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Independent Auditors' Report

(free translation[1])

To the Shareholders of Procredit Bank SA

62-64 Buzesti Street, Bucharest, Sector 1, Romania
Unique Registration code: 14622194

Report on the Audit of the Financial Statements

Opinion

1. We have audited the financial statements of Procredit Bank SA ("the Bank"), which comprise the statement of financial position as at 31 December 2024, the income statement, the statements of other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising material accounting policies and other explanatory information.
2. The financial statements as at and for the year ended 31 December 2024 are identified as follows:

• Net assets:	RON 252,438,133
• Net profit for the year:	RON 16,170,993

3. In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Bank as at 31 December 2024, and of its financial performance and its cash flows for the year then ended in accordance with the International Financial Reporting Standards as adopted by the European Union and with the Order of the National Bank of Romania no. 27/2010 for approval of the accounting regulations in accordance with International Financial Reporting Standards and related amendments („NBR Order no. 27/2010").

[1] TRANSLATOR'S EXPLANATORY NOTE: The above translation of the auditors' report is provided as a free translation from Romanian which is the official and binding version.

Fiscal registration code
RO12997279
Trade Registry
no.J40/4439/2000
Share Capital 2,000 RON

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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 of the Council and related amendments (“the Regulation”) and Law no. 162/2017 and related amendments (“the Law”). Our responsibilities under those standards and regulations are further described in the *Auditors’ Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Bank in accordance with *International Ethics Standards Board for Accountants International Code of Ethics for Professional Accountants (including International Independence Standards) (”IESBA Code”)* together with the ethical requirements that are relevant to our audit of the financial statements in Romania, including the Regulation and the Law and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

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

Collective impairment of loans and advances to customers

As at 31 December 2024, the financial statements include:

- Gross loans and advances to customers subject to collective impairment: RON 2,097,785,151 (31 December 2023: RON 1,897,754,177)
- Collective impairment allowance: RON 37,144,613 (31 December 2023: RON 42,331,244)

and, for the year then ended, total net impairment release for collectively assessed loans and advances to customers of RON 5,267,628 (2023: total net impairment losses of RON 12,685,858).

Refer to the following notes to the financial statements: 7 Financial instruments, 9 Loss Allowances, 12 Loans and advances to customers (accounting policies), 21 Allowance for impairment losses on financial assets, 30 Loans and advances to customers and 47 Credit risk.

The key audit matter	How the matter was addressed in our audit
Impairment allowances represent management’s best estimate of the expected credit losses (“ECLs”) within loans and advances to customers (collectively “loans”, “exposures”) at amortized cost at the reporting date. Impairment allowances for the performing exposures (stage 1 and stage 2 in the IFRS 9 hierarchy) as well as non-performing exposures (stage 3), with amounts not exceeding certain pre-determined thresholds individually, are determined by modelling techniques, relying on key parameters, such as the probability of default (PD), exposure at default (EAD) and loss given default (LGD),	Our audit procedures performed, where relevant, with the assistance from our own financial risk management and information technology (IT) audit specialists, included, among others: • Inspecting the Bank’s ECL impairment methods and models and evaluating, among others, the models’ conceptual soundness against the requirements of IFRS 9, our business understanding and industry practices; • Evaluating the design and implementation and, where relevant, testing the operating effectiveness of selected controls within the impairment process, such as those in respect

which are themselves developed based on complex models (together "collective impairment allowance"). The estimation of collective impairment allowance also takes into account historical experience, identification of exposures with a significant increase in credit risk ("SICR"), forward-looking information and management judgment. Complex models using forward-looking assumptions tend to be prone to greater risk of management bias, error and inconsistent application. These conditions necessitate our additional attention in the audit, in particular to address the objectivity of sources used for assumptions, and their consistent application. In addition, the collective ECL impairment model is highly sensitive to small changes in the assumptions and implicitly on the value of ECL and on the financial statements. In the wake of the economic volatility caused by geopolitical uncertainties and weak economic growth in the area in which the Bank carries out its activity, measurement of collective impairment allowance was associated with additional complexities and increased estimation uncertainty. Among other things, the application of post-model adjustments was required from management in arriving at the year-end estimate of collective impairment losses. Considering the above factors, we determined collective impairment of loans and advances to customers to be associated with a significant risk of material misstatement in the financial statements. Therefore, the area required our increased attention in the audit and, as such, was determined to be a key audit matter.	of: ○ ECL Model validation; ○ Completeness and accuracy of relevant data inputs in the Bank's systems (mainly for loan exposure, maturity date, collateral values and interest rates data); ○ Approval of loans; ○ System configuration of debt service and allocation of payments. As part of these procedures, we have also tested the IT control environment for data security and access. • Testing, on a sample basis, the relevance and reliability of the data elements applied in the models used by the Bank, such as debt service status and client rating, by reference to credit risk memoranda, including client financial data, repayment schedules, restructuring operations. • Challenging whether the key parameters of the PD, EAD and LGD were appropriately determined and included in the ECL computation. • Challenging the macroeconomic forecasts used in the ECL model in terms of their relevance and source objectivity by comparing them with a selection of publicly available forecasts and challenging the related key underlying assumptions considered in the ECL models and their consistent application. As part of the procedure, we challenged the consideration of the current economic uncertainty, by making inquiries of the management board members and inspection of publicly available information. • Assessing the consistency of the application of the SICR criteria and of the criteria for identification of objective evidence of impairment (default). As part of the procedure, we have also challenged, for a sample of exposures, the loans' classification into the stages prescribed by IFRS 9. • Challenging significant post-model adjustments, by: ○ Inspecting the underlying development documentation and key assumptions; ○ Evaluating whether the post-model adjustment completely and accurately

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capture all relevant loan exposures;
○ Evaluating the Bank's validation activities over its post-model adjustments.
• Considering the outcome of the preceding procedures, testing of the ECL model application by recomputing the collective ECL impairment and comparing the results with the amounts included in the financial statements.
• Evaluating the accuracy, completeness and relevance of the collective ECL-related disclosures in the financial statements against the qualitative and quantitative requirements of the relevant financial reporting standards.
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Other information – Administrators' Report

6. The Board of Administration is responsible for the preparation and presentation of other information. The other information comprises the Administrators' Report but does not include the financial statements and our auditors' report thereon.

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

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

   With respect to the Administrators' Report we read and, based solely on the work required to be undertaken in the course of the audit of the financial statements, we report, as required by NBR Order no. 27/2010, that, in our opinion:

   a) The information given in the Administrators' Report for the financial year for which the financial statements are prepared is consistent, in all material respects, with the financial statements;

   b) The Administrators' Report has been prepared, in all material respects, in accordance with NBR Order no. 27/2010, articles 12, 13 and 17 of the accounting regulations in accordance with International Financial Reporting Standards.

   In addition, in light of the knowledge and understanding of the Bank and its environment obtained in the course of our audit we are required to report if we have identified material misstatements in the Administrators' Report. We have nothing to report in this regard.

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

7. Management is responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and with NBR Order no. 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.

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

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

Auditors' Responsibility for the Audit of the Financial Statements

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

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

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

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

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

    - Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' 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 auditors' report. However, future events or conditions may cause the Bank to cease to continue as a going concern.

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

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

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

14. From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current

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period and are therefore the key audit matters. We describe these matters in our auditors' 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 - Public Interest Entities

15. We were appointed by the General Shareholders' Meeting on 28 June 2024 to audit the financial statements of Procredit Bank SA for the year ended 31 December 2024. Our total period of engagement is of 20 years, covering the periods ended 31 December 2002 to 31 December 2004, 31 December 2006 to 31 December 2016 and 31 December 2019 to 31 December 2024.

16. We confirm that:

- our audit opinion is consistent with the additional report presented to the Audit and Risk Management Committee of the Bank, which we issued on the same date as the date of issuance of this independent auditors' report. We also remained independent of the audited entity in conducting the audit.
- we have not provided to the Bank the prohibited non-audit services (NASs) referred to in Article 5(1) of EU Regulation (EU) No 537/2014.

For and on behalf of KPMG Audit S.R.L.:

Refer to the original signed and stamped Romanian version	**Refer to the original signed and stamped Romanian version**
RUBELI IRINA	**KPMG Audit SRL**
registered in the electronic public register of financial auditors and audit firms under no AF4092	registered in the electronic public register of financial auditors and audit firms under no FA9

29 April 2025

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Part of the
ProCredit Group

ProCredit Bank

Administrators' Report for the year 2024

ProCredit Bank SA

TRANSLATOR'S EXPLANATORY NOTE: The above translation of the financial statements is provided as a free translation from Romanian which is the official and binding version.

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General Information

ProCredit Bank S.A. (the "Bank" or "ProCredit Bank") was established in Romania in May 2002 (up to November 2004 the Bank was known as Microfinance Bank MIRO S.A).

ProCredit Bank SA, the only Bank in Romania with 100% German shareholders is a specialized bank for Small and Medium Enterprises (SMEs), while at the same a full-fledged bank addressing both business and retail clients by providing a wide range of modern banking services. Our competitive strength is built upon the high service quality we provide to our clients, driven by the particular skills and attitude of our staff shaped by our ethical approach to banking and by our comprehensive approach to staff development.

The current registered office of the Bank is located at 62 – 64 Buzesti Street, Sector 1, Bucharest, Romania.

In 2024, the development of assets and liabilities of the Bank was influenced by the measures undertaken to consolidate the position in the market, namely attracting new targeted SME clients, consolidating the relationship with the existing ones and simultaneously attracting customers from the Retail Segment through marketing channels in order to increase and diversify the balance sheet of the Bank.

Our approach on recruitment and training continued to be based on constant long-term investment in our staff. The quality of the staff, especially the quality of our Business Client Advisors proved to be central in understanding the clients' needs and in providing tailor-made financial services to our SME clients.

At the end of 2024, compared to 2023, the main indicators were:

Indicators	31.12.2024 ('000 LEI)	31.12.2023 ('000 LEI)	% change
Total gross loan portfolio	2,110,044	1,904,425	10.80%
Total assets	2,872,401	2,760,337	4.06%
Total customer deposits	2,279,964	1,899,214	20.05%
Liabilities to banks and IFIs	321,518	604,256	-46.79%
Share capital	251,635	251,635	0.00%
Total Equity	252,438	239,116	5.57%

Financials results

The total assets increased by 4.06% as compared to 2023, the most relevant contributor being the loan portfolio which registered an increase of approximately RON 206 million (10.8%) totalling RON 2.11 billion on December 31, 2024 (31 December 2023: RON 1.90 billion). At the same time, the Bank maintained a comfortable level of liquid assets throughout 2024.

During 2024, the Bank has generated profit in amount of RON 16.2 million (31 December 2023: RON 18.1 million) mainly driven by the business activity consisting in the expansion of its assets throughout the year. In line with its business strategy, the Bank has continuously invested throughout 2024 in developing and improving its services and applications to achieve the objectives of the business and risk strategies as well as provide modern, secure and efficient IT infrastructure. The continuous digitalization and automation process of the banking operations and clients' transactions, which implies a limited number of physical banking outlets and staff contributes to maintain general administrative costs at a stable level.
Additionally, the increase in the funds attracted from the non-financial clientele had a positive impact on the financial result by partially replacing the funds attracted from Banks and other International Financial Institutions.

Business Clients

The focus of the Bank with regard to the business clients segment, during the last years, has been the acquisition of MSMEs with potential to stabilize and strengthen through the crisis and post-crisis times, run by capable and knowledgeable management. The Bank did not necessarily target certain type of business activities, but rather certain individual client profiles. Thus, the Bank gradually developed expertise and strengthened its positioning towards MSMEs, continuously following the business needs of its clients.

The Bank aims to work – on a long-term basis – with innovative, forward-looking companies with the greatest capacity for job creation and sustainable economic development. Our business clients are characterized by their formal or increasingly formalized structures, a sustainable business model and their need for Banking services beyond mere credit. Lending activities are guided by a strict exclusion list and the Bank does not provide services to companies and clients that engage in antisocial, environmentally and morally harmful or hazardous practices, that do not comply with health and safety legislation, or that have a negative impact on the community. Moreover, no services are provided to enterprises or individuals if they are suspected of making use of unsafe, environmentally harmful or morally objectionable business and labor practices, in particular child and/or forced labor.

The Bank's portfolio of green loans represents more than 20% of the total loans granted to customers, one of the highest shares among competitors on the market, underlining the desire to be a protagonist in the energy transformation. Volatility in energy prices and an increased awareness of the threats posed by global warming and pollution ensure that the green credit portfolio will remain a key driver of growth for years to come.

As in previous years, in 2024 the Bank focused on the quality of the loan portfolio and kept it under control by identifying potential problems with the clients in a timely manner and intensively working out the problematic exposures. As a result, the portfolio of non-performing exposures was maintained on a low level of 1.44% on 31 December 2024 (31 December 2023: 1.38%)

Retail Clients

Business with private clients is of key importance, especially from the perspective of a sound structure of the Bank's liabilities, representing the second major business line that includes all services and activities related to serving the Retail segment.

The Retail segment includes a wide range of customers such as salary receivers, business owners, freelancers, retirees, students, etc. The bank offers remote services through ProBanking, MBank and Contact Center. Direct banking services for Private Individuals include the following facilities: FlexSave, Overdraft, term deposits, housing loans and investments.

During 2024, the focus was the increase the total number of private clients through an active and targeted acquisition strategy. We are continuously upgrading the technology infrastructure of the Bank, in order to facilitate the performance of financial transactions by our clients. In 2024 we further improved our digital platform which made it easier to on-board new customers remotely, which will further strengthen our position as a direct Bank in the market, while improving customers experience. Additionally, the Bank has initiated the development of a retail loan portfolio, which is expected to grow in the coming years.

In parallel, the Bank strategically aims to also attract more funding from business clients by establishing long-term relationships with them and becoming the sole financial partner for small business clients and the main bank for medium business clients.

Branch Network

At the end of December 2024, the Bank's outlet network consisted in 5 outlets in the main cities of Romania – Bucharest, Timisoara, Constanta, Craiova (three branches and two 24/7 machine only zones). The slim branch network reflects the further push into digitalization of the Bank, by offering to our existing and potential clients the full range of services accessible remotely (applications for mobile and electronic banking and a remote client identification platform.

All the Bank's outlets have 24/7 zones embedded and offer full range of banking services available to clients round the clock.

Staff and Staff Development

The key to long-term success is our staff. The Bank's relies on a company culture that is based on ethical principles and encourages proactive participation and professionalism. The implementation of the strategy requires staff who establish long-term relationships with customers and provide them with innovative and efficient service in a friendly manner. We offer staff long-term prospects with opportunities for further professional development.
The recruitment process will continue to be highly selective aiming to identify the candidates with the most potential to be developed further through intensive trainings, both local and at Group level, thus ensuring our business strategy needs. Additionally, the Bank will focus on the proper training and integration of the new employees, as a key factor for their development inside the Institution.

In 2024, the Bank continued to invest in the professional training of its new employees by offering them the opportunity to join ProCredit Onboarding Programme. The programme proves to be a very good opportunity to broaden the general knowledge of our participants, mainly from cultural diversity point of view. As the participants are having different educational backgrounds and different previous experiences, training programme gives them an opportunity for further exchange of views and experiences within the theoretical trainings.

Besides the preparation for the new employees, last year a strong emphasis continued to be put on the quality of all personnel, trainings being provided throughout the whole year. Thus, our employees, attended various trainings on different topics. Additionally, a strong focus continued to be placed on the trainings provided at Group level, English Courses and ProCredit Academies. Besides these above mentioned, colleagues from both Head Office and Branches participated in various seminars aiming to increase the professional standards of our staff and to enhance the understanding of our Group business strategy.

Business Ethics and Environmental Standards

Part of the overall mission of the ProCredit group is to set standards in the financial sectors in which we operate. We strive to make a difference not only in terms of the target groups we serve and the quality of the financial services we provide, but also with regard to business ethics. Our strong corporate values play a key role in this respect. The five ProCredit values represent the backbone of our corporate culture and are discussed and actively applied in our day-to-day operations. Moreover, they are reflected in the ProCredit Code of Conduct, which translates ProCredit group's ethical principles into practical guidelines for all our staff. In order to ensure that staff fully understands all of the principles that have been defined, induction seminars, have a separate section for the study of the Code of Conduct and its importance for all the members of our team. In addition, refreshment seminars are organized for our employees, to ensure that they respect their commitment to the high ethical standards and that they are informed about the new subjects and evolutions of an ethical nature for our institution. These events allow the existing staff to analyse recent case studies and to debate any unclear aspects.
Another manner of ensuring that our institution adheres to the highest ethical standards is our consistent application of international best-practice methods and procedures to protect ourselves from being used as a vehicle for money laundering or other illegal activities such as the financing of terrorist activities. The important focus here is the "know your customer" principle, and, in line with this principle, the performance of a sound reporting activity and the compliance with the applicable regulations. At group level, updated policies are introduced for the prevention of money laundering and fraud, to ensure compliance with both German and Romanian regulatory standards.

ProCredit Bank has implemented an environmental management system based on continuous assessment of the loan portfolio according to environmental criteria, an in-depth analysis of all economic activities which potentially involve environmental risks, and the rejection of loan applications from enterprises engaged in activities which are

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deemed environmentally hazardous and appear on our institution's exclusion list. By incorporating environmental issues into the loan approval process, ProCredit Bank is also able to raise its clients' overall level of environmental awareness. The Bank only provides financing for environmentally sound projects. Thus, ProCredit Bank's clients must comply with the requirements stipulated by local health, safety and environmental legislation. When conducting credit analyses and making lending decisions, and also when monitoring loans, the Bank invariably gives due consideration to ecological and environmental factors.

Risk Management

During 2024, the Bank continued to monitor all relevant risks and further refined its risk management tools. The core element of an effective risk management system is a well-developed "risk awareness culture" – a corporate culture in which risks are recognized by each employee. The potential impact of these risks is fully understood, and responsibility for controlling individual risks is assumed by the relevant staff members in accordance with their specified duties and tasks.

The Bank's prudent risk management policies are defined on a comprehensive, wide institutional basis by the Bank's Managers and approved by the Board of Administration. The risk management and risk control functions are ensured by the Risk Management Department and Compliance and AML Department, established at the level of Head Office. The decisions regarding the decrease of or the acceptance of exposures to risk are made within the Risk Management Committees.

ProCredit Bank aims at identifying, measuring, assessing, monitoring and controlling the risks it encounters effectively and to permanently maintain the capital at a level which is appropriate to the assumed risks. Central to our risk management strategy is our simple and transparent business model, a thorough understanding of our customers, well-trained staff, and a conservative approach to financial risks. The Code of Conduct complements the risk management strategy.

According to its internal by-laws, the Bank does not engage in speculative operations and maintains its currency position closed.

The principles, the risk profile and the main instruments used in the management of risks are set by the Bank's Board of Administration through the risk management policies and strategies. Thus, the Bank has defined risk management policies and strategies for the following types of risks: credit risk, counterparty risk, foreign currency risk, interest rate risk, liquidity risk, operational risk (including the IT&C sub-category), fraud risk, reputational risk and the risks related to outsourced activities. Moreover, the Bank has in place an Internal Capital Adequacy Assessment Process (ICAAP), in line with the established risk profile, as well as a general framework for stress testing on the risk profile and capital adequacy. The risk management and control process is carried out both at the level of the Bank as a whole, and at the level of each defined business line.

The Bank's Managers are responsible for implementing the risk management strategy and for the functionality of the Risk Management Committees, according to their statutes. The Audit and Risk Management Committee is a Board level committee responsible for addressing all significant risks from the strategic perspective. The upper management level committees that are: the Assets and Liabilities Management Committee, the Credit Risk Management Committee, the Operational Risk Management Committee and the Committee for Preventing and Combating Money Laundering and Terrorism Activities Funding address the individual risks.

The Risk Management Department develops and implements risk management and operational control. The department monitors all relevant risks and risk positions on a continuous basis through regular quantitative and qualitative reports to ensure that the total amount of all risks incurred does not exceed the risk-bearing potential of the Bank. All processes and areas of operations (including branches) are assessed, on a regular basis, by the Internal Audit Department, being subject to a risk assessment. Among other things, the audit missions are designed to identify fraud risks and alert the Bank's Managers so that they can take preventive measures.

The Bank's exposure to risks and the current capital adequacy situation are presented in the Management Risk Report, which is prepared on a regular basis. The report is reviewed in the Audit and Risk Management Committee meetings. The Audit and Risk Management Committee informs the Board of Administration on a quarterly basis through the Risk Profile and ICAAP Report about the development on the risk profile and capital adequacy topics.

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The decisions of the upper management committees are executive decisions. The relevant operational areas are represented in each committee, as to ensure that the various business lines and the risk management function are closely connected.

Audit and Risk Management Committee (ARMC)

The Audit and Risk Management Committee is subordinated consultative committee of the Board of Administration and also fulfils the function of informing to the Board of Administration with regard to Bank's exposure to risks. The main duty of the ARMC is to support the Board of Administration in ensuring that the bank maintains a risk profile within the limits defined by the Bank's risk appetite. Accordingly, the ARMC reviews all the topics regarding the implementation of the policies, procedures and methods used in the management of credit risk (including counterparty risk), market risk (interest rate and foreign exchange risk), liquidity risk (including funding risk), operational risk (including legal risk and IT&C Risks), reputational risk, risk associated with the business (including strategic risk), compliance risk, leverage risk and the management of any other risk categories that could become relevant for the bank's activity. ARMC monitors on a regular basis the capital adequacy ratio, from the perspective of the regulations in force, as well as from the perspective of economic capital calculated for internal purposes. The Committee meets on a quarterly basis.

Credit Risk Management Committee (CRMC)

The CRMC is a monitoring and decision-making committee whose main duty is to monitor developments and trends in the loan portfolio and to analyse them in relation to the risk appetite established for credit risk and, whenever necessary, to approve corrective measures. The committee's meetings are held quarterly, but it may be convened whenever necessary.

Operational Risk Management Committee (OPRC)

The agenda for the ordinary meetings of the OPRC must include the following topics: operational risk exposure (as derived from the operational risk database) and required action plans in order to address operational risk events. The assessment of the operational risk exposure also includes information security elements and the risks related to outsourced activities. The regular meetings of the OPRC are held quarterly, but it may also be convened whenever required.

Asset and Liability Management Committee (ALCO)

The agenda for the ordinary meetings of ALCO committee addresses mainly issues specific to the liquidity risk, interest rate risk, market risk, counterparty risk, FX risk, business risk and, to a certain extent, compliance risk. The committee can be convened in extraordinary meeting whenever necessary.

Committee for Preventing and Combating Money Laundering and Terrorism Activities Funding (AML&CFT)

The main objective of this committee is to monitor activities from the area of "know-your-customer" practices, the prevention and fight against money laundering and terrorism financing. The decisions of the committee are implemented by those departments whose areas of activity include measures decided by the committee. The AML&CFT Committee is convened whenever necessary, but at least on a quarterly basis.

Credit Risk

The management of credit risk is the responsibility of the Credit Risk Management Committee. The Credit Risk Department is responsible for the identification and the evaluation of the credit risk at client level, while the Risk Management Department bears the same responsibilities at loan portfolio level.

The Bank's credit products have a low level of complexity. The Bank does not engage in operations with financial derivative instruments with its clients. Moreover, our transparency strategy with the clients ensures that they have a good understanding of the obligations that appear from a loan contract, thus avoiding future problems at repayment. The lending process as a whole is designed to minimize the risk associated with individual loans: the credit analysis focuses on the customer's cash flow, and only subsidiary on the collateralized assets; each loan is analysed and approved by a credit committee; loans are carefully monitored by business client advisers, who bear responsibility for their clients' adherence to the agreed repayment plans and to the scheduling of repayments in regular instalments. All these measures are applied to the majority of loan products, allowing problems to be identified quickly. Loans in arrears are monitored by specialized staff, at the level of Head Office, thus ensuring an appropriate level of collection of the overdue debts. When a loan becomes irrecoverable on an amiable basis, the bank starts the execution process to ensure the recovery of the respective loan collaterals.

