(1,053)	(529)	-	(529)
Balance at 31 December 2023	**15,617**	**-**	**15,617**	**12,076**	**-**	**12,076**
Net carrying amount						
As at 1 January 2023	**13,394**	**273**	**13,667**	**13,806**	**273**	**13,079**
As at 31 December 2023	**13,603**	**50,867**	**64,470**	**13,220**	**50,867**	**64,087**

The book value at 2023 of the intangible assets of the Group are : RON 64,470 thousand (2022: RON 13,667 thousand), and of the Bank RON 64,087 thousand (2022: RON 13,079 thousand).

26. Right of Use Assets and Lease Liabilities

The Group and the Bank have lease agreements on buildings. Rental contracts are typically made for fixed periods of 1 year to 10 years but may have extension options as described below.
As at December 31, 2023 and December 31, 2022 the right of use assets of the Group by class of underlying items is analysed as follows:

In RON thousand	Buildings	Auto	Total
Carrying amount at 1 January 2023	**6,727**	**-**	**6,727**
Additions	8,816	-	8,816
Disposals	(76)	-	(76)
Depreciation charge	(3,241)	-	(3,241)
Carrying amount at 31 December 2023	**12,226**	**-**	**12,226**

In RON thousand	Buildings	Auto	Total
Carrying amount at 1 January 2022	**14,192**	**80**	**14,272**
Additions	4,709	-	4,709
Disposals	(6,731)	(13)	(6,744)
Depreciation charge	(5,443)	(67)	(5,510)
Carrying amount at 31 December 2022	**6,727**	**-**	**6,727**

As at December 31, 2023 and December 31, 2022 the right of use assets of the Bank by class of underlying items is analysed as follows:

In RON thousand	Buildings	Auto	Total
Carrying amount at 1 January 2023	**3,272**	**-**	**3,272**
Additions	8,219	-	8,219
Disposals	-	-	-
Depreciation charge	(1,905)	-	(1,905)
Carrying amount at 31 December 2023	**9,586**	**-**	**9,586**

In RON thousand	Buildings	Auto	Total
Carrying amount at 1 January 2022	**13,861**	**80**	**13,941**
Additions	262	-	262
Disposals	(6,731)	(13)	(6,744)
Depreciation charge	(4,120)	(67)	(4,187)
Carrying amount at 31 December 2022	**3,272**	**-**	**3,272**

At December 31, 2023 the interest expense on lease liabilities was RON 46 thousand for the Group (2022: RON 115 thousand) and RON 26 thousand for the Bank (2022: RON 95 thousand). A maturity analysis of lease liabilities is presented in note 4 c) and also, the total cash flow for the leasing contracts is presented in note 40.

27. Deferred tax assets and liabilities

Deferred tax assets/liabilities at Group level, as at 31 December 2023:

In RON thousand	31 December 2022	Recognized in profit or loss	Recognized in other comprehensive income	Recognized directly in shareholders' equity	31 December 2023
Tax effect of temporary deductible/(taxable) differences (including tax losses carried forward), resulting from:					
Financial assets measured at fair value through other comprehensive income	625	-	(1,182)	-	(558)
Financial assets at amortized cost	1,314	(925)	-	(389)	-
Other assets	473	7)	-	-	480
Property and equipment and intangible assets	(1,462)	(55)	-	-	(1,518)
Right of Use Assets	2	(2)	-	-	-
Provisions and other liabilities	-	265	-	-	265
Tax losses carried forward	-	-	-	-	-
Deferred tax asset / (liability)	**951**	**(710)**	**(1,182)**	**(389)**	**(1,332)**
Recognition of deferred tax asset	2,413	(674)	(624)	(389)	725
Recognition of deferred tax liability	(1,462)	(36)	(558)	-	(2,056)
Deferred tax asset / (liability)	**951**	**(710)**	**(1,182)**	**(389)**	**(1,331)**

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27. Deferred tax assets and liabilities *(continued)*

Deferred tax assets/liabilities at Group level, as at 31 December 2022:

In RON thousand	31 December 2021	Recognized in profit or loss	Recognized in other comprehensive income	31 December 2022
Tax effect of temporary deductible/(taxable) differences (including tax losses carried forward), resulting from:				
Financial assets measured at fair value through other comprehensive income	(713)	-	1,338	625
Financial assets at amortized cost	856	458	-	1,314
Other assets	476	(4)	-	472
Property and equipment and intangible assets	(1,248)	(213)	-	(1,462)
Right of Use Assets	2	-	-	2
Provisions and other liabilities	-	-	-	-
Tax losses carried forward	-	-	-	-
Deferred tax asset / (liability)	**(627)**	**241**	**1,338**	**952**
Recognition of deferred tax asset	1,335	454	625	2,414
Recognition of deferred tax liability	(1,961)	(213)	713	(1,462)
Deferred tax asset / (liability)	**(627)**	**241**	**1,338**	**952**

Notes to the consolidated and separate financial statements

27. Deferred tax assets and liabilities *(continued)*

Deferred tax assets/liabilities at Bank level, as at 31 December 2023:

