

STATEMENT

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

The annual financial statements were prepared as at 30.06.2023 for:

Legal entity: CEC BANK SA

County: 40 - THE MUNICIPALITY OF BUCHAREST

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

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

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

Fiscal identification code: 361897

The General Manager - President of Executive Committee, Bogdan Constantin Neacșu takes full responsibility for preparing the interim financial statements as at June 30, 2023 and confirms that:

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

Bogdan Constantin Neacșu  
General Manager - President of Executive Committee



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**Half-yearly report  
of administrators**



**for the six-month period ended on  
30 June, 2023**

**According to the Regulation of the Financial  
Supervision Authority no. 5/2018**

## Issuer identification data

<b>Report date</b>	September 29, 2023
<b>Issuer name</b>	CEC BANK S.A.
<b>Registered Office</b>	No. 13 Calea Victoriei, District 3, Bucharest
<b>Contact Information</b>	Phone: 021.311.11.19 Website: <a href="http://www.cec.ro">www.cec.ro</a>
<b>Sole Identification Number with the Trade Register</b>	RO 361897
<b>Order number with the Trade Register</b>	J40/155/1997
<b>Regulated market where the issued securities are traded</b>	The Company's bonds are listed on the Bucharest Stock Exchange and Luxemburg Stock Exchange
<b>Subscribed and paid-up share capital</b>	RON 2,290,661,600

### Main features of the securities issued by the trade company:

#### - Bucharest Stock Exchange

- 334 pieces at a nominal value of 525,000 lei/bond, stock ticker CECRO25 (ISIN XS2572123516)  
(<https://bvb.ro/FinancialInstruments/Details/FinancialInstrumentsDetails.aspx?s=CECRO25>)
- 973 pieces at a nominal value of 100,000 lei/bond, stock ticker CECRO25E (ISIN XS2572123433)  
(<https://bvb.ro/FinancialInstruments/Details/FinancialInstrumentsDetails.aspx?s=CECRO25E>)
- 1.193 pieces at a nominal value of 100.000 eur/bond, stock ticker CECRO28E (ISIN XS2574275280)  
(<https://bvb.ro/FinancialInstruments/Details/FinancialInstrumentsDetails.aspx?s=CECRO28E>)

#### - Luxemburg Stock Exchange

- 1.193 pieces at a nominal value of 100.000 eur/bond, stock ticker CECRO28E (ISIN XS2574275280)  
(<https://luxse.com/security/XS2574275280/373236>)

## CONTENTS

<b>I. Significant events for the period January - June 2023</b> .....	<b>4</b>
<b>Significant related party transactions</b> .....	<b>4</b>
<b>Issuer management</b> .....	<b>4</b>
1. Presentation of the list of Issuer's administrators and the following information for each administrator .....	<b>4</b>
2. Presentation of the list of members of the Issuer's executive management .....	<b>7</b>
3. For all the persons presented in sections 1 and 2, the specification of any litigation or administrative procedures in which they have been involved, for the last 5 years, related to their activity within the Issuer, as well as those that concern the capacity of the respective person to fulfill their duties in within the Issuer .....	<b>8</b>
<b>II. The detailed information</b> .....	<b>9</b>
<b>1. Economic and financial position</b> .....	<b>9</b>
1.1.a The Bank's financial position .....	<b>9</b>
1.1.b Profit or loss status .....	<b>12</b>
1.1.c Cash flow: Cash flow statement .....	<b>14</b>
<b>2. Bank activity analysis</b> .....	<b>14</b>
2.1 Presentation and analysis of trends, elements, events or uncertainty factors affecting or potentially affecting the Bank's liquidity, compared to the same period of last year .....	<b>15</b>
2.2 Presentation and analysis of the effects on the Bank's financial situation of all capital expenditures, current or anticipated, compared to the same period of last year .....	<b>18</b>
2.3 Presentation and analysis of events, transactions, economic changes that significantly affect revenues from core activity .....	<b>18</b>
<b>3. Changes affecting the Bank's capital and management</b> .....	<b>21</b>
3.1 Detailing the cases in which the Bank was unable to comply with its financial obligations .....	<b>21</b>
3.2 Changes regarding the rights of holders of securities issued by the Bank .....	<b>22</b>
<b>4. Significant transactions</b> .....	<b>22</b>
<b>5. Events subsequent to the balance sheet date</b> .....	<b>22</b>
<b>III. Appendices</b> .....	<b>23</b>
1. The management's statement regarding the accountability for the preparation of the financial statements as of 30 June 2023 .....	<b>23</b>
2. IFRS financial statements as of 30 June 2023.....	<b>23</b>
3. Report of the independent auditor KPMG Audit S.R.L. regarding the financial statements.....	<b>23</b>

## I. Significant events for the period January - June 2023

### Significant related party transactions

There were no related party transactions that substantially affected the Bank's financial position or results between January and June 2023. Additional details can be found in Note 20 of the interim financial statements summarized as of June 2023 accompanying this report.