Exposures in the Bank's business loan portfolio are subject to an environmental and social risk assessment, which also includes climate risks. Customers whose business activities entail medium or high environmental risks and whose credit volume exceeds a certain threshold are subject to a more detailed review. With regard to our lending activities, we incorporate climate risks (physical and transition risks) into all our risk assessments and we support our business clients in enhancing the resilience of their companies in relation to climate-related risks.

On December 31st, 2024 the average amount of a loan from the outstanding loan portfolio was EUR 140,233 (December 31st, 2023: EUR 120,749). The non-performing loan portfolio was 1.44% (December 31st 2023: 1.38%) while non-performing loans coverage ratio was 64.32% (December 31st, 2023: 64.59%).

Market Risk

ProCredit Bank is exposed to foreign currency risk and interest rate risk. The management of these risks is performed by the Assets and Liabilities Management Committee. The Committee also monitors the limits established by the Board of Administration for the exposure to these risks.

Foreign Currency Risk

The Bank is exposed to foreign currency risk, carrying out operations in foreign currencies, especially in Euro. In order to avoid the losses generated by the fluctuation of the foreign exchange rates, the Bank adopted a strategy of closing the currency positions on a daily basis. ProCredit Bank does not use derivatives for hedging purposes, choosing a strategy for closing positions by minimising the currency mismatch between assets and liabilities. The currency position is monitored on a daily basis at the level of Treasury Department, Operation Support Department and Risk Management Department. The monitoring results are submitted to the Assets and Liabilities Management Committee (ALCO).

Interest Rate Risk

The Bank aims to ensure that balance sheet structure is balanced across all maturities. Interest rate risk is managed mainly using maturity gap analysis and scenarios analysis which measure the impact of the market interest rates' evolution on the economic value of the Bank and on its P&L. The Bank's economic value impact under the assumptions of the EBA parallel Up/Down scenarios, at any given moment, 15% of the Bank's capital.

Liquidity Risk (including Funding Risk)

The Bank's position regarding the liquidity risk is carefully monitored and analysed, during the meetings of the Assets and Liabilities Management Committee.

The funding risk is a component of the liquidity risk which expresses the risk that the Bank will not dispose of sufficient funds to finance the development of its own business. Throughout 2024, the Bank used the funding attracted from ProCredit Bank AG (Germany) and also funds raised from European Investment Fund (EIF) under different programmes, such as Competitiveness Operational Programme, EAFRD Fund of Funds ("AGRI"), ESIF Competitiveness ("POC"). In addition, the Bank is using funds attracted from the European Investment Bank and other financial institutions. The Bank increased the loan portfolio – deposits coverage ratio up to a level of 106% at the end of 2024 (2023: 96%).

Operational Risk

For monitoring and controlling the operational risk, ProCredit Bank maintains an operational risk event database ("RED") and it has established an Operational Risk Management Committee. An important component of the management of this risk is represented by the continuous efforts made in order to increase the awareness of the employees regarding this source of risk and to encourage them to report the detected incidents.

The Bank also has an information security policy and a business continuity and recovery plan in case of disaster. The monitoring and the management of the information security incidents are performed by the Information Security Officer from Risk Management Department.

Strategic Risk

The Bank considers the strategic risk as a significant risk because, following the changes in the business environment mainly caused by the financial crisis, we have encountered significant problems in achieving the business goals. In these circumstances, the Bank's Board of Administration defined a target risk profile for this risk, in order to ensure a better control of the risk exposure.

Compliance Risk, Reputational Risk, Legal Risk

The management of the compliance risk is performed in three committees of the Bank. The compliance with the financial covenants included in the refinancing contracts is monitored on a monthly basis in the ALCO meetings. The risks related to money laundering and terrorism activity funding are managed by the Committee for Preventing Money Laundering and Terrorism Activity Funding. The monitoring of the legislative regulations and of their implementation is performed within the Operational Risk Management Committee. The organizational structure of the Bank includes the Compliance & AML Department which has the role of supporting the Bank's Managers in the efficient management of compliance risk and AML-CFT risks.

Our reputation in the market remains central to our success in raising deposits and funds via the capital market. Our reputational risk is low given our commitment to transparency and responsibility in every aspect of our company policy and corporate culture. There were no significant negative events affecting our reputation in 2024. Fitch Ratings reconfirmed the long-term individual rating of the bank (BBB-) considering the stable outlook of our business model.

As of December 31, 2024 there was no significant legal action filed against the Bank.

Internal Capital Adequacy Process

During 2024, the Bank continued to develop its approach regarding the internal capital adequacy process. This process is based on the assessment, monitoring and internal control of capital adequacy from two complementary perspectives: determination, based on current and provisioned position, of the economic capital needed for covering each significant risk and the use of economic capital calculation techniques in order to calculate the additional capital needed for the risks that are underestimated or not covered by the regulatory framework.

The Board of Administration establishes through the Internal Capital Adequacy Assessment Process (ICAAP) Policy, both limits regarding the economic capital needed for each significant risk, and for the general limits for capital adequacy, the compliance of these limits being monitored within the Audit and Risk Management Committee.

During 2024, the Bank performed regular stress tests on the risk profile and capital adequacy within the business planning process. The goal of this process is to assess the Bank's exposure to significant risks, under alternative conditions and to ensure that in adverse conditions we will continue to observe the solvency limits and risk appetite.

Information regarding the future strategy of the Bank

The Bank is strategically positioned to undergo a substantial expansion of its assets during the planning period. While maintaining a dominant focus on Micro, Small and Medium Enterprises (MSMEs), the Bank aims to diversify and reinforce its presence in the Retail sector to enhance overall balance sheet relevance. Recognizing the potential for sustained growth in the MSME segment, the Bank seeks to continue its robust participation in this sector. Simultaneously, the strategic initiative to bolster the retail segment underscores the institution's commitment to broadening its portfolio and tapping into new opportunities. By strengthening its retail arm, the Bank aims to achieve a more balanced and resilient balance sheet, reflecting a diversified asset base that can weather economic fluctuations and capitalize on emerging market trends. This strategic approach reflects the bank's commitment to adaptability, resilience, and sustained growth in the dynamic financial landscape.

Regarding MSMEs , the Bank will focus on businesses with a stable, largely shock-resilient business model and a sound management structure. The Bank sees the potential of developing structural and long-term business relationships with Micro and Small Clients including gradually the clients situated at the lower end of the small segment, on the basis of the experienced staff and a good potential in agro business; this will support for the further diversification and granularity of the loan portfolio and to improve the net interest margin. The business with Medium Clients will continue to be actively developed. The Bank's green portfolio represents more than 20% of total customer loans, one of the highest shares among our competitors in the market, underlining our desire to be a protagonist in the energy transformation. The volatility in energy prices and a heightened awareness of the threats posed by global warming and pollution give us assurance that our green portfolio will remain a key driver of our growth in the years ahead.

Retail is our second major business line. We consider this business line to include all services and activities related to serving private individuals (PIs). Retail clients' category encompasses typically a broad range of clients including salary receivers, business owners, freelancers, pensioneers, students, etc. We apply a direct banking concept and offer our services remotely via ProBanking, MBank and Contact Centre. Our direct banking services for private individuals include the following interconnected web-based facilities: FlexSave, Overdraft, term deposits, housing, and investment loans. Approaching retail banking with a focus on MSME clients, including both business owners and employees, allows the Bank to capitalize on existing relationships, provide comprehensive financial solutions, mitigate risks, and position itself as a valuable partner in the growth and success of MSMEs and their communities.

In ProCredit Bank, we consider Green Finance activities as a central business line, through which we directly promote green investments within our target group (MSMEs and Retail) and support clients who want to improve their business processes in an environmentally sound manner. Environmental impact and awareness have been an important topic for the Bank for many years. We aim to promote sustainable development in all its facets. We believe that our Bank can make a meaningful impact by fostering sustainable economic development in Romania.

The Bank's strategy towards digitalization and automation of the banking operations and clients' transactions and consequently of the channels of interaction with clients implies a limited number of physical banking outlets and staff. The Bank is operating three main cities: Bucharest, Timisoara and Constanta. Additionally, to enhance customer relations in Oltenia region, the Bank inaugurated a Self-Service Zone in Craiova equipped with ATMs and cash deposit machines during 2023.

In order to improve its competitiveness in the market, the Bank has developed strong and reliable partnerships with the key players within the MSME financing and development support sector: The European Investment Bank and the European Investment Fund (under CIP, Jeremie, InnovFin, Invest EU and SME Initiative programs, Competitiveness and AGRI Portfolio and Risk Sharing Loans) - external institutions who support the local MSMEs.

ProCredit Bank will continue, like in the previous years, to invest both in training its staff and in improving internal processes in order to ensure, on the one hand, business efficiency and competitiveness in the Romanian banking market, and on the other hand, high quality customer service. Building long-term relationships and the in-depth knowledge of the clients' needs remain key to achieving these objectives.

Gian Marco Felice
Chairperson of the Board of Administration

Part of the
ProCredit Group

ProCredit Bank

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ProCredit Bank

Part of the ProCredit Group

Financial Statements
31 December 2024

Prepared in accordance with International Financial Reporting Standards as endorsed by the European Union and with the provisions of Order 27/2010 issued by National Bank of Romania

- Free translation* -

TRANSLATOR'S EXPLANATORY NOTE: The above translation of the financial statements is provided as a free translation from Romanian which is the official and binding version.

Semnat pentru identificare KPMG 29. APR. 2025 Initialised for identification

ProCredit Bank

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Statement of Profit or Loss and other Comprehensive Income

in LEI	Note	1.1-31.12. 2024	1.1-31.12. 2023
Interest income		200,009,473	190,921,304
Interest expenses		-101,053,299	-97,756,717
Net interest income	(20)	**98,956,174**	**93,164,587**
Fee and commission income		14,995,953	12,974,884
Fee and commission expenses		-5,795,972	-5,184,294
Net fee and commission income	(22)	**9,199,981**	**7,790,590**
Net result from foreign exchange transactions	(23)	5,747,232	5,549,086
Dividend income		45,789	33,507
Other operating income	(24)	1,386,044	2,296,434
Operating income		**115,335,220**	**108,834,204**
Allowance for impairment losses on financial assets	(21)	1,242,026	-7,062,428
Personnel expenses	(25)	-31,558,782	-26,368,684
Administrative expenses	(25)	-55,769,262	-43,267,778
Depreciation and amortization	(31, 32)	-7,721,437	-7,444,886
Other operating expenses	(24)	-1,489,258	-3,252,959
Operating expenses		**-95,296,713**	**-87,396,733**
Profit before tax		**20,038,507**	**21,437,470**
Income tax expense	(26,34,35)	-3,867,514	-3,304,397
Profit for the period		**16,170,993**	**18,133,073**
Items that may be reclassified subsequently to profit or loss			
Movement in fair value reserve (FVOCI debt instruments)		-3,395,741	1,701,401
Tax effect from movement in fair value reserve (FVOCI debt instruments)		546,810	-267,894
Other comprehensive income for the year, net of tax		**-2,848,931**	**1,433,506**
Total comprehensive income for the year		**13,322,062**	**19,566,580**

The Statement of profit or loss and other comprehensive income is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 8 to 66.
The financial statements were reviewed and authorized for issue by the Board of Administration on 28th April 2025 were signed on its behalf by:

Andreea Ichim
Deputy General Manager

PROCREDIT BANK S.A. BUCURESTI

Alexandra Andronache
Head of Finance Department

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ProCredit Bank

Statement of Financial Position

in LEI

Assets	Note	2024	As at 31 December 2023
Cash and balances with central bank	(27)	425,981,100	552,393,279
Loans and advances to banks	(28)	70,988,096	76,442,306
Financial assets at fair value through other comprehensive income	(29)	278,196,496	235,311,847
Loans and advances to customers	(30)	2,063,675,512	1,857,381,420
Current tax assets	(36)	-	762,028
Property, plant and equipment	(32)	10,202,906	11,518,084
Intangible assets	(31)	7,559,425	5,238,414
Deferred tax assets	(34)	384,346	-
Other financial assets	(36)	6,723,221	18,458,002
Other non-financial assets	(36)	8,689,674	2,831,670
Total assets		**2,872,400,776**	**2,760,337,050**
Liabilities			
Liabilities to banks	(37)	50,431,107	223,762,955
Liabilities to customers	(38)	2,279,963,616	1,899,214,077
Liabilities to international financial institutions	(39)	271,086,868	380,492,846
Other financial liabilities	(42)	8,355,517	10,526,877
Other non-financial liabilities	(43)	5,844,519	3,750,419
Provisions	(41)	3,905,548	3,269,800
Current tax liabilities	(34)	375,468	-
Deferred tax liabilities	(34)	-	204,006
Total liabilities		**2,619,962,643**	**2,521,220,979**
Equity			
Share capital	(44)	251,635,371	251,635,371
Share premium	(44)	1,273,775	1,273,775
Legal reserve	(44)	6,555,176	5,553,250
Accumulated loss		-4,983,664	-20,152,732
Fair value reserve		-2,042,525	806,406
Total equity		**252,438,133**	**239,116,071**
Total equity and liabilities		**2,872,400,776**	**2,760,337,050**

The statement of financial position is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 8 to 66.

The financial statements were reviewed and authorized for issue by the Board of Administration on 28th April 2025 and were signed on its behalf by:

Andreea Ichim
Deputy General Manager

PROCREDIT BANK S.A. BUCURESTI

Alexandra Andronache
Head of Finance Department

ProCredit Bank

Statement of Changes in Equity

	Share capital	Share premium	Legal reserve	Accumulated loss	Fair value reserve	Total
Balance at January 1, 2024	**251,635,371**	**1,273,775**	**5,553,250**	**-20,152,732**	**806,406**	**239,116,071**
Profit of the year 2024	-	-	-	16,170,993	-	16,170,993
Change in fair value of financial assets at FVOCI, net of tax	-	-	-	-	-2,848,931	-2,848,931
Transfer to legal reserve	-	-	1,001,925	-1,001,925	-	-
Total comprehensive income of the year 2024	-	-	**1,001,925**	**15,169,068**	**-2,848,931**	**13,322,062**
Balance at December 31, 2024	**251,635,371**	**1,273,775**	**6,555,176**	**-4,983,664**	**-2,042,525**	**252,438,133**
Balance at January 1, 2023	**251,635,371**	**1,273,775**	**4,481,377**	**-37,213,932**	**-627,100**	**219,549,491**
Profit of the year 2023	-	-	-	18,133,073	-	18,133,073
Change in fair value of financial assets at FVOCI, net of tax	-	-	-	-	1,433,506	1,433,506
Transfer to legal reserve	-	-	1,071,874	-1,071,874	-	-
Total comprehensive income of the year 2023	-	-	**1,071,874**	**17,061,200**	**1,433,506**	**19,566,580**
Balance at December 31, 2024	**251,635,371**	**1,273,775**	**5,553,250**	**-20,152,732**	**806,406**	**239,116,071**

The statement of changes in equity is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 8 to 66.

The financial statements were reviewed and authorized for issue by the Board of Administration on 28th April 2025 and were signed on its behalf by:

Andreea Ichim
Deputy General Manager

Alexandra Andronache
Head of Finance Department

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ProCredit Bank
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Cash Flow Statement

in LEI	1.1.-31.12.2024	1.1.-31.12.2023
Net profit after tax	**16,170,993**	**18,133,073**
Cash flows from operating activities		
Adjustments for:		
Allowance for impairment losses on loans and advances	-1,242,026	7,062,428
Depreciation and amortization	7,721,437	7,444,886
Net interest income	-98,956,174	-93,164,587
Other provisions	635,748	307,053
Net result from sale of fixed assets	14,877	10,413
Dividends Income	-45,789	-33,507
Other (including FX)	-1,005,560	824,544
Income tax expense	3,867,514	3,304,397
Operating profit before changes in operating assets and liabilities	**-72,838,980**	**-56,111,301**
Change in minimum compulsory reserve	-15,120,306	-11,483,855
Change in loans and advances to customers	-205,618,909	-168,231,078
Change in other assets	6,638,806	-11,575,807
Change in deposits from banks	-76,839,550	-77,106,300
Change in deposits from customers	380,749,539	322,900,543
Change in other liabilities	1,851,308	-258,792
Interest paid	-96,711,336	-87,565,710
Interest received	190,913,976	176,793,859
Income tax paid	-3,533,588	-1,768,394
Net cash from operating activities	**109,490,960**	**85,593,165**
Cash flows from investing activities		
Dividends received	45,789	33,507
Purchase of property, plant and equipment / intangible assets	-8,424,913	-2,928,372
Purchase of financial assets at FVTOCI	-112,329,310	-150,912,388
Proceeds from sale of financial assets at FVTOCI	69,079,097	137,236,229
Net cash used in investing activities	**-51,629,337**	**-16,571,025**
Proceeds from borrowings	25,125,290	54,922,710
Repayment of borrowing	-226,829,817	-155,068,788
Payment of lease liabilities	-3,143,790	-2,944,344
Cash flow used in/from financing activities	**-204,848,317**	**-103,090,422**
Net increase in cash and cash equivalents		
Cash and cash equivalents at 31 December previous year	473,761,257	507,829,538
Net increase/(decrease) in cash and cash equivalents	-146,986,694	-34,068,281
Cash and cash equivalents at 31 December	**326,774,563**	**473,761,257**

Andreea Ichim
Deputy General Manager

PROCREDIT BANK S.A. BUCURESTI

Alexandra Andronache
Head of Finance Department

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Notes to the Financial Statements

ProCredit Bank

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Notes to the Financial Statements

A. Basis of Preparation

1) Compliance with International Financial Reporting Standards as endorsed by the European Union

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and with provisions of Order 27/2010 issued by National Bank of Romania for approval of accounting regulations in accordance with International Financial Reporting Standards as endorsed by European Union, with subsequent amendments under the historical cost convention, except for the investments at fair value through other comprehensive income. The main accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

These financial statements of the Bank for the fiscal year 2024 are subject to be approved by General Shareholders Assembly on 30th April 2025, reviewed and authorized for issue by the Board of Administration on 28th April 2025 and were signed on its behalf by Andreea Ichim as Deputy General Manager and by Alexandra Andronache as Head of Finance Department.

These financial statements were prepared on the going concern assumption.

In 2024, the Bank registered a profit of RON 16.2 million, slightly below the one registered for 2023 in amount of RON 18.1 million. The stable profitability is driven by the steady expansion of both the loan portfolio and customer deposits, partially off-setting the tax on turnover in amount of RON 4.5 million paid in 2024.

The Bank's prudent approach towards credit risk has proven its benefits by maintaining a low non-performing loan rate of 1.44% at 31 December 2024 (1.38% at December 2023). Bearing in mind the business evolution and bank's resilience even in times of uncertainty, Management considers the use of the going concern assumption appropriate.

2) Use of estimates and judgements

The Bank's financial reporting and its financial result are influenced by judgements made in applying the accounting policies, assumptions, estimates, and management judgement which necessarily have to be made in the course of preparation of the financial statements.

All estimates and assumptions are in conformity with IFRS and are best estimates undertaken in accordance with the applicable standard. Estimates and judgements are evaluated on a continuous basis, and are based on past experience and other factors, including expectations with regard to future events and are considered appropriate under the given circumstances. Revisions to estimates are recognized prospectively.

Accounting policies and management's judgments for certain items are especially critical for the Bank's results and financial position due to their materiality in amount. This applies to the following positions:

(a) Expected credit losses under IFRS 9

Loss allowances are established based on the IFRS 9 impairment model. The forward-looking expected credit loss (ECL) model is the central element of the approach to quantifying credit loss allowances for on- and off-balance sheet financial instruments. The model calculates loss allowances considering the credit losses expected over various default scenarios in the future. The calculated loss allowances represent the sum of probability-weighted outcomes; ECL estimates are unbiased and include supportable information about past events, current conditions, and forecasts of future economic conditions.

The focus of the observations at portfolio level is on an expected deterioration in macroeconomic conditions, mainly resulting from the impact of the war in Ukraine and Middle East conflict on the global economy.
The war has had an impact on many other economies, as sanctions and naval blockades have also led to shortages in food and energy supplies.
The Bank's activities continued to focus on assessing the effects on the credit portfolio and on a corresponding risk mitigation strategy and proper ECLs recognition.

Considering the uncertainty due to deterioration in macroeconomic conditions, appropriate adjustments have been made to the ECL parameters.
We are taking account for risks arising from the currently tense economic situation by making new adjustments to the parameters. These adjustments are stated in Note 9 Loss allowance.

(b) SPPI assessment

The assessment of whether the contractual cash flows of financial assets give rise to cash flows that are solely payments of principal and interest (SPPI) is subject to the application of significant judgements. These judgements are crucial in the IFRS 9 classification and measurement process as they determine whether the asset must be measured at FVPL or, depending on the business model assessment, at amortised cost or at FVOCI.
As part of the SPPI testing, any clause or covenant that can influence the contractual cash flow should be assessed. In that sense, following aspects are analysed: general terms and conditions of the Bank; template facility contracts (the main focus being on clauses and covenants that can change the contractual cash flow i.e. with monetary elements (fees, commission, penalties) and the expression of the interest rate); contracts that differ from the standard template.

(c) Provisions

A provision is recognized if, as a result of a past event, the Bank has a present legal or constructive obligation that can be estimated (including litigations from the ordinary course of business), and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Please see Note 17) Provisions for a description of the accounting treatment and Note 24) Other net operating income/expense.

(d) Taxation risk

The Bank is committed to ensure sustainable performance of tax risk management by building and maintaining an efficient, effective and transparent tax function within the organization.

Effective from 1 January 2012, IFRS implementation has been consideration for the revision of tax legislation in order to introduce particular rules for the treatment of adjustments resulted at the implementation stage and afterwards. The Authority regulated in time the tax implications on both, tax neutrality of IFRS implementation and on budgetary sources, by often amending related legislation.

In this context, careful analysis was performed in identification of differences in accounting treatment, having tax impact, both in terms of current tax and deferred tax.

It is expected that also in the future the tax framework will be subject to frequent amendments as a consequence of the state budgetary needs or as a result of the Romania's obligations as an EU Member State. Given the precedents, they may have retroactive application.

Tax liabilities of the Bank are open to a general tax inspection for a period of five years.

(e) Determination of fair values

Determination of fair value for both financial instruments carried at fair value in the financial statements and financial instruments carried at amortized cost and for which the fair value is disclosed encompasses significant judgements and uncertainties related to the current market conditions. For more information on determination of fair values, please refer to notes 8 and 54.

3) Accounting developments

(a) Standards, amendments and interpretations that are already effective

The following amendments to existing standards published by the IASB are mandatorily applicable for the first time to financial periods beginning on or after 1 January 2024 and they are therefore applicable to the Bank's financial statements for the year ended 31 December 2024:

Amendments to IAS 1: "Classification of Liabilities as Current or Non-Current" and "Non-current Liabilities with Covenants" have a minor impact on the financial statements. The amendments are effective for annual periods beginning on or after 1 January 2024.

Amendments to IFRS 16: "Lease Liability in a Sale and Leaseback" have no impact on the financial statements. The amendments are effective for annual periods beginning on or after 1 January 2024.

Amendments to IAS 7 and IFRS 7: "Supplier Finance Arrangements" have no impact on the financial statements. The amendments are effective for annual periods beginning on or after 1 January 2024.

The adoption of the amendments to existing standards did not result in a significant change in the Bank's accounting policies, nor did it have an effect on the Bank's accompanying financial statements.

(b) Standards, amendments and interpretations issued but not yet effective

The following standards, amendments and interpretations are issued by the IASB and will have an impact on the Bank's financial statements. These were not applied in preparing these Financial Statements:

Amendments to IAS 21: "Lack of Exchangeability" will have no impact on the financial statements. The amendments are effective for annual periods beginning on or after 1 January 2025.