In RON thousand	**31 December 2022**	**Recognized in profit or loss**	**Recognized in other comprehensive income**	**31 December 2023**
Tax effect of temporary deductible/(taxable) differences (including tax losses carried forward), resulting from:				
Financial assets measured at fair value through other comprehensive income	625	-	(1,183)	(558)
Financial assets at amortized cost				
Other assets	423	(34)	-	389
Tangible and intangible assets	(1,462)	(36)	-	(1,498)
Right of Use Assets	-	-	-	-
Provisions and liabilities	-	-	-	-
Deferred tax asset / (liability)	**(414)**	**(70)**	**(1,183)**	**(1,667)**
Recognition of deferred tax asset	1,048	(34)	(625)	389
Recognition of deferred tax liability	(1,462)	(36)	(713)	(2,056)
Deferred tax asset / (liability)	**(414)**	**(70)**	**(1,183)**	**(1,667)**

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27. Deferred tax assets and liabilities *(continued)*

Deferred tax assets/liabilities at Bank level, as at 31 December 2022:

In RON thousand	31 December 2021	Recognized in profit or loss	Recognized in other comprehensive income	31 December 2022
Tax effect of temporary deductible/(taxable) differences (including tax losses carried forward), resulting from:				
Financial assets measured at fair value through other comprehensive income	(713)	-	1,338	625
Financial assets at amortized cost				
Other assets	434	(11)	-	423
Tangible and intangible assets	(1,248)	(213)	-	(1,462)
Right of Use Assets	-	-	-	-
Provisions and liabilities	-	-	-	-
Deferred tax asset / (liability)	**(1,527)**	**(225)**	**1,338**	**(414)**
Recognition of deferred tax asset	434	(11)	625	1,048
Recognition of deferred tax liability	(1,961)	(213)	713	(1,462)
Deferred tax asset / (liability)	**(1,527)**	**(225)**	**1,338**	**(414)**

Notes to the consolidated and separate financial statements

28. Other financial assets

In RON thousand	Group 2023	Group 2022	Bank 2023	Bank 2022
Amounts under settlement	3,589	2,743	3,589	2,740
Sundry debtors and advances for non-current assets	11,847	27,525	10,335	6,479
Other financial assets	23,085	17,536	331	389
Impairment allowance for other financial assets	(10,532)	(6,401)	(500)	(434)
Total	**27,989**	**41,404**	**13,755**	**9,174**

As at 31 December 2023, out of 27,989 RON thousand (2022: RON 41,404 thousand) the Group's other impaired financial assets amounted to RON 11,235 thousand (2022: RON 5,757 thousand).

As at 31 December 2023, out of RON 13,755 thousand (2022: RON 9,174 thousand), the Bank's other impaired financial assets amounted to RON 500 thousand (2022: RON 434 thousand).

The evolution of impairment allowance for other assets during the years 2023 and 2022 is presented below:

In RON thousand	Group 2023	Group 2022	Bank 2023	Bank 2022
Balance as at 1 January	**(6,401)**	**(5,561)**	**(434)**	**(702)**
Net impairment charge (Note 15)	(6,664)	(2,298)	(292)	(1,190)
Impairment allowance for write off	1,426	1,459	227	1,459
Other changes (exchange rate differences, unwinding, deconsolidation)	1,106	(1)	(1)	(1)
Balance at 31 December	**(10,532)**	**(6,401)**	**(500)**	**(434)**

The quality analysis of other financial assets held by the Group as at 31 December 2023 is detailed below:

Group	**Retail**			**Companies**		
31 December 2023	**RON**	**FCY**	**Total**	**RON**	**FCY**	**Total**
Amounts under settlement	1,232	2,109	3,341	248	-	248
Sundry debtors and advances for non-current assets	505	69	574	3,881	7,392	11,273
Other financial assets	935	2	937	21,724	424	22,148
Impairment allowance for other financial assets	(888)	(16)	(904)	(9,627)	(1)	(9,628)
Total	**1,784**	**2,164**	**3,948**	**16,226**	**7,815**	**24,041**

28. Other financial assets *(continued)*

The quality analysis of other financial assets held by the Group as at 31 December 2022 is detailed below:

Group	Retail			Non-Retail		
31 December 2022	**RON**	**FCY**	**Total**	**RON**	**FCY**	**Total**
Amounts under settlement	-	-	-	1,158	1,585	2,743
Sundry debtors and advances for non-current assets	504	54	558	21,615	5,350	26,966
Other financial assets	992	2	994	15,191	1,353	16,544
Impairment allowance for other financial assets	(735)	(1)	(736)	(5,647)	(18)	(5,665)
Total	**761**	**55**	**816**	**32,318**	**8,270**	**40,588**

The quality analysis of other financial assets held by the Bank as at 31 December 2023 is detailed below:

Bank	Retail			Non-Retail		
31 December 2023	**RON**	**FCY**	**Total**	**RON**	**FCY**	**Total**
Amounts under settlement	1,232	2,109	3,341	248	-	248
Sundry debtors and advances for non-current assets	505	69	574	2,448	7,313	9,761
Other financial assets	313	2	315	14	2	16
Impairment allowance for other financial assets	(269)	(16)	(285)	(214)	(1)	(215)
Total	**1,781**	**2,164**	**3,945**	**2,496**	**7,314**	**9,810**

The quality analysis of other financial assets held by the Bank as at 31 December 2022 is detailed below:

Bank	Retail			Non-Retail		
31 December 2022	**RON**	**FCY**	**Total**	**RON**	**FCY**	**Total**
Amounts under settlement	-	-	-	1,155	1,585	2,740
Sundry debtors and advances for non-current assets	504	54	558	1,005	4,916	5,921
Other financial assets	370	2	372	13	4	17
Impairment allowance for other financial assets	(117)	(1)	(118)	(298)	(18)	(316)
Total	**757**	**55**	**812**	**1,875**	**6,487**	**8,362**