### Issuer management

#### 1. Presentation of the list of Issuer's administrators and the following information for each administrator

The structure of the Board of Directors as of June 30, 2023 is the following:

- Mr. Valentin Mavrodin, Chairman;
- Mr. Bogdan Constantin Neacșu, Member;
- Mrs. Mihaela Lucica Popa, Member;
- Mr. Ciprian Badea, Member;
- Mrs. Mirela Șițoiu, Member;
- Mr. Mihai Gogancea Vătășoiu, Member;
- Mrs. Mirela Iovu, Member;
- Mrs. Simona Andrei, Member.

**Valentin Tiberiu Mavrodin** (47 years old) graduated from ASE Bucharest, the Faculty of Finance, Insurance, Banking and Stock Exchange, and has a master's degree in management.

He has over 22 years of experience in the public finances field, coordinated the project to implement the electronic payment system in Romania within the Ministry of Finance, acted as General Manager of the General Treasury and Public Accounting Directorate during the 2007-2017 period and as a secretary of state within the Ministry of Finance between 2017 and 2020. He has been operating in the private sector since 2021.

Between November 2010 and March 2013, for over 2 years he was a member of the General Meeting of Shareholders of CEC Bank. He has been a member of the Board of Directors of CEC Bank, a position he also occupied for a few months during 2010-2011. On September 12, 2022, he was appointed Chairman of the Board of Directors, a position he also held between May 11, 2019 and December 9, 2020.

The current mandate expires on May 11, 2027.

**Bogdan Constantin Neacșu** (44 years old) graduated from ASE Bucharest, the Faculty of Finance and Banking, specializing in banks and stock exchanges, and attended a master's degree in finance and banking within in the same institution, along with many other specific professional training courses.

With over 18 years of experience in the banking system, Bogdan Neacșu has held several management positions within several financial institutions, including Garanti Bank, Patria Bank, Volksbank Romania and BRD. His previous experience includes occupying the position of Vice Chairman responsible for business growth, risk and audit, compliance and control and corporate governance.

Since October 22, 2019, he has acted as General Manager and Chairman of the CEC Bank Management Committee, and in May 2021, he was elected Chairman of the Romanian Association of Banks.

The current mandate of General Manager - Chairman of the CEC Bank Management Committee, executive member of the Board of Directors expires on May 11, 2027.

**Mihaela Lucica Popa** (64 years old) graduated from the Academy of Economic Studies, Faculty of Finance and Banking, and has over 30 years of experience in the banking sector, within banks such as: Banca Română de Comerț Exterior (B.R.C.E.), Banca Italo Romena and Raiffeisen Bank.

In September 2007, Mihaela Popa joined the Bank's management team as coordinating Vice Chairman of the Corporate Division, after previously holding the position of Sales Manager - Bucharest City Branch, within CEC Bank.

Since October 22, 2019, Mihaela Popa has been occupying the position of Manager - Senior Vice-Chairman of the Bank's Steering Committee, executive member of the Board of Directors, with her mandate expiring on October 22, 2023.

**Mirela Iovu** (52 years old) has a PhD in Law, from the Bucharest Faculty of Law, while also having obtained a degree in legal sciences from the Faculty of Law of the "Lucian Blaga" University in Sibiu. Furthermore, she also has a Master of Business Administration (MBA) from the City University of Seattle, USA and obtained a professional postgraduate diploma in Governance, Risk and Compliance - ICA Professional Postgraduate Diploma in Governance, Risk and Compliance - from the International Compliance Association (ICA) in cooperation with The University of Manchester-Manchester Business School, also specializing in financial inclusion policies at the Harvard Kennedy School.

She has been an active member of several technical committees within the Romanian Association of Banks, and for 15 years she has been the representative of the banking community as a permanent member of the Legal Support Group of the European Payment Council (EPC), in Brussels, regarding the Single European Payment Area (SEPA) project. Furthermore, in 2019, she was elected Chairman of the Association of Legal Advisors within the Financial-Banking System, after occupying the position of Vice-Chairman for 3 mandates.

Mirela Iovu has been an executive member of the Board of Directors of CEC Bank since December 22, 2022, the date of approval by the National Bank of Romania, her mandate expiring on May 11, 2027.

**Ciprian Sebastian Badea** (46 years old) graduated from the Faculty of Law at the Spiru Haret University and has a master's degree in public policy and European integration.

He has over 22 years of experience within the Ministry of Finance (MF) and the National Tax Administration Agency, holding various coordination positions in the legal field, of which over 14 years as General Manager of the General Legal Directorate within the MF, a position he also holds to this day. Between March 2012 and July 2014, he acted as General Secretary and Deputy General Secretary of the Ministry of Public Finance.