Amendments to IFRS 9 and IFRS 7: "Classification and Measurement of Financial Instruments" will have a minor impact on the financial statements. In May 2024, the IASB issued amendments to the requirements on the classification and measurement of financial instruments, which amended IFRS 9 Financial Instruments and IFRS 7 Financial Instruments: Disclosures. These amendments are effective for annual reporting periods beginning on or after 1 January 2026, with early adoption permitted.

Annual improvements to IFRS (Volume 11) with amendments to IFRS 1, IFRS 7, IFRS 9, IFRS 10 and IAS 7 have a minor impact on the financial statements. The amendments are, subject to the still pending EU endorsement, effective for annual periods beginning on or after 1 January 2026.

Amendments to IFRS 9 and IFRS 7: "Contracts Referencing Nature-dependent Electricity" have no impact on the financial statements. The amendments are, subject to the still pending EU endorsement, effective for annual periods beginning on or after 1 January 2026.

IFRS 18 "Presentation and Disclosure in Financial Statements" replaces IAS 1 and affects the presentation of the statement of profit or loss. This standard defines categories and subtotals for the statement of profit or loss. Furthermore, additional disclosure requirements for management performance measures have been introduced. IFRS 18 is, subject to the still pending EU endorsement, effective for annual periods beginning on or after 1 January 2027.

There was no early adoption of any standards, amendments, and interpretations not yet effective.

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B. Summary of Material Accounting Policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies were consistently applied to all the years presented, unless otherwise stated.

In addition, the Bank adopted Disclosure of Accounting Policies (Amendments to IAS1 and IFRS Practice Statement 2) from 1 January 2023. The amendments require the disclosure of "material", rather than "significant" accounting policies. Although the amendments did not result in any changes to the accounting policies themselves, they impacted the accounting policies information related to financial instruments disclosed.

1) Foreign currency translation

(a) *Functional and presentation currency*

Items included in these financial statements are presented in LEI, which is the functional currency of the Bank, rounded to the nearest "LEU".

(b) *Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

Monetary items denominated in foreign currency are translated with the closing rate as of the reporting date. In the case of changes in the fair value of monetary assets denominated in foreign currency classified as hold to collect and sale, a distinction is made between translation differences resulting from changes in amortised cost of the security and other changes in the carrying amount of the security. Foreign exchange differences related to changes in the amortised cost are recognised in profit or loss, while other changes in the carrying amount are recognised in other comprehensive income.

Non-monetary items measured at historical cost denominated in foreign currency are translated with the exchange rate as at the date of initial recognition.

The reporting exchange rates and average rates for the period used in the balance sheet and the income statement are listed in section (59) of these notes.

2) Interest Income and expense

Interest income and expenses for all interest-bearing financial instruments, are recognised within "interest income" and "interest expense" in the income statement using the effective interest rate method. Interest income and expense are recognised in the income statement in the period in which they arise.

The calculation of the effective interest rate includes all fees and points paid or received transaction costs, and discounts or premiums that are an integral part of the effective interest rate. Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or liability.

Interest income and expense presented in the income statement include interest on financial assets and liabilities at amortised cost on an effective interest rate basis and interest on financial assets at fair value through other comprehensive income. For financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

Once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

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3) Fee and commission income and expenses

Fee and commission income and expenses other than those related to the origination of a financial instrument are recognised as the service has been provided.

Loan commitment fees for loans that are likely to be drawn down are deferred (together with related direct costs) and recognised as an adjustment to the effective interest rate of the loan.

Other fees and commission income, including account servicing fees, foreign currency transactions fees, fees for guarantees given and opening of letter of credit fees are recognised as the related services are performed on an accrual basis.

Other fees and commission expense relates mainly to transaction and service fees, which are expensed as the services are received.

4) Leases (as lessee)

At inception of a contract, the Bank assesses whether the agreement constitutes or contains a lease. This is the case when the agreement grants the right to control the use of an identified asset for a specified period of time in return for a consideration.

The Bank recognises an asset for the right of use received, as well as a lease liability on the commencement date.

The right of use is recognised at acquisition costs. These include the amount of the lease liability, plus all lease payments made at or before provision, initial direct costs and estimated dismantling and removal costs, less any incentives received. The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is recognised at the present value of the lease payments not yet made at that time. The lease payments are discounted at the lessee's incremental borrowing rate of interest. They are subsequently measured at amortised cost using the effective interest method.
The Bank determines its incremental borrowing rate by analysing its borrowings from various external sources and makes certain adjustments to reflect the terms of the lease and type of asset leased.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date; and
- lease payments in an optional renewal period if the Bank is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Bank is reasonably certain not to terminate early.

The lease liability does not include VAT.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if the Bank changes its assessment of whether it will exercise an extension or termination option or if there is a revised in-substance fixed lease payment.
When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Bank presents right-of-use assets in 'property and equipment' and lease liabilities in 'other liabilities' in the statement of financial position.

Short-term leases or leases based on assets of minor value are not recognised in the balance sheet; instead, the lease payments are recognised under administrative expenses in the statement of profit or loss over the term of the lease.

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5) Income tax

Current income tax

Income tax payable on profits is calculated on the basis of the applicable tax law and is recognised as an expense in the period in which profits arise.
The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date.

Starting with the financial year ending on December 31, 2023, Romania has implemented the OECD's (Organisation for Economic Co-operation and Development) Global Minimum Tax (GMT) framework, in accordance with Pillar II. This introduces a minimum effective tax rate of 15% for multinational enterprise (MNE) groups with annual consolidated revenues of at least EUR 750 million. The new regulations include the Income Inclusion Rule (IIR) and the Undertaxed Profits Rule (UTPR), the latter of which will apply starting from December 31, 2024.

Regarding the "Country-by-Country Report" (CbCR), the Bank is part of the ProCredit Group, which is based in the European Union. However, the Group does not meet the consolidated revenue criterion of exceeding EUR 750 million, which is the necessary threshold for the reporting obligation stipulated by European and international legislation.

Deferred income tax

Deferred income tax is recognised, using the balance sheet method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements prepared in accordance with IFRS, as adopted by EU. Deferred tax assets and liabilities are determined using the tax rate (and law) that has been enacted as of the balance sheet date and is expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

The main temporary differences arise from revaluation of certain financial assets and liabilities. However, the deferred income tax is not accounted for, if it arises from initial recognition of an asset or a liability in a transaction other than a business combination that at the time of the transaction affects neither the accounting profit (before tax) for the period according to IFRS, nor the taxable profit or loss.

The tax effects of income tax losses available for carry forward are recognised as a deferred tax asset when it is probable that future taxable profits will be available against which these losses can be utilised.

Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities against current tax assets, and they relate to taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

Changes of deferred taxes related to fair value re-measurement of the financial instruments "held to sale and collect" are charged to the Statement of Other Comprehensive Income. The presentation in the Statement of Other Comprehensive Income is made on a gross basis. At the time of sale, the respective deferred taxes are recognised in the Statement of Profit or Loss together with the deferred gain or loss.

The tax rate used to calculate the current and deferred tax position as at 31 December 2024 16% (31 December 2023: 16%).

6) Turnover tax

Starting with 2024, according to the Romanian Fiscal Code, banks in Romania are required to also pay a turnover tax to the state budget. The applicable rate on turnover for 2024 and 2025 is 2%, while from 2026 onwards, the applicable rate is 1%. The tax does not represent an income tax and is being booked according to IFRIC 12.

The legislation details the turnover calculation as the sum of:

- Interest income;
- Dividend income;
- Fees and commission income;
- Gains (losses) from the derecognition of financial assets and liabilities not measured at fair value through profit or loss, net;
- Gains or losses on financial assets and liabilities held for trading, net;
- Gains or losses on financial assets not held for trading, measured at fair value through profit or loss, net;
- Gains or losses on financial assets and liabilities designated at fair value through profit or loss, net;
- Gains or losses from hedge accounting, net;
- Exchange differences (gain or loss), net;
- Gains or losses from the derecognition of non-financial assets, net;
- Other operating income.

7) Financial Instruments

A financial instrument is any contract giving rise to a financial asset of one party and a financial liability or equity instrument of another party. In accordance with IFRS 9, all financial assets and liabilities – which also include derivative financial instruments – have to be recognised on the balance sheet and measured in accordance with their assigned categories.

(a) Initial recognition and measurement

Initial recognition
Financial instruments are initially recognised when the Bank becomes a party to the contractual provisions of the instrument. Regular way (spot) purchases and sales of financial assets are recognised at the settlement date, which is the date that an asset is delivered, while the financial assets at fair value through other comprehensive income, are recognized at trade date.

Initial measurement
Financial instruments are measured initially at their fair value including transaction costs (except for financial instruments at fair value through profit or loss, for which transaction costs are recognised directly in profit or loss). In most cases, the fair value at initial recognition equals the transaction price, i.e. the price transferred to originate or acquire a financial asset or the price received to issue or incur a financial liability.

(b) Classification and subsequent measurement of financial assets

In accordance with IFRS 9, the classification and subsequent measurement of financial assets depend on the following two criteria:

- The business model for managing the financial assets – the assessment is focused on whether the financial asset is part of a portfolio in which the assets are held in order to collect contractual cash flows, to both collect the contractual cash flows and sell the assets or they are held in other business models.
- The cash flow characteristics of the financial assets – the assessment is focused on whether the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest ('SPPI') on the principal amount outstanding.

Our business models for financial assets are assessed on the basis of groups of financial assets (portfolios). The allocation to a business model is based on the actual circumstances at the time of the assessment. The following criteria, among others, are taken into account:

- the business and risk strategy of the Bank and
- the way in which the development of the business model is evaluated and reported;
- if there were sales in previous periods, the frequency, volume, timing and reasons for those sales as well as expectations regarding future sales activities.

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For the purposes of measurement, IFRS 9 "Financial Instruments" classifies financial assets into the following categories: (a) financial assets at FVTPL; (b) debt instruments at FVOCI, (c) equity instruments at FVOCI and (d) financial assets at amortised cost ("AC"). Financial assets at FVTPL have two sub-categories: (i) assets mandatorily measured at FVTPL, and (ii) assets designated as such upon initial recognition or subsequently.

The Bank's business model for loans and advances to customers follows the hold-to-collect approach:

- Simple traditional banking approach;
- Clear specific target group (SMEs);
- Small range of simple credit facilities, such as instalment loans, overdrafts, credit lines, credit cards and documentary business facilities;
- No performance-related bonus compensation system on any level;
- Conservative risk strategy and management.

Financial assets at amortised cost

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- The asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI.

Loans and advances to customers are recognised when the principal is advanced to the borrowers. These assets are initially recognised at fair value plus transaction costs; subsequently they are measured at amortised cost using the effective interest method. At each balance sheet date and whenever there is evidence of potential impairment, the Bank assesses the value of its financial assets. As a consequence, their carrying amount may be reduced through the use of an allowance account. If the amount of the impairment loss decreases, the impairment allowance is reduced accordingly, and the amount of the reduction is recognised in the Statement of Profit or Loss. The upper limit on the reduction of the impairment is equal to the amortised costs which would have been incurred as of the valuation date if there had not been any impairment.

When financial assets are contractually modified, the Bank assesses whether the modification is substantial and should result in derecognition of the original asset and recognition of a new asset at fair value. This assessment is based primarily on qualitative factors and it requires significant judgment (whether credit impaired renegotiated loans should be derecognised and whether the new recognised loans should be considered as credit impaired on initial recognition). The derecognition assessment depends on whether the risks and rewards, that is, the variability of expected cash flows, change as a result of such modifications.

If the expected restructuring will not result in derecognition of the existing asset, then the expected cash flows arising from the modified financial asset are included in calculating the cash shortfalls from the existing asset.

If the expected restructuring will result in derecognition of the existing asset, then the expected fair value of the new asset is treated as the final cash flow from the existing financial asset at the time of its derecognition. This amount is included in calculating the cash shortfalls from the existing financial asset that are discounted from the expected date of derecognition to the reporting date using the original effective interest rate of the existing financial asset.

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognised) and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognised in OCI is recognised in profit or loss.

Generally, the Bank's financial assets are written-off when the Bank does not expect to receive any further recoveries. Typically, the smaller the amount to be recovered, the higher the number of days in arrears, the greater the uncertainties surrounding the chances of recovery (such as an unpredictable legal environment), the smaller the chances for recovery for the credit institution. Therefore, the Bank will apply the following guideline:

- outstanding credit exposures i.e. amortized cost (principal + interest + penalties- unamortized disbursement fees) will be placed under forced execution, as a rule, after 150 days in arrears, at most;
- after the initiation of the forced execution procedures, in a time horizon of 6 months, starting from the moment of the forced execution approval, the bank needs to perform an assessment of the possible future recoveries
- In case there are outstanding loan exposures, that register over 360 days in arrears and for which recovery through forced execution has not been initiated, the Bank will proceed to the writing-off these exposures.

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In addition, when loans and receivables are restructured with substantially different terms and conditions (more than 10% difference between the net present value of the asset before modification and after the modification), the original financial asset is derecognised and replaced with the new financial asset.

Financial assets at fair value with changes in fair value recognised in Other Comprehensive Income
A financial asset is classified and recognised as "at fair value with changes in fair value recognised in Other Comprehensive Income" ("FVOCI financial instrument"), if the financial asset is allocated to a "hold to collect or sell" business model and passes SPPI test.

The "investment securities" allocated to this business model are those financial assets that passes SPPI test, in order to collect contractual cash flows but can be sold as needed.

At initial recognition, the FVOCI financial instruments are recorded at fair value plus transaction costs that are directly attributable to the acquisition of the financial asset. Subsequently they are carried at fair value. Gains and losses arising from changes in fair value are recognised in the Other Comprehensive Income under "Fair value reserve". If the financial asset is derecognised or impaired, the cumulative gain or loss previously recognised in the "Fair value reserve" is recognised in the Statement of Profit or Loss in the position "Net result from financial assets at fair value through other comprehensive income". Interest calculated using the effective interest rate method and foreign currency gains and losses on monetary assets classified as FVOCI financial instruments are recognised in the Statement of Profit or Loss. For the FVOCI equity instruments, any dividend payments are recognised in the Statement of Profit or Loss, but not the accumulated value change on derecognition (no recycling).

Purchases and sales of FVOCI financial instruments are recorded as of the trade date. They are derecognised when the rights to receive cash flows from the financial assets have expired or when the Bank has transferred substantially all risks and rewards of ownership.

Other financial liabilities at amortised cost
Other financial liabilities at amortised cost are recognised initially at fair value net of transaction costs incurred. They are subsequently measured at amortised cost using the effective interest method. Financial liabilities at amortised cost are derecognised when they are extinguished – that is, when the obligation is discharged, cancelled or expired.

(c) Financial guarantees and credit related commitments

Financial guarantees
Financial guarantees require the Bank to make specified 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 original or modified terms of a debt instrument. Financial guarantee liabilities are initially recognized at their fair value, and the initial fair value is amortized over the lifespan of the financial guarantee. The guarantee liability is subsequently carried at the higher of the amortized amount and the value of the expected credit loss determined in accordance with IFRS 9. The amounts of the fees charged for the financial guarantees are amortised on a straight line basis over the life of the guarantee.

Credit related commitments
Financial guarantees and commitments for providing a loan are initially recognised at contractual value. The total client loan exposure value is composed by the on-balance carrying amount and the off-balance amount.

8) Fair value measurement

Upon acquisition, financial instruments are measured at fair value, which corresponds with the transaction price at the time they are acquired. Depending on their respective category, financial instruments are subsequently recognised either at fair value or at amortised cost.
If an asset or a liability measured at fair value has a bid price and an ask price, then the Bank measures assets and long positions at a bid price and liabilities and short positions at an ask price.

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market between market participants at the measurement date.

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The Bank applies the IFRS hierarchy to measure fair value. The hierarchy categorises the inputs used in the valuation techniques to measure fair value into three levels:

(a) Level 1 Inputs
Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date. A market is regarded as active if market transactions with the asset or liability occur there sufficiently frequently and in sufficient volumes to ensure the ongoing availability of pricing information.

(b) Level 2 Inputs
Other than quoted market prices included within Level 1 that are observable in active markets for the asset or liability, either directly or indirectly. The valuation techniques applied are approximations of the current fair value of similar instruments and discounted cash flow analysis using observable market parameters. The Bank applies individual observable interest and exchange rates, made available predominantly by local central banks.

(c) Level 3 Inputs
Unobservable inputs for the asset or liability. If observable market interest rates are not available, internal rates are used as an input for a discounted cash flow model. These internal rates reflect the cost of funds, taking into account foreign currency effects and maturities as well as a risk margin, e.g. Bank interest rates. Internal rates are regularly compared to those applied for third-party transactions and are consistent with the parameters of an orderly transaction between market participants under market conditions at the measurement date.

9) Loss Allowances

The Bank's loan loss impairment method is based on a forward-looking ECL approach.

The forward-looking expected credit loss (ECL) model is the central element of the approach to quantifying credit loss allowances for on- and off-balance sheet financial instruments. The model calculates loss allowances considering the credit losses expected over various default scenarios in the future. The calculated loss allowances represent the sum of probability-weighted outcomes; ECL estimates are unbiased and include supportable information about past events, current conditions, and forecasts of future economic conditions.

The current macroeconomic forecasts from the IMF World Economic Outlook Database and the EIU were used in establishing loss allowances. The parameters are normally calculated by weighting the three scenarios (baseline/downside/upside), with the baseline scenario normally weighted at 50% and the alternative scenarios at 25%. The weighting was adjusted to reflect the assessment of a currently tense macroeconomic situation. A detailed description can be found in the section on overlays.

Overlays

Overlays continue to be made to account for uncertainty arising from current economic and political developments resulting from the war in Ukraine and the macroeconomic multiple uncertainties at global level, both as a result of the escalation of geopolitical tensions, as well as the important international election year, likely to change the policy mix implemented at the level of the world's main economies, cumulated with the local uncertainties regarding the potential fiscal measures and additional taxation in the year to come.

Due to the tense situation in the Russo-Ukrainian War, with possible spill-over effects impacting the economic situation, the weighting of scenarios (baseline/downside/upside) has been adjusted for the calculation of loss allowance parameters. The baseline scenario retains a weighting of 50%, but the weighting of the downside scenario has been changed to 40% (previously 25%) and the upside scenario to 10% (previously 25%). This overlay has an effect amounting to RON 2.2 million increase in loss allowances (2023: RON 3.1 million).

The current global economic environment is characterised by several interrelated crises with negative consequences for the energy market, price developments and interest rates, consequently, the overlays have been retained and adjusted.

The extent of an energy crisis, with volatile prices and limited availability, as well as elevated inflation and higher interest rates, cannot be reflected in all model parameters due to the lack of statistical correlations in the macroeconomic factors and historical default/loss rates. Therefore, parameter adjustments were made to the PD and LGD.

The adjustments were based on observations of maximum default and loss rates from historical default events in the crises that serve as stress levels. The key parameters, PD and LGD, have been increased using the defined probability of occurrence of the stress level (10%, based on expert assessment, 20% in 2023). The introduction of the new methodology for estimating LGD led to an adjustment in the calculation of the stress level; the underlying assumptions for the calculation were not changed compared to the previous methodology. As part of the calculation of LGD, it is assumed that the probability of a defaulted credit exposure migrating back to Stage 1 or 2 is zero. A further measure was the increase in the credit conversion factors for potential receivables from off-balance sheet items by 10% (20% in 2023). This overlay has an effect amounting to RON 12.4 million increase in the loss allowance (2023: RON 16.9 million).

The Bank sets aside loss allowances for the balance sheet items "Cash and cash equivalents" (for Central Bank balances), "Loans and advances to banks", "Loans and advances to customers", "Financial assets at fair value through other comprehensive income" and for the financial assets under "Other assets". These are generally recognised at net value within the corresponding balance sheet positions, except for the item "Financial assets at fair value through other comprehensive income", which are reported at fair value. The respective loss allowances are recognised under "Fair value reserve".

The expected credit loss model requires the recognition of expected credit losses in a timely manner to ensure that the amount of expected credit losses recognised at each reporting date reflects the changes in the credit risk of the financial instruments.

Specifically, the model addresses the IFRS 9 requirements on measurement of expected credit losses based on reasonable and supportable information that is available without undue cost or effort, including historical, current and forecasted information.

Expected credit losses are calculated using the following main parameters:

- Exposure at default (EAD):

EAD is the exposure expected to be outstanding in the case of a credit default. It is derived from the current exposure to the client and potential changes to the current amount allowed under the contract and arising from amortisation. The EAD of a financial asset is its gross carrying amount at the time of default. For exposures with regular repayment plans, the modelled EAD is adjusted considering the expectation of prepayments based on historical observations, scenarios with respect to the economic environment, and forward-looking forecasts. Using historical observations, an estimate is made of the potential future amounts which can be drawn under the contract for lending commitments such as credit lines and overdrafts. For financial guarantees, the EAD represents the amount of the guaranteed exposure, adjusted by a conversion factor based on an analysis of past performance and expert judgement.

- Probability of default (PD):

PD represents the probability of a credit default within a specified period of time. It is derived from historical data on default events, such as date, type and amount of default, and from information about the risk characteristics of clients as used in the internal risk classification system. The parameters take into account country specifics and also differing risk levels of certain client segments. The statistical models analyse the data histories and generate forward-looking forecasts of the default probabilities based on scenarios with respect to the economic environment. In addition, PDs related to the remaining lifetime of exposures are derived that quantify how these are expected to change as a result of the passage of time.

- Loss given default (LGD):

The LGD reflects the expected extent of the loss from a defaulted credit exposure. The figure comprises the probability of recovery from the default and the estimated recovery rates for both scenarios (recovery/non-recovery). The recovery rates are calculated from the discounted cash flows based on historical data on funds received from defaulted customers and on the realisation of collateral and guarantees. The estimated probabilities and recovery rates are modelled as forward-looking forecasts that account for the assumed scenarios about the development of the economic environment.

The elements of the LGD calculation provide a granular estimate of the loss given default, incorporating the probability of a return to non-default status and of the realisation of available collateral and utilisation of guarantees. The parameters are modelled as forward-looking forecasts that account for the assumed scenarios about the development of the economic environment.

Input data for the assessment of credit risk parameters are based on multi-year data histories for all borrowers in the banks within the group. Regression analysis is used to estimate the impact of client risk characteristics as well as macroeconomic factors for the considered parameters.

Macroeconomic time series

The macroeconomic time series used to calculate the point-in-time forecasts of several of the parameters are obtained from the IMF World Economic Outlook Database, the Economist Intelligence Unit (EIU) Database, and the European Central Bank Database.
Historical time series - several macroeconomic quantities are investigated regarding their potential as a part of the PD model. In particular, in a first step, the following quantities are investigated for the specification of point-in-time models:

- Growth of the gross domestic product
- Percentage change of the inflation (end of period)
- Unemployment rate
- Percentage change of the lending rate
- Percentage change of the implied PPP (purchasing power parities) conversion rate
- Percentage change of gas price
- Percentage change of oil price

These quantities reflect directly the development of the business cycle and are therefore valid potential inputs for point-in-time models.

For 2024, the most significant assumptions affecting the expected credit loss allowance are as follows:

Year	Macroeconomic variable	Mean Scenario	Optimistic Scenario	Pessimistic Scenario
2024	*GDP Growth (%, yoy)*	1.91	5.58	-0.26
2024	*Inflation*	4.23	-3.20	6.76
2024	*Lending Rate Change*	-0.62	-1.65	1.65
2025	*GDP Growth (%, yoy)*	3.30	6.97	1.12
2025	*Inflation*	3.45	-3.98	5.98
2025	*Lending Rate Change*	-1.10	-2.13	1.17
2026	*GDP Growth (%, yoy)*	3.70	7.37	1.52

For 2023, the most significant assumptions affecting the expected credit loss allowance are as follows:

Year	Macroeconomic variable	Mean Scenario	Optimistic Scenario	Pessimistic Scenario
2023	*GDP Growth (%, yoy)*	2.18	5.96	-0.22
2023	*Lending Rate Change*	1.64	0.50	4.29
2024	*GDP Growth (%, yoy)*	3.79	7.56	1.39
2024	*Gas Price Change*	30.77	1.60	67.83
2024	*Lending Rate Change*	-0.80	-1.94	1.84
2025	*GDP Growth (%, yoy)*	3.84	7.62	1.44

As with any economic forecasts, the projections and likelihoods of occurrence are subject to a high degree of inherent uncertainty and therefore the actual outcomes may be significantly different to those projected. The Bank considers these forecasts to represent its best estimate of the possible outcomes and cover any potential non-linearities and asymmetries within the Bank's different portfolios.