29. Other non-financial assets

In RON thousand	Group		Bank	
	2023	**2022**	**2023**	**2022**
Inventories and similar assets	11,144	7,662	5,393	5,949
Prepaid expenses	2,711	1,956	2,331	1,322
VAT and other taxes to be received	546	6,944	413	1,441
Other non-financial assets	704	472	520	507
Impairment allowance for other non-financial assets	(2,997)	(2,953)	(2,432)	(2,643)
Total	**12,108**	**14,080**	**6,225**	**6,576**

29. Other non-financial assets *(continued)*

As at 31 December 2023 and 31 December 2022, the Group and the Bank did not have tangible assets reclassified as non-current assets held for sale under “Inventories and similar assets”.

The evolution of impairment allowance for other assets during the year is presented below:

In RON thousand	Group		Bank	
	2023	**2022**	**2023**	**2022**
Balance as at 1 January	**(2,953)**	**(2,977)**	**(2,643)**	**(2,715)**
Net impairment charge	151	105	211	72
Entry by acquisition	-	-	-	-
Impairment allowances on written off other non-financial assets	-	-	-	-
Other adjustments (exchange rate differences, deconsolidation)	(194)	(81)	-	-
Balance at 31 December	**(2,997)**	**(2,953)**	**(2,432)**	**(2,643)**

The inventories and related items of the Bank include assets acquired by debt enforcement or given in payment and other assets available for sale, at a net value of RON 2,812 thousand, structured as follows: lands RON 2,812 thousand (2022: RON 3,212 thousand net value, structured as follows: lands RON 3,212 thousand).

The inventories and related items of the Group include purchased assets held for sale amounting to RON 7,995 thousand, structured as follows: RON 2,812 lands thousand, equipment RON 60 thousand, auto RON 5,123 thousand (2022: RON 4,925 thousand, structured as follows: lands RON 3,212 thousand, equipment RON 57 thousand, auto RON 1,656 thousand).

30. Deposits from banks

	Group		Bank	
In RON thousand	**2023**	**2022**	**2023**	**2022**
Sight demand	-	-	-	-
Term deposits	1,304,377	1,913,752	1,304,377	1,913,752
Total	**1,304,377**	**1,913,752**	**1,304,377**	**1,913,752**

31. Deposits from customers

	Group		Bank	
In RON thousand	**2023**	**2022**	**2023**	**2022**
Current accounts	25,448	34,743	29,477	41,346
Term deposits	3,449	57,080	3,449	57,080
Collateral deposits	239	584	239	584
Total	**29,136**	**92,407**	**33,165**	**99,010**

31. Deposits from customers *(continued)*

Deposits from customers can be also analysed as follows:

	Group		**Bank**	
In RON thousand	**2023**	**2022**	**2023**	**2022**
Retail	17,420	31,591	17,421	31,591
Companies	11,716	60,816	15,744	67,419
Total	**29,136**	**92,407**	**33,165**	**99,010**

The table below presents the deposits from customers, split by economic sector concentration:

	Group		***Bank***	
Sector	**2023**	**2022**	**2023**	**2022**
Retail customers	59.79%	34.19%	52.53%	31.91%
Services	0.00%	0.13%	0.00%	0.12%
Trading	0.02%	0.48%	0.02%	0.45%
Constructions	0.00%	0.13%	0.00%	0.13%
Manufacturing	0.00%	0.01%	0.00%	0.01%
Transportation	0.00%	0.04%	0.00%	0.04%
Financial and insurance activities	7.79%	53.00%	18.99%	56.13%
Telecommunications	0.00%	0.00%	0.00%	0.00%
Agriculture	0.00%	0.00%	0.00%	0.00%
Energy	4.03%	7.57%	3.54%	7.07%
Healthcare	0.00%	0.00%	0.00%	0.00%
Real estate	0.00%	0.00%	0.00%	0.00%
Administrations	0.00%	0.00%	0.00%	0.00%
Mining	0.00%	0.00%	0.00%	0.00%
Education	0.00%	0.00%	0.00%	0.00%
Other	28.37%	4.44%	24.93%	4.14%
Self-employed	0.00%	0.01%	0.00%	0.01%
Government institutions	0.00%	0.00%	0.00%	0.00%
Total	**100.00%**	**100.00%**	**100.00%**	**100.00%**

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31. Deposits from customers *(continued)*

In RON thousand	*Group*		*Bank*	
Sector	**2023**	**2022**	**2023**	**2022**
Retail customers	17,421	31,591	17,421	31,591
Services	-	118	-	118
Trading	5	443	5	443
Constructions	-	125	-	125
Manufacturing	-	12	-	12
Transportation	-	36	-	36
Financial and insurance activities	2,269	48,976	6,297	55,579
Telecommunications	-	-	-	-
Agriculture	-	-	-	-
Energy	1,175	6,999	1,175	6,999
Healthcare	-	-	-	-
Real estate	-	-	-	-
Administrations		-	-	-
Mining	-	-	-	-
Education	-	-	-	-
Other	8,266	4,099	8,267	4,099
Self-employed	-	8	-	8
Government institutions	-	-	-	-
Total	**29,136**	**92,407**	**33,165**	**99,010**

32. Loans from banks and other financial institutions

	Group		Bank	
In RON thousand	**2023**	**2022**	**2023**	**2022**
Loans from commercial banks	102,084	59,454	-	-
Romanian banks	102,084	59,454	-	-
Foreign banks		-	-	-
Total	**102,084**	**59,454**	**-**	**-**

The interest rates for the loans from banks and financial institutions were situated in the following ranges:

	2023		**2022**	
	Minimum	**Maximum**	**Minimum**	**Maximum**
EUR	3.94%	5.91%	1.51%	3.88%
RON			-	-
USD			-	-

33. Subordinated liabilities

The Group and the Bank were in compliance with all financial covenants under the outstanding loan agreements at 31 December 2023 and 2022.