He has been a member of the Board of Directors of CEC Bank since 2006, with the current mandate expiring on May 11, 2027.

**Mirela Şiţoiu** (51 years old) graduated from ASE Bucharest, the Faculty of Finance, Insurance, Banking and Stock Exchange, has a master's degree in public management, has good experience in national and transnational cooperation projects aimed at strengthening the institutional capacity. Furthermore, she also took part in postgraduate training programs run by the University of Social Sciences in Toulouse, France.

He has over 28 years of experience in the central public administration field, of which over 26 years in the field of human resources management within the Ministry of Finance. Between September 2020 and 2021, she acted as General Manager of the General Directorate of Revenue Monitoring and Overview within ANAF. She currently holds the position of General Manager of the General Directorate of Human Resources Management within the Ministry of Finance.

She has been a member of the Board of Directors of CEC Bank since 2013, with the current mandate expiring on May 11, 2027.

**Mihai Gogancea Vătăşoiu** (53 years old) graduated from the Romanian-American University, in the field legal sciences and law, has a master's degree in institutional management, community law and information management for national security and postgraduate studies in national security and defense.

He has over 29 years of experience in the public finances field, occupying various positions within the Tulcea and Bucharest General Directorate for Public Finances, as well as within the National Tax Administration Agency (ANAF), between May 2014 and February 2016 and between January 2009 and May 2012 as Vice Chairman of ANAF. He currently occupies the position of Deputy Head of Administration at the Fiscal Administration for Non-Resident Taxpayers within the Bucharest D.G.R.F.P.

Since 2015, Mihai Gogancea Vătăşoiu has been a member of the Board of Directors of CEC Bank, also holding a similar mandate during the 2009-2012

period. The duration of the current mandate is until the date of approval by the National Bank of Romania of a new administrator who will be nominated by the General Meeting of Shareholders for this position, without the mandate being able to exceed 4 years.

**Simona Andrei** (43 years old) graduated from the Academy of Economic Studies in Bucharest, has a master's degree in Finance and Banking and a PhD in Economics and Management, as well as the "Certified Accountant in International Financial Reporting (DipIFRS)" international certification, issued by the ACCA (*Association of Chartered Certified Accountants*). She has a professional experience of 20 years, of which 15 years within CEC Bank. For 7 years she occupied the position of manager of the Financial Department, and occupied the position of CFO (Chief Financial Officer) for 8 years. Starting in May 2018, while occupying this position, she coordinated the activity of the Financial and Accounting departments, being authorized by the National Bank of Romania to exercise the new responsibilities set.

Simona Andrei coordinated the Bank's team of specialists, who together with the members of the Steering Committee and of the Board of Directors, as well as with the independent financial consultant, and, in 2019, supported before the European Commission the project aimed at increasing the share capital by RON 940 million by the Bank's Shareholder. For the first time in the Bank's history, such an approach by the Shareholder was granted the approval of the European Commission, in compliance with the European legislation regarding state aid.

In 2020, Simona Andrei took part in a program approved by the International Coaching Federation (ICF), thus acquiring the essential knowledge and business acumen necessary to coordinate her teams as efficiently as possible.

Simona Andrei became Manager - Vice-Chairman of the Steering Committee and a member of the Board of Directors of CEC Bank on December 22, 2022, the date of approval by the National Bank of Romania, her mandate expiring on May 11, 2027.

## **2. Presentation of the list of members of the Issuer's executive management**

The structure of the Steering Committee as of June 30, 2023 was the following:

- Mr. Bogdan Constantin Neacșu, General Manager - Chairman;
- Mrs. Mihaela Lucica Popa, Manager - Prime Vice Chairman;
- Mrs. Mirela Iovu, Manager - Vice Chairman.
- Mrs. Simona Andrei, Manager - Vice Chairman.



Half-yearly Report for the six-month period ended on 30 June, 2023 in accordance with ASF Regulation no. 5/2018

The mandate of Mr. Bogdan Constantin Neacșu as General Manager and Chairman of the CEC Bank Steering Committee expires on May 11, 2027.

The mandate of Mrs. Mihaela Lucica Popa as Manager - Senior Vice-Chairman of the Bank's Steering Committee expires on October 22, 2023.

The mandate of Mrs. Mirela Iovu as Manager - Vice-Chairman of the Bank's Steering Committee expires on May 11, 2027.

The mandate of Mrs. Simona Andrei as Manager - Vice-Chairman of the Bank's Steering Committee expires on May 11, 2027.

There is no information regarding any agreement, understanding or family connection between the members of the executive board and other persons that would help appoint those persons to the position of the member of the executive board in the first half of 2023.

**3. For all the persons presented in sections 1 and 2, the specification of any litigation or administrative procedures in which they have been involved, for the last 5 years, related to their activity within the Issuer, as well as those that concern the capacity of the respective person to fulfill their duties in within the Issuer**

Not applicable.