Sensitivity analysis

Sensitivity analysis was performed by the Bank on the macroeconomic scenarios used, that is, in case there is 100% weight for the mean, optimistic and pessimistic scenario. Results of the sensitivity analysis in terms of expected credit losses are RON 2.2 million release (compared to RON 2.4 million release for 2023) for 100 % weight of the mean scenario, RON 12.3 million release (compared to RON 12.9 million release for 2023) for 100% weight of the optimistic scenario and RON 6.8 million increase (compared to RON 7.5 million increase for 2023) in case of 100% weight of pessimistic scenario.

Changes in these assumptions may lead to changes in loss allowances over time. The Bank recognises that considerable management judgement is exercised and estimation uncertainty exists in determining the amount of loss allowances for financial assets assessed collectively and on an individual basis. This judgement is based on the applicable definitions of default, the approach to determining a SICR, and the structure of forward-looking macroeconomic variables used.
The Bank's methodology for determining a significant increase in credit risk (SICR) is based on comprehensible forward-looking information and past due information.

A significant increase in credit risk is detected typically during the client's financial analysis/ monitoring or by detecting any ad-hoc events that indicate increase in risk. Both trigger an update of client's Risk Classification. On the other hand, past due information is considered since exposures are moved to Stage 2 and Stage 3 based on the number of days in arrears as criterion.
This approach implies the comprehensive analysis of various information sources including comprehensive analysis of borrowers' financial stance, past due information, data on the restructuring events and future macroeconomic prospects (through the Risk Classification assessment).

Stage I
Stage 1 comprises financial assets for which credit risk has not significantly increased since initial recognition as well as those showing low credit risk as of the reporting date or for which no triggers for Stage 2 or 3 allocation apply. Assets are allocated in Stage 1 upon initial recognition except for purchased or originated credit impaired (POCI) assets which are treated and reported separately within Stage 3. For assets in Stage 1, the expected credit losses arising from possible default events within the 12 months following the reporting date (12 month ECL) are recognised as expenses. For exposures with a remaining maturity of less than 12 months, the used probability of default (PD) reflects the remaining maturity.

Stage II
Stage 2 comprises financial assets for which credit risk has significantly increased since initial recognition, but for which there is no objective indication of impairment. This assessment takes account for appropriate and plausible information. Loss allowances are established in an amount equivalent to the expected credit losses over the entire remaining maturity, i.e. lifetime expected losses (lifetime ECL not credit impaired).

The significant increase in credit risk is established based on both quantitative and qualitative information:

- Based on the comparison of the remaining lifetime PD of an exposure at each reporting date against its remaining lifetime PD at the date of origination. The loss parameters are based on the internal risk classification system for the rated exposures. A SICR occurs if the difference in PDs exceeds a pre-defined threshold and the respective asset will be transferred from Stage 1 to Stage 2. Inversely, a transfer from Stage 2 to 1 is possible when the associated credit risk is reduced significantly.
- When at least one of the following events is detected:
  - customer is in arrears more than 30 days past due but less than 90 days past due;
  - standard or watch restructuring event(s);
  - the client has risk classification 6 or 7 (for the credit exposures which have a risk class assigned);
  - customer has been allocated into the bank's watchlist (based on multiple early warning signal criteria).

Stage III
Stage 3 includes all exposures that are credit impaired as of the reporting date. The respective calculation of loss allowances is performed based on the lifetime expected credit losses considering a 100% probability of default (lifetime ECL credit impaired). An exposure is considered as credit impaired and transferred to Stage 3 when the following or similar characteristics apply at the reporting date:

- the client is past due more than 90 days

- bankruptcy procedure is initiated
- the bank has started legal proceedings against the client
- credit fraud event
- qualitative criteria based on which the bank considers the client unlikely to pay in full without realising collateral
- the client is assigned to a risk class view as defaulted (risk class 8)
- impaired forbearance event occurs;
- other signs of impairment indicating that full repayment from the client cannot be expected;

Purchased or Originated Credit Impaired (POCI) exposures include financial instruments which were credit-impaired at initial recognition, irrespective of whether they are still credit-impaired at the reporting date. Expected credit losses against POCI exposures are calculated on a lifetime basis. As a result, no loss allowance is recognised at inception. Subsequently, only adverse changes in lifetime expected credit losses after the initial recognition are recognised as loss allowance, whilst favourable changes are recognised as impairment gains increasing the gross carrying amount of the POCI financial assets. Within the Bank's business model, the acquisition of such default-threatened assets is not permitted. Accordingly, POCI exposures can only arise in the course of a new negotiation or significant modification of the contractually agreed cash-flows.

For "Financial assets at fair value through other comprehensive income" position, loss allowances model is based on external ratings. For financial institutions and sovereigns, the Issuer Default Rating (IDR) is used, which is a forward-looking assessment of the capacity and willingness to honour debt obligations to private sector creditors in full and on time and thereby captures default risk.
The Bank's portfolio of "investment securities" consists in treasury bills, with rating BBB-, classified as credit exposures- Stage 1 and provisioned in accordance with one-year expected losses. The respective expected losses are calculated as the product of the exposure at default (EAD), one-year default probability (PD) downscaled according to the contractual maturity (M) if it is less than one year from the reporting date, and the loss given default (LGD).

For the "Other assets" position, loss allowances are established using the simplified approach. As a rule, loss allowances are recognized at initial recognition and on each subsequent reporting date in an amount equivalent to the expected credit loss during the total maturity period. For these generally short assets, the total maturity period has been set at 12 months.

Release of loss allowances
In the event of decrease of credit risk, the already recognised loss allowance is reduced accordingly.

Financial guarantees and credit related commitments
The provisions for off-balance sheet credit risks relates primarily to undrawn lending commitments, letters of credit and letters of guarantee. Credit conversions factors based on the facilities' characteristics and if applicable, based on empirical data, are applied in determining the provisions for the off-balance exposures. The loss allowances related to financial guarantees and credit related commitments are recognised under Provisions in the Balance Sheet.
The Bank considers revocable and irrevocable credit commitments for loans in tranches to bear credit conversion factors of 100%.

Write-offs, recoveries and direct write-offs
When a loan is uncollectible, it is written off against the related loss allowance set aside. Such write-offs occur after all the necessary procedures have been completed and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off are recognised in the Statement of Profit or Loss under "Loss allowances". Uncollectible loans for which no loss allowances have been set aside in full are recognised as direct write-offs.

During 2024, the Bank did not write off from the books any financial assets (2023: RON 2,049,062). The total contractual amount of loans written off and still subject to enforcement activity is, as of 31 December 2024, RON 10,264,729 (31 December 2023: RON 10,646,865)

Assets acquired in exchange for loans (repossessed property)
Non-financial assets repossessed in exchange for loans as part of an orderly realisation are reported under "other assets". The asset acquired is recorded at fair value. No depreciation is charged for assets held for sale. Any subsequent write-down of the acquired asset to fair value less costs to sell is recognised in the income statement in "net other operating income". Any subsequent increase in the fair value less costs to sell, to the extent this does not exceed the cumulative write-down, is also recognised in "net other operating income", together with any realised gains or losses on disposal.

10) Cash and balances with central bank

For the purposes of the balance sheet, cash and balances with central bank equivalents includes cash, cash balances in ATM, balances with less than three months' maturity from the placement date, other money market instruments that are highly liquid and readily convertible to known amounts of cash with insignificant risk of changes in value, and bills of exchange and other bills eligible for discounting with central banks.

Generally, all cash and cash equivalent items are recognised at their nominal value.

For the purposes of the statement of cash flows, cash and cash equivalents include cash balances on hand, unrestricted balances held at central bank, and cash balances in ATM, and current accounts with banks and placements with other banks with less than 90 days original maturity and are used by the Bank in the management of its short-term commitments.

11) Loans and advances to banks

The amounts reported under receivables from banks consist of loans and advances issued.

In addition to overnight and term deposits, the amounts reported under receivables from banks include current account balances.

All loans and advances to banks are carried at amortised cost, using the effective interest method. Amortised premiums and discounts are accounted for, over the respective terms in the income statement under net interest income.

For the purposes of the cash flow statement, claims to banks with a remaining maturity of less than three months from the date of acquisition are recognised under Cash and cash equivalents (see note (27)).

12) Loans and advances to customers

Loans and receivables to customers are initially recognised at fair value plus transactions costs; subsequently they are measured at amortised cost using the effective interest method. Their carrying amount is reduced with the amount of expected credit losses.

If the amount of the impairment loss decreases, the impairment allowance is reduced accordingly, and the amount of the reduction is recognised in profit and loss. The upper limit on the release of the impairment is equal to the amortised costs which would have been incurred as of the valuation date if there had not been any impairment.

Loans are recognised when the principal is advanced to the borrowers. Loans are derecognised when the rights to receive cash flows from the financial assets have expired or where the Bank has transferred substantially all risks and rewards of ownership.

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognised) and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognised in OCI is recognised in profit or loss.

The Bank, through its strong partnership with European Investment Fund (EIF) enters into financing agreements with aforementioned institution in order to improve access to finance for SMEs. At origination, the Bank performed an analysis to establish whether it acts as a principal or an agent in relation to the loans disbursed to SMEs. Based on the analysis and given that the Bank is taking full responsibility on providing the product and is acting as the only legal counterparty under the lending agreements, the Bank recognizes the entire loan on its balance-sheet.

13) Intangible assets

Software acquired by the Bank is stated at cost less accumulated amortisation and accumulated impairment losses.

Subsequent expenditure on software assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised on a straight-line on the basis of the expected useful lives. Software has a maximum expected useful life of 5 years.

14) Property, plant and equipment

All property, plant and equipment are stated at historical cost less accumulated depreciation and impairment losses (see Note 32). Historical cost includes expenditure that is directly attributable to the acquisition of the items. Component parts of an asset are recognised separately if they have different useful lives or provide benefits to the bank in a different pattern.

Subsequent costs are included in the asset's carrying amount or are recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the bank and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Depreciation on other assets is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

– Buildings	40 years
– Leasehold improvements	minimum between contract life and useful life
– Furniture and equipment	4 – 16 years
– Motor vehicles	6 years

The assets' residual carrying values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the income statement.

15) Impairment of non-financial assets

Non-financial assets are reviewed for indications of impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying value exceeds its recoverable amount. Impairment losses are recognised in profit or loss. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows.

16) Liabilities to banks and customers

Liabilities to banks and customers are recognised initially at fair value net of transaction costs incurred. They are subsequently stated at amortised cost; any difference between proceeds net of transaction costs and the redemption value is recognised in the income statement over the period of the liability using the effective interest rate method.

All financial liabilities are derecognised when they are extinguished – that is, when the obligation is discharged, cancelled or expires.

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17) Provisions

Provisions are recognised when:
- there is a present legal or constructive obligation resulting from past events;
- it is more likely than not that an outflow of resources will be required to settle the obligation;
- the amount can be reliably estimated.

Provisions for which the timing of the outflow of resources is known are measured at the present value of the expenditures, if the outflow will not be earlier than in one year's time. The increase in the present value of the obligation due to the passage of time is recognised as an interest expense.

A provision for restructuring is recognised when the Bank has approved a detailed and formal restructuring plan, and the restructuring either has commenced or has been announced publicly. Future operating losses are not provided for.

18) Post-employment benefits and other employee benefits

(a) Short-term benefits
Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.
Short-term employee benefits include wages, salaries, meal tickets and social security contributions. Short-term employee benefits are recognized as expense when services are rendered.

(b) Defined contribution plans
Obligations for contributions to defined contribution pension plans are recognized as an expense in the statement of comprehensive income as incurred.

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

The Bank does not operate any independent pension scheme and, consequently, has no obligation in respect of pensions. The Bank does not operate any other defined benefit plan or postretirement benefit plan. The Bank has no obligation to provide further services to current or former employees.

19) Share capital

Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax.
Dividends on ordinary shares are treated as an appropriation of profit in the period in which they are approved by the Bank's shareholders.

C. Notes to the Statement of profit or loss and other comprehensive income

20) Net interest Income

in LEI

Interest income	**1.1.-31.12.2024**	**1.1.-31.12.2023**
Interest income from		
Cash and cash equivalents and loans and advances to banks	14,410,639	17,534,139
Interest income from financial assets at FVOCI	16,273,856	13,937,224
Interest income from loans and advances to customers	169,324,978	159,449,942
Total interest Income	**200,009,473**	**190,921,304**

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Interest expenses	1.1.-31.12.2024	1.1.-31.12.2023
Interest expenses on		
Liabilities to banks	21,944,709	35,497,324
Liabilities to customers	72,331,589	56,689,665
Liabilities to international financial institutions	6,777,001	5,569,728
Total interest expenses	**101,053,299**	**97,756,717**
Net interest income	**98,956,174**	**93,164,587**

During 2024, the Bank booked interest income from impaired exposures in amount of RON 1,680,882 (2023: RON 1,602,463).

21) Allowance for impairment losses on financial assets

in LEI

Allowance for impairment	1.1.-31.12.2024	1.1.-31.12.2023
Net impairment allowance for loans and advances to banks	-8,223	-6,181
Net (charge) for the impairment allowance of loans and advances to customers	756,179	-7,396,760
Recoveries from loans written off	494,070	340,514
Net allowance for impairment on financial assets	**1,242,026**	**-7,062,428**

The following table presents the breakdown of allowance for impairment charges for loans and advances to customers by type of provision, whether assessed individually or collectively:

in LEI

Allowance for impairment	1.1.-31.12.2024	1.1.-31.12.2023
Net (charge)/release for individually assessed loans	-4,511,449	5,289,097
Net (charge)/release for collectively assessed loans	5,267,628	-12,685,858
Net allowance for impairment for loans to customers	**756,179**	**-7,396,760**

Risk provisions on loans and advances to customers are reflected in the income statement as follows:

At December 31, 2024	Business	Agriculture	Housing	Consumer	Other	Total
Increase of impairment charge	20,183,457	7,988,280	26,075	386,932	7,712	28,592,456
Increase of impairment charge off balance sheet items	1,343,061	217,186	-	5,402	342	1,565,991
Release of impairment charge	-25,331,018	-4,411,462	-7,012	-60,699	-354	-29,810,545
Release of impairment charge off balance sheet items	-1,039,319	-62,321	-	-1,504	-936	-1,104,080
Net recoveries of sold and written-off loans	-321,928	-140,677	-4,157	-4,380	-22,928	-494,070
Total	**-5,165,748**	**3,591,006**	**14,906**	**325,751**	**-16,164**	**-1,250,249**

At December 31, 2023	Business	Agriculture	Housing	Consumer	Other	Total
Increase of impairment charge	28,046,311	4,205,249	12,662	122,690	-	32,386,912
Increase of impairment charge off balance sheet items	1,068,997	84,667	-	2,266	217	1,156,147
Release of impairment charge	-20,158,104	-4,271,994	-18,153	-23,490	-173	-24,471,916

Release of impairment charge off balance sheet items	-1,093,402	-577,133	-	-3,983	-45	-1,674,563
Net recoveries of sold and written-off loans	-218,890	-85,994	-2,729	-195	-32,525	-340,333
Total	**7,644,912**	**-645,206**	**-8,220**	**97,287**	**-32,527**	**7,056,247**

22) Net fee and commission income

In the following table, fee and commission income from contracts with customers in the scope of both IFRS 9 and IFRS 15 is disaggregated by major type of services.

in LEI **Fee and commission income**	**1.1.-31.12.2024**	**1.1.-31.12.2023**
Payment transfers and transactions	2,629,029	2,309,987
Account maintenance fee	4,569,425	4,243,809
Letters of credit and guarantees (IFRS 9)	1,194,272	661,714
Debit cards	3,525,048	3,235,810
Other fee and commission income	3,078,180	2,523,564
Total fee and commission income	**14,995,953**	**12,974,884**
out of which		
Fee income recorded in accordance with IFRS 15	**13,801,680**	**12,313,170**

Fee and commission expenses	**1.1.-31.12.2024**	**1.1.-31.12.2023**
Payment transfers and transactions	1,187,371	1,043,829
Fee expenses paid for guarantees	996,917	1,041,029
Letters of credit and guarantees (IFRS 9)	9,274	8,781
Debit cards	1,327,205	1,191,958
Other fee and commission expenses	2,275,205	1,898,697
Total fee and commission expenses	**5,795,972**	**5,184,294**
out of which		
Fee expenses recorded in accordance with IFRS 15	**5,786,698**	**5,175,514**
Net fee and commission income	**9,199,981**	**7,790,590**

23) Net result from foreign exchange transactions

"Result from foreign exchange transactions" refers to the results of foreign exchange dealings with and for customers. The Bank does not engage in any foreign currency trading on its own account. In addition, this position includes unrealised foreign currency revaluation effects. The Bank does not apply hedge accounting.

in LEI	**1.1.-31.12.2024**	**1.1.-31.12.2023**
Currency transactions	5,704,576	5,619,758
Net gains and losses from FX revaluation	42,656	-70,672
Total	**5,747,232**	**5,549,086**

24) Other net operating income/expense

in LEI	1.1.-31.12.2024	1.1.-31.12.2023
Other income	1,386,044	2,296,434
Other operating income	**1,386,044**	**2,296,434**
Expenses for disposal of property, plant and equipment	14,877	10,413
Expenses for other provisions not related to lending	195,656	852,270
Other expenses	61,928	108,089
Administrative expenses	9,857	4,500
Expenses for deposit insurance fund	1,206,939	2,277,687
out of which bank resolution fund	785,765	1,935,992
Other operating expenses	**1,489,258**	**3,252,959**
Total	**-103,214**	**-956,525**

25) Personnel and administrative expenses

Personnel expenses can be broken down as follows:

in LEI	1.1.-31.12.2024	1.1.-31.12.2023
Salary expenses	28,721,260	23,864,362
Social security expenses	646,393	533,824
Other personnel expenses	1,310,490	1,086,830
Training and recruiting expenses	880,640	883,668
Total	**31,558,782**	**26,368,684**

"Administrative expenses" include the following items:

in LEI	1.1.-31.12.2024	1.1.-31.12.2023
Communication and IT expenses	25,774,881	20,913,143
Transport	2,068,037	1,938,807
Office supplies	851,199	648,349
Security service	111,000	109,776
Marketing, advertising and entertainment	2,371,942	2,189,884
Construction, repairs and maintenance	1,202,968	987,504
Other tax expenses	12,389,232	6,699,066
Consultancy, Legal and Audit fees	5,432,667	4,610,407
Insurance	723,923	837,758
Utilities	449,491	549,522
Rent	204,643	203,628
Other administrative expenses	4,189,279	3,579,935
Total	**55,769,262**	**43,267,778**

During 2024, the Bank incurred higher Communication and IT expenses as a result of higher maintenance fees driven by investments in software applications used by the bank also as increased costs due in inflationary pressures.

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Additionally, during 2024, the Bank paid turnover tax in amount of LEI 4,468,748 (booked under "Other tax expenses") representing 2% of gross income as described in *Note 6.*

The total expense booked in relation with the bank's external auditor in 2024, was LEI 919,200 (2023: LEI 858,700), out of which LEI 510,007 (2023: 429,347) for audit of IFRS Financial Statements of the Bank. The fees paid for non-audit services provided by the independent financial auditor as defined by Regulation (EU) 537/2014 of the European Parliament and of the Council are represented by: auditing of the Group reporting package as at and for the period ended 31 December 2024, audit of the FinRep package as at 31 December 2024 and audit of FINREP schedule 18 at the request of the National Bank of Romania as at 30 June 2024.

As of 31 December 2024 the amounts paid in relation to the services provided for the year 2024 amounts LEI 363,394 at the end of the year. In relation to the services provided for the year 2023, the Bank paid the following fees: LEI 450,562 paid during 2023 and LEI 412,959 paid during 2024.

26) Income tax expenses/income

This item includes all taxes on income. Income tax expenses were as follows:

in LEI	1.1.-31.12.2024	1.1.-31.12.2023
Current tax expense	-3,909,056	-3,333,570
Deferred tax income	41,542	29,173
Total	**-3,867,514**	**-3,304,397**

D. Notes to the Statement of Financial Position

27) Cash and balances with central bank

Cash and cash equivalents comprise the following items:

in LEI	2024	As at 31 December 2023
Cash in hand	58,987,818	52,024,845
Balances at central banks excluding mandatory reserves	196,798,649	345,294,106
Mandatory reserve deposits	170,194,634	155,074,328
Total cash and cash equivalents	**425,981,100**	**552,393,279**

The following cash equivalents have been considered for the cash flow statements:

in LEI	2024	As at 31 December 2023
Cash equivalents recognized in the balance sheet statement	425,981,100	552,393,279
Loans and advances to banks with a maturity up to 3 months, which qualify as cash for the cash flow	70,988,096	76,442,306
Minimum reserve with central bank	-170,194,634	-155,074,328
Total cash equivalents for cash flow statement	**326,774,563**	**473,761,257**

The cash held with the Central Bank ensures compliance with the minimum reserve requirements. These funds are not available for the Bank's daily business. At 31 December 2024 the minimum mandatory reserves rates established by the National Bank of Romania for raised funds with contractual maturity lower than 2 years are as follows: 8% for funds raised denominated in LEI and 5% for funds raised denominated in foreign currency (31 December 2023: 8% for funds raised denominated in LEI and 5% for funds raised denominated in foreign currency).

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The balances in central bank balances and the movement of the respective loss allowances are presented in the following tables:

Central bank balances					As at 31 December 2024
in LEI	Stage 1	Stage 2	Stage 3	POCI	Total
Gross outstanding amount	367,089,026	-	-	-	367,089,026
Loss allowances	-95,744	-	-	-	-95,744
Carrying amount	**366,993,283**	-	-	-	**366,993,283**

Loss allowances for central bank balances					
in LEI	Stage 1	Stage 2	Stage 3	POCI	Total
Balance at 1 January 2024	-87,491	-	-	-	-87,491
New financial assets originated	-	-	-	-	-
Release due to derecognition	-	-	-	-	-
Increase/Decrease in credit risk	-8,009	-	-	-	- 8,009
Foreign exchange and other movements	-244	-	-	-	- 244
As at 31 December 2024	**-95,744**	-	-	-	**-95,744**

Central bank balances					As at 31 December 2023
in LEI	Stage 1	Stage 2	Stage 3	POCI	Total
Gross outstanding amount	500,455,925	-	-	-	500,455,925
Loss allowances	-87,491	-	-	-	-87,491
Carrying amount	**500,368,434**	-	-	-	**500,368,434**

Loss allowances for central bank balances					
in LEI	Stage 1	Stage 2	Stage 3	POCI	Total
Balance at 1 January 2023	-80,981	-	-	-	-80,981
New financial assets originated	-	-	-	-	-
Release due to derecognition	-	-	-	-	-
Increase/Decrease in credit risk	-6,146	-	-	-	-6,146
Foreign exchange and other movements	-364	-	-	-	-364
As at 31 December 2023	**-87,491**	-	-	-	**-87,491**

28) Loans and advances to banks

Loans and advances to banks are as follows:

		As at 31 December
in LEI	**2024**	**2023**
Loans and advances to banks in non-OECD countries	19,414	19,395
Loans and advances to banks in Group Banks	70,968,682	76,422,911
Total	**70,988,096**	**76,442,306**

The balances in loans and advances to banks and the movements of the respective loss allowances are presented in the following tables.