In RON thousand	Group 2023	Group 2022	Bank 2023	Bank 2022
Loans from development banks and financial institutions	12,446	21,385	12,446	21,385
Non-convertible bonds	24,881	24,685	24,881	24,685
Total	**37,327**	**46,070**	**37,327**	**46,070**

Subordinated debt includes subordinated loans from development banks and financial institutions, as well as non-convertible bonds.

Subordinated loans include the following:
- loan in amount of EUR 2.5 million, equivalent of RON 12,437 thousand (2022: RON 12,369 thousand), contracted in 2014 bearing an interest of EURIBOR 3M+8.76%, due to 2024;

Salt Bank S.A. issued in 2018 EUR 5 million (the nominal value of a bond is EUR 1000) on the Romanian market with maturity of 2024, at the interest rate of 8.5% per year, representing an equivalent of RON 24,873 thousand at 31 December 2023, respectively RON 24,737 thousand.

At Group level, the accrued interest and amortization on subordinated debts is in amount of RON 9 thousand (2022: RON 12 thousand) and at Bank level in amount of RON 9 thousand (2022: RON 12 thousand); for the non-convertible bonds, the accrued interest and amortization for the Group levels to RON 8 thousand (2022: RON 52 thousand) and for the Bank to RON 8 thousand (2022: RON 52 thousand).

34. Provisions for other risks and loan commitments

The following items are included under Provisions for other risks and loan commitments:

In RON thousand	Group 2023	Group 2022	Bank 2023	Bank 2022
Provisions for loan commitments financial guarantees and other commitments given	683	1,540	682	1,414
Provisions for untaken holidays	555	1,759	276	467
Provisions for other employee benefits	6,655	3,655	5,280	639
Provisions for litigations, risks and charges (*)	1,411	1,412	509	527
Total	**9,304**	**8,367**	**6,747**	**3,047**

Evolution of provisions for other risks and loan commitments was the following:

Thousand RON	Group 2023	Group 2022	Bank 2023	Bank 2022
Balance 1 January	8,367	7,023	3,047	2.770
Impairment adjustment expense	(1,563)	1,460	(5,208)	(3.758)
Impairment adjustment income	2,798	(116)	8,908	4.035
Other Adjustments	(298)	-	-	-
Balance 31 December	**9,304**	**8.367**	**6,747**	**3.047**

35. Other financial liabilities

In RON thousand	Group		Bank	
	2023	**2022**	**2023**	**2022**
Amounts under settlement	192	1,293	192	1,293
Sundry creditors	17,194	29,546	4,265	4,368
Other financial liabilities	4,140	2,863	3,240	1,837
Total	**21,526**	**33,702**	**7,697**	**7,498**

In the category Other financial liabilities – Group are included the expenses of the leasing company (RON 13.829 thousand in 2023, RON 26,204 thousand in 2022) of which the most important are: insurers RON 3.379 thousand / 2023, RON 1,982 thousand / 2022 amounts collected in advance from customers RON 45 thousand / 2023 /RON 6,327 thousand / 2022, suppliers RON 10.403 thousand / 2023, RON 9,795 thousand/2022, Casco insurers premiums RON 0 thousand /2023, RON 8,091 thousand /2022).

36. Other non-financial liabilities

In RON thousand	Group		Bank	
	2023	**2022**	**2023**	**2022**
Other taxes payable	4,443	1,015	4,416	917
Other non-financial liabilities	12,039	7,928	146	167
Total	**16,482**	**8,943**	**4,562**	**1,084**

In the category Other non-financial liabilities – Group, the variation comes from VAT in amount of RON 5,092 thousand at 31 December 2023 to be paid by the leasing company (at 31 December 2022 Idea Leasing IFN S.A. recorded VAT to be recovered , being presented in note " Other non- financial asset")

37. Share capital

The statutory share capital of the Bank at 31 December 2023, as recorded with the Trade Register was represented by 4,169,760,000 ordinary shares with a nominal value of RON 0,1 each (at 31 December 2022: 2.519,756,100 shares with a nominal value of RON 0,1 each). The shareholders structure of the Bank is presented in Note 1. In December 2023 an increase of share capital amounting to RON 165,001 thousand been performed (BT Investments SRL: 20,848,799 shares wit a nominal value of RON 2,085 thousand, Banca Transilvania: 1,629,155,111 shares with a nominal value of RON 162,916 thousand.

In RON thousand	Group		Bank	
	2023	**2022**	**2023**	**2022**
Paid share capital recorded with the Trade Register	416,495	251,494	416,976	251,975
Share capital adjustment to inflation	42,656	42,656	42,175	42,175
Total	**459,151**	**294,150**	**459,151**	**294,150**

38. Related-party transactions

Entities are considered to be related parties if one of them has the capacity to control the other or to exercise significant influence on the other entity's management process related to financial or operational decisions.