## II. The detailed information

### 1 Economic and financial position

#### 1.1.a The Bank's financial position

Evolution of net balance sheet assets	30 June 2023	31 December 2022
<b>Assets</b>	<b>RON thousand</b>	<b>RON thousand</b>
Cash at hand and availabilities in central banks	6785181	10069054
Derivatives	862	-
Loans and advances to banks and public institutions	3469644	6119076
Loans and advances to customers	30659302	29224037
Financial assets held for trading and measured at fair value through profit and loss	92240	6289
Financial assets compulsorily measured at fair value through profit and loss	18429	16341
Financial assets at fair value through other comprehensive income (Financial assets available for sale)	19338800	10369254
Financial assets at amortized cost	7490181	4770943
Tangible assets	776278	749364
Intangible assets	101325	90487
Real estate investments	57393	59872
Assets representing the right of use	106381	94080
Deferred tax liabilities	23947	75064
Other financial assets	97021	79497
Other assets	32444	25358
<b>Total assets</b>	<b>69049428</b>	<b>61748716</b>
Evolution of debt and equity	30 June 2023	31 December 2022
<b>Liabilities</b>	<b>RON thousand</b>	<b>RON thousand</b>
Derivatives	756	24950

Deposits from banks	714354	2698249
Deposits from customers	60539535	52430729
Borrowings from banks and other financial institutions	253887	278242
Bonds issued	1284178	653636
Subordinated debts	1435393	1439628
Deferred tax liabilities	-	-
Debts from leasing operations with tangible assets	109562	96475
Provisions	42748	47804
Other financial liabilities	108339	89799
Other liabilities	87199	74055
Current income tax liabilities	26347	21805
Total debts	64602298	57855372
<b>Equity</b>		
Share capital	2499746	2499746
Revaluation reserve for tangible assets	559028	559956
Reserves for financial assets at fair value through other comprehensive income	-382002	-639567
Other reserves	295515	295517
Retained earnings	1474843	1177692
Total equity	4447130	3893344
<b>Total equity and liabilities</b>	<b>69049428</b>	<b>61748716</b>

Regarding the evolution on 30.06.2023 of the main activity indicators compared to those achieved in the similar period of the previous year, the situation is presented as follows:

### **Loans**

On June 30, 2023, the outstanding loan portfolio related to non-bank customers (mainly, gross value) is higher by 10% (2,977 million lei) compared to the same period of 2022.

From the total value of loans in the balance at the end of Semester I 2023, approx. 76% represent loans granted in lei. The largest increase was recorded in the PJ segment, by approx. 13% compared to June 30, 2022, respectively by 2,676.3 million lei, which indicates that the Bank continues to be actively involved in supporting the

Half-yearly Report for the six-month period ended on 30 June, 2023 in accordance with ASF Regulation no. 5/2018

business environment in Romania, in particular by supporting SMEs and the agricultural sector.

The gross balance of PF loans recorded a positive evolution during the first semester of 2023, increasing by approx. 4% compared to June 30, 2022, respectively by 301.1 million lei.

The balance of the current credit commitments of non-bank clients on 30.06.2023 is 4,263.6 million lei (not taking into account the bank guarantee letters granted), being in a slight decrease by approx. 29 million lei compared to June 30, 2022, as a result of the use of committed credits.

### **New loans contracted**

In the first semester of 2023, new loans were granted to private and legal clients in the total amount of 4,956 million lei (including bank guarantee letters issued).

The Bank's assets reached RON 69 billion as of June 30, 2023, up 11.8% compared to the end of last year.

At Bank level, net loans amounted to RON 30.7 billion at the end of June 2023, increasing by 4.9% in the last six months compared to the end of the previous year.

Customer deposits reached RON 60,539 million as of June 30, 2023, up 15.47% compared to the end of the previous year, the increase being generated in the largest proportion by deposits attracted from legal entity clients.

The currency structure of the deposits registered at the end of the first semester of 2023 is roughly similar to that of the previous periods, approx. 64% of the total attracted sources being in national currency.

The significant increase in attracted sources was due to the attractive interest rates applied by the Bank, which were in line with the market interest rate, but the most important thing is the trust that the non-bank customers still have in the fundamental values of CEC Bank - trust, honesty, stability.

The bonds issued registered a significant increase of 96.4%, reaching RON 1,284 million at the end of June 2023, compared to RON 654 million at the end of December 2022.

The Bank's equity as at 30.06.2023 totaled RON 4,447 million, increasing by 14.22% compared to the end of last year, when they amounted to RON 3,893 million, evolution determined by the increase in retained earnings.