Loans and advances to banks

in LEI	Gross amount			Loss Allowances			Carrying amount
As at December 2024	**Stage 1**	**Stage 2**	**Stage 3**	**Stage 1**	**Stage 2**	**Stage 3**	
Loans and advances to banks in non-OECD countries	19,414	-	-	-	-	-	19,414
Loans and advances to banks in Group Banks	70,968,811	-	-	-129	-	-	70,968,682
Total	**70,988,225**	**-**	**-**	**-129**	**-**	**-**	**70,988,096**

Loss allowances for loans and advances to banks

in LEI	Stage 1	Stage 2	Stage 3	POCI	Total
Balance at 1 January 2024	**-133**	**-**	**-**	**-**	**-133**
New financial assets originated	-	-	-	-	-
Release due to derecognition	-	-	-	-	-
Increase/Decrease in credit risk	4	-	-	-	4
Foreign exchange and other movements	-	-	-	-	-
As at 31 December 2024	**-129**	**-**	**-**	**-**	**-129**

Loans and advances to banks

in LEI	Gross amount			Loss Allowances			Carrying amount
As at December 2023	**Stage 1**	**Stage 2**	**Stage 3**	**Stage 1**	**Stage 2**	**Stage 3**	
Loans and advances to banks in non-OECD countries	19,395	-	-	-	-	-	19,395
Loans and advances to banks in Group Banks	76,423,044	-	-	-133	-	-	76,422,911
Total	**76,442,439**	**-**	**-**	**-133**	**-**	**-**	**76,442,306**

Loss allowances for loans and advances to banks

in LEI	Stage 1	Stage 2	Stage 3	POCI	Total
Balance at 1 January 2023	**-88**	**-**	**-**	**-**	**-88**
New financial assets originated	-	-	-	-	-
Release due to derecognition	-	-	-	-	-
Increase/Decrease in credit risk	-45	-	-	-	45
Foreign exchange and other movements	-	-	-	-	-
As at 31 December 2023	**-133**	**-**	**-**	**-**	**-133**

29) Financial assets at fair value through other comprehensive income

Financial assets at fair value through other comprehensive income are as follows:

Financial assets at fair value through other comprehensive income							
in LEI	Gross amount			Loss Allowances			Carrying amount
As at 31 December 20234	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	
Treasury bills	278,331,353	-	-	-134,856	-	-	278,196,496
Total	**278,331,353**	**-**	**-**	**-134,856**	**-**	**-**	**278,196,496**

Financial assets at fair value through other comprehensive income							
in LEI	Gross amount			Loss Allowances			Carrying amount
As at 31 December 2023	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	
Treasury bills	235,424,882	-	-	-113,036	-	-	235,311,847
Total	**235,424,882**	**-**	**-**	**-113,036**	**-**	**-**	**235,311,847**

This balance sheet item includes securities with fixed interest rates issued by the Romanian Government, most of which are treasury bills, which bear a country Fitch Rating of BBB-. The changes in the loss allowances for Financial Assets at fair value through other comprehensive income are presented in the following table:

Loss allowances for financial assets at FVOCI					
in LEI	Stage 1	Stage 2	Stage 3	POCI	Total
Balance at 1 January 2024	**-113,036**	-	-	-	**-113,036**
New financial assets originated	-62,920	-	-	-	-62,920
Release due to derecognition	2,030	-	-	-	2,030
Increase/Decrease in credit risk	39,071	-	-	-	39,071
Foreign exchange and other movements	-2	-	-	-	-2
As at end of period	**-134,856**	**-**	**-**	**-**	**-134,856**

Loss allowances for financial assets at FVOCI					
in LEI	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**
Balance at 1 January 2023	**-85,975**	**-**	**-**	**-**	**-85,975**
New financial assets originated	-70,680	-	-	-	-70,680
Release due to derecognition	31,817	-	-	-	31,817
Increase/Decrease in credit risk	11,893	-	-	-	11,893
Foreign exchange and other movements	-90	-	-	-	-90
As at 31 December 2023	**-113,036**	**-**	**-**	**-**	**-113,036**

30) Loans and advances to customers

Loans and advances to customers at the end of 2024 are as follows:

in LEI As at December 31, 2024	Business loans	Agricultural loans	Housing improvement loans	Consumer loans *	Other loans	Total
STAGE1						
Gross amount	1,490,003,290	403,354,423	3,202,415	2,728,407	318,455	**1,899,606,989**
Allowance for impairment	-8,766,276	-3,316,408	-28,383	-90,062	-7,713	**-12,208,841**
STAGE2						
Gross amount	108,474,238	71,129,566	446,635	207,081	-	**180,257,519**
Allowance for impairment	-7,069,380	-7,638,827	-11,822	-9,358	-	**-14,729,387**
STAGE3						
Gross amount	27,534,130	2,130,004	-	458,432	-	**30,122,565**
Allowance for impairment	-18,354,681	-655,264	-	-363,389	-	**-19,373,334**
STAGE3-POCI						**-**
Gross amount	56,544	-	-	-	-	**56,544**
Allowance for impairment	-56,544	-	-	-	-	**-56,544**
TOTAL						
Gross amount	1,626,068,201	476,613,992	3,649,049	3,393,920	318,455	**2,110,043,617**
Allowance for impairment	-34,246,881	-11,610,499	-40,205	-462,808	-7,713	**-46,368,105**
Net amount	1,591,821,320	465,003,493	3,608,844	2,931,111	310,743	**2,063,675,512**
Share of total portfolio	77.1%	22.6%	0.2%	0.2%	0.0%	**100.0%**
Number of outstanding loans	1,929	943	14	136	3	**3,025**
Share of total number	63.8%	31.2%	0.5%	4.5%	0.1%	**100.0%**

* consumer loans also include overdrafts to private individuals

The changes in loans and advances to customers and the respective loss allowances are presented in the following tables:

Loans and advances to customers in LEI	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**As at 31 December 2024** **Total**
Gross outstanding amount as at 1 January 2024	**1,714,880,277**	**163,625,024**	**25,765,589**	**153,818**	**1,904,424,708**
New financial assets originated	801,040,540	-	-	-	801,040,540
Derecognitions (including write offs)	-266,631,141	-34,797,006	-11,006,358	-	-312,434,505
Repayments outstanding loans	-230,129,751	-44,551,483	-8,073,277	-97,275	-282,851,786
Transfer from Stage 1 to Stage 2	-448,525,600	448,525,600	-	-	-
Transfer from Stage 1 to Stage 3	-1,029,021	-	1,029,021	-	-
		-			
Transfer from Stage 2 to Stage 1	329,929,054	329,929,054	-	-	-
Transfer from Stage 2 to Stage 3	-	-22,488,464	22,488,464	-	-
Transfer from Stage 3 to Stage 2	-	-	-	-	-
Transfer from Stage 3 to Stage 1	4,337	-	-4,337	-	-
Foreign exchange and other movements	68,294	-127,098	-76,536	-	-135,340
Gross outstanding amount as at December 31 2024	**1,899,606,989**	**180,257,519**	**30,122,565**	**56,544**	**2,110,043,617**

The amortized cost of financial assets modified during 2024 is RON 13,646,685 with a net modification gain in amount of RON 247,020.

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Allowance for losses on loans and advances to customers in LEI	Stage 1	Stage 2	Stage 3	POCI	As at 31 December 2024 Total
Balance as of 1 January 2024	**-11,986,565**	**-18,738,311**	**-16,164,594**	**-153,818**	**-47,043,288**
New financial assets originated	-6,824,872	-	-	-	-6,824,872
Release due to derecognition	2,384,668	4,260,038	6,522,061	-	13,166,767
Transfer from stage 1 to Stage 2	4,024,858	-4,024,858	-	-	-
Transfer from stage 1 to Stage 3	7,910	-	-7,910	-	-
Transfer from stage 2 to Stage 1	-3,287,188	3,287,188	-	-	-
Transfer from stage 2 to Stage 3	-	2,058,281	-2,058,281	-	-
Transfer from stage 3 to Stage 2	-	-	-	-	-
Transfer from stage 3 to Stage 1	-175	-	175	-	-
Increase/decrease due to credit risk (net)	3,472,761	-1,493,248	-7,708,104	97,275	-5,631,315
Foreign exchange and other movements	-238	-78,477	43,318	-	-35,397
Balance of 31 December 2024	**-12,208,841**	**-14,729,387**	**-19,373,334**	**-56,544**	**-46,368,105**

Loans and advances to customers at the end of 2023 are as follows:

in LEI

As at December 31, 2023	Business loans	Agricultural loans	Housing improvement loans	Consumer loans *	Other loans	Total
STAGE1						
Gross amount	1,241,503,670	468,511,320	3,200,964	1,656,048	8,275	**1,714,880,277**
Allowance for impairment	-8,901,822	-2,999,382	-19,729	-65,276	-355	**-11,986,565**
STAGE2						
Gross amount	131,877,698	31,504,335	65,285	177,706	-	**163,625,024**
Allowance for impairment	-15,173,375	-3,558,687	-1,413	-4,837	-	**-18,738,311**
STAGE3						
Gross amount	22,528,154	3,162,070	-	75,364	-	**25,765,589**
Allowance for impairment	-14,780,661	-1,318,000	-	-65,933	-	**-16,164,594**
STAGE3-POCI						
Gross amount	153,818	-	-	-	-	**153,818**
Allowance for impairment	-153,818	-	-	-	-	**-153,818**
TOTAL						
Gross amount	1,396,063,340	503,177,726	3,266,250	1,909,117	8,275	**1,904,424,708**
Allowance for impairment	-39,009,677	-7,876,069	-21,142	-136,045	-354	**-47,043,288**
Net amount	1,357,053,664	495,301,657	3,245,107	1,773,072	7,921	**1,857,381,420**
Share of total portfolio	73.3%	26.4%	0.2%	0.1%	0.0%	**100.0%**
Number of outstanding loans	1,703	1,002	12	83	1	**2,801**
Share of total number	60.8%	35.8%	0.4%	3.0%	0.0%	**100.0%**

* consumer loans also include overdrafts to private individuals

The changes in loans and advances to customers and the respective loss allowances are presented in the following tables:

Loans and advances to customers					As at 31 December 2023
in LEI	Stage 1	Stage 2	Stage 3	POCI	Total
Gross outstanding amount as at 1 January 2023	**1,540,056,006**	**169,003,647**	**27,133,979**	**-**	**1,736,193,631**
New financial assets originated	573,659,140	-	-	183,478	573,842,617
Derecognitions (including write offs)	- 168,343,088	- 31,851,211	- 6,435,888	-	-206,630,187
Repayments outstanding loans	- 161,053,760	- 30,408,414	- 10,682,066	- 29,659	-202,173,899
Transfer from Stage 1 to Stage 2	- 352,255,184	352,255,184	-	-	-
Transfer from Stage 1 to Stage 3	- 609,208	-	609,208	-	-
Transfer from Stage 2 to Stage 1	280,813,438	- 280,813,438	-	-	-
Transfer from Stage 2 to Stage 3	-	- 15,406,652	15,406,652	-	-
Transfer from Stage 3 to Stage 2	-	524,686	- 524,686	-	-
Transfer from Stage 3 to Stage 1	34,032	-	-34,032	-	-
Foreign exchange and other movements	2,578,902	321,222	292,421	-	3,192,545
Gross outstanding amount as at December 31 2023	**1,714,880,277**	**163,625,024**	**25,765,589**	**153,818**	**1,904,424,708**

The amortized cost of financial assets modified during 2023 is RON 15,296,534 with a net modification loss in amount of RON 301,034.

Allowance for losses on loans and advances to customers					As at 31 December 2023
in LEI	Stage 1	Stage 2	Stage 3	POCI	Total
Balance as of 1 January 2023	**-9,724,908**	**-15,979,414**	**-17,401,681**	**-**	**-43,106,004**
New financial assets originated	-3,644,256	-	-	-	-3,644,256
Release due to derecognition	816,381	2,100,429	5,856,681	-	8,773,491
Transfer from stage 1 to Stage 2	2,805,326	-2,805,326	-	-	-
Transfer from stage 1 to Stage 3	5,949	-	-5,949	-	-
Transfer from stage 2 to Stage 1	-2,189,788	2,189,788	-	-	-
Transfer from stage 2 to Stage 3	-	1,217,013	-1,217,013	-	-
Transfer from stage 3 to Stage 2	-	-126,217	126,217	-	-
Transfer from stage 3 to Stage 1	-1,334	-	1,334	-	-
Increase/decrease due to credit risk (net)	-8,510	-5,316,710	-3,520,282	-153,818	-8,999,319
Foreign exchange and other movements	-45,425	-17,875	-3,900	-	-67,200
Balance of 31 December 2023	**-11,986,565**	**-18,738,311**	**-16,164,594**	**-153,818**	**-47,043,288**

31) Intangible assets

The development of intangible assets is shown in the following tables:

Intangible assets in LEI As at December 31, 2024	Software	Intangible assets in progress	Total
Net book value at January 1, 2024	4,230,354	1,008,060	5,238,414
Total acquisition costs at January 1, 2024	17,192,459	2,285,826	19,478,284
Additions	158,891	4,278,435	4,437,325
Transfers from intangible assets in progress	2,853,347	- 2,853,347	-
Disposals	-79,581	-	- 79,581
Total acquisition costs at December 31, 2024	**20,125,116**	**3,710,913**	**23,836,029**
Accumulated amortization and impairment January 1, 2024	12,962,105	1,277,766	14,239,871

Amortization	2,116,314	-	2,116,314
Impairment of assets	-	-	-
Accumulated amortization for disposal	-79,581	-	- 79,581
Accumulated amortization and impairment at December 31, 2024	**14,998,838**	**1,277,766**	**16,276,604**
Net book value at December 31, 2024	**5,126,278**	**2,433,147**	**7,559,425**

in LEI As at December 31, 2023	Software	Intangible assets in progress	Total
Net book value at January 1, 2023	5,426,061	70,551	5,496,613
Total acquisition costs at January 1, 2023	26,322,326	1,348,317	27,670,643
Additions	31,524	1,785,382	1,816,906
Transfers from intangible assets in progress	847,873	-847,873	-
Disposals	-10,009,264	-	-10,009,264
Total acquisition costs at December 31, 2023	**17,192,459**	**2,285,826**	**19,478,284**
Accumulated amortization and impairment January 1, 2023	20,896,265	1,277,766	22,174,029
Amortization	2,075,105	-	2,075,105
Impairment of assets	-	-	-
Accumulated amortisation for disposal	-10,009,264	-	-10,009,264
Accumulated amortization and impairment at December 31, 2023	**12,962,105**	**1,277,766**	**14,239,870**
Net book value at December 31, 2023	**4,230,354**	**1,008,060**	**5,238,414**

During the years 2024 and 2023, there was no internally developed software.

32) Property, plant and equipment

The movement of property, plant and equipment was as follows:

Property, plant and equipment

in LEI As at December 31, 2024	Buildings& Improvements	Furniture and fixtures	IT and other equipment	Assets under construction	Leases	Total
Net book value at January 1, 2024	1,772,182	370,587	1,702,079	113,569	7,559,666	11,518,084
Total acquisition costs at January 1, 2024	7,282,831	1,516,378	10,269,125	113,569	20,298,276	39,480,179
Additions	419,897	133,380	34,022	2,303,918	1,096,370	3,987,588
Transfers from assets under construction	-	-	624,637	-624,637	-	-
Disposals	-	-56,316	-311,837	-	-	-368,153
Total acquisition costs at December 31, 2024	**7,702,728**	**1,593,442**	**10,615,947**	**1,792,850**	**21,394,646**	**43,099,614**
Accumulated amortization January 1, 2024	5,510,649	1,145,791	8,567,046	-	12,738,610	27,962,096
Amortization	714,821	252,746	596,385	-	3,723,936	5,287,888
Accumulated amortization for disposal	-	-41,439	-311,837	-	-	-353,276
Accumulated amortization at December 31, 2024	**6,225,470**	**1,357,098**	**8,851,593**	-	**16,462,546**	**32,896,707**
Net book value at December 31, 2024	**1,477,258**	**236,344**	**1,764,354**	**1,792,850**	**4,932,101**	**10,202,906**

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Property, plant and equipment

in LEI As at December 31, 2023	Buildings& improvements	Furniture and fixtures	IT and other equipment	Assets under construction	Leases	Total
Net book value at January 1, 2023	2,212,385	651,555	2,456,835	91,078	10,365,744	15,777,597
Total acquisition costs at January 1, 2023	7,051,232	1,516,378	10,206,680	91,078	19,533,461	38,398,829
Additions	240,816	-	14,401	91,434	764,815	1,111,466
Transfers from assets under construction	-	-	68,943	-68,943	-	-
Disposals	-9,217	-	-20,899	-	-	-30,116
Total acquisition costs at December 31, 2023	**7,282,831**	**1,516,378**	**10,269,125**	**113,569**	**20,298,276**	**39,480,179**
Accumulated amortization January 1, 2023	4,838,847	864,823	7,749,845	-	9,167,718	22,621,232
Amortization	671,802	280,968	838,100	-	3,570,892	5,361,763
Accumulated amortization for disposal	-	-	-20,899	-	-	-20,899
Accumulated amortization at December 31, 2023	**5,510,649**	**1,145,791**	**8,567,046**	**-**	**12,738,610**	**27,962,096**
Net book value at December 31, 2023	**1,772,182**	**370,587**	**1,702,079**	**113,569**	**7,559,666**	**11,518,084**

33) Leases

Operating lease commitments result from non-cancellable rental agreements for properties in which the Bank operates; the amounts in the above table are calculated based on current rental agreements.

in LEI	As at 31 December 2024	As at 31 December 2023
Right of use assets		
Balance at 1 January	7,559,666	10,365,744
Depreciation charge for the year	-3,723,936	-3,570,892
Additions	1,096,370	764,815
Disposal	-	-
Impairment (addition-/release+)	-	-
Accumulated depreciation for disposal	-	-
Balance at 31 December	**4,932,101**	**7,559,666**

34) Income taxes

Deferred income taxes are recognised in full, under the balance sheet method, on temporary differences arising between the tax base of assets and liabilities and their carrying amounts, using the applicable tax rate.

The table below shows the changes in deferred income taxes and the underlying business transactions:

in LEI **Deferred tax asset**	**2024**	**As at 31 December 2023**
At January 1	-	135,824
Securities at fair value through other comprehensive income	384,346	-135,824
Charges to income statement	-	-
Total	**384,346**	**-**

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in LEI		As at 31 December
Deferred tax liability	**2024**	**2023**
At January 1	-204,006	-101,109
Securities at fair value through other comprehensive income	162,464	-132,070
Reversals to income statement	41,542	29,173
Total	**-**	**-204,006**

35) Effective tax reconciliation

in LEI	1.1.-31.12.2024	1.1.-31.12.2023
Profit/(Loss) before tax	20,038,507	21,437,470
Tax expected (16%)	3,206,161	3,429,995
Tax effects of items which are not deductible:		
- non-tax deductible expenses (+)	2,329,081	1,621,482
- non-taxable income (-)	-1,626,186	-1,717,907
Deferred tax income	-41,542	-29,173
Total income tax expenses (income)	**3,867,514**	**3,304,397**

36) Other assets

Other assets are as follows:

		As at 31 December
in LEI	**2024**	**2023**
Other inventory items	136,888	124,856
Repossessed properties	4,717,087	-
Prepaid expenses	2,570,748	1,785,295
Advance payments	848,533	671,668
Claims from taxes	416,418	249,851
Total	**8,689,674**	**2,831,670**

Other financial assets are as follows:

		As at 31 December
in LEI	**2024**	**2023**
Guarantees	454,956	439,773
Others	6,268,265	18,018,229
Total	**6,723,221**	**18,458,002**

As of 31 December 2024, the bank had a receivable from the Guarantee Funds (FNGCIMM, FGCR, FRC) in amount of LEI 4,327,405 (2023: LEI 17,047,205). The amount consists of subsidized interest for loans disbursed under IMM INVEST, IMM INVEST PLUS and IMM PLUS programs with all attached subprograms. The interest is payable by Guarantee Funds once the amount is received from the state budget.

Current tax assets are as follows:

		As at 31 December
in LEI	**2024**	**2023**
Current tax asset	-	762,028
Total	**-**	**762,028**

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37) Liabilities to banks

As of December 2024

in LEI	Due in 2025	Due in 2026	Due in 2027	Due in 2028	Due after 2028	Upfront fees	Total
Liabilities to banks with fixed interest rates	50,431,107	-	-	-	-	-	50,431,107
Liabilities to banks with variable interest rates	-	-	-	-	-	-	-
Total	**50,431,107**	-	-	-	-	-	**50,431,107**

As of December 2023

in LEI	Due in 2024	Due in 2025	Due in 2026	Due in 2027	Due after 2027	Upfront fees	Total
Liabilities to banks with fixed interest rates	129,962,502	-	-	-	-	-	129,962,502
Liabilities to banks with variable interest rates	93,800,453	-	-	-	-	-	93,800,453
Total	**223,762,955**	-	-	-	-	-	**223,762,955**

At the end of 2024, the Bank registered liabilities to banks in amount of RON 50,431,107 (year 2023: RON 223,762,955), 100% maturing in 2025, due to third parties.
Liabilities to banks (RON 50,4 mio) are denominated in RON with interest rate of 6.75%.

38) Liabilities to customers

Liabilities to customers consist of deposits due on demand, savings deposits and term deposits. The following table shows a breakdown by customer groups:

in LEI	As at 31 December 2024	Share of total portfolio	As at 31 December 2023	Share of total portfolio
Current accounts	**486,370,541**	**21%**	**441,244,130**	**23%**
-private individuals	90,281,963	4%	80,050,416	4%
-legal entities	396,088,578	17%	361,193,714	19%
Savings accounts*	**327,223,648**	**14%**	**370,302,566**	**19%**
-private individuals	67,323,531	3%	62,180,636	3%
-legal entities	259,900,117	11%	308,121,930	16%
Term deposit accounts	**1,459,748,219**	**64%**	**1,079,911,550**	**57%**
-private individuals	973,852,101	43%	685,163,150	36%
-legal entities	485,896,118	21%	394,748,400	21%
Other liabilities to customers	**6,621,208**	**0%**	**7,755,831**	**0%**
Total	**2,279,963,616**	**100%**	**1,899,214,077**	**100%**

The category "legal entities" includes liabilities to non-governmental organisations (NGOs) and public-sector institutions.

39) Liabilities to International financial institutions

Liabilities to international financial institutions are an important source of financing for the Bank. Medium to long-term loans from international financial institutions are reported under this item. Liabilities to International Financial Institutions (IFIs) are interest-bearing borrowings from specified Financial Institutions. They are initially recognized at the fair value of the consideration received and directly attributable transaction costs. After initial recognition liabilities to IFIs are subsequently measured at amortized cost using the effective interest method.