The Group and the Bank are engaged in transactions with related parties, shareholders and key management personnel. All these transactions were carried out under conditions similar to those applicable to third party agreements, in terms of interest rates and collateral clauses. The transactions major shareholders, family members of the key management personnel and companies where they are shareholders while having a relationship with the Bank and are presented below:

	2023				2022			
***Group** - In RON thousand*	**Parent**	**Key management personnel**	**Other related-**	**Total**	**Parent enterprise**	**Key management**	**Other related-parties**	**Total**
Assets								
Granted loans	35,369	28	-	**35,397**	253	108	-	**361**
Liabilities								
Deposits from customers	1,369,787	1,793	-	**1,371,580**	1,888,600	3,580	-	**1,892,180**
Debt securities	14,929	-	6,220	**21,149**	14,811	-	6,171	**20,982**
Commitments								
Loan commitments and financial guarantees given	-	54	-	**54**	-	111	-	**111**
Loan commitments and financial guarantees received	663	-	-	**663**	1,491	-	-	**1,491**
Statement of profit or loss								
Interest income	1,538	3		**1,541**	154	7	-	**161**
Interest expense	88,123	63	533	**88,719**	35,886	81	531	**36,498**
Fee and commission income	-	-	1	**1**	64	-	-	**64**
Fee and commission expenses	38	-	-	**38**	-	-	-	**-**

38. Related-party transactions *(continued)*

***Bank** – In RON thousand*	2023					2022				
	Parent enterprise	**Subsidiaries**	**Key management personnel**	**Other related-parties**	**Total**	**Parent enterprise**	**Subsidiaries**	**Key management personnel**	**Other related-parties**	**Total**
Assets										
Correspondent accounts at credit institutions	2,068	-	-	-	**2,068**	33,676	-	-	-	**33,676**
Granted loans	35,369	-	28	-	**35,397**	252	-	108	-	**360**
Equity investments	-	56,469	-	-	**56,469**	-	43,179	-	-	**43,179**
Liabilities										
Deposits from customers	1,304,377	4,028	1,793	2,269	**1,312,467**	1,839,347	6,603	3,580	-	**1,849,530**
Debt securities	14,929	-	-	6,220	**21,149**	14,811	-	-	6,171	**20,982**
Other liabilities	7	1,211	-	-	**1,218**	1	392	-	-	**393**
Commitments										
Loan commitments and financial guarantees given	-	-	54	-	**54**	-	-	111	-	**111**
Loan commitments and financial guarantees received	270	-	-	-	**270**	270	-	-	-	**270**

Notes to the consolidated and separate financial statements

38. Related-party transactions *(continued)*

Bank – *In RON thousand*	**2023**					**2022**				
	Parent enterprise	**Subsidiaries**	**Key management personnel**	**Other related-parties**	**Total**	**Parent enterprise**	**Subsidiaries**	**Key management personnel**	**Other related-parties**	**Total**
Statement of profit or loss										
Interest income	128	2,332	3	-	**2,463**	4	115	7	-	**126**
Interest expense	85,349	26	63	533	**85,971**	35,505	174	81	531	**36,291**
Fee and commission income	-	12	-	1	**13**	64	1,605	-	-	**1,669**
Fee and commission expense	-	-	-	-	**-**	1	-	-	-	**1**
Gain/Loss from financial assets and liabilities measured at fair value through profit and loss	-	13,290	-	-	**13,290**	-	3,765	-	-	**3,765**
Gain/Loss from financial assets and liabilities held-for-trading	-	884	-	-	**884**	-	1,887	-	-	**1,887**
Dividend income	-	35,469	-	-	**35,469**	-	4,997	-	-	**4,997**
Other expenses	-	2,279	-	-	**2,279**	-	2,571	-	-	**2,571**
Net expense from impairment allowance, expected losses on financial assets not measured at fair value through profit or loss	(440)	(7)	-	-	**(447)**	(17)	(28)	-	-	**(45)**

Notes to the consolidated and separate financial statements

38. Related-party transactions *(continued)*

Transactions with key management personnel

During 2023, the expenses related to the fixed and variable remunerations of the members of the Board of Directors and of the Executive Management of the Group amounted to RON 8,955 thousand (2022: RON 7,390 thousand) and of the Bank amounted to RON 8,016 thousand (2022: RON 5,417 thousand).

39. Commitments and contingencies

a) Commitments and contingencies

At any time the Group and the Bank have outstanding commitments to extend loans. These commitments are in the form of approved limits for credit cards and overdraft facilities. Outstanding loan commitments have a commitment period that does not extend beyond the normal underwriting and settlement period of one month to one year.

The Group provided financial guarantees to guarantee the performance of its customers in relation to third parties. These agreements have fixed limits and generally extend for a period of up to one year. Maturities are not concentrated in a specific period.

The contractual amounts of commitments and contingencies are set out in the following table by categories. The amounts reflected in the table under commitments are presented based on the assumption that they have been fully granted.

The amounts reflected in the table as guarantees and letters of credit represent the maximum accounting loss that would be recognized at the reporting date if counterparties completely failed to meet the contractual terms and conditions.