### 1.1.b Profit or loss status

Evolution of the profit and loss account	30 June, 2023	30 June, 2022
	RON thousand	RON thousand
Interest income calculated using the effective interest method	1906682	1047766
Interest expenses	-1127452	-376724
<b>Net interest income</b>	<b>779230</b>	<b>671042</b>
Commission income	181039	178850
Commission expenses	-47612	-44580
<b>Net commission income</b>	<b>133427</b>	<b>134270</b>
Net gain from trading	41015	27254
(Net loss) from financial derivatives	-47777	-11161
(Net loss) /net gain from financial assets mandatorily measured at fair value through profit or loss	2021	-601
Net gain from the sale of financial assets measured at fair value through other comprehensive income	2493	1006
(Net loss) /net gain from foreign exchange differences	41935	-5980
Other operating income	6776	6734
<b>Operating income</b>	<b>959120</b>	<b>822564</b>
Impairment loss on loans and advances to customers, provisions for loan commitments and financial guarantees given	-87382	-226664
(Net loss) from impairment of debt instruments	-3436	-551
Staff costs	-267166	-234007
Depreciation and amortisation expenses	-62493	-48865
Other operating expenses	-188891	-201883
<b>Operating expenses</b>	<b>-609368</b>	<b>-711970</b>

<b>Profit before tax</b>	<b>349752</b>	<b>110594</b>
Income tax expense	-53528	-19465
<b>Net Profit for the period</b>	<b>296224</b>	<b>91129</b>
Other comprehensive income		
Items that may be reclassified subsequently to profit		
or loss:	259659	-727957
Change in the fair value of financial assets measured through other items of comprehensive income, net of tax	-2094	-845
Net gain from transactions with financial assets measured through other items of comprehensive income, transferred to profit or loss upon disposal, net of tax		
Items that will not be reclassified to profit or loss:	-	-
Net gain from the revaluation of land and buildings	-	-595
Corrections of the previous year	257565	-729397
<b>Other comprehensive income for the period</b>	<b>553789</b>	<b>-638268</b>

The net profit obtained by the Bank on 30.06.2023, amounting to RON 296.2 million, is 225.1% higher compared to the same period of 2022, when it totaled 91 million.

Net interest income recorded a substantial increase of 16% at Bank level, driven by higher market rates.

In total, operating revenues reached RON 964 million at the end of the first half of 2023, 17% higher than in the same period last year.

Operating expenses decreased compared to those reported in the similar period of 2022, therefore total operating expenses at Bank level decreased by 14%.

### 1.1.c Cash flow: Cash flow statement

	30 June, 2023	30 June, 2022
	RON thousand	RON thousand
Cash and cash equivalents at the beginning of the period	15770282	8451785
Cash flow from operating activities (net)	4669858	1625361
Cash flow used in investing activities (net)	-11058868	-695310
Cash flow from financing activities (net)	513081	-754294
<b>Cash and cash equivalents at the end of the period</b>	<b>9894353</b>	<b>8627542</b>

## 2 Bank activity analysis

### a) Bank activity description

CEC Bank S.A. is a joint-stock company 100% owned by the Romanian state, which exercises its rights and assumes all the obligations related to the sole shareholder position through the Ministry of Finance.

CEC Bank SA ("The Bank"), registered with the Trade Register under the no. J/40/155/1997 and functioning according to the provisions of the Government Emergency Ordinance no. 99/2006 on credit institutions and capital adequacy, approved with amendments and modifications by Law no. 227/2007, of the provisions of Law 31/1990 on trading companies and according to its Articles of Association, approved by Order no. 3397/2019 of the Minister of Public Finance, as subsequently amended and supplemented, as well as according to the Organizational and Operational Rules.

According to Article 6 of the Articles of Incorporation, the Bank's main activity is "other monetary intermediation activities" - NACE code 6419.

### b) Date of incorporation

CEC Bank S.A. was established in 1864. Bank is registered with the Trade Register under the no. J40/155/13.01.1997, having tax identification no. RO 361897.

### c) Significant mergers or reorganizations of the Issuer, its subsidiaries or controlled companies, during the fiscal year

Not applicable.

#### **d) Description of purchases and/or disposals of assets**

Not applicable.

#### **e) Main results of the assessment of the Bank's activity**

The Bank's external auditor, KPMG Audit SRL, performed the audit of the Bank's financial statements, which include the statement regarding the financial position as of June 30, 2023, the statements regarding profit or loss and other elements of the overall result, changes in equity and cash flows for the fiscal year concluded on the same date, and notes, including significant accounting policies and other explanatory notes.

The audit opinion states that the financial statements provide a true and fair view of the Bank's financial position as of June 30, 2023, as well as of its financial performance and cash flows in accordance with the International Financial Reporting Standards adopted by the European Union.

#### **2.1 Presentation and analysis of trends, elements, events or uncertainty factors affecting or potentially affecting the Bank's liquidity, compared to the same period of last year**

The first half of 2022 was characterized by low liquidity in the banking system, with the NBR being a net creditor to the banking system in June 2022, after having been a net creditor in the first 2 months of the year. Thus, in June 2022, banks applied to the NBR credit facility, the balance being RON 11.7 billion, and the balance of repo transactions was RON 2.7 billion. The situation changed completely in the first half of 2023, when liquidity in the banking system became in excess and banks had RON 25.2 billion placed at the NBR deposit facility.