The following table gives a detailed breakdown for this item:

As of December 2024

in LEI	Due in 2025	Due in 2026	Due in 2027	Due in 2028	Due after 2028	Upfront fees	Total
Liabilities IFI with fixed interest rates	516,256	-	29,844,600	-	44,465,803	-	74,826,659
Liabilities IFI with variable interest rates	60,448,569	50,866,737	30,735,156	12,037,647	42,663,237	-491,137	196,260,210
Total	**60,964,825**	**50,866,737**	**60,579,756**	**12,037,647**	**87,129,040**	**-491,137**	**271,086,868**

As of December 2023

in LEI	Due in 2024	Due in 2025	Due in 2026	Due in 2027	Due after 2027	Upfront fees	Total
Liabilities IFI with fixed interest rates	1,217,170	-	-	29,847,600	69,718,942	-	100,783,711
Liabilities IFI with variable interest rates	61,893,486	59,407,395	50,867,454	30,735,865	77,240,472	-435,536	279,709,135
Total	**63,110,656**	**59,407,395**	**50,867,454**	**60,583,465**	**146,959,413**	**-435,536**	**380,492,846**

40) Reconciliation of movements of liabilities to cash flows arising from financing activities

	2024		2023	
in LEI	Liabilities to banks	Liabilities to IFIs	Liabilities to banks	Liabilities to IFIs
Balance as at January 1	**223,762,955**	**380,492,846**	**381,486,072**	**397,745,162**
Changes from financing cash flows:				
Proceeds from borrowings (+)	-	25,125,290	-	54,922,710
Repayment of borrowing (-)	-93,400,000	-133,429,817	-83,000,000	-72,068,788
Changes in deposits from banks	-76,839,550		-75,991,100	-
Liability-related				
Interest expenses (including upfront fees)	9,732,827	17,675,887	17,264,390	21,986,139
Interest paid (including upfront fees)	-12,941,764	-19,421,142	-16,020,103	-22,299,799
Other movements (including fx)	116,639	643,805	23,696	207,422
Balance as at December 31	**50,431,107**	**271,086,868**	**223,762,955**	**380,492,846**

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41) Provisions

in LEI	2024	As at 31 December 2023
As at January 1	3,269,800	2,962,747
Additions	2,496,582	2,287,759
Out of which provisions for off-balance sheet items	1,142,907	328,234
Used	-	-
Released	-1,860,866	-1,961,497
Out of which provisions for off-balance sheet items	-681,028	-847,272
Exchange rate adjustments	31	792
As at December 31	**3,905,548**	**3,269,800**

in LEI	2024	As at 31 December 2023
Provisions for off-balance sheet items	1,778,447	1,316,536
Provisions for legal cases	773,426	787,165
Provisions for untaken vacation	1,353,676	1,166,099
Total	**3,905,548**	**3,269,800**

Both for the provisions for untaken vacation and the other off-balance sheet items, the outflows are expected during the three months following the balance sheet date.

42) Other financial liabilities

in LEI	As at 31 December 2024	As at 31 December 2023
Accrued payables	3,111,504	2,100,324
Subsidies from state budget	-	38,750
Leases	5,244,013	8,387,803
Total	**8,355,517**	**10,526,877**

In accrued payables, the Bank included the accruals for the trade payable balances, while the trade payable balances are disclosed under Liabilities for goods and services.

43) Other non-financial liabilities

in LEI	As at 31 December 2024	As at 31 December 2023
Liabilities for goods and services	2,588,957	2,010,035
Deferred income	55,743	-
Liabilities from social insurance contributions	973,248	802,941
Liabilities to state budget	2,226,571	937,442
Total	**5,844,519**	**3,750,419**

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44) Share capital

As at 31 December 2024 (compared to 2023), the shareholder structure was as follows:

in LEI	2024		
Shareholder	**Size of stake in %**	**Number of shares**	**Amount**
ProCredit Holding AG, Frankfurt am Main, Germany	99.9996	25,372,409	251,634,371
QUIPU GMBH, Frankfurt am Main, Germany	0.0004	100	1,000
Total Capital	**100.0%**		**251,635,371**

in LEI	2023		
Shareholder	**Size of stake in %**	**Number of shares**	**Amount**
ProCredit Holding AG, Frankfurt am Main, Germany	99.9996	25,372,409	251,634,371
QUIPU GMBH, Frankfurt am Main, Germany	0.0004	100	1,000
Total Capital	**100.0%**		**251,635,371**

The par value per share is LEI 10.00

At the end of December 2024, the level of IFRS share capital was LEI 251,635,371, while the registered share capital was in amount of LEI 253,725,090; the difference in value of LEI 2,089,719 represents IFRS adjustment in accordance with IAS 21 – The effects in changes in Foreign Exchange Rates.

Share premium:

	Date	**LEI**
Premium paid by ProCredit Holding AG	April 2008	1,273,775
As at December 31, 2024		**1,273,775**

Reserves:

in LEI	**As at 31 December 2024**	**2023**
Legal reserve	6,555,176	5,553,250
General banking risks reserve	6,166,252	6,166,252
Total	**12,721,428**	**11,719,503**

Legal reserves represent accumulated transfers from retained earnings in accordance with local banking regulations that require 5% of the Bank's statutory gross profit to be transferred to a non-distributable statutory reserve until such time this reserve represents 20% of the Bank's share capital.

The general banking risks reserve include amounts set aside in accordance with local banking regulations for future losses and other unforeseen risks or contingencies, which are separately disclosed as appropriations of profit. The general banking risks reserve was appropriated from the statutory gross profit at the rate of 1% of the balance of the assets carrying specific banking risks until the end of 2006 as required by local legislation. In the Statement of the Financial position is presented under Accumulated loss.

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E. Risk Management

45) Management of the overall Bank risk profile

1. The risk profile and the risk appetite

The main principle behind the risk management framework of ProCredit Bank SA is that the Bank does not take more risk than it is capable of bearing. Therefore, the Board of Administration establishes an overall risk profile and a risk profile for each of the significant risks identified by the Bank. The main purpose of these risk profiles is that of defining the risk appetite as the acceptable limits within which the Bank's activity should be pursued in order to reach the business goals.

The significant risks acknowledged by the Bank are: credit risk, counterparty risk (including issuer risk), leverage risk, liquidity risk, interest rate risk, foreign currency risk, strategic risk, operational risk (including the IT&C risk sub-category), compliance risk and reputational risk. The Bank evaluates the risk exposure to each significant risk through the risk profile indicators on a regular basis, and compares the results with the defined risk appetite. The outcome of this analysis is reported regularly to the Board of Administration.

Currently, the Bank's overall risk appetite is established as the medium-low to medium interval, while the overall risk tolerance is established as the low to medium-high interval. The risk profile targets for each significant risk are medium-high for credit risk, medium for liquidity risk, leverage risk, interest rate risk, operational risk, IT&C risk sub-category and strategic risk, and medium-low for counterparty risk, foreign currency risk, reputational risk and compliance risk.

2. Capital management

The capital management of the Bank has the following objectives:

- Ensuring that the Bank's capital is permanently adequate, both as to volume and quality in order to cover the (potential) losses arising from different risks even under extreme circumstances.
- Full compliance with external capital requirements set by the regulator.
- Meeting the internally defined minimum capital adequacy requirements.
- Enabling the Bank to implement its plans for continuing growth while following its business strategy.

The internal capital adequacy assessment process of ProCredit Bank SA is governed by the Bank's Internal Capital Adequacy Assessment Process (ICAAP) Policy. The main tools used to assess and monitor the capital adequacy of the Bank are the Regulatory capital ratios, the Internal Capital Requirement, the leverage ratio and the risk bearing capacity. These tools are monitored on a regular basis by the Bank's Managers, the Audit and Risk Management Committee and ultimately by the Board of Administration.

External minimum capital requirements are imposed and monitored by the local banking system supervisory authority, namely National Bank of Romania. Capital adequacy is calculated based on the International Financial Reporting Standards figures and are reported to the Bank's Managers and Audit and Risk Management Committee on a regular basis. These reports include rolling forecasts to ensure not only current but also future compliance.

The following table shows the Bank's regulatory capital, calculated according to the provisions of Regulation (EU) no. 575/2013 on prudential requirements for credit institutions and investments firms ("CRR") corroborated with Regulation (National Bank of Romania) no. 5/2013 on prudential requirements for credit institutions.

in LEI	2024	As at 31 December 2023
Ordinary share capital	251,635,371	251,635,371
Share premium	1,273,775	1,273,775
Legal reserves	6,555,176	5,553,250
Accumulated losses	-4,983,664	-20,152,732
Less other intangibles	-7,559,425	-5,238,414

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Less other regulatory adjustment	-278,196	458,058
Common Equity Tier I	**246,643,036**	**233,529,309**
Tier I capital	**246,643,036**	**233,529,309**
Tier II capital	**-**	**-**
Regulatory adjustment		
Total regulatory capital	**246,643,036**	**233,529,309**

The regulatory capital ratios are complemented by internal capital requirements. Under Basel III Pillar I framework, the Bank calculates capital charges for credit and market risks using Standardized Approach and for operational risk using the Basic Indicator Approach. Under Basel III Pillar II framework, the Bank calculates additional capital charges for risks not covered by Pillar I or not fully covered by Pillar I.

During 2024, the Bank has updated its internal capital adequacy assessment process in the course of regular ongoing review of its risk management methodologies.

As of 31st, December 2024 the solvency ratio expressed as a ratio of regulatory capital over risk weighted assets was above the minimum regulatory limit.

Between 1st of January 2023 and 31st of December 2024, the Bank complied with the NBR imposed capital requirements

46) Management of individual risks

In 2024, neither the management practices nor the reporting process of individual risks have been materially modified, although several methodologies have been updated in course of the regular review process.

The Bank places special emphasis on the general understanding of the factors driving risk and on the ongoing analysis and company-wide discussion of possible risk developments/scenarios and their potential adverse impacts. The objectives of risk management include ensuring that all material risks are recognised in a timely manner, fully understood and properly addressed.

The risk management processes include a reporting component to ProCredit Holding AG , in line with the provisions included in the Procredit Group's risk management policies.

47) Credit risk

Credit risk is defined as the potential that a counterparty to a credit transaction will fail to meet its obligations towards the Bank in accordance with agreed terms. Credit risk arises from customer credit exposures (classic credit risk), credit exposure from interbank placements and issuer risk (counterparty risk). It is further divided into credit default risk and credit portfolio risk in order to facilitate focused risk management.

(a) Credit default risk from customer credit exposures

Credit default risk from customer credit exposures is defined as the risk of losses due to a potential non-fulfilment of the contractual payment obligations associated with a customer credit exposure.

The management of credit default risk from customer credit exposures is based on an extensive implementation of the bank's lending principles:

- intensive analysis of the debt capacity of the Banks' clients;
- careful documentation of the credit risk assessments, assuring that the analysis performed can be understood by knowledgeable third parties;
- rigorous avoidance of over indebting the Bank's clients;
- building a personal and long-term relationship with the client and maintaining regular contact;

- strict monitoring of loan repayment;
- practising tight arrears management;
- exercising strict collateral collection in the event of default;
- investing in well-trained and highly motivated staff;
- implementing carefully designed and well-documented processes;
- rigorous application of the "four-eyes principle".

The decision-making process ensures that all credit decisions are taken by a Credit Committee. As a general principle, the Bank considers it very important to ensure that its lending business is conducted on the basis of organisational guidelines that provide for appropriate rules governing organisational structures and operating procedures; job descriptions that define the respective tasks; a clear allocation of decision-making authority; and a clear definition of responsibilities.

Credit exposures in arrears are defined as credit exposures for which contractual interest and/or principal payments are overdue. The high quality of the loan portfolio compared with the overall banking sector reflects the application of the above lending principles and the results of the application of early warning indicators and appropriate monitoring, in particular of the individually significant credit exposures. This is a crucial element of the Bank's strategy for managing arrears. Once arrears occur, the Bank follows up on the non-repayment of the credit exposures, and by so doing typically identifies the potential for default on a credit exposure. Strict rules are applied regarding credit exposures for which, in the Bank's view, there is no realistic prospect that the credit exposure will be repaid and where typically the realisation of collateral has either been completed or the outcome of the realisation process is uncertain. The Bank's recovery and collection efforts are performed by specialised employees, typically with either a lending or legal background.

The effectiveness of this tight credit risk management is reflected in the comparably low arrears rate exhibited by the loan portfolio.

The risk classification system for very small, small and medium clients comprises an important part of the process for determining an increase in credit risk and, consequently, the classification of the loan portfolio. Prior to initial disbursement, each credit exposure is assigned one of the risk classes 1 to 8 (1 being the best and 8 being worst). Assigning a risk class implies an extensive analysis of multiple qualitative and quantitative criteria at client level, which are assessed in regular basis to identify the increase in credit risk through the classes.

Analysis by risk classification of gross loans and advances to customers as well as off balance sheet exposures (undrawn credit facilities and given guarantees) with a risk rating outstanding at 31 December 2024 is as follows:

Gross exposure in LEI	**Agricultural**	**Business**	**Consumer**	**Housing**	**Other**	**Grand Total**
STAGE1	**403,354,423**	**1,490,003,290**	**23,069**	**-**	**-**	**1,893,380,781**
RC 1-3	67,315,942	658,007,744	5,290	-	-	725,328,977
RC 4-5	336,038,480	831,995,545	17,778	-	-	1,168,051,804
RC 6-7	-	-	-	-	-	-
RC 8	-	-	-	-	-	-
STAGE2	**71,129,566**	**108,474,238**	**65,341**	**42,565**	**-**	**179,711,709**
RC 1-3	-	6,048,014	-	-	-	6,048,014
RC 4-5	1,518,571	10,068,390	-	42,565	-	11,629,526
RC 6-7	69,610,995	92,357,833	65,341	-	-	162,034,169
RC 8	-	-	-	-	-	-
STAGE3	**2,130,004**	**27,534,130**	**-**	**-**	**-**	**29,664,134**
RC 1-3	-	-	-	-	-	-
RC 4-5	-	-	-	-	-	-
RC 6-7	-	-	-	-	-	-
RC 8	2,130,004	27,534,130	-	-	-	29,664,134
STAGE3-POCI	**-**	**56,544**	**-**	**-**	**-**	**56,544**
RC 1-3	-	-	-	-	-	-
RC 4-5	-	-	-	-	-	-

RC 6-7	-	-	-	-	-	-
RC 8	-	56,544	-	-	-	56,544
Grand Total	**476,613,992**	**1,626,068,201**	**88,409**	**42,565**	**-**	**2,102,813,167**

Off balance sheet exposure

in LEI	STAGE1	STAGE2	STAGE3	IAS37(Given guarantees)	Grand Total
RC 1-3	149,112,728	115,163	-	41,477,087	190,704,978
RC 4-5	151,866,237	542,955	-	18,420,666	170,829,858
RC 6-7	-	13,464,764	-	2,924,700	16,389,464
RC 8	-	-	-	-	-
Grand Total	**300,978,965**	**14,122,882**	**-**	**62,822,453**	**377,924,300**

At the end of 2024, 0.3% of the total loan portfolio, amounting RON 7,230,450 (and RON 241,837 off-balance sheet exposure) consists of exposures belonging to Private Clients without risk rating. Classification by days in arrears is presented below:

Gross exposure

in LEI	Agricultural	Business	Consumer	Housing	Other	Grand Total
STAGE1	**-**	**-**	**2,705,339**	**3,202,415**	**318,455**	**6,226,209**
no arrears	-	-	2,610,286	3,202,415	318,455	6,131,156
1-30 days	-	-	87,866	-	-	87,866
31-90 days	-	-	7,187	-	-	7,187
STAGE2	**-**	**-**	**141,740**	**404,070**	**-**	**545,810**
no arrears	-	-	72,621	404,070	-	476,691
1-30 days	-	-	-	-	-	-
31-90 days	-	-	69,119	-	-	69,119
STAGE3	**-**	**-**	**458,432**	**-**	**-**	**458,432**
no arrears	-	-	-	-	-	-
1-30 days	-	-	-	-	-	-
31-90 days	-	-	-	-	-	-
more than 90 days	-	-	458,432	-	-	458,432
STAGE3-POCI	**-**	**-**	**-**	**-**	**-**	**-**
no arrears	-	-	-	-	-	-
1-30 days	-	-	-	-	-	-
31-90 days	-	-	-	-	-	-
more than 90 days	-	-	-	-	-	-
Grand Total	**-**	**-**	**3,305,511**	**3,606,484**	**318,455**	**7,230,450**

Total loan Portfolio amounts RON 2,110,043,617 at 31 December 2024.

Analysis by risk classification of gross loans and advances to customers with a risk rating outstanding at 31 December 2023 is as follows:

Gross exposure

in LEI	Agricultural	Business	Consumer	Housing	Other	Grand Total
STAGE1	**468,511,320**	**1,241,503,670**	**-**	**-**	**-**	**1,710,014,990**
RC 1-3	259,981,567	643,992,467	-	-	-	903,974,033
RC 4-5	208,529,754	597,511,203	-	-	-	806,040,957
RC 6-7	-	-	-	-	-	-
RC 8	-	-	-	-	-	-

STAGE2	**31,504,335**	**131,877,698**	**-**	**65,285**	**-**	**163,447,318**
RC 1-3	-	547,239	-	-	-	547,239
RC 4-5	1,232,378	3,813,591	-	65,285	-	5,111,254
RC 6-7	30,271,958	127,516,868	-	-	-	157,788,826
RC 8	-	-	-	-	-	-
STAGE3	**3,162,070**	**22,528,154**	**-**	**-**	**-**	**25,690,225**
RC 1-3	-	-	-	-	-	-
RC 4-5	-	-	-	-	-	-
RC 6-7	-	-	-	-	-	-
RC 8	3,162,070	22,528,154	-	-	-	25,690,225
STAGE3-POCI	**-**	**153,818**	**-**	**-**	**-**	**153,818**
RC 1-3	-	-	-	-	-	-
RC 4-5	-	-	-	-	-	-
RC 6-7	-	-	-	-	-	-
RC 8	-	153,818	-	-	-	153,818
Grand Total	**503,177,726**	**1,396,063,340**	**-**	**65,285**	**-**	**1,899,306,352**

Off-balance sheet gross exposure

in LEI	STAGE1	STAGE2	STAGE3	IAS37 (Given guarantees)	Grand Total
RC 1-3	162,083,947	28,159	-	18,176,840	180,288,946
RC 4-5	74,676,002	487,013	-	21,843,817	97,006,832
RC 6-7	-	8,312,930	-	157,317	8,470,247
RC 8	-	-	4,084	-	4,084
Grand Total	**236,759,948**	**8,828,102**	**4,084**	**40,177,973**	**285,770,109**

At the end of 2023, 0.3% of the total loan portfolio, amounting RON 5,118,357 (and RON 172,800 off-balance sheet exposure) consists of exposures belonging to Private Clients without risk rating. Classification by days in arrears is presented below:

Gross exposure

in LEI	Agricultural	Business	Consumer	Housing	Other	Grand Total
STAGE1	**-**	**-**	**1,656,048**	**3,200,964**	**8,275**	**4,865,287**
no arrears	-	-	1,586,501	3,200,964	8,275	4,795,740
1-30 days	-	-	69,547	-	-	69,547
31-90 days	-	-	-	-	-	-
STAGE2	**-**	**-**	**177,706**	**-**	**-**	**177,706**
no arrears	-	-	146,177	-	-	146,177
1-30 days	-	-	-	-	-	-
31-90 days	-	-	31,529	-	-	31,529
STAGE3	**-**	**-**	**75,364**	**-**	**-**	**75,364**
no arrears	-	-	4,482	-	-	4,482
1-30 days	-	-	-	-	-	-
31-90 days	-	-	-	-	-	-
more than 90 days	-	-	70,882	-	-	70,882
Grand Total	**-**	**-**	**1,909,117**	**3,200,964**	**8,275**	**5,118,357**

Total loan Portfolio amounts RON 1,904,424,708 at 31 December 2023.

Restructuring of a credit exposure is generally driven by economic problems encountered by the client that adversely affect the payment capacity, mostly caused by the significantly changed macro-economic environment in which the bank's clients currently operate. Restructurings follow a thorough, careful and individual analysis of the client's changed payment capacity. The decision to restructure a credit exposure is always taken by a credit committee and aims at full recovery of the credit exposure. If a credit exposure is restructured, amendments are made to the parameters of the loan.

Forborne loans are loans that have been restructured due to deterioration in the borrower's financial position and where the Bank has made concessions that it would not otherwise consider.

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As at 31 December 2024, the Bank applied EBA definition in force at this date in regards to forborne loans and in consequence classifies as impaired the forborne nonperforming exposures. The loan portfolio contained forborne loans with a gross outstanding of LEI 29,893,525 (ECL of LEI 6,705,427) representing 1.4% of total outstanding portfolio (31 December 2023: gross outstanding LEI 22,760,029 with a related ECL of LEI 6,118,948).

The level of credit exposure defaults to be expected within a given year is analysed regularly, based on past experience in this area. Incurred losses are fully covered with loan loss provisions.

Credit exposures with a higher risk profile are usually covered with strong collateral, typically through mortgages. Mortgages are revaluated regularly by professional and independent appraisals.

The Bank holds collateral against loans and advances to customers in the form of pledge over cash deposits, mortgage interests over property, guarantees and other pledge over equipment's and/or receivables. Estimates of fair value are based on the value of collateral assessed at the time of borrowing, and generally are not updated except when a loan is individually assessed as impaired, except for mortgage interests over property which are reassessed regularly.

The collateral presented as the lower of carrying amount of loan exposure and collateral value, can be classified into the following categories:

In LEI	31 December 2024	31 December 2023
Mortgage	872,626,160	839,540,333
Cash collateral	10,527,881	19,576,003
Financial Guarantees	672,181,903	602,842,210
Others	170,619,631	189,330,691
Total	**1,725,955,575**	**1,651,289,237**

The Bank holds collateral and other credit enhancements against certain of its credit exposures.
The table below sets out the collateral amount at market value (limited to the net exposure amount) held against different types of loan products.

	2024		2023	
In LEI	Loan exposure	Collateral Value	Loan exposure	Collateral Value
Business	1,626,068,201	1,286,017,575	1,396,063,340	1,169,173,814
Agricultural	476,613,992	435,868,979	503,177,726	478,290,851
Housing	3,649,049	3,608,844	3,266,250	3,245,107
Consumer	3,393,920	241,343	1,909,117	579,465
Other	318,455	218,834	8,275	-
Total	**2,110,043,617**	**1,725,955,575**	**1,904,424,708**	**1,651,289,237**

As of 31 December 2024, the Bank's portfolio consisted of 53.20% over-collateralized loans (61.58% at 31 December 2023).
The table below sets out the effect of collateral.

As at December 31, 2024	Over-collateralized assets		Under-collateralized assets	
In LEI	Carrying value of the assets	Fair value of collateral	Carrying value of the assets	Fair value of collateral
STAGE1	**975,601,376**	**2,404,547,355**	**911,796,772**	**588,395,967**
Agricultural	288,624,662	663,065,532	111,413,353	80,323,381
Business	683,414,453	1,735,096,460	797,822,560	508,072,587
Consumer	169,394.79	278,092.68	2,468,951	-
Housing	3,174,032	5,614,666	-	-

Other	218,834.15	492,604.00	91,909	-
STAGE2	**113,768,478**	**306,185,894**	**51,759,654**	**35,192,375**
Agricultural	54,074,120	129,091,653	9,416,618	8,185,211
Business	59,187,598	173,619,777	42,217,260	27,007,164
Consumer	71,948	1,750,883	125,775	-
Housing	434,812	1,723,581	-	-
STAGE3	**8,488,776**	**52,355,334**	**2,260,455**	**1,225,850**
Agricultural	1,269,591	4,168,265	205,148	6,712
Business	7,219,185	48,187,069	1,960,265	1,219,137
Consumer	-	-	95,042	-
STAGE3-POCI	-	**1,406,250**	-	-
Business	-	1,406,250	-	-
Grand Total	**1,097,858,630**	**2,764,494,833**	**965,816,882**	**624,814,191**

As at December 31, 2023	**Over-collateralized assets**		**Under-collateralized assets**	
In LEI	Carrying value of the assets	Fair value of collateral	Carrying value of the assets	Fair value of collateral
STAGE1	**1,027,418,291**	**2,398,201,780**	**675,475,421**	**485,684,495**
Agricultural	339,335,106	744,750,928	126,176,833	102,145,322
Business	684,624,877	1,646,349,451	547,976,969	383,379,509
Consumer	277,073	521,085	1,313,699	159,664
Housing	3,181,235	6,580,316	-	-
Other	-	-	7,921	-
STAGE2	**107,726,719**	**295,407,098**	**37,159,993**	**26,076,806**
Agricultural	25,681,975	69,037,904	2,263,673	2,012,403
Business	81,838,144	224,073,913	34,866,179	24,064,403
Consumer	142,728	1,765,983	30,141	-
Housing	63,872	529,298	-	-
STAGE3	**8,547,923**	**45,292,434**	**1,053,072**	**380,337**
Agricultural	1,804,126	7,795,765	39,944	13,963
Business	6,743,798	37,496,669	1,003,696	366,374
Consumer	-	-	9,431	-
STAGE3-POCI	-	**4,707,556**	-	-
Business	-	4,707,556	-	-
Grand Total	**1,143,692,934**	**2,743,608,868**	**713,688,486**	**512,141,638**

***(b)* Credit portfolio risk from customer lending**

Lending to medium-sized enterprises, i.e. larger credit exposures exceeding the threshold of EUR 750,000, constitutes a supplementary area of the Bank's business in terms of its overall strategic focus. Most of these clients are dynamically growing enterprises that have been working with the Bank for many years. Nevertheless, the higher complexity of these businesses requires an appropriate analysis of the business, the project that is to be financed and any connected entities. A strict division of front and back office functions is applied and requirements for both documentation and collateral are typically more stringent.