	Group		**Bank**	
In RON thousand	**2023**	**2022**	**2023**	**2022**
Guarantees issued, of which	1,256	1,371	1,256	1,371
- *Performance bonds*	-	24	-	24
- *Financial liabilities*	1,256	1,347	1,256	1,347
Loan commitments	24,834	63,341	24,717	49,007
Total	**26,090**	**64,712**	**25,973**	**50,378**

The provisions for loan commitments to customers amounted to RON 683 thousand at Group level (2022: RON 1,450 thousand) and at Bank level RON 682 thousand (2022: RON 1,414 thousand).

39. Commitments and contingencies *(continued)*

b) Transfer pricing and taxation

The taxation system in Romania has faced multiple changes in the recent years and is in a continuous process of update and improvement. As a consequence, the tax legislation is still subject to various interpretations. In certain cases, the tax authorities may treat certain issues in a different manner, determining the calculation of additional taxes, interest and penalties for delay (the total current rate is of 0.03% per day of delay).

In Romania the fiscal year remains open for fiscal audit for 5 years. According to the Bank's management, the tax duties included in these financial statements are appropriate.

The tax legislation in Romania considers the "market value" principle, according to which transactions between related parties must be performed at market value.

The taxpayers involved in related-party transactions must prepare and provide to the Romanian tax authorities the transfer pricing file, upon request.

The failure to provide the transfer pricing file or the submission of an incomplete transfer pricing file may lead to penalties for non-compliance; apart from the transfer pricing file, the tax authorities may interpret transactions and circumstances in a manner which is different from the management's interpretation and, consequently, may impose additional tax duties resulting from the adjustment of transfer prices.

The management of the Group and of the Bank considers that no losses should be incurred in the event of a fiscal audit for the verification of transfer prices. However, the impact of potential different interpretations of the tax authorities cannot be accurately estimated. The impact may be significant as concerns the Bank's financial position and/or operations. However, the fiscal risk is low because the majority of transactions are between group entities, which are in Romania, without cross-border risk.

40. Reconciliation of liabilities resulting from financial activities

The changes of the liabilities resulting from the Group's financial activities carried out in 2023 and 2022 are presented below:

Group 2023 *In RON thousand*	**01 January 2023**	**Receipts**	**Payments**	**Non-monetary changes** Registration of receivables taken from Salt Group	Foreign exchange variation	**31 December 2023**
Long-term loans	105,524	117,576	(93,611)	9,011	911	139,411
Lease liabilities	7,058	-	(3,502)	8,838	47	12,441

Group 2022 *In RON thousand*	**01 January 2022**	**Receipts**	**Payments**	**Non-monetary changes** Registration of receivables taken from Salt Group	Foreign exchange variation	**31 December 2022**
Long-term loans	146,686	95,459	(142,175)	5,560	(6)	105,524
Lease liabilities	15,271	-	(5,733)	(2,429)	(51)	7,058

The changes of the liabilities resulting from the Bank's financial activities carried out in 2023 and 2022 are presented below:

Bank 2023 *In RON thousand*	**01 January 2023**	**Receipts**	**Payments**	**Non-monetary changes** Registration of receivables taken from Salt Group	Foreign exchange variation	**31 December 2023**
Long-term loans	46,070	-	(13,664)	4,667	254	37,327
Lease liabilities	3.638	-	(2,090)	8,238	22	9,808

Bank 2022 *In RON thousand*	**01 January 2023**	**Receipts**	**Payments**	**Non-monetary changes** Registration of receivables taken from Salt Group	Foreign exchange variation	**31 December 2023**
Long-term loans	97,430	-	(59,987)	5,665	(38)	46,070
Lease liabilities	14,926	-	(4,410)	(6,876)	(2)	3,638

41.Restatement note

In RON thousand	Group 31 Dec 2022 reported	Group Restatement	Group 31 Dec 2022 restated	Bank 31 Dec 2022 reported	Bank Restatement	Bank 31 Dec 2022 restated
Cash-flow from operating activities						
Other adjustments	(26,149)	(2,803)	(28,953)	(30,514)	960	(29,554)
Net profit adjusted with non-monetary elements	**(53,087)**	**(2,803)**	**(55,890)**	**(70,194)**	**960**	**(69,234)**
Changes in operating assets and liabilities(*)						
Change in financial assets at fair value through profit or loss	3,795	(3,795)	-	3,795	(3,795)	-
Interest collected	128,712	2,975	131,687	120,468	2,975	123,443
Cash-flow used in operating activities	**(111,595)**	**(3,624)**	**(115,219)**	**(117,112)**	**140**	**(116,972)**
Cash-flow used in investment activities						
Outflows of financial assets measured at fair value through other items of result	196,921	(27,000)	169,921	169,921	-	169,921
Interest paid	(1,279)	1,279	-	-	-	-
Net cash-flow used in investment activities	**65,986**	**1,279**	**67,265**	**73,834**	**-**	**73,834**
Repayment of the principal portion of the lease liabilities	(8,717)	2,984	(5,733)	(4,276)	(134)	(4,410)
Dividend payments	-	(638)	(638)	(5,635)	5,635	-
Net cash-flow from / (used in) financing activities	**(56,712)**	**2,346**	**(54,366)**	**(61,257)**	**(140)**	**(61,397)**