The temporary deterioration of the liquidity position of the domestic banking sector starting with March 2022 was directly reflected in the evolution of the main Basel III liquidity indicator, namely the liquidity coverage ratio - LCR, which recorded a sharp decrease in H1 2022, from 250.5% in January 2022 to 195.2% in June 2022. The values of the LCR indicator recorded at the level of the banking system in 2022 remained considerably above the level of the 100% level requirement regulated by the NBR / EBA, in the case of the aggregate indicator and well above the level of the



Half-yearly Report for the six-month period ended on 30 June, 2023 in accordance with ASF Regulation no. 5/2018

European banking system, of 164.9% as of June 2022. In H1 2023, the LCR indicator experienced a favorable evolution in the domestic banking system, based on the substantial increase in the liquidity reserve, reaching the level of 232.88% in June 2023, which indicates a significant stock of high-quality liquid assets for a 30-day stress scenario.

The LCR indicator also experienced a favorable evolution for the Bank, increasing from 184.73% on June 30, 2022, to 262.83% for June 30, 2023, being estimated at a comfortable level for the end of 2023 as well.

Trends in the consolidated financial position statement

The retail loan portfolio is expected to remain stable in 2023, marginally below the December 2022 balance, as growth generated by unsecured loans is not yet offset by weak demand for mortgages.

Lending to legal entities will register double-digit growth supported by digitalization, government programs and EU funds.

Deposits attracted from customers will remain at a high level, as a result of initiatives to increase the number of active customers and digitization of products, supported by IT platforms.

Trends in the Profit or Loss Account

Compared to the date of 30.06.2022, the Bank recorded in the first semester of 2023 a gross profit higher by 239 million lei, mainly due to the increase in active and passive interest rates and the reduction of net expenses with adjustments for expected losses related to loans, as a result of the improvement in the financial situation of some important clients analyzed individually.

Net income from interest and commissions increased by 13.3% compared to the same period last year, up to 912.7 million lei, as the subsidized rates for deposits increased at a faster rate than those for loans.

For the end of the year, the Bank expects that the net operational revenues will marginally exceed the budgeted revenues.

General administrative expenses increased by 7% in S1 2023 compared to S1 2022, below the inflation level in this interval (10%), against the background of higher personnel expenses generated by the inflationary environment, compensated by the lower annual contribution to the guarantee fund deposits and the bank resolution fund in 2023 and the strict control of administrative expenses.

Half-yearly Report for the six-month period ended on 30 June, 2023 in accordance with ASF Regulation no. 5/2018

Based on these developments, the cost-income ratio improved to 54.07% in S1 2023, compared to 58.93% in S1 2022.

#### Risk costs and asset quality

The loan portfolio remains healthy, despite the market context where inflation and rising interest rates have affected household incomes – a situation that has led to a non-performing loan rate of 5.41%.

The bank registered net expenses with provisions/adjustments related to loans and advances granted to customers (including expenses with adjustments for impaired receivables) during the first semester of 2023 in the amount of 87.3 million lei, a significant decrease compared to the net expenses of the same period of last year (226.7 million lei), as a result of the improvement of the financial situation of some important clients analyzed individually.

Especially against the background of some re-addressing or recovery of non-performing loans.

The cost of risk will generate new allocations in 2023 considering that inflation and interest rates, although in a downward trend, will remain at high levels this year as well.

#### Capitalization, profitability and financing

The total equity ratio stood at 22.81% at the end of the first semester of 2023, up from June 2022 (22.07%).

The rate of return on capital (ROE) was 14.21%, marking a significant increase compared to the rate of return recorded in 2022 (10.95%), due to the increase in operating income, the decrease in the cost of risk and the control of operating expenses. Based on the improved operational performance, the return on equity registered a good evolution in H1 2023, being estimated to exceed the budget for the year 2023.

The bank will continue the MREL bond issuance program, which was started at the end of 2022.

### **2.2 Presentation and analysis of the effects on the Bank's financial situation of all capital expenditures, current or anticipated, compared to last year**

In the first half-year of 2023, capital expenditures increased by 138% compared to the same period of 2022, and the main variations are presented in the table below. These capital expenditures were made from own sources, and the biggest value increases were registered in IT purchases (+111%).