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Gross Exposure

in LEI **As at December 31, 2024**	**Business**	**Agricultural**	**Housing**	**Consumer**	**Other**	**Total**
0-50.000EUR	33,585,616	21,128,950	853,096	3,321,299	318,455	59,207,416
50.001-250.000 EUR	459,684,998	194,102,814	2,795,953	72,621	-	656,656,387
250.001-500.000 EUR	348,226,968	105,224,095	-	-	-	453,451,063
500.001-750.000 EUR	249,677,501	30,915,266	-	-	-	280,592,766
More than 750.000EUR	534,893,118	125,242,867	-	-	-	660,135,985
Total	**1,626,068,201**	**476,613,992**	**3,649,049**	**3,393,920**	**318,455**	**2,110,043,617**

in LEI **As at December 31, 2023**	**Business**	**Agricultural**	**Housing**	**Consumer**	**Other**	**Total**
0-50.000EUR	30,890,911	23,296,229	458,819	1,762,940	8,276	56,417,176
50.001-250.000 EUR	375,256,488	196,587,777	2,807,430	146,177	-	574,797,872
250.001-500.000 EUR	291,425,178	101,851,442	-	-	-	393,276,620
500.001-750.000 EUR	223,130,728	48,820,042	-	-	-	271,950,770
More than 750.000EUR	475,360,034	132,622,236	-	-	-	607,982,270
Total	**1,396,063,339**	**503,177,726**	**3,266,250**	**1,909,117**	**8,276**	**1,904,424,708**

The structure of the loan portfolio is regularly reviewed by Credit Risk Management Committee in order to identify potential events which could have an impact on large areas of the loan portfolio (common risk factors) and, if necessary, limit the exposure towards certain sectors of the economy.

According to the Credit Risk Management Policy and Strategy, the aggregate credit exposures towards one party or group of related parties cannot exceed 25% of the Bank's regulatory capital.

Larger credit exposures are particularly analysed and monitored by the responsible employees through regular monitoring activities enabling early detection of risks. Full information about any related parties is typically collected prior to lending.

Exposures in the Bank's business loan portfolio are subject to an environmental and social risk assessment, which also includes climate risks. Customers whose business activities entail medium or high environmental risks and whose credit volume exceeds a certain threshold are subject to a more detailed review. With regard to our lending activities, we incorporate climate risks (physical and transition risks) into all our risk assessments and we support our business clients in enhancing the resilience of their companies in relation to climate-related risks.

Individually significant credit exposures are closely monitored by the Credit Risk Management Committee which is responsible for the approval of the allowances for loan losses built against these exposures. The realisable net value of collateral held is taken into account when deciding on the allowance for impairment.

Under IFRS9, The Bank determines impairment allowances using different approaches, either collectively for a group of credit exposures or individually, depending on the classification of credit exposures into different categories:

Stage 1:

Stage 1 comprises financial assets for which credit risk has not significantly increased since initial recognition as well as those showing low credit risk as of the reporting date or for which no triggers for Stage 2 or 3 allocation apply. Assets are allocated in Stage 1 upon initial recognition except for purchased or originated credit impaired (POCI) assets which are treated and reported separately. For assets in Stage 1, the expected credit losses arising from possible default events within the 12 months following the reporting date (12 month ECL) are recognised as expenses. For exposures with a remaining maturity of less than 12 months, the used probability of default (PD) reflects the remaining maturity.

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Stage 2:
Stage 2 comprises financial assets for which credit risk has significantly increased since initial recognition, but for which there is no objective indication of impairment. This assessment takes account for appropriate and plausible information. Loss allowances are established in an amount equivalent to the expected credit losses over the entire remaining maturity, i.e. lifetime expected losses (lifetime ECL not credit impaired).

Stage 3:
Stage 3 includes all exposures that are credit impaired as of the reporting date. The respective calculation of loss allowances is performed based on the lifetime expected credit losses considering a 100% probability of default (lifetime ECL credit impaired). Further, the loan loss provisions can be determined on a collective basis via the ECL model or based on an individual assessment. The recognition of impairment relies on the internally applied definition of default.

Individually assessed credit exposures
Individual credit exposures for which an impairment test is performed and where an impairment loss has been confirmed are provisioned according to the impairment loss that is determined by an assessment for specific individual impairment.
The levels of the specific - individual impairment are based on the difference of the net present value of future cash-flows on a credit exposure and the current book value of that credit exposure (amortized cost).

If repayments are made which change the categorisation of a credit exposure from individually significant to individually insignificant, the bank may decide whether to maintain provisioning at the level prescribed by the results of the impairment test or to provision the credit exposure based on the collectively assessed approach.

The gross book value fluctuates over time due to repayments / write-offs or the accrual of interest and penalties, etc. Regardless of the type of provisioning, if the currently booked impairment allowances exceeds the gross book value of the credit exposure or falls below the minimum Stage 1 rates, the provisioned amount needs to be adjusted accordingly. This will be done monthly by the booking on expenses, or the reversal on incomes of the amount representing the difference.

In LEI As at December 31, 2024	Gross outstanding amount	Allowance for impairment	Net outstanding amount
Collective	**2,097,785,151**	**-37,144,613**	**2,060,640,538**
STAGE1	**1,899,606,989**	**-12,208,841**	**1,887,398,148**
Business	1,490,003,290	-8,766,277	1,481,237,013
Agricultural	403,354,423	-3,316,408	400,038,015
Housing	3,202,415	-28,383	3,174,032
Consumer	2,728,407	-90,062	2,638,346
Other	318,455	-7,712	310,743
STAGE2	**180,257,519**	**-14,729,387**	**165,528,132**
Business	108,474,238	-7,069,380	101,404,858
Agricultural	71,129,566	-7,638,827	63,490,739
Housing	446,635	-11,822	434,812
Consumer	207,081	-9,358	197,723
STAGE3	**17,920,642**	**-10,206,385**	**7,714,257**
Business	15,332,207	-9,187,732	6,144,475
Agricultural	2,130,004	-655,264	1,474,740
Consumer	458,432	-363,389	95,042
Individually	**12,258,467**	**-9,223,493**	**3,034,974**
STAGE3	**12,201,923**	**-9,166,949**	**3,034,974**
Business	12,201,923	-9,166,949	3,034,974
STAGE3-POCI	**56,544**	**-56,544**	**-**
Business	56,544	-56,544	-
Grand Total	**2,110,043,617**	**-46,368,105**	**2,063,675,512**

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In LEI As at December 31, 2023	Gross outstanding amount	Allowance for impairment	Net outstanding amount
Collective	**1,897,754,177**	**-42,331,244**	**1,855,422,933**
STAGE1	**1,714,880,277**	**-11,986,565**	**1,702,893,712**
Business	1,241,503,670	-8,901,823	1,232,601,847
Agricultural	468,511,320	-2,999,382	465,511,938
Housing	3,200,964	-19,729	3,181,235
Consumer	1,656,048	-65,276	1,590,772
Other	8,275	-354	7,921
STAGE2	**163,625,024**	**-18,738,311**	**144,886,713**
Business	131,877,698	-15,173,375	116,704,323
Agricultural	31,504,335	-3,558,687	27,945,648
Housing	65,285	-1,413	63,872
Consumer	177,706	-4,837	172,869
STAGE3	**19,239,864**	**-11,597,356**	**7,642,508**
Business	16,002,430	-10,213,423	5,789,007
Agricultural	3,162,070	-1,318,000	1,844,070
Consumer	75,364	-65,933	9,431
STAGE3-POCI	**9,012**	**-9,012**	**-**
Business	9,012	-9,012	-
Individually	**6,670,531**	**-4,712,044**	**1,958,487**
STAGE3	**6,525,725**	**-4,567,237**	**1,958,487**
Business	6,525,725	-4,567,237	1,958,487
STAGE3-POCI	**144,807**	**-144,807**	**-**
Business	144,807	-144,807	-
Grand Total	**1,904,424,708**	**-47,043,288**	**1,857,381,420**

48) Financial risk

(a) Foreign currency risk

Conceptual risk management framework

The assets and liabilities of the Bank are denominated in more than one currency. If the assets and liabilities in one currency do not match, the Bank has an open currency position ("OCP") and is exposed to potentially unfavourable changes in exchange rates.

Due to the close economic links between Romania and the Euro zone countries, a significant part of the customer funds and of the customer loan portfolio is denominated in Euro. The Bank's operations in other foreign currencies are at a low level and therefore do not pose a significant risk exposure.

Currency risk management is guided by the Foreign Currency Risk Management Policy and Strategy, which is approved by the Board of Administration.

The Treasury Department is responsible for continuously monitoring the developments of exchange rates and foreign currency markets. The Treasury Department also manages the currency positions of the Bank on a daily basis. As a general principle, all currency positions should be closed at end-of-day; long or short positions for speculative purposes are not permitted. The Bank did not engage in any foreign currency derivative transactions in 2024 nor in 2023. The Bank's foreign currency exposure is monitored and controlled on a daily basis by the Operations Suport Department and is reported to ALCO by the Risk Management Department.

Developments in the foreign exchange markets and the currency positions are regularly reported to the Bank's ALCO, which is authorised to take strategic decisions with regard to treasury activities. The Bank's exposure to foreign currency risk is reported to the Audit and Risk Management Committee and quarterly to the Board of Administration.

The Bank aims to keep a closed currency positions and ensures that an open currency position remains within the limits at all times. The currency in which the Bank obtains financing determines the currency in which loans are given to customers and vice versa. The Bank is required to balance assets and liabilities per currency in both amounts and maturities as far as possible in order to protect the Bank against currency fluctuations. If this is not possible, financial instruments shall be used to the extent available to close the gaps.

For the purpose of currency risk management the Bank has established two levels of control: early warning indicators and limits. In cases where the positions cannot be brought back below 5% of the regulatory capital for a single currency, or 7.5% for the aggregate of all currencies, the bank's ALCO have to be informed and appropriate measures taken. This mechanism helps to ensure that the bank's total OCP does not exceed 10% of regulatory capital. Exemptions from the limit or strategic positions are subject to approval by the Board of Administration.

Facts and figures concerning foreign currency risk

The following table shows the distribution of the Bank's balance sheet items across its operating currencies, i.e. RON, USD, GBP and EUR.

In LEI As at December 31, 2024	Total	RON	EUR	USD	GBP
Assets					
Cash and cash equivalents	425,981,100	241,016,613	184,072,135	892,352	-
Loans and advances to banks	70,988,096	19,414	58,431,757	12,078,071	458,854
Financial assets at fair value through other comprehensive income	278,196,496	243,156,185	35,040,311	-	-
Loans and advances to customers	2,063,675,512	1,415,954,751	647,720,761	-	-
Other financial assets	6,723,221	6,126,135	389,190	203,802	4,093
Total assets	**2,845,564,426**	**1,906,273,098**	**925,654,154**	**13,174,225**	**462,948**
Liabilities					
Liabilities to banks	50,431,107	50,431,107	-	-	-
Liabilities to customers	2,279,963,616	1,434,609,909	830,732,059	14,145,043	476,604
Liabilities to international financial institutions	271,086,868	175,913,598	95,173,270	-	-
Provisions	3,905,548	3,620,139	285,409	-	-
Other financial liabilities	8,355,517	2,520,129	5,833,909	1,478	-
Total liabilities	**2,613,742,656**	**1,667,094,883**	**932,024,647**	**14,146,522**	**476,604**
Net position	**231,821,770**	**239,178,215**	**-6,370,492**	**-972,296**	**-13,656**
Amounts in course of settlement	**-1,484**	**-5,481,302**	**4,476,690**	**1,003,128**	**-**
Credit commitments	**378,166,137**	**308,372,361**	**69,793,776**	**-**	**-**

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in LEI As at December 31, 2023	Total	RON	EUR	USD	GBP
Assets					
Cash and cash equivalents	552,393,279	430,817,184	120,457,407	1,118,688	-
Loans and advances to banks	76,442,306	19,395	55,845,102	20,176,007	401,802
Financial assets at fair value through other comprehensive income	235,311,847	200,958,617	34,353,230	-	-
Loans and advances to customers	1,857,381,420	1,191,807,435	665,573,985	-	-
Other financial assets	18,458,002	17,970,981	308,275	175,961	2,785
Total assets	**2,739,986,854**	**1,841,573,611**	**876,538,000**	**21,470,656**	**404,587**
Liabilities					
Liabilities to banks	223,762,955	93,831,601	129,931,353	-	-
Liabilities to customers	1,899,214,077	1,220,812,463	656,384,751	21,617,888	398,974
Liabilities to international financial institutions	380,492,846	289,094,317	91,398,529	-	-
Provisions	3,269,800	3,166,055	103,744	-	-
Other financial liabilities	10,526,877	856,033	9,639,284	31,561	-
Total liabilities	**2,517,266,554**	**1,607,760,469**	**887,457,662**	**21,649,449**	**398,974**
Net position	**222,720,300**	**233,813,142**	**-10,919,662**	**-178,793**	**5,613**
Amounts in course of settlement	**-1,858**	**-10,175,848**	**9,949,200**	**224,790**	**-**
Credit commitments	**285,942,908**	**252,459,019**	**33,483,889**	**-**	**-**

In order to control currency risk, limits are established through the foreign exchange risk management policy. The limits refer to the key foreign currency risk indicators and restrict foreign currency risk to an acceptable level, according to the assumed risk appetite of the Bank and should not be breached.

The Bank shall comply at all times with a limit of 10% of the Bank's total CRR Capital at the end of each day, established for the key foreign currency risk indicators.

An open currency position is a currency position not equal to zero, otherwise the position is closed. The OCP can be either positive (long position) or negative (short position). However a currency position shall be considered open if it is significantly different from zero. The significance level is set by the Bank at 1% of the capital the respective currency position should be assessed against.

Foreign exchange (FX) Open Position of the Bank is as follows:

	At 31 December 2024		**At 31 December 2023**	
In LEI	**Significance (1%of CRR capital)**	**Average used**	**Significance (1%of CRR capital)**	**Average used**
EUR		250,517		106,205
USD	2,466,430	16,056	2,335,293	-8,018
GBP		779		-6,569

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(b) Interest rate risk

Conceptual risk management framework

The Bank's approach to measuring and managing interest rate risk is guided by the Interest Rate Risk Management Policy and Strategy which is approved by the Board of Administration.

Interest rate risk arises from structural differences between the maturities of assets and those of liabilities, e.g. if a four-year fixed interest rate loan is funded with a six-month term deposit, as well as from incongruence between the interest type of the assets and liabilities, e.g. a fixed interest rate loan is financed through a variable interest rate financing facility. This would expose the Bank to the risk that the funding costs will increase before the maturity date of the loan, thus reducing the Bank's margin on the loan.

The main indicators for managing interest rate risk measures are the potential impact on the economic value (EVI) of all assets and liabilities and the interest earnings impact (IEI). The indicator economic value impact analyses the potential loss that the Bank would incur in the event of very unfavourable movements (shocks) of the interest rates on assets and liabilities.
The economic value of the Bank is the net present value of all future expected cash flows, i.e. the present value of expected cash inflows from assets minus the present value of expected cash outflows from liabilities. The economic value risk is measured by the economic value impact (EVI) , which represents the change in present value of the bank's future cash flows, which would result in the case of an interest rate shock. The economic value risk has a longer-term perspective and therefore identifies the risk arising from long-term repricing mismatches.

In line with the regulatory requirements on IRRBB, the Bank calculates the impact of sudden and unexpected changes in interest rates on its Economic value of equity (EVE) in the Standard scenario, whereby a sudden parallel shock of +/- 200 basis points is applied to all interest rate risk relevant currencies and the EVE change is calculated. The total economic value impact on the Bank's balance sheet in the standard scenario (the interest rate shocks are applied in each currency in the direction that negatively affects the Bank) must not exceed 15% of its regulatory capital for all interest rate risk relevant currencies. A reporting trigger for the indicator is set at 10% providing an early warning signal.

The Bank also reports to the National Bank of Romania the change in economic value as a result of sudden and unexpected changes in interest rates according to six standardized shock scenarios for detecting extreme values, namely a parallel upward shock, a parallel downward shock, a shock with sudden variation (short rates down and long rates up), a shock with constant evolution (short rates up and long rates down), a shock with short rates up, a shock with short rates down. The calculation of the change in economic value is performed at least quarterly. If in at least one of the 6 scenarios the decrease in the economic value resulting from the calculation is greater than 15% of the level 1 own funds, the Bank must immediately inform the National Bank of Romania.

The total potential impact of interest rate risk on the Bank's expected earnings over the next twelve months in the standard scenarios is also regularly analysed. This measure indicates how the income statement may be influenced by interest rate risk under a short-term perspective.
The total impact of net interest income over a 12-month period in standard scenarios based on parallel changes in the yield curve should not exceed 25% of the Bank's projected net interest income for the next 12 months for all relevant currencies for interest rate risk.

A reporting trigger for the indicator is set at 20% providing an early warning signal.
Interest rate risk is regularly discussed by the Bank's Assets and Liabilities Management Committee. The indicators are also reported to the Audit and Risk Management Committee and to the Board of Administration.

In order to limit its interest rate risk, the Bank aims to match as much as possible the repricing maturities of its interest bearing assets and liabilities (natural hedge).

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in LEI As at December 31, 2024	Up to 1 month	1 - 3 months	3 - 6 months	6 - 12 months	1 - 5 years	More than 5 years	Non Interest bearing	Total
Assets								
Cash and cash equivalents	366,993,283	-	-	-	-	-	58,987,818	425,981,100
Loans and advances to banks	70,968,682	-	-	-	-	-	19,414	70,988,096
Financial assets at FVOCI	-	-	30,006,398	19,994,293	228,195,807	-	-	278,196,498
Loans and advances to customers	629,079,974	822,271,509	503,590,382	23,187,552	63,193,500	19,419,220	2,933,375	2,063,675,512
Total financial assets	**1,067,041,958**	**822,271,509**	**533,596,780**	**43,181,844**	**291,389,306**	**19,419,220**	**61,940,587**	**2,838,841,205**
Liabilities								
Liabilities to banks	-	50,000,000	-	-	-	-	431,107	50,431,107
Liabilities to customers	687,751,930	432,317,766	517,968,343	331,040,637	279,538,536	6,809,220	24,537,185	2,279,963,616
Liabilities to IFI	49,254,238	82,319,788	44,652,578	36,808,309	54,745,894	2,239,052	1,067,010	271,086,868
Total financial liabilities	**737,006,168**	**564,637,554**	**562,620,920**	**367,848,946**	**334,284,430**	**9,048,271**	**26,035,302**	**2,601,481,591**
Total interest sensitivity gap	**330,035,790**	**257,633,956**	**-29,024,140**	**-324,667,101**	**-42,895,124**	**10,370,949**	**35,905,285**	**237,359,614**

in LEI As at December 31, 2023	Up to 1 month	1 - 3 months	3 - 6 months	6 - 12 months	1 - 5 years	More than 5 years	Non Interest bearing	Total
Assets								
Cash and cash equivalents	500,368,434	-	-	-	-	-	52,024,845	552,393,279
Loans and advances to banks	76,422,911	-	-	-	-	-	19,395	76,442,306
Financial assets at FVOCI	-	-	60,840,286	9,832,344	164,639,217	-	-	235,311,847
Loans and advances to customers	628,918,557	773,328,926	358,978,707	26,588,591	49,476,923	15,777,479	4,312,237	1,857,381,420
Total financial assets	**1,205,709,902**	**773,328,926**	**419,818,993**	**36,420,936**	**214,116,140**	**15,777,479**	**56,356,477**	**2,721,528,852**

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Liabilities								
Liabilities to banks	-	44,771,400	42,284,100	133,196,800	-	-	3,510,654	223,762,954
Liabilities to customers	237,108,756	409,852,063	386,445,542	517,378,122	15,254,180	6,887,670	326,287,745	1,899,214,077
Liabilities to IFI	116,741,570	148,066,424	30,358,670	13,283,555	64,937,962	4,947,342	2,157,323	380,492,846
Total financial liabilities	**353,850,326**	**602,689,887**	**459,088,312**	**663,858,477**	**80,192,142**	**11,835,012**	**331,955,722**	**2,503,469,878**
Total interest sensitivity gap	**851,859,577**	**170,639,039**	**-39,269,319**	**-627,437,541**	**133,923,998**	**3,942,466**	**-275,599,245**	**218,058,974**

Facts and figures concerning interest rate risk

As specified above, the main interest rate risk indicators are the economic value impact indicator and the interest earnings impact. The economic value impact indicator measures the impact of interest rate changes on all interest rate-sensitive on- and off-balance sheet items and quantifies the loss in value of the bank given certain changes of interest rates. As described above, the calculation of the economic value impact indicator is based on different parallel shifts of the interest rate curves. Interest rate shocks for EUR and USD considers a shift of +/- 200 bps, applied under Standard scenario and Parallel change up/down scenarios; for the local currency the shift is defined in terms of a historical worst case (+/- 350 bps for Parallel change up/down scenarios and +/- 200 bps for the Standard scenario)

The following table presents the economic value impact and interest earnings indicator under the parallel scenarios, as of December 2024 and December 2023.

in '000 RON		**2024**	
Currency	Interest rate sock	Economic value impact	Interest earnings impact
Local	+/- 350bps	-2,515	-4,665
EUR	+/-200 bps	-3,713	-3,020
USD	+/-200 bps		
Total		**-6,228**	**-7,685**

in '000 RON		**2023**	
Currency	Interest rate sock	Economic value impact	Interest earnings impact
Local	+/- 350 bps	-2,178	-10,294
EUR	+/-200 bps	-2,476	-1,687
USD	+/-200 bps		
Total		**-4,654**	**-11,981**

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(c) Liquidity risk

Conceptual risk management framework

The Bank's liquidity risk management ("LRM") system is tailored to the specific characteristics of the Bank. On the assets side the loan portfolio is the largest single component, and is primarily funded by clients' deposits, on liabilities side. The loan portfolio is characterised by a large number of exposures to small and medium businesses and is therefore highly diversified. The majority of the loans are disbursed as instalment term loans, and the default rate is low. Therefore, cash flows are highly predictable. All of these factors justify the use of a relatively simple and straightforward LRM system.

Liquidity risk in the narrowest sense (risk of insolvency) is the possibility that the Bank will no longer be able to meet its current and future payment obligations in full, or in a timely manner. Liquidity risk in a broader sense (funding risk) is the danger that additional funding can no longer be obtained, or can only be obtained at increased market interest rates.

The Bank's Assets and Liabilities Committee ("ALCO") determines the liquidity strategy of the Bank and sets the liquidity risk limits. The Treasury Department manages the Bank's liquidity on a daily basis and is responsible for the execution of the ALCO's decisions. Compliance with strategies, policies and limits is constantly monitored by the Operations Support Department and by the Risk Management Department.

The standards that the Bank applies in this area are established through the Liquidity Risk Management Policy and Strategy and the Treasury Policy. Limit breaches and exceptions to these policies are subject to decisions of the Board of Administration. The local requirements are complemented by the tools used at the ProCredit group level, thus enhancing local liquidity risk management.