41.Restatement note

In RON thousand	Group			Bank		
	31 Dec 2022 reported	**Restatement**	**31 Dec 2022 restated**	**31 Dec 2022 reported**	**Restatement**	**31 Dec 2022 restated**
Cash and cash equivalents at January 1 2022	**(1,053)**	**531,200**	**530,147**	**1,053**	**524,826**	**525,879**
The impact of exchange rate variations on cash and cash equivalents	(101,269)	100,216	(1,053)	(103,482)	102,429	(1,053)
Net increase/decrease (-) in cash and cash equivalents	530,147	(631,415)	(101,268)	525,879	(629,361)	(103,482)
Cash and cash equivalents as at 31 December 2022	**427,825**	1	**427,826**	**421,344**	-	**421,344**

Group cash flow 2022 restatement:

Cash-flow used in operating activities has been corrected with a total net amount of RON -3,624 thousand split in the following positions:

1) *Other adjustments* has been restated with the amount RON -2,803 thousand representing the below corrections from the current cash flow and the ones from investment and financing activities which are not related to typo;
2) *Change in financial assets at fair value through profit or loss* has been restated with the amount RON -3,795 thousand due to the fact that has been posted in 2022 in 2 other positions and correction eliminate the amount form the above mentioned position;
3) *Interest collected* has been adjusted by RON 2,975 thousand to present a correct amount of this position.

Cash-flow used in investment activities has been corrected with a total net amount of RON 1,279 thousand split in the following positions:

1) A typo amounting to RON 196,921 thousand instead of RON 169,921 thousand in the position *Outflows of financial assets measured at fair value through other items of result* which did not affect the total net cash flow in investment activities reported in 2022;
2) *Interest paid* in amount of RON 1,279 thousand has been eliminated because has been included into the cash flow from financing activities.

Cash-flow used in financing activities has been corrected with a total net amount of RON 2,346 thousand in the following positions:

1) *Repayment of the principal portion of the lease liabilities* with RON 2,984 thousand due to a correction of cash flow amounts from leasing contracts
2) *Dividend payments* in amount of RON -638 thousand introduced to be correctly presented.

Summary of cash and cash equivalent was corrected due to typo inversions of rows, with a zero impact Cash and cash equivalents as at 31.12.2022.

41.Restatment note

Bank cash flow 2022 restatement:

Cash-flow used in operating activities has been corrected with a total net amount of RON 140 thousand split in the following positions:

1) *Other adjustments* has been restated with the amount RON 960 thousand representing the below corrections from the current cash flow and the ones from financing activities which are not related to typo;
2) *Change in financial assets at fair value through profit or loss* has been restated with the amount RON -3,795 thousand due to the fact that has been posted in 2022 in 2 other positions and correction eliminate the amount from the above mentioned position;
3) *Interest collected* has been adjusted by RON 2,975 thousand to present a correct amount of this position.

Cash-flow used in financing activities has been corrected with a total net amount of RON 2,346 thousand in the following positions:

1) *Repayment of the principal portion of the lease liabilities* with RON - 134 thousand due to a correction of cash flow amounts from leasing contracts
2) *Dividend payments* in amount of RON 5,635 thousand eliminated to be correctly presented.

Summary of cash and cash equivalents was corrected due to typo inversions of rows, with a zero impact Cash and cash equivalents as at 31.12.2022.

42. Events subsequent to the date of the consolidated statement of financial position

Events after the date of the consolidated and separate financial position affecting these financial statements are related to decision of management dated 25.03.2024 to sale the entire leasing portfolio amounting to approx. 747 million RON equivalent from Salt Bank to Idea Leasing IFN S.A. until 31.05.2024.

The financial statements were approved by the Board of Directors on April 26, 2024 and were signed on behalf of the Board by:

Gabriela NISTOR, *Chief Executive Officer*	Gabriela ANDREI, *Financial Executive Director*

STATEMENT

According to the provisions of article 30 of Accounting Law no 82/1991, republished, we hereby state that we take full responsibility for preparing the annual financial statements as at December 31, 2023 and confirm that:

a) The accounting policies used to prepare the annual financial, consolidated and separated statements are in accordance with the International Financial Reporting Standards as endorsed by the European Union (IFRS), in effect as at the reporting date, December 31, 2023;

b) The consolidated and separated financial statements, prepared as at December 31, 2023 offer a true image of the assets, liabilities, financial position, profit and loss account of SALT BANK S.A. and its group;

c) SALT BANK S.A. carries its business on an ongoing basis;

d) The Annual Report for 2023 has been prepared in accordance with Financial Supervision Authority Regulation no 5/2018 and reflects the correct and complete information at the reporting date.

Executive Finance Director

Gabriela Andrei

19th of April, 2024

Refer to the original signed Romanian version

Translator's explanatory note: The above is provided as a free translation form Romanian which is the official and binding version

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders,
Salt Bank S.A.

Report on the Audit of the financial statements

Opinion

1. We have audited the separate and consolidated financial statements ("financial statements") of Salt Bank S.A. (the "Bank") and its subsidiaries ("the Group"), with registered office in Dimitrie Pompei boulevard, no. 5-7, district 1, Bucharest, Romania, identified by unique tax registration code RO10318789 which comprise the consolidated and separate statement of financial position as at 31 December 2023, the consolidated and separate statement of profit or loss, the consolidated and separate statement of comprehensive income, the consolidated and separate statement of changes in equity and the consolidated and separate statement of cash flows for the year then ended, and notes to the financial statements, including material accounting policy information.