Thousands of RON	30 June 2023	30 June 2022	Variation (2023/2022-1)
<b>A. IT investments, of which:</b>	<b>57,866</b>	<b>27,394</b>	<b>111%</b>
CURRENT IT INVESTMENTS	42,306	25,096	69%
IT STRATEGIC INVESTMENTS	15,560	2,298	577%
<b>B. Logistics investments, of which:</b>	<b>26,421</b>	<b>7,950</b>	<b>232%</b>
BANKING SECURITY INVESTMENTS	2,079	754	176%
LOGISTICS INVESTMENTS - HEADQUARTERS WORKS AND EQUIPMENT	20,931	5,912	254%
INVESTMENTS REGARDING REBRANDING	3,411	1,283	166%
<b>Total Investments</b>	<b>84,287</b>	<b>35,343</b>	<b>138%</b>

At Bank level, fixed assets amounted to RON 935 million as of June 30, 2023, compared to RON 900 million as of December 31, 2022. Compared to the two analyzed periods of the previous year, the value of fixed assets increased by 3.9% compared to the end of the previous year.

The Bank operates through its head office in Bucharest, as well as through the 48 county branches and similar units in the City of Bucharest (31 December 2022: 48 county branches and similar units in the City of Bucharest), 116 type A urban agencies (31 December 2022: 115), 385 type B urban agencies (31 December 2022: 386) and 462 type B rural agencies (31 December 2022: 462).

### 2.3 Presentation and analysis of events, transactions, economic changes that significantly affect revenues from core activity

The main influences due to the macroeconomic environment result from changes in RON interest rates, ROBOR, and IRCC, and volumes of loans and deposits in stock and new ones, changes in yields of the government securities, and changes in the evolution of the leu against major currencies. Thus:

- While in the first half of 2022, ROBOR 3 months and ROBOR 6 months rates marked increases of approximately 340 bps, in H1 2023, these interest rates marked decreases of approximately 100-120 bps.

Change in ROBOR, bps	robor 3 months	robor 6 months
Semester 1, 2022	343	345
Semester 1, 2023	-103	-118

- In H1 2022, the IRCC index used to calculate interest received on loans granted to individuals, ticked a cumulative increase of 192bps, while in H1 2023, this increase was much lower, of only 78 bps.

Change of IRCC, bps		IRCC
Semester 1, 2022		192
Semester 1, 2023		78

- **The pace of non-government lending** slowed significantly in H1 2023, compared to the previous period: thus, in H1 2023, mortgage loans decreased by 1.4%, while in H1 2022 they increased by 4.5% compared to the previous period. Consumer loans increased by only 1.4% in H1 2023, while in H1 2022 they advanced by 3.1%. PJ loans, however, had a lower pace in H1 2023, of 6.4%, while in H1 2022 they increased by 13.8%.
- **The growth rate of non-government deposits** was higher in H1 2023, compared to the previous period, than the growth rate recorded in H1 2022: thus, the deposits of households and non-financial companies (excluding public administration) each increased by 3.9% in H1 2023, while in H1 2022, the pace was much lower: the deposits of households decreased slightly, by 0.2%, and deposits of non-financial companies (excluding public administration) increased by 1.2%.

	Household loans		Non-financial companies' loans	Household deposits	Non-financial companies' deposits
	mortgage	Consumer			
Semester 1, 2022	4.5%	3.1%	13.8%	-0.2%	1.2%
Semester 1, 2023	-1.4%	1.4%	6.4%	3.9%	3.9%

- **The evolution of the RON** was much more volatile in H1 2022 against the dollar, compared to H1 2023: thus: the RON depreciated 8.5% against the dollar in H1 2022 and appreciated by 1.3% in H1 2023. The variation against the euro was insignificant in both periods: in H1 2022, the leu appreciated by 0.1% against the euro and depreciated by 0.3% in H1 2023.

"+" depreciation/"-" appreciation	EURRON	USDRON
	Semester 1, 2022	-0.1%
Semester 1, 2023	0.3%	-1.3%

- **The evolution of government bond yields in RON** led to a decrease in sovereign bond prices in RON in H1 2022, while in H1 2023, bond prices increased. Thus, in H1 2022, sovereign bond yields in RON increased between 370-450bps, for maturities from 6 months to 10 years. In H1 2023, yields fell around 60-140 bps, for maturities from 6 months to 10 years, according to NBR fixing.

change, bps	Tbills 6 luni	Tbills 12 luni	3-year bonds	5-year bonds	10-year bonds
Semester 1, 2022	451	448	434	405	369
Semester 1, 2023	-57	-58	-73	-115	-141

CEC Bank recorded a net profit of 296.2 million lei in S1 2023, up 225.1% compared to 110.3 million lei in S1 2022, thanks to an improved operational performance, supported by a higher volume of business with clients.