Treasury manages liquidity on a daily basis using a cash flow analysis. This tool is designed to provide a realistic picture of the future liquidity situation. It includes assumptions about deposit and loan developments and helps forecasting liquidity risk indicators.

The key tool for measuring liquidity risk is a forward-looking liquidity gap analysis, which shows the contractual maturity structure of the assets and liabilities and estimates future funding needs based on certain assumptions. Starting with the estimation of the future liquidity in a normal financial environment, the assumptions are increasingly tightened in order to analyse the Bank's liquidity situation in a worst-case scenario (stress test).

The main indicator of short-term liquidity is the sufficient liquidity indicator ("SLI"), which compares the amounts of assets available and liabilities assumed to be due within the next 30 days. It must not fall below 1. This implies that the Bank always has sufficient funds to be able to repay the liabilities simulated to be due within the next 30 days. Other regulatory liquidity indicators are: Liquidity Coverage Ratio ("LCR") and NSFR ("Net Stable Funding Ratio"), with a limit of minimum 100%.

The Bank also analyses its liquidity situation from a more structural perspective, taking into account the liquidity gaps in later time buckets and additional sources of potential liquidity. The liquidity position also takes into account credit lines that can be drawn by the Bank with some time delay, and other assets which take some time to liquidate.

In addition to prescribing the close monitoring of these early warning indicators, the Liquidity Risk Management Policy and Strategy also defines reporting triggers. If the reporting limits (early warning) are reached, ALCO takes decisions on appropriate measures.

In order to safeguard the liquidity of the Bank even in stress situations, the potential liquidity needs in different scenarios are determined. The Bank has a liquidity contingency plan that establishes the measures that should be taken if a crisis situation appears at the level of the Bank or the banking system. The liquidity contingency plan is supported by a stand-by line from ProCredit Holding, amounting to EUR 10 million at the end of December 2024.

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The internal liquidity management framework complements the regulatory framework, composed of the Quick Liquidity Indicator, Total government securities in Total Assets Indicator, Liquidity Coverage Ratio, and Net Stable Funding Ratio, they being maintaining above the regulatory levels at the end of December 2024.

The Bank also aims to diversify its funding sources. Depositor concentrations are monitored in order to avoid dependencies on a few large depositors. This serves as an early warning signal and requires the reasons and mitigating measures to be reported to the ALCO and to the Audit and Risk Management Committee.

The Bank also minimises its dependency on the interbank market, as well as the cost of funding. The policies stipulate the maximum total amount of money market liabilities out of the total liabilities, a maximum level of the local overnight funding in the total liabilities. Higher limits need to be approved by Board of Administration.

Facts and figures concerning liquidity risk

The following table shows the liquidity gap analysis, i.e. the (undiscounted) cash flows of the financial assets and financial liabilities of the bank according to their remaining contractual maturities. The remaining contractual maturity is defined as the period between the balance sheet date and the contractually agreed due date of the asset or liability, or the due date of a partial payment under the contract for an asset or liability.

in LEI As at December 31, 2024	Carrying amount	Gross amount*	Up to 1 month	1 - 3 months	3 - 6 months	6 - 12 months	1 - 5 years	More than 5 years
Assets								
Cash and cash equivalents	425,981,100	426,044,107	426,044,107	-	-	-	-	-
Loans and advances to banks	70,988,096	70,988,096	70,988,096	-	-	-	-	-
Financial assets at FVOCI	278,196,496	294,954,332	-	-	30,142,469	101,265,653	163,546,211	-
Loans and advances to customers	2,063,675,512	2,380,059,919	39,010,134	89,975,625	148,293,759	424,053,843	1,362,903,901	315,822,658
Other financial assets	6,723,221	6,723,221	1,622,373	4,618,890	-	-	454,956	27,002
Financial assets	**2,845,564,425**	**3,178,769,675**	**537,664,710**	**94,594,514**	**178,436,229**	**525,319,496**	**1,526,905,067**	**315,849,660**
Off Balance sheet commitments	-	49,741,000	49,741,000	-	-	-	-	-
Total assets	**2,845,564,425**	**3,228,510,675**	**587,405,710**	**94,594,514**	**178,436,229**	**525,319,496**	**1,526,905,067**	**315,849,660**
Liabilities								
Liabilities to banks	50,431,107	51,012,357	318,607	50,693,750	-	-	-	-
Liabilities to customers	2,279,963,616	2,279,963,616	1,052,924,737	388,197,562	470,456,506	362,592,222	5,792,586	-
Liabilities to IFI	271,086,868	292,303,656	-	19,501,691	26,638,204	43,910,585	195,167,884	7,085,293
Other financial liabilities	8,355,517	8,355,517	3,111,504	-	303,669	-	4,940,344	-
Financial liabilities	**2,609,837,107**	**2,631,635,148**	**1,056,354,848**	**458,393,004**	**497,398,379**	**406,502,807**	**205,900,816**	**7,085,293**
Off Balance sheet commitment (financial guarantees and credit related commitments)	1,778,447	378,166,137	378,166,137	-	-	-	-	-
Total liabilities	**2,611,615,554**	**3,009,801,284**	**1,434,520,985**	**458,393,004**	**497,398,379**	**406,502,807**	**205,900,816**	**7,085,293**
Liquidity surplus/deficit	**235,727,318**	**547,134,528**	**-518,690,138**	**-363,798,489**	**-318,962,151**	**118,816,689**	**1,321,004,251**	**308,764,367**
Liquidity surplus/deficit including off balance sheet commitments	**233,948,871**	**218,709,391**	**-847,115,274**	**-363,798,489**	**-318,962,151**	**118,816,689**	**1,321,004,251**	**308,764,367**

in LEI As at December 31, 2023	Carrying Amount	Gross amount*	Up to 1 month	1 - 3 months	3 - 6 months	6 - 12 months	1 - 5 years	More than 5 years
Assets								
Cash and cash equivalents	552,393,279	552,452,768	552,452,768	-	-	-	-	-
Loans and advances to banks	76,442,306	76,442,306	76,442,306	-	-	-	-	-
Financial assets at FVOCI	235,311,847	248,534,172	-	-	62,089,356	10,166,865	176,277,951	-
Loans and advances to customers	1,857,381,420	1,987,611,273	66,070,368	82,797,538	157,535,959	339,138,231	1,079,202,254	262,866,923
Other financial assets	18,458,002	18,458,002	17,256,201	-	762,028	-	-	439,773
Financial assets	**2,739,986,864**	**2,883,498,521**	**712,221,643**	**82,797,538**	**220,387,343**	**349,305,096**	**1,255,480,205**	**263,306,696**
Off Balance sheet commitments	-	49,746,000	49,746,000	-	-	-	-	-
Total assets	**2,739,986,854**	**2,933,244,521**	**761,967,643**	**82,797,538**	**220,387,343**	**349,305,096**	**1,255,480,205**	**263,306,696**
Liabilities								
Liabilities to banks	223,762,955	233,191,179	31,149	51,464,117	45,140,352	136,555,562	-	-
Liabilities to customers	1,899,214,077	1,913,532,248	941,880,236	345,505,185	279,800,952	338,315,726	8,030,149	-
Liabilities to IFI	380,492,846	411,766,563	55,024,981	16,211,543	22,902,025	41,950,571	257,575,106	18,102,337
Other financial liabilities	10,526,877	10,526,877	2,100,324	-	-	-	8,426,553	-
Financial liabilities	**2,513,996,755**	**2,569,016,868**	**999,036,690**	**413,180,845**	**347,843,330**	**516,821,859**	**274,031,808**	**18,102,337**
Off Balance sheet commitment (financial guarantees and credit related commitments)	1,316,536	285,942,908	285,942,908	-	-	-	-	-
Total liabilities	**2,515,313,290**	**2,854,959,776**	**1,284,979,598**	**413,180,845**	**347,843,330**	**516,821,859**	**274,031,808**	**18,102,337**
Liquidity surplus/deficit	**225,990,099**	**314,481,653**	**-286,815,046**	**-330,383,308**	**-127,455,987**	**-167,516,762**	**981,448,397**	**245,204,359**
Liquidity surplus/deficit including Off Balance sheet commitments	**224,673,563**	**78,284,745**	**-523,011,955**	**-330,383,308**	**-127,455,987**	**-167,516,762**	**981,448,397**	**245,204,360**

*undiscounted cash flow for financial assets and liabilities

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At December 2024, the Bank has a stand-by agreement of RON 49,741,000 (December-2023: 49,746,000) with PCH that could be used in case of necessity.

Due to the fact that not all cash flows will occur in the future as specified within the contracts, the Bank applies assumptions, especially regarding deposit withdrawals. Expected customer behaviour is calculated based on an empirical analysis of historical outflows over a 10 year period and the Bank does not expect customer liabilities with maturities lower than 1 month to be liquidated at maturity. The resulting outflow rate is used as a baseline for calculating liquidity indicators under normal circumstances and increased under stress scenarios.

The Bank's financing contracts comprise of financial covenants that are monitored regularly and communicated to Audit and Risk Management Committee. The Bank complies with all financial covenants for both 2024 and 2023. 52% of non-Group Liabilities to IFIs are guaranteed by ProCredit Holding AG.

The goal is to always have sufficient liquidity in order to serve all expected liabilities within the next month. From a technical point of view this implies that the Bank's available assets should always exceed the expected liabilities, as calculated by applying the above assumptions mentioned above.

The expected liquidity gap quantifies the potential liquidity needs within a certain time period if it has a negative value, and it shows a potential excess liquidity, if it has a positive one. This calculation includes positive excess values from the previous time buckets. The expected liquidity gap is the basis for the sufficient liquidity indicator.

The Bank aims to rely primarily on customer deposits for its funding. This source is supplemented by funding received from international financial institutions (IFIs), which provide earmarked funds under targeted financing programmes (e.g. for lending to SMEs). In order to further diversify its sources of funds, the Bank also maintains relationships with other banks, especially for short-term liquidity lines. In addition, ProCredit Holding and ProCredit Bank Germany provides short- and long-term funding.

49) Operational risk

Operational risk is recognised as an important risk factor for the Bank, given that it relies on decentralised processing and decision-making. In line with Basel definition, the Bank defines operational risks as the risk of loss resulting from inadequate or failed internal processes, associated to outsourcing functions, people, ITC and/or external events. This category includes all "risk events" in the areas of personnel, processes, and information technology. A dedicated Operational Risk Management Policy and Strategy establishes the principles of operational risk management.

The overall framework for managing operational risks is best described as a complementary and balanced system comprising the following key components: Corporate Culture, Governance Framework, Policies and Procedures, Risk Assessments, New Risk Approvals (NRAs), Key Risk Indicators and the Risk Event Database. While the Corporate Culture, the Governance Framework, and Policies and Procedures define the basic cultural and organisational parameters, Risk Assessments, New Risk Approvals (NRAs), Key Risk Indicators and the Risk Event Database form the key instruments with which the risk management process is executed.

The overall objectives of the Bank's approach to the management of operational risks are:

- to understand the drivers of the operational risks
- to be able to identify critical issues as early as possible
- to avoid losses caused by operational risks; and
- to ensure efficient use of the capital.

To deliver on these goals the following tools and processes have been implemented within the framework outlined above. They are presented in the sequence in which they are used within the operational risk management process. This process is subdivided into the following phases: identification, evaluation, monitoring, control, and follow up.

- **Identification**
  - Annual operational and fraud risk assessments
  - New risk approval (NRA) process
  - Risk identification and documentation in the Risk Event Database (RED)
  - Ad hoc identification of potential risks

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- **Evaluation / quantification**
  - Agreed standards to quantify risks

- **Monitoring and control**
  - Process owners' responsibility to monitor risks
  - Key risk indicators (KRIs) and operational risk reports, risk bearing capacity calculation and monitoring in the Operational Risk Management Committee and Audit and Risk Management Committee
  - Management summaries for the significant risk events
  - Implementation of measures to avoid, reduce or mitigate the risks depending on priorities, efficiency considerations and regulations
  - Transfer of risk to an insurer, if appropriate

- **Issue tracking / follow-up tables for material action plans**
  - Follow-up of the measures taken by the Operational Risk Management Committee or by the Bank's Managers

50) Reputational risk

Reputational risk is recognised as a significant risk to which the Bank is exposed. It is defined as the current or future risk that the profits or capital would be negatively affected due to the unfavourable image of the Bank as perceived by clients, counterparties, shareholders, investors or supervisory authorities.

The Bank monitors all events with potential reputational implications through operational risk events identification, continuous monitoring of the media exposure and regular monitoring of customer complaints. The monitoring results are reported to the Operational Risk Management Committee that may take measures to mitigate the effects of a reputational risk event.
The Bank aims to keep the degree of responsibility and professionalism of its employees at a high level in order to mitigate its exposure to reputational risk. Therefore, the various training programmes have become part of the Bank's organisational culture. Relationships with clients have always been based on the principles of transparency and responsibility, thus fostering a good image for the Bank.

51) Compliance Risk

The Compliance risk is defined as the risk to suffer the sanctions set by the regulatory framework, to register significant losses or reputational impact by not complying with the regulatory framework provisions, internal regulations or other applicable best practices.

The management of compliance risk is performed at the Bank level within three committees. The financial covenants included in the refinancing contracts of the Bank are monitored on a regular basis within the ALCO and reported to the Audit and Risk Management Committee. The risks regarding money laundering and financing of terrorism activities are monitored in the AML&CFT on a quarterly basis. The changes in legislation and their implementation are monitored in the OPRC on a regular basis.

The Bank's organizational structure includes the Compliance & AML Department that has the role of assisting the Bank's Managers in order to properly manage the compliance risk.

52) Strategic Risk

The strategic risk represents the current or future risk of negative impact on earnings and capital arising from changes in the business environment or from adverse business decisions, improper implementation of decisions, or lack of response to changes in the business environment.

The Bank includes the strategic risk in the category of significant risks as, according to the developments of the past years in terms of the changes in the business environment mostly triggered by the financial crisis, we faced significant problems regarding the achievement of the business objectives. In these circumstances, the Bank's Board of Administration defines the strategic risk target profile in order to control the Bank's exposure to this risk.

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The exposure to this risk is monitored regularly in the meetings of the ALCO.

53) Organization of the risk management function

The ultimate responsibility for the risk management of the Bank lies with the Bank's Managers and with the Board of Administration. The risk management function is located at the level of Risk Management Department, which is responsible for the management all significant risks.

The Risk Management Department is subordinated to the Deputy General Manager and to the Board of Administration.

The Risk Management Department is responsible for the identification, evaluation, monitoring and reporting of risk exposures. The personnel of Risk Management Department is independent of the activities monitored and controlled, as is not performing any business related activities. The Risk Management Department reports regularly to the corresponding organisational units at ProCredit Holding.

The Bank's exposure to risks is monitored and controlled by the Audit and Risk Management Committee, a permanent, specialized committee of the Board of Administration. Detailed monitoring of specific risks is performed by various other committees, at Bank level: the Credit Risk Management Committee (credit risk, leverage risk), the Assets and Liabilities Management Committee (counterparty risk, liquidity risk, strategic risk, interest rate risk and FX rate risk), the Operational Risk Management Committee (operational risk and reputational risk) and the AML&CFT Committee (anti-money laundering and combating the financing of terrorism).

The Bank's risk policies address all significant risks and set standards that enable risks to be identified early and to be managed appropriately. The Risk Management Department carries out regular monitoring to ensure that the total volume of all risks incurred does not exceed the limits approved. The results of the monitoring are reported to the specialized committees at Bank level, to the Audit and Risk Management Committee and to the Board of Administration.

F. Additional Notes

54) Fair value of financial instruments

The following tables give an overview of the carrying amounts and fair values of the financial assets and liabilities according to the classes of financial instruments, defined in accordance with the business of the Bank.

in LEI	2024	
Financial assets	**Carrying value**	**Total fair value**
Cash and balances at central bank	425,981,100	425,981,100
Loans and advances to banks	70,988,096	70,988,096
Shares	27,002	27,002
Other financial assets	6,723,221	6,723,221
Loans and advances to customers	2,063,675,512	2,061,729,124
Total	**2,567,394,931**	**2,565,448,543**
Financial Liabilities	**Carrying value**	**Total fair value**
Liabilities to banks	-50,431,107	-50,427,088
Liabilities to customers	-2,279,963,616	-2,290,026,087
Liabilities to international financial institutions	-271,086,868	-275,995,258
Other financial liabilities	-8,355,517	-8,355,517
Total	**-2,609,837,107**	**-2,624,803,950**

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in LEI	2023	
Financial assets	**Carrying value**	**Total fair value**
Cash and balances at central bank	552,393,279	552,393,279
Loans and advances to banks	76,442,306	76,442,306
Shares	27,002	27,002
Other financial assets	18,458,002	18,458,002
Loans and advances to customers	1,857,381,420	1,862,027,289
Total	**2,504,702,010**	**2,509,347,878**
Financial Liabilities	**Carrying value**	**Total fair value**
Liabilities to banks	-223,762,955	-220,408,068
Liabilities to customers	-1,899,214,077	-1,910,574,488
Liabilities to international financial institutions	-380,492,846	-382,942,869
Other financial liabilities	-10,526,877	-10,526,877
Total	**-2,513,996,755**	**-2,524,452,301**

in LEI		2024		of which		
Financial assets	**Category**	**Carrying value**	**Total fair value**	**Level 1**	**Level 2**	**Level 3**
Investment securities	FVOCI	278,196,496	278,196,496	243,156,185	35,040,311	-
Total		**278,196,496**	**278,196,496**	**243,156,185**	**35,040,311**	**-**

in LEI		2023		of which		
Financial assets	**Category**	**Carrying value**	**Total fair value**	**Level 1**	**Level 2**	**Level 3**
Treasury bills	FVOCI	235,311,847	235,311,847	200,958,617	34,353,230	-
Total		**235,311,847**	**235,311,847**	**200,958,617**	**34,353,230**	**-**

The fair value of claims and term deposits at variable rates of interest is identical to their carrying amounts. The fair value of claims and liabilities at fixed rates of interest was determined using the discounted cash flow method, using money market interest rates for financial instruments with similar default risks and similar remaining terms to maturity.

The estimated fair value of the receivables corresponds to the discounted amount of the estimated expected future cash flows, i.e. net of allowance for impairment. The expected cash flows are discounted to fair value at the current market interest rates.

The fair value is calculated based on current observable market data by using a valuation technique. The valuation techniques applied are references to the current fair value of other instruments that are substantially the same and discounted cash flow analysis using observable market parameters, e.g. interest rates and foreign exchange rate. These instruments are classified as Level 2 in the fair value hierarchy.

The fair value of loans and advances to customers was determined using the discounted cash flow method, using the current market rates for end of the year, published by the Bank on its website for loans with similar default risks and similar remaining terms to maturity.

The fair value of liabilities to customers was determined using the discounted cash flow method, using the current market rates for end of the year, published by the Bank on its website for deposits with similar remaining terms to maturity. For deposits with no stated maturity (i.e. Current Accounts and Saving Accounts) the fair value it's equal to carrying value in the balance sheet.

In case observable market rates are not available to determine the fair value of financial liabilities measured at amortized cost, ProCredit Bank Treasury rates are used as an input for a discounted cash flow model. Treasury department rates are determined considering the cost of capital depending on currencies and maturities plus a risk margin that depends on an internal risk rating for each institution. These internal rates are regularly compared to those applied for third party transactions and are therefore in compliance with the arms lengths principle.

There have been no transfers between the input levels of the fair value hierarchy.

55) Contingent liabilities and commitments

	As at 31 December	
in LEI	2024	2023
Letters of guarantees	73,676,915	46,808,814
Letters of credit	-	-
Credit commitments	304,489,222	239,134,094
Total	**378,166,137**	**285,942,908**

The above table discloses the nominal principal amounts of contingent liabilities, commitments and guarantees, i.e. the amounts at risk, should contracts be fully drawn upon and clients default. It is expected that a significant portion of guarantees and commitments will expire without being drawn upon; therefore the total of the contractual amounts is not representative of future liquidity requirements. An estimate of the amount and timing of outflow is not practicable.

56) Related party transactions

The Bank entered into a number of banking transactions with related parties in the normal course of business.

The list of related parties and description of the nature of relationship is as follows:

Name	Relationship
ProCredit Holding AG	Shareholder
Quipu GmBH, Frankfurt am Main, Germany	Shareholder
ProCredit Bank Germany	Entities under common control
ProCredit Bank Bulgaria	Entities under common control
Procredit Bank Kosovo	Entities under common control
Procredit Bank North Macedonia	Entities under common control
ProCredit Bank Serbia	Entities under common control
ProCredit Bank Georgia	Entities under common control
ProCredit Academy Macedonien	Group company
Shipeke Kosovo - Quipu Ges.	Group company
ProCredit Academy	Group company

The ultimate parent of the Bank is ProCredit Holding AG.

During the year ended 31 December 2024 and the year ended 31 December 2023 the Bank carried out transactions with other related parties from the Group, such as: short and long term financing, IT Services, Management Service Agreement support services as presented below:

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in LEI	1.1.-31.12.2024	1.1.-31.12.2023
Income	2,387,477	3,507,833
Expense	29,611,755	32,381,505
Net expense	**-27,224,278**	**-28,873,672**

in LEI	2024	As at 31 December 2023
Assets		
Loans and advances to banks	70,968,811	76,423,044
Other receivable	-	-
Total Assets	**70,968,811**	**76,423,044**
Liabilities		
Liabilities to banks	318,607	129,962,502
Liabilities to customers (including ProCredit Holding)	346,502	777,162
Other payable	553,150	1,250,772
Total Liabilities	**1,218,258**	**131,990,436**
Off-balance sheet positions		
Credit line	49,741,000	49,746,000
Loan commitment	-	-
Total Off-balance sheet positions	**49,741,000**	**49,746,000**

Loans and advances to banks represent nostro accounts with ProCredit Germany having interest between 2.6% and 3.75% .

57) Management compensation

During the reporting period, total compensation paid to the management of the bank amounted to:

in LEI	1.1.-31.12.2024	1.1.-31.12.2023
Management board salaries	2,877,137	1,782,948
Total	**2,877,137**	**1,782,948**

The gross remuneration for the year 2024 for the members of the Bank's Board of Administration was EUR 34,382.

58) Number of Employees

	2024		2023	
	Average	At year end	Average	At year end
General Manager	1	1	1	1
Deputy General Manager	3.5	3	1.5	2
Head Office Staff	134	143	126	132
Branches Staff	39	41	39	40
Total Staff		**188**		**175**

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59) Exchange rates

The following exchange rates were in force in 2024 and 2023:

Currency code	2024 At balance sheet date	2024 Average for the year	2023 At balance sheet date	2023 Average for the year
EUR	4.9741	4.9747	4.9746	4.9464
USD	4.7768	4.5975	4.4958	4.5758

60) Address and general information

ProCredit Bank S.A. is domiciled in Romania. The Bank was established in Romania in July 2002 (until November 2004 the Bank was known as Microfinance Bank MIRO S.A.), and is licensed by the National Bank of Romania to conduct banking activities.

The Bank operates through its head office located in Bucharest and through its network consisting of 5 outlets (31 December 2023: 5 outlets) located in Romania.

The current registered office of the Bank is located at:

62 – 64 Buzesti Street,
Bucharest, Sector 1
Romania

The Bank is managed by a Board of Administration made up of 5 members (31 December 2023: 5 members) lead by a Chairperson. The composition of the Board of Administration was as follows:

Position	31 December 2024	31 December 2023
Chairperson	Gian Marco Felice	Gian Marco Felice
Member	Rainer Peter Ottenstein	Rainer Peter Ottenstein
Member	Eriola Bibolli	Andrei Georgescu
Member	Zeinab Lomashvili	Zeinab Lomashvili
Member	Antje Gerhold	vacant position

Andreea Ichim
Deputy General Manager

PROCREDIT BANK S.A. BUCURESTI

Alexandra Andronache
Head of Finance Department

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