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

- Separate financial statements

- Equity	RON thousand	365,248
- Net loss for the financial year	RON thousand	24,334

- Consolidated financial statements

- Equity	RON thousand	365,842
- Net loss for the financial year	RON thousand	40,999

3. In our opinion:

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

- the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2023, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards as adopted by the EU as issued by the International Accounting Standards Board and Order 27/2010.

Basis for Opinion

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

Key Audit Matters

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

<table>
<tr><th>Nature of the area of focus</th><th>How our audit addressed the key audit matter</th></tr>
<tr><td>Collective impairment of loans and advances to customers and finance lease receivables</td><td></td></tr>
<tr><td>According to IFRS 9, the Group accounts for credit losses on loans and advances to customers, respectively for finance lease receivables 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, respectively financial lease receivables lifetime for exposures with significant increase in credit risk, as detailed in significant increase in credit risk and measurement of the expected credit loss allowance policy from Note 4 (b) to the financial statements.

As at 31 December 2023, the Group registered an impairment allowance in amount of RON 55,469 thousand for Loans and advances to customers in gross amount of RON 322,013 thousand and RON 62,766 thousand for Finance lease receivables in gross amount of RON 1,037,245 thousand.

The Group exercises significant professional judgement using complex models, extensive data and subjective assumptions over both when and how much to record as impairment for loans, respectively from finance lease receivables.

Because loans and advances granted to customers, respectively finance lease receivables form a major portion of the Group's assets, and due to the significance of the management professional judgments applied in classifying loans and advances granted to customers, respectively finance lease receivables 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 professional judgment included:
• utilization of historical data for determining risk parameters;
• the interpretation of the requirements to determine impairment under 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 the forward-looking information.</td><td>Based on our risk assessment and industry knowledge, with the support of our credit risk experts, we have examined the impairment charges for loans and lease 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 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 addressing the risks, we have tested the design and operating effectiveness of such controls.

2) Testing the implementation of the ECL computation methodology into the IT system, including:
• test the general IT controls related to data sources and computations of ECL;
• assessment on a sample basis of the credit/leasing receivables 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 and leasing portfolio.

We have assessed whether the material information on ECL presented in the financial statements is adequate, in accordance with the applicable IFRS requirements.</td></tr>
</table>

Nature of the area of focus	How our audit addressed the key audit matter
Interest Income Recognition	
Refer to Note 8 of the financial statements. For the year ended 31 December 2023 the Group interest income represents RON 40,977 thousand, the main source being loans and advances to customers, respectively RON 94,800 thousand from finance lease receivables. These are the main contributors to the operating income of the Group affecting the Group's results. Interest income from loans and advances to customers is accrued over the expected life of the financial instrument using the effective interest rate, while the interest income from finance lease receivables is recognized based on a pattern reflecting a constant periodic rate of return on the net investment in the lease. Fees that are directly attributable to the financial instrument are part of the effective interest rate and accrued over the expected life of such an instrument and are presented as interest income. Revenue recognition specifics, a high volume of individually small transactions which depends on data quality of interest and fee inputs and on IT system for their recording, resulted in this matter being identified as a key audit matter.	- We have tested the design and operating effectiveness of the key internal controls and focused on: • data input on interest and directly attributable fees for loans and advances to customers, respectively finance lease receivables; • management oversight and control on interest income results, including budget monitoring; • IT controls relating to access rights and change management of relevant automated controls, with the assistance of our IT specialists. - We performed also the following procedures with regard to interest income recognition: • We evaluated the accounting treatment in respect of fees charged to clients to determine whether the methodology complies with the requirement of the relevant accounting standard. We have focused our testing on challenging the correct classification of fees that are identified as directly attributable to the financial instrument and are part of the effective interest rate; • For a sample of loan and leasing contracts, we assessed the completeness and accuracy of data used for the calculation of interest incomes; • We evaluated the mathematical formula used for accruing the relevant interest income over expected life of the loan, respectively of a finance lease contract; • We have assessed the interest income by building our own expectation on the revenue and compared with the actual results. - We have assessed the presentation in financial statements of the interest income in accordance with the applicable IFRS requirements.

Other Matters

6. The Bank`s and Group`s separate and consolidated financial statements for the year ended December 31, 2022 were audited by another auditor, which expressed an unmodified opinion on such separate and consolidated financial statements on April 27, 2023.

Other information – Administrators` Report

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

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

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

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

With respect to the Administrators` report, we read and report if this has been prepared, in all material respects, in accordance with the provisions of National Bank of Romania Order no. 27/2010, articles 12-14.

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

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

b) The Administrators' report has been prepared, in all material respects, in accordance with the provisions of National Bank of Romania Order no. 27/2010, articles 12-14.

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

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

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

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

10. Those charged with governance are responsible for overseeing the Group'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 Group's internal control.

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

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our 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 Group 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.

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

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, actions taken to eliminate threats or safeguards applied.

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 Board of Directors dated April 27, 2023 to audit the financial statements of Salt Bank S.A. for the financial year ended 31 December 2023. The uninterrupted total duration of our commitment is 1 year, covering the financial years ended 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 this report. Also, in conducting our audit, we have retained our independence from the Group.

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

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

Irina Dobre, Audit Partner

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

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

On behalf of:

DELOITTE AUDIT SRL

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

The Mark Building, 84-98 and 100-102 Calea Grivitei, 9th Floor, District 1
Bucharest, Romania
April 26, 2024