Net interest income increased by 16.1% to 779 million lei in S1 2023, from 671 million lei in S1 2022, due to higher volumes combined with higher interest rates on the money market, as detailed in the table below:

Millions of RON	June 2022	June 2023	Variation	due to the increase in volumes (*)	due to the increase in the interest rate (**)
Interest income	1,048	1,907	859	388	470
Interest expense	377	1,127	751	240	510
<b>Net interest income</b>	<b>671</b>	<b>779</b>	<b>108</b>	<b>148</b>	<b>(40)</b>
Interest-bearing assets - medium volume	50,031	62,825	12,794		
Interest-bearing liabilities - medium volume	47,914	60,877	12,963		
Average annual interest rate on assets	4.19%	6.07%	1.88%		
Average annual interest rate on liabilities	1.57%	3.70%	2.13%		

Notes: \* (current year average interest rate increasing average volume)/2; \*\* (interest rate variation\* average volume of the previous year)/2

The net income from commissions decreased slightly by 0.6% to 133.4 million lei in S1 2023, from 134.3 million lei in S1 2022, mainly due to the increase in commission expenses against the backdrop of inflationary pressures, while the Bank did not operate commission increases, in order to support its clients in this economic context.

### 3 Changes affecting the Bank's capital and management

#### 3.1 Detailing the cases in which the Bank was unable to comply with its financial obligations

Not applicable.

### **3.2 Changes regarding the rights of holders of securities issued by the Bank**

#### **3.2.1 Description of the markets in Romania and other countries where the issued securities are traded**

##### **- Bucharest Stock Exchange**

On December 30, 2022, within the MTN (Medium Term Notes) program, the Bank issued for the first time eligible non-preferential senior bonds (SNP) denominated in RON and EUR, with maturity on December 30, 2025 as follows:

- 334 new bonds, in RON with a nominal value of RON 525,000/bond, which were listed on the regulated market of the Bucharest Stock Exchange on February 17, 2023 (stock ticker CECRO25-ISIN XS2572123516).

<https://bvb.ro/FinancialInstruments/Details/FinancialInstrumentsDetails.aspx?s=CECRO25>

- 973 new bonds, in EURO at a nominal value of EUR 100,000/bond, which were listed on the regulated market of the Bucharest Stock Exchange on February 17, 2023 (stock ticker CECRO25E-ISIN XS2572123433).

<https://bvb.ro/FinancialInstruments/Details/FinancialInstrumentsDetails.aspx?s=CECRO25E>

On 07 February 2023, the Bank issued for the second time eligible MREL Senior Non-Preferred bonds (SNPs) denominated in EUR, with maturity date on 07 February 2028, in a nominal amount of EUR 119,300 thousand, bearing a fixed rate coupon:

- 1.193 new bonds, in EURO at a nominal value of 100.000 eur/bond, which were listed on the regulated market of the Bucharest Stock Exchange on February 17, 2023 (stock ticker CECRO28E - ISIN XS2574275280)

<https://bvb.ro/FinancialInstruments/Details/FinancialInstrumentsDetails.aspx?s=CECRO28E>

##### **- Luxemburg Stock Exchange**

- 1.193 new bonds, in EURO at a nominal value of 100.000 eur/bond, which were listed on the regulated market of the Bucharest Stock Exchange on February 17, 2023 (stock ticker CECRO28E - ISIN XS2574275280)

<https://luxse.com/security/XS2574275280/373236>

### **3.2.2 Description of the Issuer's policy regarding dividends**

Not applicable.

### **3.2.3 Description of any Issuer activities for the purchase of its own shares**

Not applicable.

### **3.2.4 If the Issuer has subsidiaries, specifying the number and nominal value of the shares held by the subsidiaries, issued by the parent company**

Not applicable.

### **3.2.5 If the Issuer has issued bonds and/or other debt securities, the provision of the manner in which the Issuer is to settle its obligations to the holders of such securities**

The instruments have an early redemption clause at the Issuer's choice (as of 30 December 2024 - tranche I, as of 7 February 2027 - tranche II), for reasons related to regulatory requirements, namely the existence of a residual maturity exceeding one year for the purpose of being considered as eligible liability elements or for tax reasons.

The bonds issued are eligible to meet the minimum requirement of own funds and eligible liabilities (MREL).

## **4 Significant transactions**

There were no significant transactions in the first half of 2023. There were no significant major transactions concluded by the Bank with persons with whom it acts in concert or in which these persons were involved between January and June 2023.

## **5 Events subsequent to the balance sheet date**

On 27 July 2023, the Bank completed the takeover of the package of 99.993% of the share capital of the Rural Credit Guarantee Fund (FGCR) from BRD Groupe Societe Generale, Banca Comercială Romanian and Raiffeisen Bank. Through this acquisition, the Bank seeks to increase its support to agriculture and rural development, which are important development segments for the Bank.

### III. Appendices

The following documents are attached hereto:

- 1 The management's statement regarding the accountability for the preparation of the financial statements as of 30 June 2023**
- 2 IFRS financial statements as of 30 June 2023**
- 3 Report of the independent auditor KPMG Audit S.R.L. regarding the IFRS financial statements.**

Bogdan Constantin Neacsu  
General Manager - Chairman of the Board  
Department



Ștefan Silviu Fota  
of Directors, Steering Accounting